

Investor Intelligence Report Home Depot

"Voice of the Shareholder"

3Q 2023 at September 13th

Brendan Wood International
First Intelligence

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Brendan Wood & Partners

The Brendan Wood Shareholder Confidence Panel

<p>BWI Panel</p> <p>Institutional & Private Wealth Investors</p> <p>Secondary Markets Professionals Research, Sales & Trading</p>	<p>GLOBAL PANEL</p> <p>2000+ Debriefs with Decision Makers</p> <p>>\$56 Trillion in Assets</p> <p>70% Sector Specialists</p> <p>30% Generalists</p> <p>Average 9 Yrs Professional Experience, 25% more than 15 Years</p> <p>+/- 600 Professionals, including... +/- 400 TopGuns</p>	<p>GLOBAL RESOURCES PANEL</p> <p>350+ Debriefs with Decision Makers</p> <p>>\$15 Trillion in Assets</p> <p>80% Sector Specialists</p> <p>20% Generalists</p> <p>Average 11 Yrs Professional Experience, 35% more than 15 Years</p> <p>+/- 100 Professionals, including... +/- 100 TopGuns</p>
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Geographic Breakdown of the BWI Panel 2023:

US	42%
Canada	21%
Europe/Middle East/Africa	32%
Pacific Rim	4%
Latin America	1%+

Global Resources Panel:

35%
34%
27%
3%
1%+

WHAT DO BRENDAN WOOD COMPANY SCORES MEAN?

METHODOLOGY

The core mission of BWI performance and quality metrics is to illustrate and explain the emerging investor “commitment to own” particular stocks.

Eleven critical performance metrics are used to determine the relative strength of investor commitment to a company as an investment target. To help investors rate companies in a sector on a relative basis “one metric at a time”, a visual technique is used. For example, the visual tool shows investors a consensus vertical hierarchy representing how each investment target company in a sector is rated by investors against a criterion such as “Quality of Strategy” ... AS AN INFLUENCE ON THE INVESTOR COMMITMENT TO OWN THE NAME. The investor is then asked to adjust the consensus rating hierarchy to match their own particular view of how each company scores against the “Quality of Strategy” criterion. They may agree or disagree with the consensus. The investor then makes their personal adjustments which are added to our cumulative data instantly. To make this task fast and accurate the visual scoring hierarchy is broken down into top decile, four quartiles and a bottom decile, therefore six potential levels of performance against each investment selection criterion. The quartile display is instantly recognizable by investors as indicating both absolute and relative bases of the influence of a company’s level of competitive performance against a critical investment selection criterion.

The above methodology forces the (dependent variable) absolute benchmark of “commitment to own” on each quality of a corporate investment target.

WHY A COMPANY SCORE MAY BE FIRST IN ITS SECTOR BUT RATE IN THE SECOND QUARTILE?

This means that the sector itself (all companies included) ranks in the second quartile or below of investor selection attractiveness against a particular criterion of investability.

ADVANTAGE OF BRENDAN WOOD INTERNATIONAL METHODOLOGY?

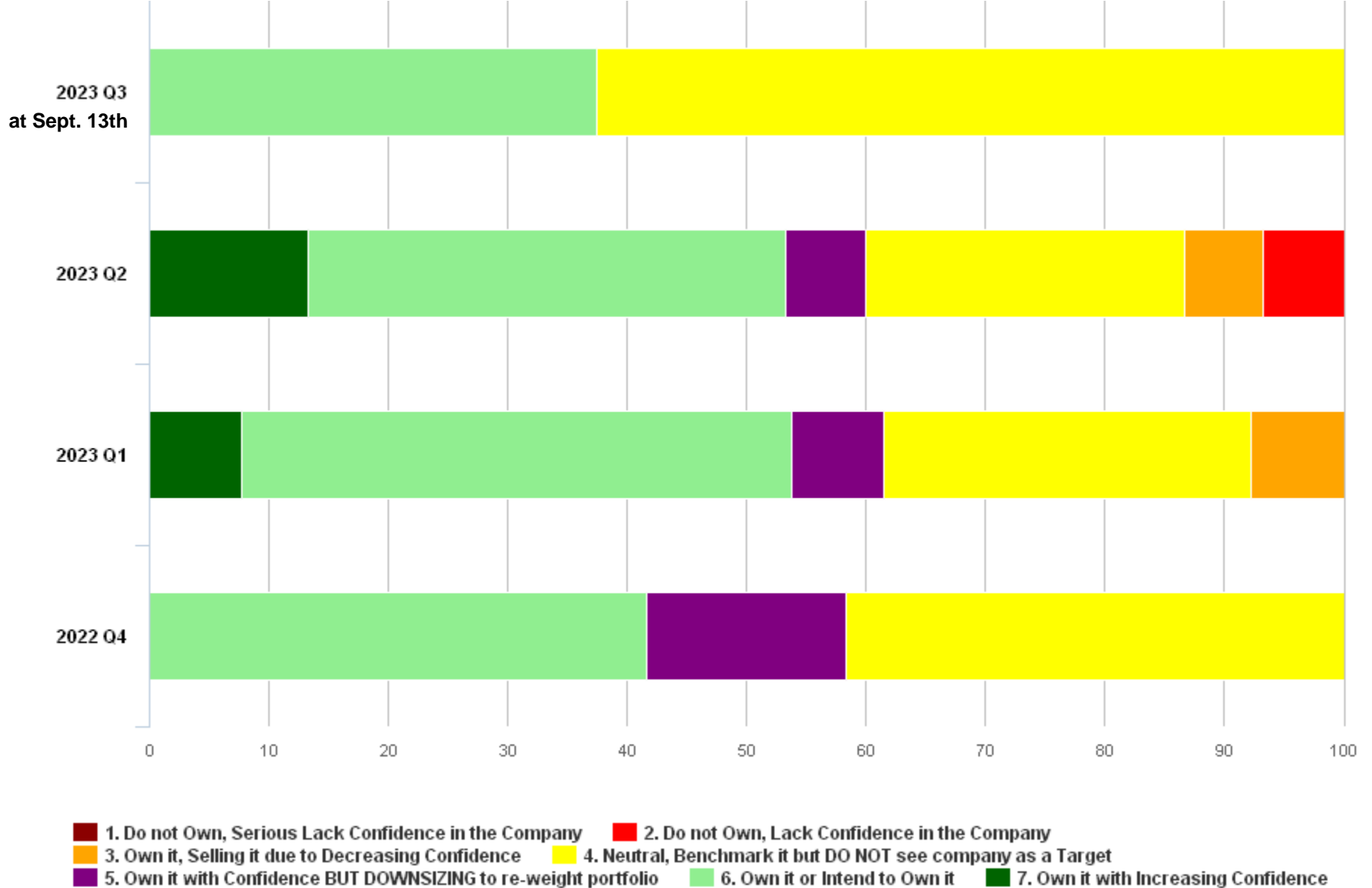
This process identifies the emerging competitiveness of individual sectors, sub-sectors and most importantly of companies as investment targets on both an absolute and relative ‘best in sector’ basis against investors’ selection criteria for the year ahead. Such calibrated data allows BW partners to help corporate management to accurately analyze their company’s attractiveness as a target for the year ahead as an individual story and relative to its comparables and sector. The isolation of performance against individual metrics enables management to identify and address the key metrics which drive the “commitment to own” their particular stock.

APPARENT CONTRADICTION BETWEEN QUARTERLY RESULTS AND ROLLING YEAR RESULTS?

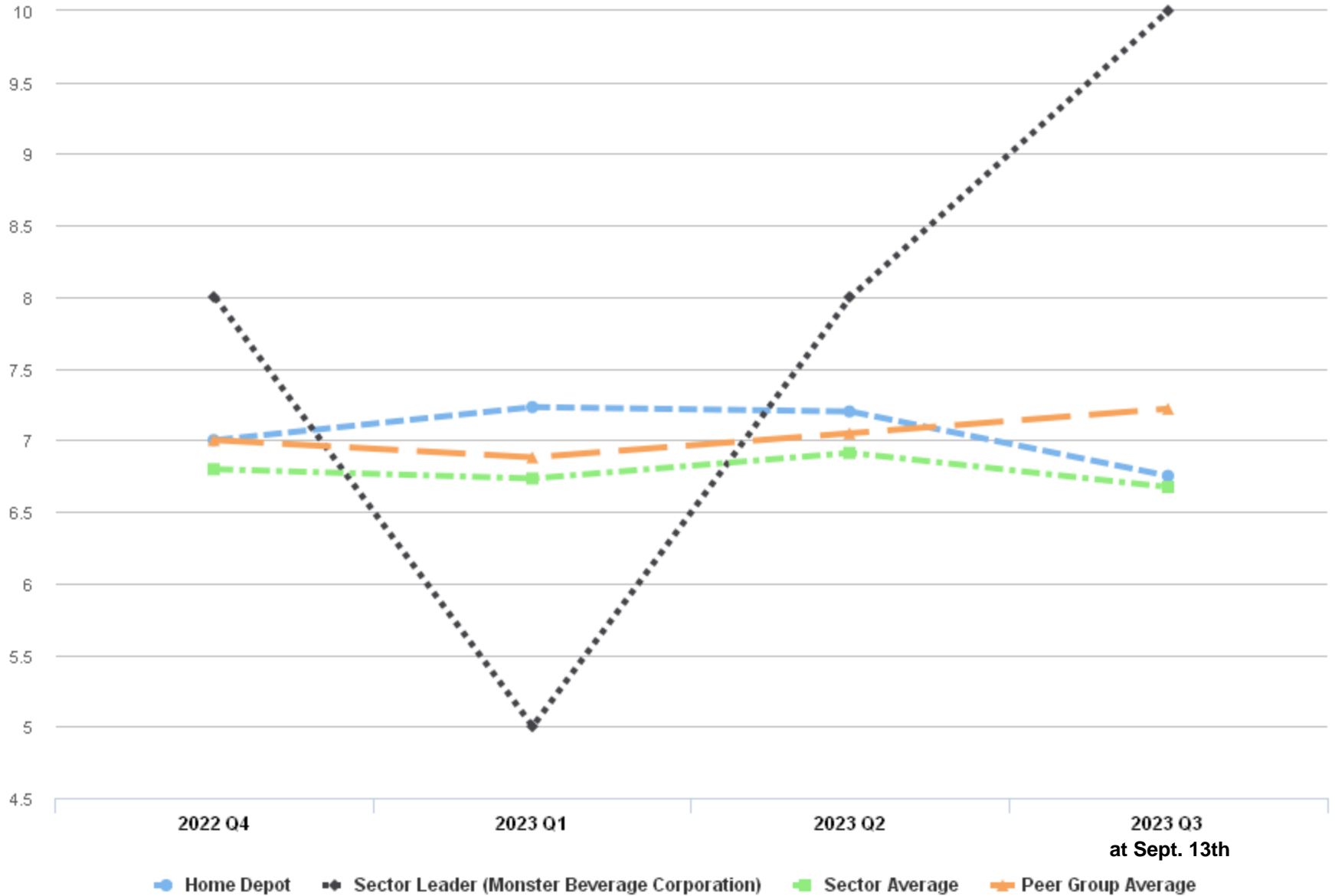
Quarterly results = the results in the quarter. Rolling years results = the results for a full year of data.

What is Your Commitment to Own This Stock in The Year Ahead?

Home Depot



What is Your Commitment to Own This Stock in The Year Ahead?



Shareholder Confidence Metrics

Home Depot's Performance Vs Home Depot Peer Group

Home Depot Peer Group

Costco Wholesale Corporation

Home Depot

Lowe's Companies Inc.

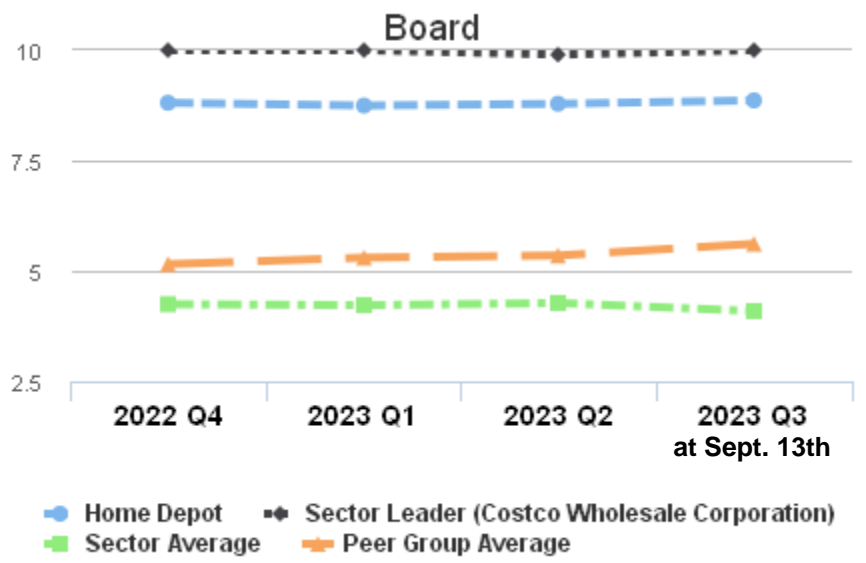
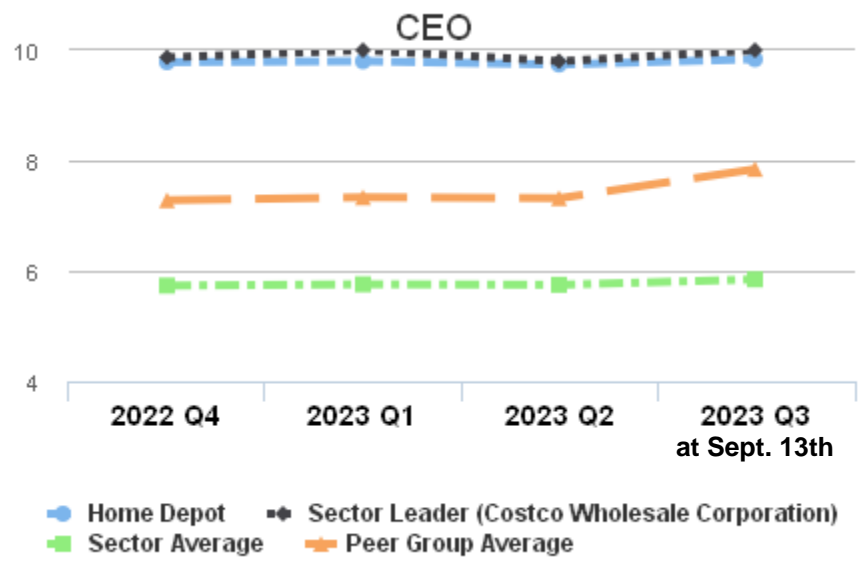
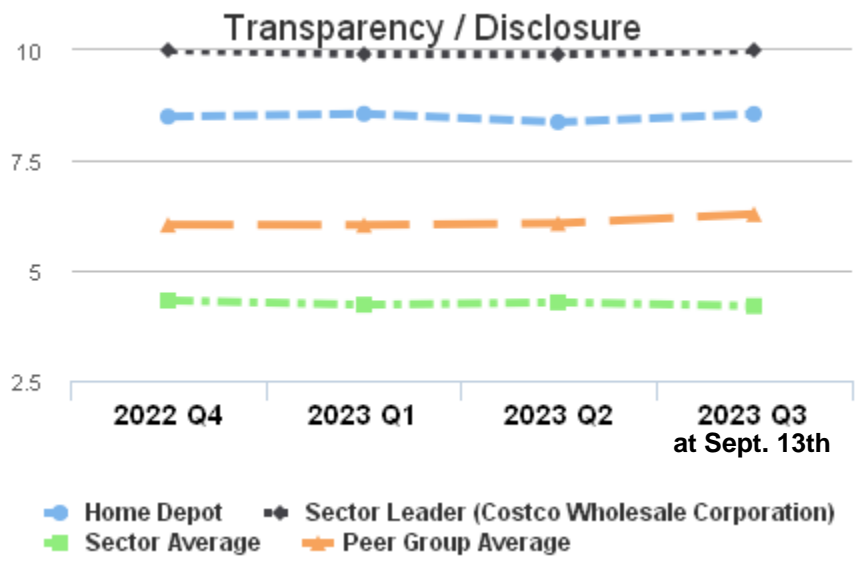
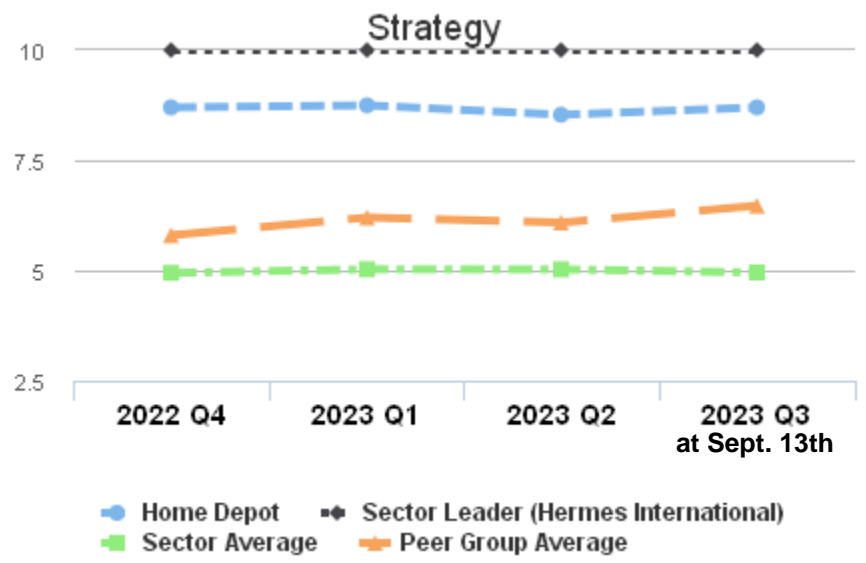
Target Corporation

Tractor Supply Co.

Wal-Mart Stores Inc.

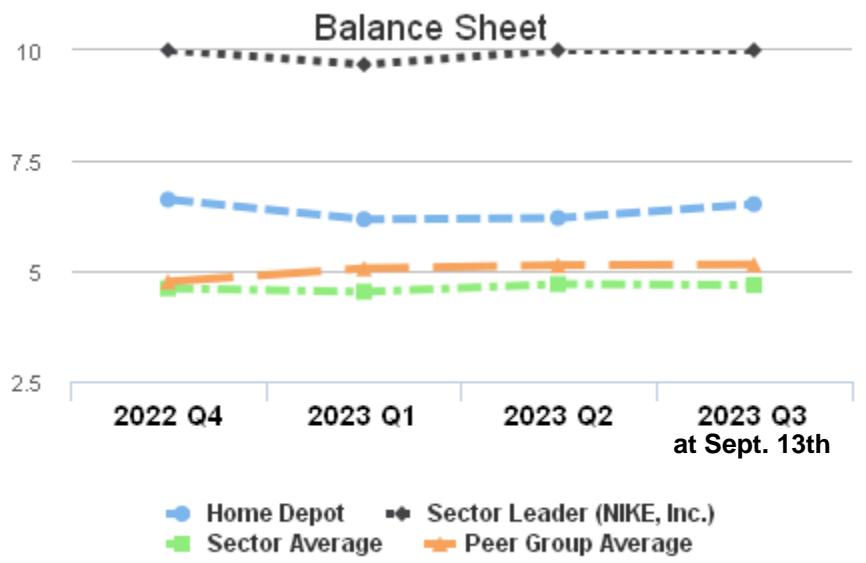
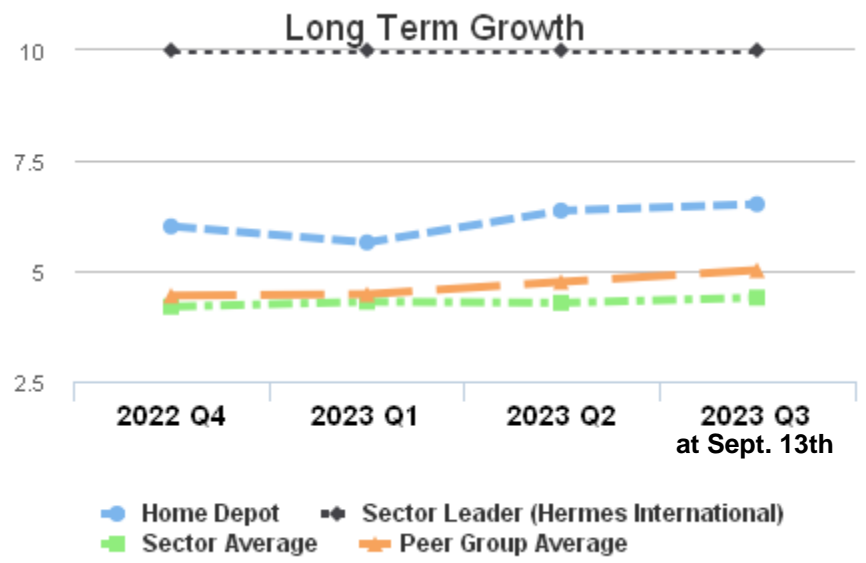
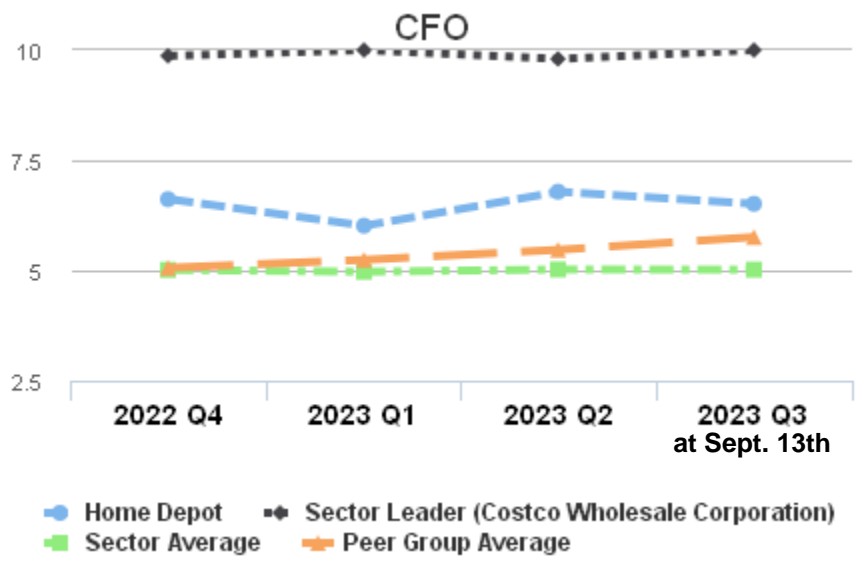
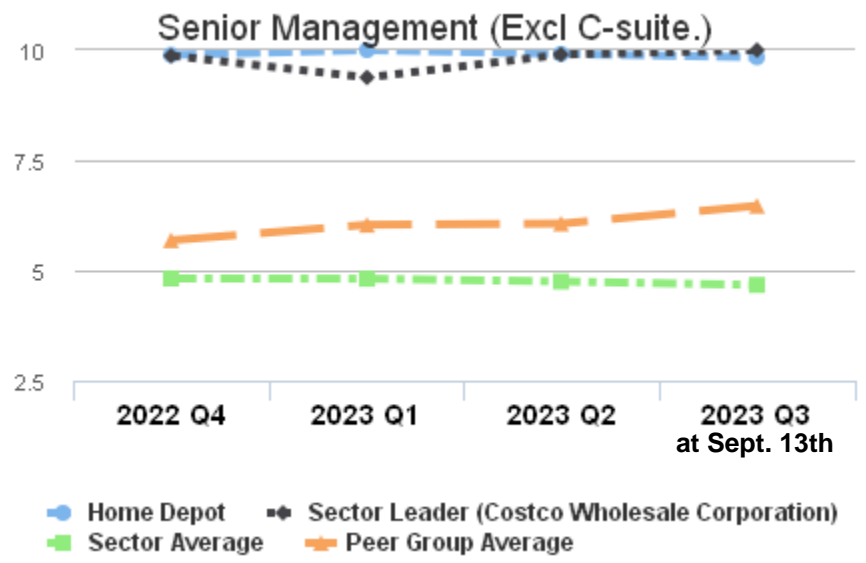
Shareholder Confidence Metrics Forecast for the Year Ahead

Quarter over Quarter Results



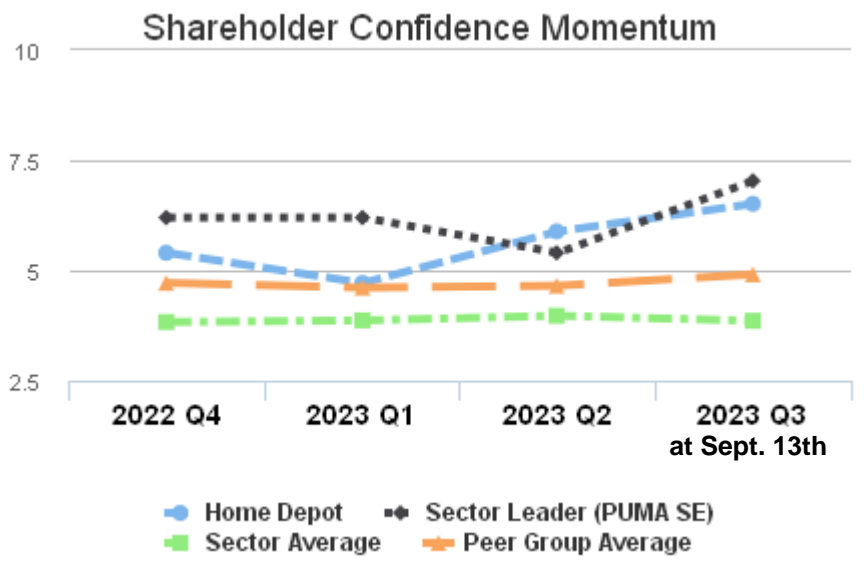
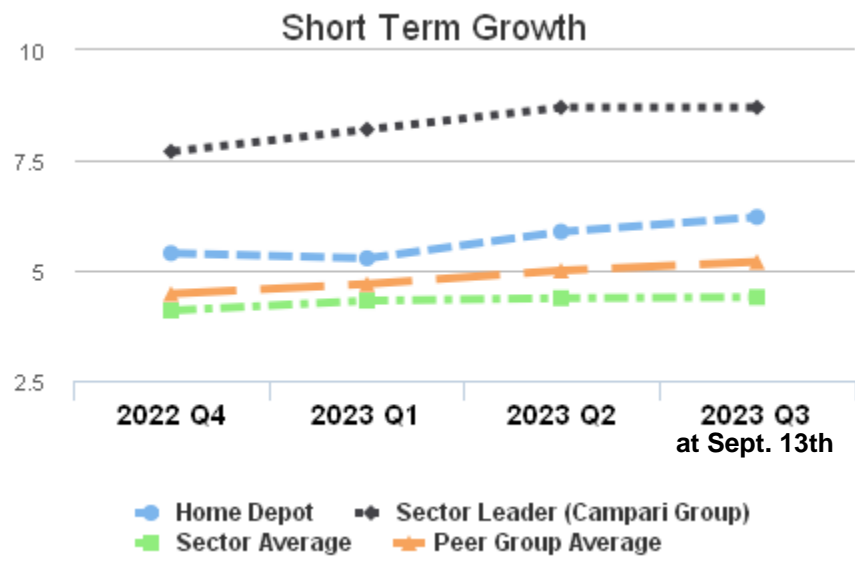
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Quarter over Quarter Results



Shareholder Confidence Metrics Forecast for the Year Ahead

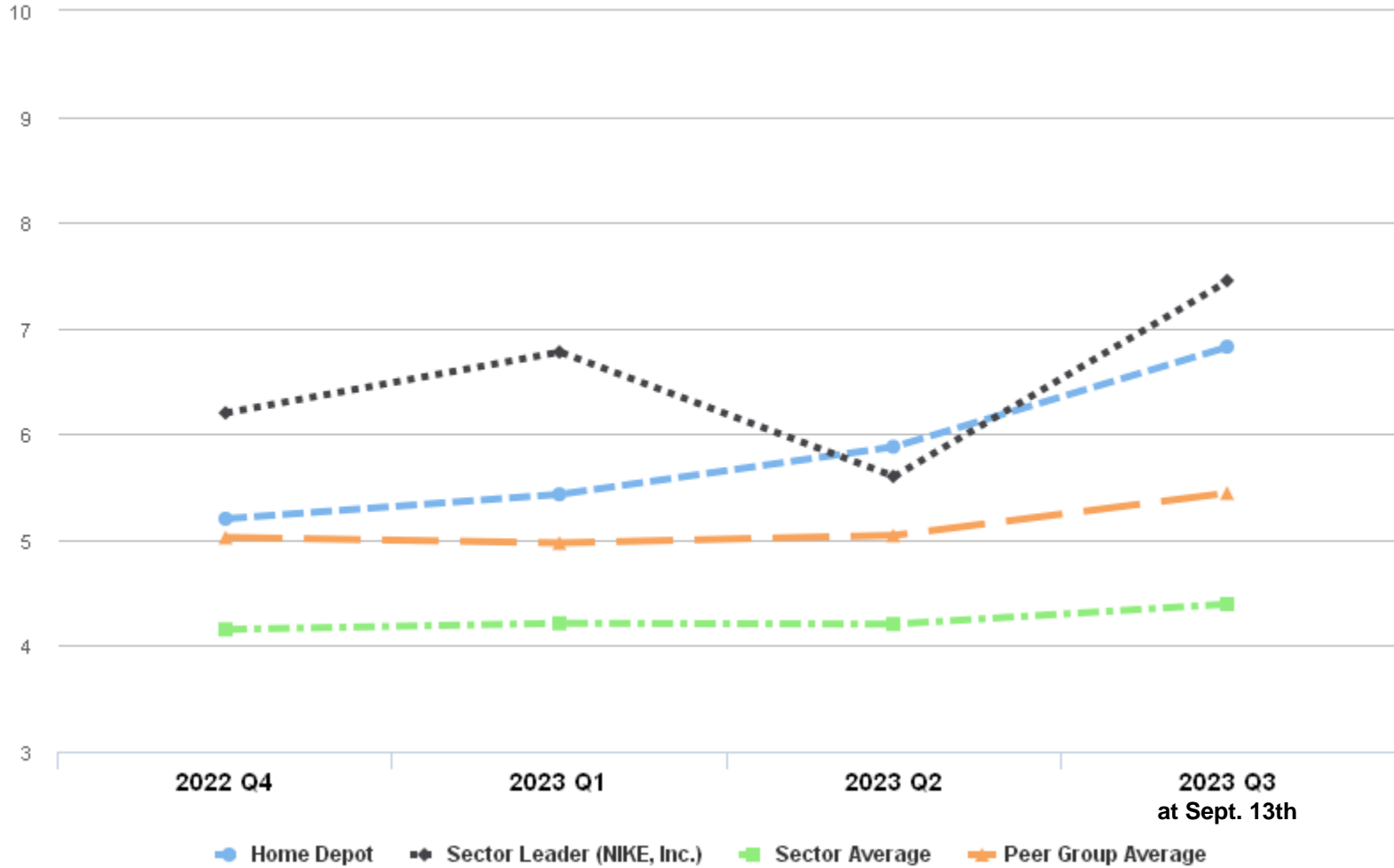
Quarter over Quarter Results



Shareholder Confidence Metrics Forecast for the Year Ahead

Quarter over Quarter Results

Price Appreciation Potential



Typical Investor Verbatim

Positive Momentum Verbatim

“Home Depot's senior management is a textbook case of how things should be handled.”

“The board at Home Depot is extremely hands on. I think there are guys there on the board that have been there for a long time and there are certain principles and cultural artifacts there where Home Depot has been very successful because they have stayed with those principles. That board is very involved in making sure and holding the management team accountable to the sustenance of those principles and it makes a difference. My sense with the Home Depot board is they have been there a long time and there isn't that much turnover and they're very committed to the basic core of why the company has been successful. All that being said, they have been pretty good at adjusting along the way, when you think about what they have gone through with adjusting to online retail. They get high marks, and they may be the best board in the sector.”

“Home Depot's CFO, Richard McPhail, is super high-quality.”

“Home Depot has a corporate culture of improvement. They do a great job training up the next class of management. Richard McPhail is training his replacement now for the next decade or something like that.”

“Home Depot's share price got beaten down recently. They have bottomed out in the cycle, so they should start earning slowly.”

“Home Depot recently talked about labour management and wage increases, which was positive.”

Typical Investor Verbatim

Positive Momentum Verbatim

“Home Depot is a good breeding ground for senior executives.”

“Home Depot's senior management team makes themselves available, so they're one of the better companies on that front.”

“Home Depot got a new CFO a couple years ago. I actually think he is very good.”

“Home Depot has one of the best leadership teams in retail.”

“I'm bullish on Home Depot even though the real estate and housing markets are not hot topics these days, and maybe you will see contractions. The home improvement trends will remain positive in the recessionary environment, maybe less so, but they have guided down the proper way. On beats, they have mentioned to expect lower growth in this recessionary environment. Their communication to the street has been very good.”

“Home Depot have a history of building out management teams.”

“Home Depot is great in terms of bringing out the management team to meetings and conferences. It's never just the CFO or the CEO. They have a line up. They have four or five people, and you can chat with them.”

“Home Depot does a lot of good reporting.”

“Home Depot usually uses capital effectively with their strategy”

“Home Depot is fantastic over the long term from a growth standpoint. It is really quite safe.”

Typical Investor Verbatim

Neutral Momentum Verbatim

“Home Depot has a very good senior management team. The current demand environment is a little tough for them.”

“Home Depot's strategy is not riskier than anyone else's. The challenge is the industry they are in.”

“Home Depot has struggled for a bit, so it could be time for some price appreciation.”

“If you think about the long-term initiatives that Home Depot has and the One Supply Chain, they're not fully getting credit for that yet. You should see a lot more of that flow through in the next few years to help offset some of the headwinds. There will be some decline in the long term, but the 12 month outlook is worse.”

“Home Depot's strategy has been the same for a while. The economy can change, but they have a strategy that they're going to execute against.”

“Home Depot will be sensitive to house prices and if there's a recession, that could have a negative demand implication for them.”

“Home Depot changed CFOs in the last two or three years. They're going from what was considered to be one of the best CFOs in the country, Carol Tome, to a new person who's perfectly fine, but a lot of investors are still trying to get comfortable with Richard McPhail.”

“Home Depot's CEO, Ted Decker, is fairly new. He has to show us a bit more.”

Typical Investor Verbatim

Negative Momentum Verbatim

“The home improvement space for now is in a high interest rate and raw material inflation environment. I don't see any good entry points for companies like Lowe's or Home Depot.”

“Our home improvement lead indicator turned negative in the fall of 2022. We expected Home Depot to have to guide to miss numbers this year, and they did. However, they have reasonable expectations now.”

“Home Depot does not disclose as much with their reporting.

“Unfortunately, Home Depot is experiencing some slowing trends with high-ticket items not selling as fast due to employment uncertainty and inadequate wage increases that fail to cover the inflation of new and durable goods. I believe there might be a further downside for Home Depot in terms of price appreciation.”

“Home Depot's IR and CFO do not give much meat when we talk.”

“I'm feeling nervous about Home Depot because it's quite challenging to comprehend what has been pulled forward. While they emphasize the significance of home price appreciation, we must consider that home sales also play a crucial role, and there's been a complete meltdown on that front. The valuation has decreased somewhat, but I wouldn't want to dip my toe in the water on this one.”

“Home Depot's earnings is going to be down in 2023.”

“There are concerns for Home Depot given the macro. People are purchasing less big ticket items with the economy slowing down significantly.”

Typical Investor Verbatim

Negative Momentum Verbatim

“People are more bearish on Home Depot and Lowe's right now because of the housing risk.”

“I have less confidence in Home Depot considering where the consumer is going. Housing prices are down. People are back to work and focusing on services over goods.”

“There's still downside to earnings growth for Home Depot.”

“I'm less confident in Home Depot's earnings forecasts after the most recent earnings call. I give them the benefit of the doubt. It's a pretty challenging environment to predict and forecast in. Overall, their reporting is quite strong. It's just the forecasting side.”

“I don't have any home improvement exposure currently. I would engage in that sector if we got a clearing event where we see fundamentals actually start to stabilize, but it's far too early as it stands now. There's probably more bad news to be priced into Home Depot's stock even with the declines that we've seen over the past six to 12 months.”

“There's too much financial engineering at Home Depot for us in terms of the buy back and that sort of thing.”

“The outlook for Home Depot could get tougher.”

“Investors are worried about housing and the impact on Home Depot.”

“There has been a lot of COVID pulled forward in the demand profile of Home Depot, which will slowly drift over time, and it's not reflected in consensus numbers.”

Typical Investor Verbatim

Negative Momentum Verbatim

“In their reporting, Home Depot do not quantify the drivers to their margin impacts. Usually, a company will quantify the various drivers to gross margin expansion and gross margin contraction. Home Depot just tells you what the drivers are but doesn't quantify them.”

“2023 will present some challenges for Home Depot. It's looking like an increasingly tough housing backdrop.”

“With Home Depot I think there is negative outlook for the top line.”

“Home Depot has been very strong in terms of their growth strategy. However, looking at the housing market and how interest rate sensitive it is, I have decreasing confidence in the short-term growth.”

“Home Depot's short-term growth could be negatively impacted by a potential slowdown in the economy.”

“Given where we are in the cycle, I'm losing confidence in Home Depot.”

“Home Depot's short-term growth could be negatively impacted by a potential slowdown in the economy.”

“Given where we are in the cycle, I'm losing confidence in Home Depot.”

“There's no denying there's increased risk for anything that has a cyclical component to it.”

Typical Investor Verbatim

Negative Momentum Verbatim

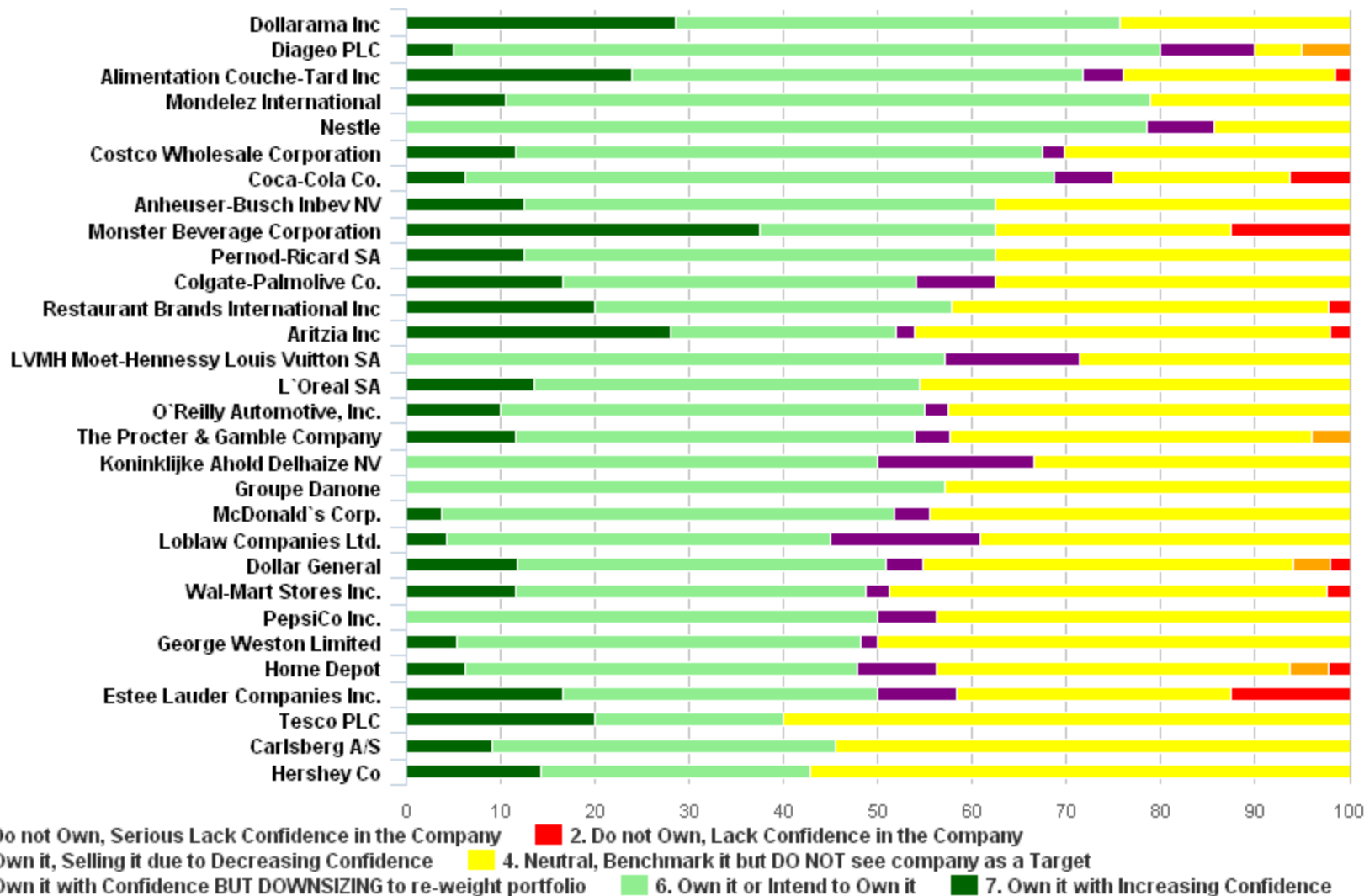
“I have decreased confidence in Home Depot's price appreciation potential due to the recession risks.”

“We're looking at low single digit growth for Home Depot. There are concerns about the impact of rates demand versus Costco where you have much more visibility and a more defensive proposition.”

What is Your Commitment to Own This Stock in The Year Ahead?

Rolling Year Data

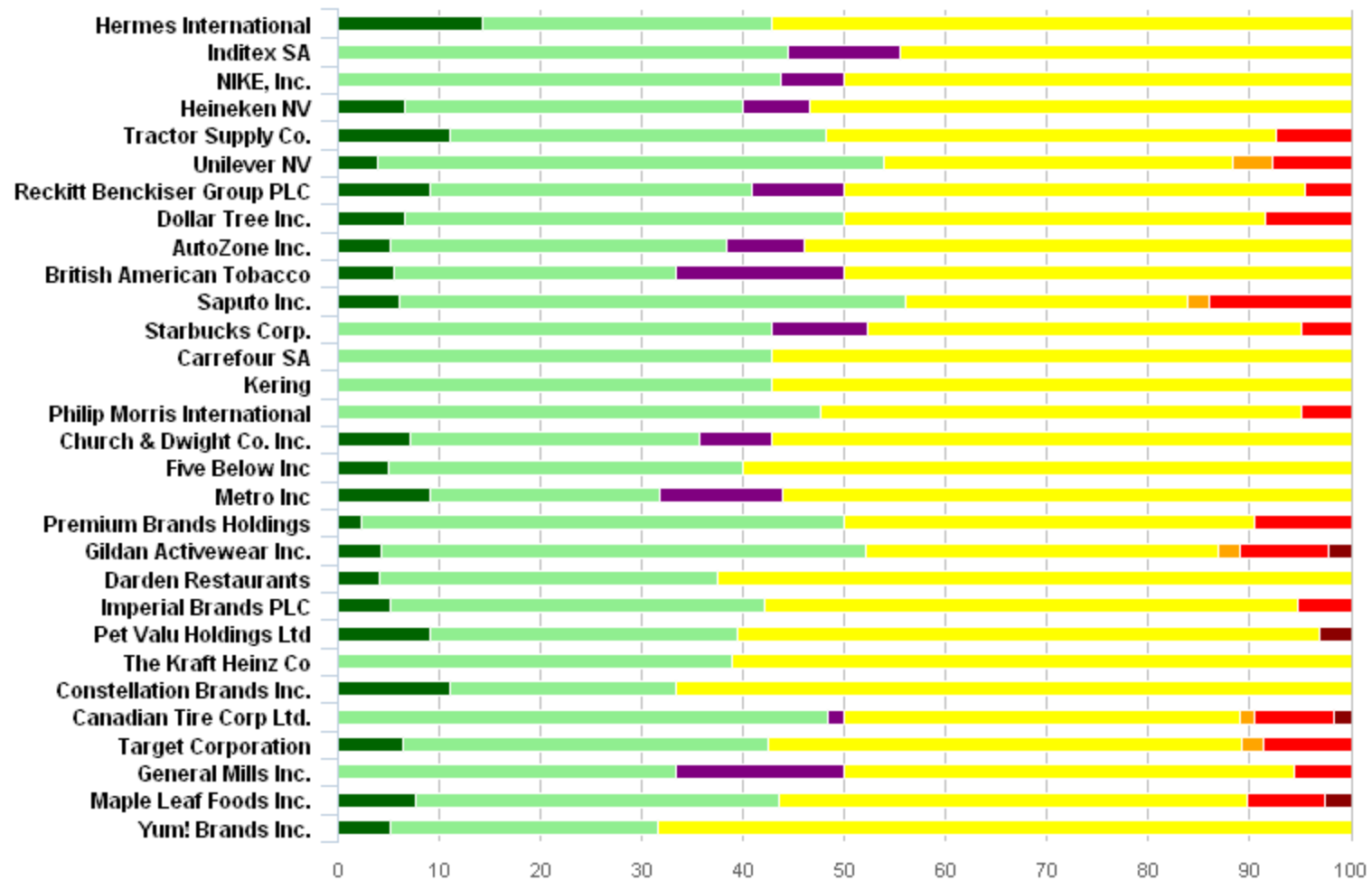
Buyers/Sellers by Sector



What is Your Commitment to Own This Stock in The Year Ahead?

Rolling Year Data

Buyers/Sellers by Sector



- 1. Do not Own, Serious Lack Confidence in the Company
- 2. Do not Own, Lack Confidence in the Company
- 3. Own it, Selling it due to Decreasing Confidence
- 4. Neutral, Benchmark it but DO NOT see company as a Target
- 5. Own it with Confidence BUT DOWNSIZING to re-weight portfolio
- 6. Own it or Intend to Own it
- 7. Own it with Increasing Confidence

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Rolling Year Data

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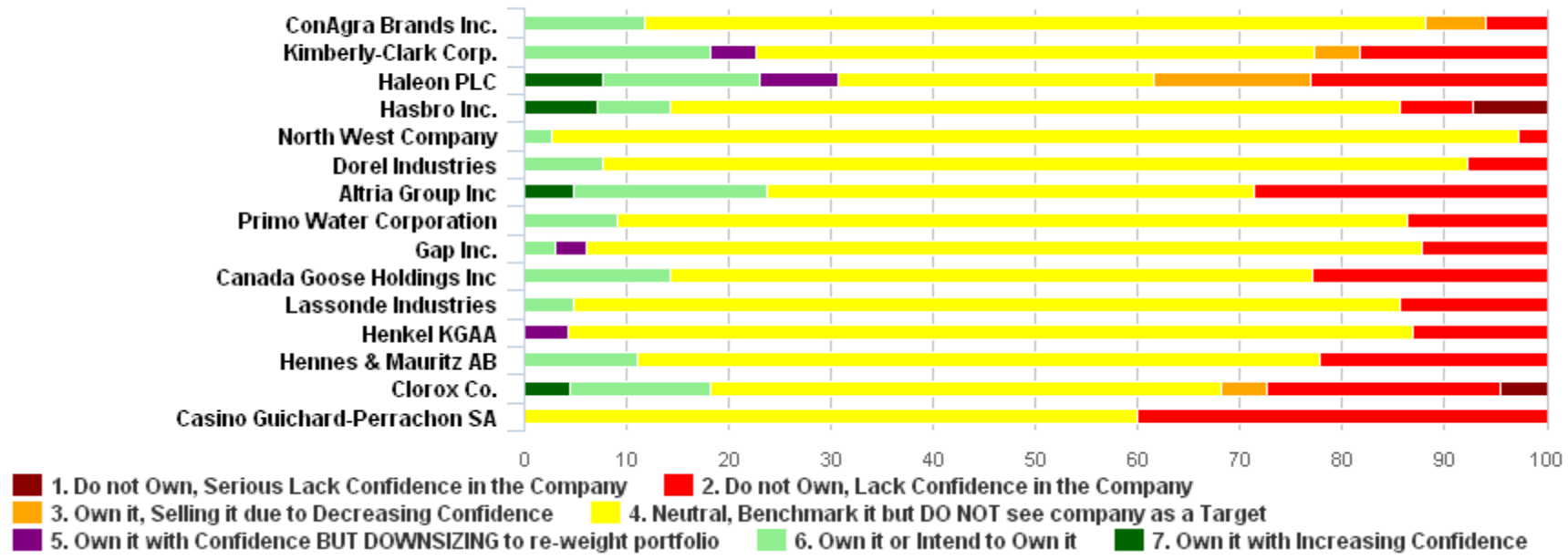


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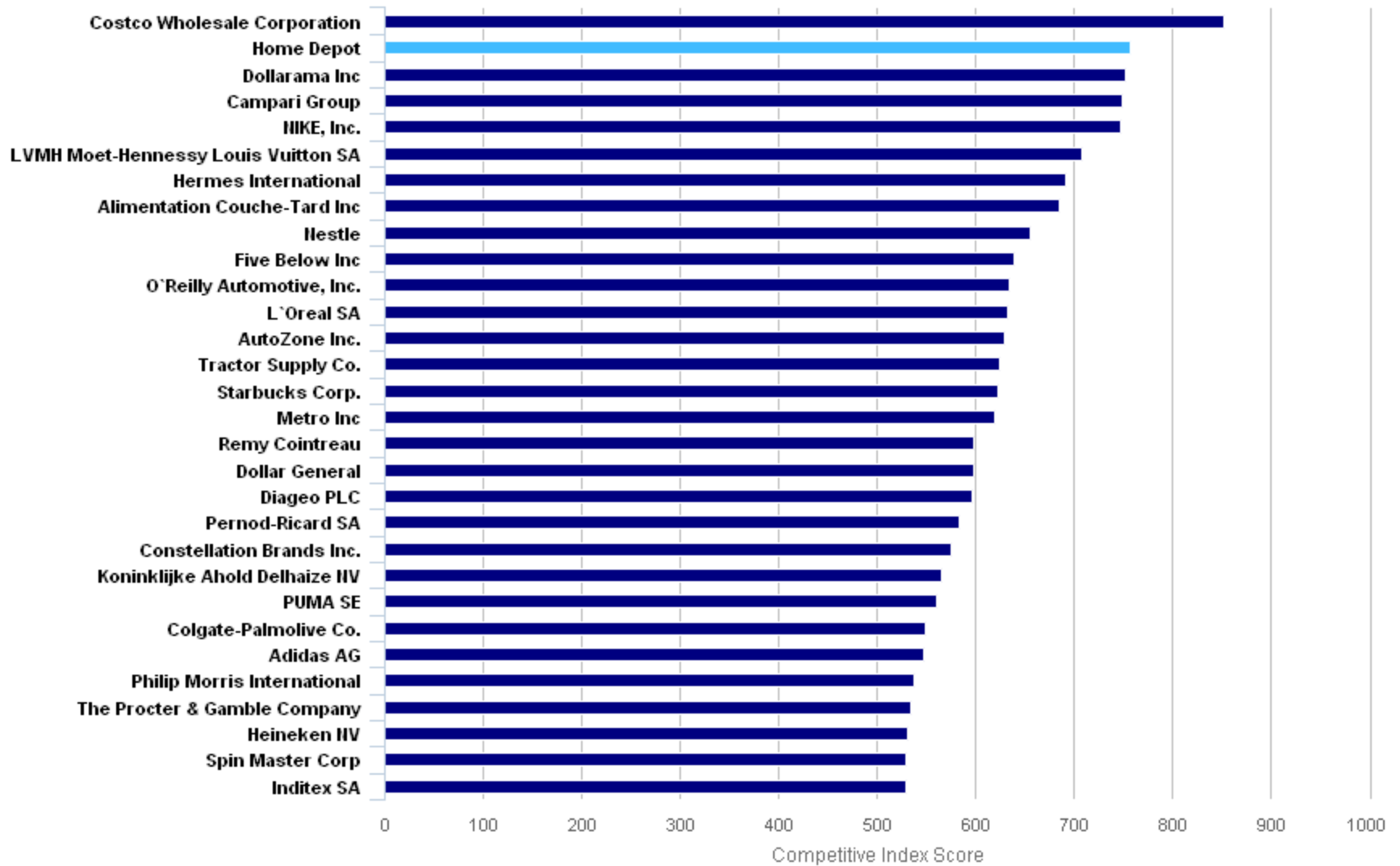
Buyers/Sellers by Sector



Shareholder Confidence Competitive Index

Rolling Year Data

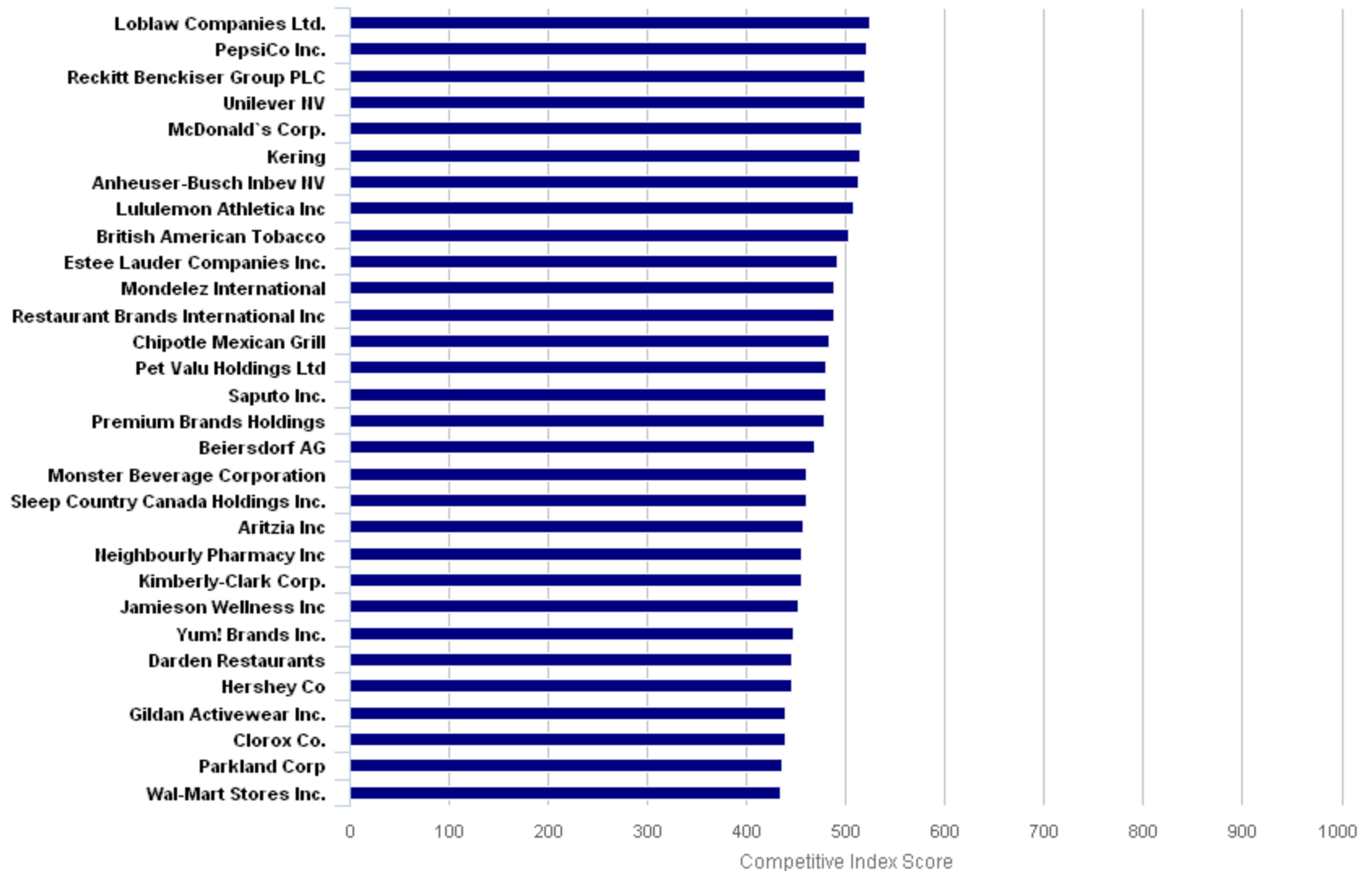
Global Investors - Investment Quality Index



Shareholder Confidence Competitive Index

Rolling Year Data

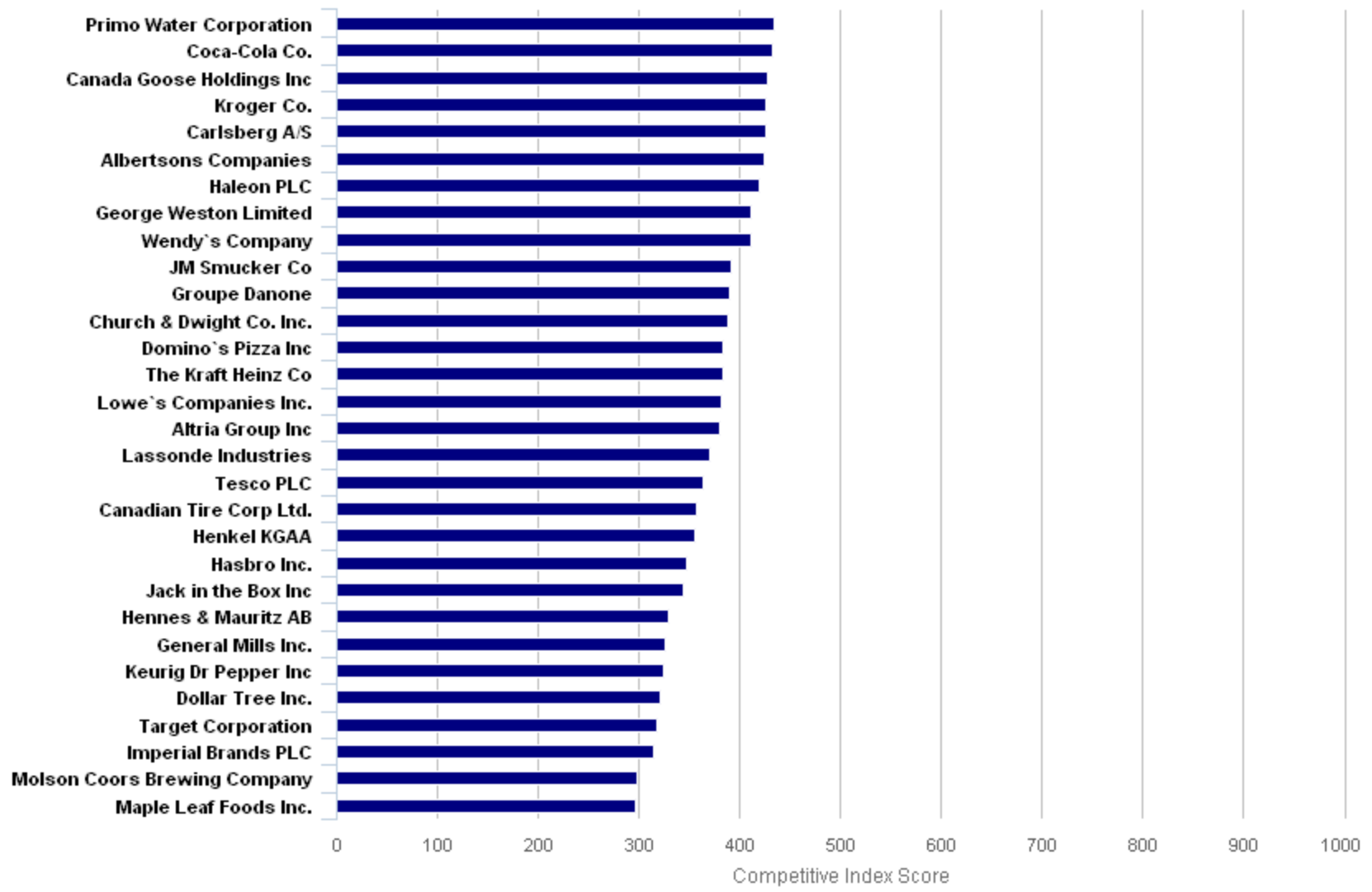
Global Investors - Investment Quality Index



Shareholder Confidence Competitive Index

Rolling Year Data

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Shareholder Confidence Competitive Index

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