



Value Line®

PRODUCT GUIDE

| | | | | | | | | | | | | | | | |
|------------|------|-----------------|---|------|------|------|-------|------|------|------|------|------|-------|-------|-------|
| TIMELINESS | 2 | Lowered 3/6/15 | High: | 55.5 | 72.4 | 92.1 | 107.8 | 88.3 | 56.6 | 76.0 | 80.6 | 77.8 | 142.0 | 144.6 | 158.8 |
| SAFETY | 1 | Raised 6/13/14 | Low: | 38.0 | 49.5 | 65.9 | 84.6 | 36.2 | 29.0 | 54.1 | 56.0 | 66.8 | 72.7 | 116.3 | 126.2 |
| TECHNICAL | 3 | Lowered 1/16/15 | LEGENDS — 12.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession | | | | | | | | | | | | |
| BETA | 1.05 | (1.00 = Market) | | | | | | | | | | | | | |

2018-20 PROJECTIONS

| Pr | Gain | Ann'l Total Return |
|------|------|--------------------|
| High | 20% | 10% |
| Low | 1% | |

THE VALUE LINE
Investment Survey®
www.valueline.com

Part 3
Ratings & Reports

ISSUE 8
Pages 1500-1650

File in the binder in order of issue number, removing previous issue bearing the same number.

The Value Line Investment Survey

Part 2 File in page order in the Selection & Opinion binder.

ISSUE 10
Pages 2229-2240

SELECTION & OPINION

Value Line®

PRECIOUS METALS INDUSTRY

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ESPECIALLY NOTEWORTHY:
This week, we welcome three companies to The Value Line Investment Survey. **Pretium Resources** (page 1574) and **Tahoe Resources** (page 1577) join the Precious Metals Industry, while **Opko Health** (page 1623), a biopharmaceutical and diagnostics company, enters the Drug Industry.

With several blockbuster drugs losing patent protection in recent years, many of the pharmaceutical giants, including **AbbVie** (page 1603) and **Pfizer** (page 1627), are replenishing their pipelines of drugs via mergers and acquisitions. Our coverage of the Drug Industry begins on page 1602.

Simon Property has called in takeover industry peer **Company**, which combined two of the mall operators. What have on the near-term se two Real Estate In- is? See pages 1544 and analysis.

THE VALUE LINE
Investment Survey®

Part 1
Summary & Index

File at the front of the Ratings & Reports binder. Last week's Summary & Index should be removed.

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Dear Subscribers,
As part of our ongoing efforts to keep The Value Line Investment Survey the most valuable investment resource for our subscribers, all updated Ranks are now being released on the Value Line Web Site by 8:00 A.M. Eastern Time on Mondays. You can access all the Ranks each week at www.valueline.com by entering your user name and password. We look forward to continuing to provide you with accurate and timely investment research. Thank you.

The economic strength and non-fluctuating performance shown by the consumer category is worthy in itself. At the same time, we issued a strong report, with positive positions in July for April and May.

We think the good news is that the strong growth in the manufacturing and non-manufacturing sectors that jobless claims are at historic levels, and the further income support...

The Value Line Investment Survey®

The Most Trusted Name In Investment Research®

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Getting Started

The Value Line Investment Survey covers all the familiar stocks mentioned in the news plus hundreds you may have never come across. The aim of this guide is to help you understand The Value Line Investment Survey and the information it contains so you can use this product to its full capabilities.

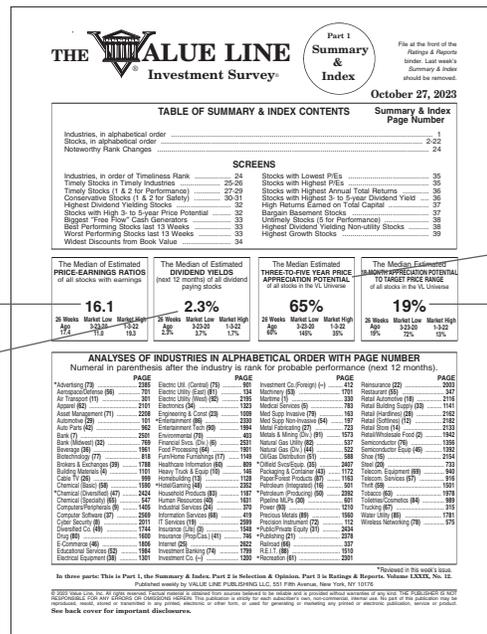
HOW TO USE THE VALUE LINE INVESTMENT SURVEY

The Value Line Investment Survey is a unique source of financial information designed to help investors make informed investment decisions that fit their individual goals and preferred levels of risk. It is: (1) a proven forecaster of appreciation for buy-and-hold investors, as well as of safety in bear markets; (2) a source of interpretative analysis of a large number of individual stocks and approximately 100 industries; and (3) a source of historical information that helps investors spot trends.

If you come across any unfamiliar terms as you read through this guide, please refer to the Glossary which is available on our website, www.valueline.com.

Part 1 – Summary & Index

Please begin with the *Summary & Index*. The front page contains a Table of Contents, four important market statistics, and a list of all the industries we follow in alphabetical order with the relative industry rank to the right of the industry name and the page number of



potential 3 to 5 years into the future for all of the stocks in *The Survey*. The fourth box (D) displays the median stock price appreciation potential-to-midpoint of the 18-Month Target Price Range of all stocks in *The Value Line Investment Survey*. While the median each week won't often turn out to be exactly right, it serves as an indicator of the relative level of the market. By studying these statistics, a fairly good picture emerges of how the universe of Value Line stocks is currently being evaluated. **The Value Line universe comprises approximately 90% of the market capitalization of all stocks traded in U.S. markets.**

Beginning on page 2, the *Summary & Index* also includes an alphabetical listing of all stocks in the publication with references to their location in *Ratings & Reports*. If you are looking for a particular stock, look inside the *Summary & Index* section, which is updated each week to provide the most current data on all companies included in *The Value Line Investment Survey*.

To locate a report on an individual company, look for the page number just to the left of the company name. Then turn to that page in *Ratings & Reports*, where the number appears in the upper right corner.

In the far left column of the *Summary & Index* is a number that refers to recent Supplementary Reports, if any, which are included on the back pages of *Ratings & Reports*. If two asterisks (**) appear in this column, it means that there is a Supplementary Report in the current Issue.

There are many columns in the *Summary & Index* with more information on all of the stocks we cover, including from left to right:

- Page numbers for the latest company report and any recent Supplementary Report (Supplementary Reports are published at the back of *Ratings & Reports*)
- The name of each stock and the exchange on which it is traded (the New York Stock Exchange, unless otherwise indicated)
- Each company's stock exchange (ticker) symbol

- The recent stock price (see the top of page 2 in *Summary & Index* under Index to Stocks for the specific date)

Value Line's proprietary Timeliness™, Safety™ and Technical ranks are provided, along with many statistics and projections (See Chapter 2 and the online Glossary for definitions. For a more detailed review, read *The Value Line Ranking System Guide*):

- Beta (a measure of volatility)
- Each stock's 3- to 5-year projected Target Price Range and the percent appreciation potential
- Each stock's current P/E (price:earnings) ratio
- Each stock's estimated dividend yield
- Each stock's estimated earnings (approximately six months historical, six months estimated)
- Estimated dividends for the next 12 months
- The Value Line Industry rank (see Chapter 3)
- Latest earnings and dividend declarations
- Whether options are traded

Toward the back of each *Summary & Index*, we provide stock screens that we believe will provide a good starting point for any investor. The screens are updated weekly and cover a broad range of investment options. They are also useful for investors who want a list of stocks relevant to specific strategies they may have in mind.

Some examples of our useful screens are:

- Conservative Stocks (stocks ranked above average for Safety)
- Highest Dividend Yielding Stocks
- Stocks Moving Up or Down in Timeliness Rank that week
- Timely Stocks in Timely Industries
- Industries in Order of Timeliness

- Stocks with the Highest Estimated 3- To 5-Year Price Appreciation Potential
- Best/Worst Performing Stocks in the Past 13 Weeks
- Stocks With the Lowest and Highest P/E Ratios
- Stocks with the Highest Projected 3- To 5-year Dividend Yield
- Highest Growth Stocks
- Bargain Basement Stocks

Part 2 — Selection & Opinion

Selection & Opinion (S&O) contains Value Line's weekly economic and stock market commentary, along with additional information, such as one or more pages of research on interesting stocks or industries, and a variety of greatest interest to those who want more investment guidance than a static stock screen, *Selection & Opinion* also includes four model stock portfolios (Stocks with Above-Average Year-Ahead Price Potential, Stocks for Income and Potential Price Appreciation, Stocks with Meaningful Long-Term Price Growth Potential, and

Stocks with Above-Average Dividend Yields). These portfolios are overseen by senior Value Line analysts and updated weekly. We also provide stock screens in *Selection & Opinion* that go beyond those included on a weekly basis in the *Summary & Index* and often provide a different and unique view of an investment approach. These options offer another convenient starting point for considering stocks for inclusion in your own portfolio. If you spend time with *Selection & Opinion* each week, you should be able to get some valuable investment ideas that suit your approach.

Part 3 — Ratings & Reports

Ratings & Reports is the core of *The Value Line Investment Survey* with one-page reports on all the companies we cover and one-page reports on approximately 100 industries. The company reports contain a summary describing the business, Value Line proprietary ranks, our 3- to 5-year forecasts for stock prices, income and balance sheet data, as much as 17 years of historical data, capital structure and our analysts' commentaries. They also contain stock price charts; quarterly sales, earnings, and dividend information; and a variety of other very useful material. Each page in this section is fully updated every

The Value Line Investment Survey

ISSUE 12
Pages 2300-2442

Part 2 | 19 pages in the Selection & Opinion Index
SELECTION & OPINION
October 27, 2023

Dear Subscribers,

As part of our ongoing efforts to keep The Value Line Investment Survey the most valuable investment resource for our subscribers, all updated Rankings are now being released on the Value Line Web Site by 8:00 A.M. Eastern Time on Mondays. You can access all of the Rankings on www.valueline.com by entering your user name and password. We look forward to continuing to provide you with accurate and timely investment research. Thank you.

The Value Line Web

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ECONOMIC AND STOCK MARKET COMMENTARY

The U.S. inflation situation remains sticky. This was confirmed by the September readings on consumer and producer (wholesale) prices. Indeed, both the headline Consumer Price Index (CPI) and Producer Price Index (PPI) figures were stronger than expected, reflecting, in large part, the increase in energy costs. The core CPI and PPI, which exclude the more-volatile food and energy components, moderated a bit. That was an encouraging sign for Federal Reserve officials, but the pace of price increases is still running well above the central bank's target rate of 2%.

Treasury market yields recently hit levels not seen in more than 15 years. This may ultimately do the work for the Fed in its attempt to slow demand and put downward pressure on prices. While interest rates are likely to stay high for a longer period, we think that this can occur without additional hikes from the Federal Reserve before the end of this year. Investors should note that a mid-October Treasury market auction was very disappointing to the government and yields moved higher on the weaker demand for fixed-income securities.

Mentioning third-quarter earnings season got off to a good start. In particular, a number of the big money center banks,

including JPMorgan Chase and Bank of America, surpassed revenue and earnings-per-share forecasts. An overall solid performance from S&P 500 companies will likely be needed to justify their current valuations in a rising interest-rate environment. Of note, a better-than-expected reading on September retail sales was an encouraging sign for leading retailers ahead of their latest quarterly results.

Escalating geopolitical unrest is a concern for Wall Street. This includes the ongoing wars in the Middle East and Ukraine, as well as the mounting tension between China and Taiwan. JPMorgan Chase head Jamie Dimon recently opined that the geopolitical turmoil and rising interest-rate environment will have a far-ranging impact on energy and food markets, global trade, and geopolitical relationships.

Conclusion: A potentially solid third-quarter earnings season may provide near-term support for equities. However, we still recommend some caution, given the specter of even higher interest rates going forward and the aforementioned troubling events overseas. Please refer to the inside back cover of *Selection & Opinion* for our critically-biased Asset Allocation Model's current reading. ■

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

| | 10/26/2023 | 10/13/2023 | %Change 1 week | %Change 12 months |
|-----------------------------------|------------|------------|----------------|-------------------|
| Dow Jones Industrial Average | 32727.26 | 32927.06 | -0.3% | +12.5% |
| S&P 500 | 4724.24 | 4737.30 | -0.3% | +18.7% |
| N.Y. Dow Jones Industrial Average | 19252.24 | 19258.38 | -0.0% | +12.5% |
| NASDAQ Composite | 13521.88 | 13528.75 | -0.1% | +28.3% |
| RUSSELL 2000 | 19171.25 | 19177.01 | -0.1% | +28.3% |
| Value Line Composite | 338.08 | 338.27 | -0.1% | +5.2% |
| Value Line Performance | 802.74 | 808.02 | -0.7% | +11.6% |
| Value Line P/E Ratio | 15.02 | 15.21 | -0.5% | +15.5% |
| S&P 500 P/E Ratio | 31.863 | 30.962 | +0.9% | +17.5% |
| Value Line | 11.716 | 11.820 | -0.9% | +17.4% |

Selection & Opinion

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www.valueline.com

Part 3
Ratings
&
Reports

ISSUE 12
Pages 2300-2442

Part 3 | 19 pages in the Selection & Opinion Index
RATINGS & REPORTS
October 27, 2023

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ESPECIALLY NOTeworthy

This week, Chesapeake Energy Corp. on independent exploration and production company, returns to the Survey on page 2397 in the Petroleum (Producing) Industry.

Vista Outdoor has agreed to sell its ammunition business, to better focus on a portfolio of recreation brands including Bell, Lake helmets and CamoBuck multi-use outerwear. Our take on the company's restructuring can be found on page 2327.

Choice Hotels is hoping to consolidate the budget-hotel segment through a multi-billion-dollar takeover of industry peer Wyndham Hotels & Resorts. Read more on pages 2327 and 2378, respectively.

Elanor, a maker of CurvedCore, has launched back more than 20% this year. Read the story on plenty more room to run, but is the cruise operator out of choppy waters yet? See page 2304.

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13 weeks. When unexpected important news occurs during these 13 week intervals, a Supplementary Report (appearing in the back section of *Ratings & Reports*) is published. If there is a Supplementary Report, its page number will be shown in the far left hand column of the *Summary & Index*, near the company name (two asterisks — ** — indicate that a Supplementary Report is in this week's Edition).

Every week subscribers receive a new Issue of *Ratings & Reports* containing company reports grouped by industry and six or eight one-page industry reports. The industry reports precede the reports on the companies in that industry. Over the course of three months, new reports are issued on all the companies and about 100 industries.

Part 4 — Weekly Newsletter

Subscribers to *The Value Line Investment Survey* also receive a weekly *Investment Research* email bulletin that is sent out each Monday around 8:00 A.M. Eastern Time. The content is written by senior members of the Value Line Research Department, and includes stock highlights, industry discussions, economic analysis, and top stories.

2

Understanding the Value Line Page

To start studying a stock, we suggest that you concentrate on four features found on every *Ratings & Reports* page (a sample is printed on the inside rear cover). We also have included an enlarged sample page with the welcome package for new subscribers. First, we recommend that you look at the Timeliness and Safety ranks (see item 1 of the sample page) shown in the upper left corner of each page. Then, note the Financial Strength rating and read the business description and the Analyst's Commentary (item 4) in the bottom half of each report. Next, we suggest you look at our forecasts for various financial data including the stock price (items 2, 3, 6, 7, and 9). These forecasts are explained in more detail later in this Chapter. Finally, we think you should study the historical financial data appearing in the Statistical Array in the center of the report (item 8). Illustrations and more detail follow. There is also a lot of other useful information on each page, but the four features mentioned above provide the best place to begin.

VALUE LINE RANKS

(See 1 on the sample page)

A synopsis of the Value Line Ranking System follows. For a more detailed description, please refer to *The Value Line Ranking System Guide*.

Timeliness

The Timeliness rank is Value Line's measure of the expected price performance of a stock for the coming six to 12 months relative to all other stocks in our coverage universe.

Stocks ranked 1 (Highest) and 2 (Above Average) are predicted to perform better over the six to 12 months relative to the others. Stocks ranked 3 are forecast to be average performers relative to the Value Line universe. Stocks ranked 4 (Below Average) and 5 (Lowest) are expected to underperform stocks ranked 1 through 3 in Value Line's stock universe.

Just one word of caution. Stocks ranked 1 may prove volatile and some have smaller market capitalizations (the total value of a company's outstanding shares, calculated by multiplying the number of shares outstanding by the stock's market price per share). Conservative investors will want to select stocks that have high Safety ranks because they are usually more stable issues.

Safety

The Safety rank is a measure of the total risk of a stock compared to others in our stock universe. As with Timeli-

| | | |
|-------------------|----------|-----------------|
| TIMELINESS | 2 | Raised 9/15/23 |
| SAFETY | 1 | Raised 10/5/07 |
| TECHNICAL | 2 | Raised 9/15/23 |
| BETA | .95 | (1.00 = Market) |

*Sample Ranks Box
(Also see item 1, on the
sample page)*

ness, Value Line ranks stocks from 1 (Highest) to 5 (Lowest). The Safety rank is derived from two measurements found in the lower right corner of each page: a company's Financial Strength and a stock's Price Stability. Financial Strength is a measure of the company's financial condition, and is reported on a scale of A++ (Highest) to C (Lowest). Larger companies with strong balance sheets get the highest grades. A stock's Price Stability score is based on a ranking of the standard deviation (a measure of volatility) of weekly percent changes in the price of a stock, and is reported on a scale of 100 (Highest) to 5 (Lowest) in increments of 5.

Technical

The Technical rank is primarily a predictor of short-term (three to six months) relative price change. It is based on a proprietary model which examines short-term price trends for a particular stock. The Technical ranks also range from 1 (Highest) to 5 (Lowest). Technical rank changes frequently, and should be considered a secondary criterion.

Beta

This is another measure of volatility, as calculated by Value Line. While it is not a rank, we do consider it important. See the online Glossary for more detail.

The 18-month Target Price Range

The 18-month Target Price Range seeks to predict a stock's price over an 18-month horizon (from today) in terms of a range. In addition to the high and low values of the range, the percentage difference between the recent stock price and the midpoint of the range is provided. The percentage may be thought of as the most likely potential profit (or loss). The larger the positive percentage, the greater the possible price appreciation. The quantitative formula behind 18-month range includes a number of variables, such as analyst estimates, recent stock price performance, and per-share sales, earnings, cash flow, and book value results. See item 10 on the Sample Page.

The Home Depot's results weren't as weak as we had expected. Sales were down 2%, year over year, in the July quarter on a 2% decline in comparable store sales. We had been looking for a 4% decline. Customers have turned to smaller ticket items as existing home sales have slowed. Higher mortgage rates have made homes more expensive and also trapped owners in homes who locked in low rates. A lot of home-improvement spending occurs before and after a house is sold and the slowdown has weighed on results. Items with a selling price over \$1,000 are categorized as big-ticket products, and comparisons in this area were down 5% in the past 12 months. Considering that lumber prices have fallen 40% compared to last year, and reduced sales by about 1%, the overall revenues are fairly healthy. Looking at the bottom line, management has decided to invest \$1 billion in labor force retention and training this year which has hurt margins. Still, earnings were \$0.20 per share better than our forecast in the July period.

There is still room to grow. While most would consider The Home Depot as a fairly mature company, the target markets indicate that there is plenty of expansion potential. Between home improvement, maintenance, and professional contractors, management believes its addressable market is \$950 billion annually. A housing shortage in the United States will also likely support results over the long term.

An additional \$15 billion share repurchase has been approved. Management has aggressively been returning cash to shareholders through the dividend and stock buybacks. So far this year, more than 20 million shares have been retired.

Home Depot shares are ranked to outperform in the year ahead. The business seems to be on the mend even though greater economic uncertainty, driven by inflation and higher interest rates, have led to what we expect will be the first annual sales decline in over a decade. With its Highest Safety ranking, and above average dividend yield, investors are likely well positioned to hold this stock on a risk adjusted basis. Nevertheless, we suggest most subscribers wait for a better entry point to initiate new positions.

Tom Mulle, CFA *September 15, 2023*

*Sample Analyst's Commentary
(Also see items 3 and 8 on the sample page)*

ANALYST'S COMMENTARY

(4 on the sample page)

Next, look at the analyst's written commentary in the lower half of the page. Many readers think this is the most important section of the page. In the commentary, the analyst discusses the company's recent performance and his/her expectations for the stock's future. There are times when the raw numbers don't tell the full story. The analyst uses the commentary to explain why the forecast is what it is. The commentary is also particularly useful when a change in trend is occurring or about to occur. As an example, a stock may have a low (i.e., 4 or 5) Timeliness rank but the analyst thinks earnings are on track to turn around in the future. In this case, the analyst may use the commentary to explain why he/she thinks conditions are likely to get better, thus giving the subscriber insight into what is happening, and why, as well as the stock's prospects.

FINANCIAL AND STOCK PRICE PROJECTIONS

Value Line's securities analysts make a variety of financial and stock price projections in most reports we publish. They make Estimates for 23 different numbers and ratios going out 3 to 5 years into the future (see item 3 on the sample page). They also forecast a projected Target Price Range (item 2) for each stock, going out 3 to 5 years. And

finally they show the 3- to 5- year Projections (item 9) for the price of the stock, along with the expected percentage appreciation (depreciation) and the expected annual total return (including dividends). These projections are discussed below.

Financial Estimates

(3 on the sample page)

In the Statistical Array in the center of the report (where most of the numbers are), Value Line provides both historical data and financial projections. All projections are printed in bold italics.

The estimates of sales, earnings, net profit margins, income tax rates, and so forth are all derived from spread sheets maintained on every company and updated quarterly. Afterward, they make whatever adjustments they believe are warranted by developments that may not be revealed in the numbers (e.g., the expected outcome of pending lawsuits affecting the company's finances), the anticipated success of new products, etc.

3- to 5-year Target Price Range

In the upper right-hand section of each report is a Target Price Range. The Target Price Range represents the band in which the expected average price is likely to fall in the next 3 to 5 years. The prices are based on the analyst's projections in the period out 3 to 5 years for earnings multiplied by the average annual price/earnings ratio in the Statistical Array for the same period. The width of the high-low range depends on the stock's Safety rank. (A stock with a high Safety rank has a narrower range, one with a low rank, a wider band.) Five years is a long time in the stock market, and obviously it is difficult to accurately forecast individual firms' future revenues and earnings that far into the future. In addition, price-earnings ratios vary in different types of markets, as well as for individual firms. Moreover, there is a tendency for companies to make rosy forecasts, and for Wall Street analysts to believe them. So as a whole, our price forecasts in the absolute have a tendency to be too high. Nevertheless, long experience has shown that our 3- to 5-year projections, *when compared for one stock to the projections for other*

stocks in the same or different industries, have been a fairly reliable guide to future stock price performance.

3- to 5-Year Projections

(Item 9 on the sample page)

In the left hand column of each report, there is also a box which contains Value Line's high and low stock price projections for a period 3 to 5 years in the future. There you can see the potential average high and low prices we forecast, the percentage price changes we project, and the expected compound annual total returns (price appreciation plus dividends). To make these calculations, analysts compare the expected prices out 3 to 5 years into the future (as shown in the Target Price Range and Projections box) with the recent price (shown on the top of the report).

Investors whose primary goal is long-term price appreciation should study the 3- to 5-year Projections carefully and choose stocks with above-average price appreciation potential. For comparative purposes, you can find the weekly Estimated 3- to 5-Year Median Price Appreciation Potential for all the stocks we cover on the front page of the *Summary & Index*.

ANNUAL RATES OF CHANGE

(Item 7 on the sample page)

At this point, it may be helpful to look at the Annual Rates box in the left-hand column. This box shows the compound annual per share growth percentages for sales, "cash flow," earnings, dividends and book value for the past 5 and 10 years and also Value Line's projections of growth for each item for the coming 3 to 5 years. All rates of change are computed from the average number for a past 3-year period to an average number for the specified future period, which our analyst estimates.

Trends are important here. Check whether growth has been increasing or slowing and see if Value Line's analyst thinks it will pick up or fall off in the future. Specific estimates for various data items for 3 to 5 years out can be found in bold italics print in the far right hand column of the Statistical Array (item 3 on the sample page).

CALCULATING ANNUAL RATES OF CHANGE (GROWTH RATES)

In an attempt to eliminate short-term fluctuations that may distort results, Value Line uses a three-year base period and a three-year ending period when calculating growth rates. Investors often try to calculate a growth rate from one starting year to one ending year, and then can't understand why the number they get is not the same as the one published by Value Line. If they used a three-year base period (2020–2022) and three-year ending period, (2026–2028), they would get the same results we do.

HISTORICAL FINANCIAL DATA

(8 on the sample page)

Many investors like to use the Statistical Array to do their own analysis. They, in particular, use the historical data in the center of each report to see how a company has been doing over a long time frame. It is worth pointing out that while all of the data are important, different readers find different data items to be most useful.

The numbers are probably most helpful in identifying trends. For example, look at sales per share to see if they have been rising for an extended period of time. Look at operating margins and net profit margins to see if they have been expanding, narrowing or staying flat. And examine some of the percentages near the bottom, such as the Return on Shareholders' Equity, to see if they have been rising, falling, or remaining about the same.

3

The Value Line Industry Report

All the company reports in *The Value Line Investment Survey* are grouped by industry, and at the front of each industry group is a one-page Industry Report.

The information contained in each Industry Report may differ considerably from one industry to another, but there is a general format we follow.

The number of industries followed in *The Value Line Investment Survey* is flexible. As companies drop out, usually because of mergers or acquisitions, we may discontinue an industry. On the other hand, as new industries develop, we add them to keep up with the trends.

ANALYTICAL COMMENTARY

Much of each page contains analytical commentary. The text in each report is written by a Value Line securities analyst, who normally also follows a number (sometimes as many as 10 or 12) of the companies in the industry.

The text normally includes comments about important developments in the industry and the impact those developments have been having on the companies. It also usually includes the analyst's projections about the immediate and longer-term prospects for the industry. We always recommend that you read this report to get an idea of just what an analyst thinks about an industry.

INDUSTRY TRENDS

When purchasing a stock in a company, an investor should also know something about the industry in which a company is operating. Some important questions are:

- Is the industry growing?
- How have stock prices in the industry group performed lately?

| August 11, 2023 | MEDICAL SUPPLIES INDUSTRY (INVASIVE) | 163 |
|--|--------------------------------------|--|
| <p>The Medical Supplies Industry (Invasive) includes medical device manufacturers that create an entire tool (or part of one) that is used in some type of surgical procedure. This industry is differentiated from the Non Invasive one (also included in this week's publication) in that some degree of incision is required in order to treat a patient. Operations vary as some companies create devices used in life-saving surgeries, while other portfolios consist of procedures that are somewhat deferrable in nature. The group's reach within the medical arena is expansive and fragmented in nature. This highlights volatile characteristics within the industry as a whole. Although the group has climbed a few notches in Timeliness over the past three months, these equities currently reside in the bottom half of our ranking universe. Part of the reason may be that second-quarter results have been a mixed bag and near-term prospects for many remain ill-defined.</p> | | <p>INDUSTRY TIMELINESS: 65 (of 93)</p> <p>revitalized field is that of cardiovascular. Despite macroeconomic or company-specific pressures, illness does not abate during times of stress. In order to remain competitive, technological enhancements to existing machines or the creation of new ones is a top priority. Technological standards at present are artificial intelligence and robotics. The intensity of clinical trial activity has intensified of late, especially for companies such as Medtronic, Boston Scientific, and Boston Scientific.</p> <p>Product diversification is another lucrative growth pursuit. Newer medical areas such as neurostimulation (includes ailments such as dementia and Parkinson's disease) possess ample opportunities.</p> <p>Furthermore, the capturing of greater market share in international countries is another expansion avenue being pursued.</p> |
| <p>The Near-Term Nature Of The Industry</p> <p>The 2023 second-quarter earnings season is in full swing. Although some companies have yet to report results, many have turned in their June-quarter financial performance. For the vast majority, sales/revenues have continued to advance on a year-over-year basis. Pricing initiatives have been implemented in response to ongoing inflation disruptions. On the down side, elevated operating costs continue to pressure operating profitability. The spike in expenses has impacted smaller companies such as Silk Road Medical and Niro Corp. more severely as these companies have yet to record a profit.</p> <p>Other headwinds have been persistent. Notably, although the COVID-19 pandemic has subsided in severity, demand for certain procedures such as orthopedic implants, like those created by Zimmer Biomet Holdings and Stryker Corp, or eye replacement lenses as offered by STAAR Surgical remain muted. This is partly because fears of a recession have diminished consumer confidence both at home and abroad, to an extent.</p> <p>Reimbursement hurdles have been gaining attention of late. For example, Silk Road Medical's stock price declined dramatically in value after the company announced that the Centers for Medicare and Medicaid Services (CMS) may be considering revisions to reimbursement coverage. This scenario is not uncommon. Indeed, regulatory revisions can have an impact on a company's fortunes as this could increase/decrease patient eligibility. Due to ongoing inflation, more reimbursement changes may be on the horizon for other medical device manufacturers given budgetary constraints brought on by rising prices.</p> <p>Yet, company initiatives geared toward operational improvements remain consistent throughout the group. First, cost-cutting measures have been implemented in efforts to buoy the bottom line. On the other hand, investments are being made that seek to increase physician awareness of the efficacy of these respective devices. Spending here is a good tactic, in our view, since the goal is to increase patient adoption of these devices.</p> | | <p>Conclusion</p> <p>Growth opportunities are plentiful within the Medical Supplies Industry (Invasive). There has been an uptick in patient hospital admissions for certain procedures such as those within the cardiovascular arena. It is within this space that we welcome <i>Atracore, Inc.</i>, a developer of atrial fibrillation devices, into the Value Line Investment Survey this week. Over the short-term horizon, we expect to see an uptick in clinical trials. Product innovation is crucial to this group in order to strengthen market positions and stay competitive.</p> <p>Research endeavors set the stage for enhanced top- and bottom-line prospects for the group over the 3- to 5-year horizon. Though commercial success is not guaranteed, we are optimistic that many will achieve further regulatory success by then.</p> <p>Overall, there are attractive investment merits within this industry. Furthermore, current market gyrations and investor's bearish responses in many instances is not too surprising given broader-market turbulence. That said, for risk-tolerant accounts, capital appreciation potential over the 2023-2028 time frame is above average for many within this group. As always, we advise interested parties to read the individual reports that follow before committing funds.</p> |
| <p>Keenly Pursued Growth Platforms</p> <p>After a period of stagnation, some medical arenas have experienced revamped patient interest of late. One</p> | | <p>Nira Mahajan</p> |

Sample Industry page

-
- Stock prices
 - Are the industry's returns on total capital and shareholders' equity rising or at least remaining steady?

The answer to these questions can usually be found in the analyst commentary. In most cases, if an industry's trends are favorable, the operating conditions for the companies in that industry will also be favorable. If the industry trends are negative, the opposite may be true.

COMPANY/INDUSTRY COMPARISONS

When you are investing in a company, you should also know how that company is performing relative to its industry. A company's size and operating performance are both very important, and you should study them by looking at our individual company pages. However, you should also know if a company is well run. Some questions an investor should ask are:

- How does a company's operating margin compare with its industry peers?
- How does a company's net profit margin compare with its competitors?
- Are a company's returns on total capital and on shareholders' equity greater or less than others in the same sector?

If a company's margins and returns are higher than its peers, the company is probably efficiently run. If the margins and returns are lower than most firms in the industry, the company is probably not being run as well as it could be.

Warning! Many industries are dominated by one or two companies or even several. When that is the case, company/industry comparisons may not be very useful. Be careful when making company/industry comparisons to make certain the comparisons are meaningful.

INDUSTRY TIMELINESS

At the top right of each industry report, we publish an Industry Timeliness rank on each of the approximately 100 industries we rank (excluding Investment Companies). These go in descending order from 1, which is the highest possible rank.

The first screen each week is Industries in order of Timeliness.

The Industry Timeliness ranks are calculated by averaging the Timeliness ranks of each of the stocks in a particular industry. If an industry has a large number of stocks ranked 1, the Industry Timeliness rank is likely to be high. If an industry has a large number of stocks ranked 4 or 5, the Industry rank is likely to be low.

The Industry ranks are updated weekly and published on the front cover and a subsequent inside page of the *Summary & Index*. You should always look in the *Summary & Index* to make certain you have the most recent numbers.

RELATIVE STRENGTH CHART

In the lower right corner of most industry reports is a relative strength chart going back for as many as seven years. Relative strength compares the price of the stocks in that industry over time with the price of the Value Line Composite Index of all the stocks we cover. When the relative strength line is rising, it means that the stocks in an industry are stronger than the broader market. When the line is falling, the stocks in an industry are weaker than the broader market.

4

Frequently Asked Questions

Why do some stocks not have a Timeliness rank?

Our computer-generated Timeliness ranks require at least two years of income statement and stock price history. If a stock has been trading for less than two years, possibly because a company is relatively new or because there was a major spinoff or acquisition, we are unable to assign a rank to it. We also suspend Timeliness ranks for unusual developments such as a merger offer, bankruptcy rumors or the payment of a large special dividend.

What exactly is the Technical rank?

The Technical rank uses a stock's price performance over the past year to attempt to predict via our computer model short-term (three to six month) future returns. The stocks in our coverage universe are ranked in relation to all others on a scale of 1 (Highest) to 5 (Lowest).

Why does Value Line sometimes show different share earnings than those in a company's annual report, or in The Wall Street Journal, or in a brokerage house report?

We each calculate earnings differently. In particular, Value Line often excludes what we consider to be unusual or one-time gains or charges in order to show what we consider to be "normal" earnings.

Company earnings often contain one-time nonrecurring or unusual items, such as expenses related to the early

retirement of debt, a change in accounting principles, restructuring charges, or a gain or loss on the sale of assets. In order to make a reasonable comparison of core operating results from one year to the next—or from one company to another—it is often necessary to exclude these items from reported earnings. Some items are relatively easy to take out because they are explicitly shown in the company's income statement and footnotes. Others, however, must be estimated by our analysts. Unusual adjustments to reported earnings will be disclosed in the footnotes of each Value Line report.

What is an operating margin?

The operating margin shows operating income (earnings before the deduction of depreciation, amortization, interest, and income taxes) as a percentage of sales or revenues. Operating income is sometimes referred to as EBITDA.

Why does the Value Line price/earnings ratio often differ from that in The Wall Street Journal or brokerage reports?

All price/earnings ratios are calculated by dividing the recent stock price by 12 months of earnings. The different ratios occur because our analyst uses different 12-month earnings figures. General-interest publishers typically use 12-months trailing (i.e., reported) earnings. Value Line uses a total of the past six months of trailing earnings and the next six months of estimated earnings. (In our

view, this is the best method since it incorporates both recent history and a near-term forecast.) Your broker is likely to use a calendar year's earnings. While we think our method is best, the other methods have their merit. Just be sure that when you are comparing two companies' P/E ratios, you are using the same methods.

I have trouble understanding some of your abbreviations. Can you help me?

Yes. Most of the frequently used abbreviations are included in the online Glossary which is available at www.valueline.com.

SELECTION & OPINION MODEL PORTFOLIOS

How are stocks chosen for the Model Portfolios I, II, III, and IV in *Selection & Opinion*?

Each portfolio is dedicated to a different investment objective. To make it more attractive and useful to conservative investors, Portfolio II must hold stocks that are ranked at least 3 (Average) for Safety.

Portfolio I, Stocks with Above-Average Year-Ahead Price Potential, is built on Value Line's well-respected Timeliness Ranking System and our 18-month appreciation potential estimates. It is primarily suitable for investors who are willing to take on more risk in hopes of greater returns than might be afforded in Portfolios II or III. To qualify for purchase, stocks have to be ranked 1 (Highest) or 2 (Above Average) for Timeliness, offer above-median 18-month appreciation potential, and have a Financial Strength rating of at least B+. A stock must be sold when its Timeliness rank falls to 4 (Below Average) or its 18-month appreciation potential drops to zero or below.

Portfolio II, Price Appreciation, seeks to deliver total return via investment in stocks possessing above-average yields and worthwhile three- to five-year price appreciation potential. The portfolio is primarily suitable for more-conservative investors. To qualify for purchase, a stock's yield (the estimated annual dividend for the next

12 months divided by the recent stock price) must be higher than the median yield for all the stocks Value Line follows. The median yield is shown on the cover of the *Summary & Index* each week. The higher-than-average yields provide support to the shares in down markets. This portfolio tends to be less volatile because the companies tend to be more mature and predictable. In this vein, stocks included in Portfolio II must be ranked 3 or better for Safety.

Portfolio III, Stocks with Long-Term Price Growth Potential, is based on the fundamental research of our staff of research analysts. This portfolio is suitable for investors with a 3- to 5-year horizon; in terms of risk, it falls somewhere between Portfolios I and II. This portfolio tends to be the most flexible, allowing purchases of a broader array of companies. It is constructed under the principles of modern portfolio theory, which state that the risk of a portfolio should be viewed within the context of a portfolio as a whole, rather than judging the portfolio according to the average rankings of individual securities it holds. To that end, this portfolio is generally well diversified, comprising stocks in a variety of different non-related industries.

Portfolio IV focuses on stocks with above-average dividend yields. Investors seeking current income are likely to find interest here. Stocks selected for the portfolio must have a yield at least 1% above the median of all dividend-paying stocks tracked in *The Value Line Investment Survey*, and a strong Financial Strength rating.

Despite the focus on dividend yield and current income, stocks are typically selected from a broad range of industries, providing a meaningful degree of diversification. The portfolio's risk profile will likely be less than the broader market, given the usual concentration of low-Beta stocks.

The Selected Investments section of *Selection & Opinion* has four portfolios. Why isn't there a "Conservative" portfolio?

Portfolio II, Stocks for Income and Potential Price Appreciation, is the one we would recommend for "conser-

vative” investors. A key criterion for this portfolio is that the stocks have above-average dividend yields. These attractive yields lend support to stock prices when the market is declining. This portfolio usually also has slightly lower-than-market risk (volatility) as measured by the average Beta of the stocks within the portfolio.

FINANCIAL STRENGTH

What goes into the Financial Strength rating for each individual company?

Our Financial Strength ratings take into account a lot of the same information used by the major credit rating agencies. Our analysis focuses on net income, cash flow, the amount of debt outstanding relative to equity, the outlook for profits, the stability of the industry, and the individual company returns. Other factors also enter into the equation. For example, a company that faces the loss of patent protection on a key product might face a downgrade. The ratings range from A++ (Highest) to C (Lowest), in nine steps, based on the judgment of our senior staff members. The rating of B+ is considered to be average.

| | |
|-------------------------------------|-----|
| Company’s Financial Strength | A++ |
| Stock’s Price Stability | 100 |
| Price Growth Persistence | 65 |
| Earnings Predictability | 100 |

*Sample Financial/Stock Price Data
(Also see item 5 on the sample page)*

STOCK DECLINES

I bought a stock based on your advice, but it went down. What happened?

Not all stocks do as we forecast, though, and we have never suggested that they will. What we have strongly recommended is that you diversify your portfolio by purchasing at least 10 to 20 stocks across 10 or more industries. That way, you will protect yourself from unexpected changes in the price of any one stock or any one industry.

PRETAX INCOME

Where can I find pretax income on a Value Line page?

You can’t. We do, however, show net profit after taxes (usually line 14 in the Statistical Array) and the effective tax rate (usually line 15). You can calculate pretax income by dividing net profit by: 1 minus the tax rate. Example: If net profit was \$100 million and the tax rate was 36%, pretax profit would be \$156.25 million.

\$100,000,000

$$1.00 - .36 = \$156,250,000$$

COMPANY COVERAGE

Does a company pay to be included in The Value Line Investment Survey?

No. Value Line is not compensated for coverage by the companies under our review. Subscribers can be assured that we are totally objective when we analyze companies in *The Value Line Investment Survey*.

Does the roster of stocks covered by Value Line change?

Yes. Vacancies constantly occur within our stock universe. Sometimes a company’s earnings will deteriorate to such a degree that we believe investors have lost interest. If that happens, we will discontinue coverage. More frequently, companies leave our universe when they are acquired by or merged with another firm. Acquired or merged companies will be replaced by others. In choosing replacements, we try to select actively traded stocks with broad investor interest. If a company is still traded as an independent entity, the stock will normally be moved to our *Small & Mid-Cap Edition*, where subscribers to that complimentary Service can continue to follow it.

Why isn't XYZ, Inc., a large well-known company, included?

We do try to include companies with actively traded stocks, which have broad public interest. If XYZ fits in this category, we will, in all likelihood, provide coverage in the future.

GROWTH RATES

How are the growth rates calculated in the Annual Rates of change box?

We use a compound annual rate that reflects the annual change for various items over the entire period being computed. All rates of change are computed from the average figure for a past 3-year period to an average for a future 3-year period, as established by our analyst.

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '20-'22 to '26-'28 |
|---|-------------------------------|------------------------------|---|
| Sales | 12.0% | 12.5% | 6.0% |
| "Cash Flow" | 17.0% | 16.5% | 6.5% |
| Earnings | 19.0% | 18.0% | 6.5% |
| Dividends | 20.5% | 18.5% | 7.0% |
| Book Value | -22.0% | -21.5% | NMF |

*Sample Rates Box
(Also see item 1, on the sample page)*

TIMELINESS OF INFORMATION

When can I expect to receive updates of your information?

Our intention is for subscribers to receive *The Value Line Investment Survey* in print generally on Friday or Saturday. Unfortunately, circumstances beyond our control may cause later delivery.

To guarantee that subscribers have access to key information including the latest ranks at the same time, such data are released to subscribers through our Value Line Web site by 8:00 A.M. Eastern Time each Monday. All subscribers to any version of *The Investment Survey* (print or online) have access to the latest key data on www.valueline.com.

SAMPLE STOCK PAGE

HOME DEPOT NYSE:HD

RECENT PRICE **380.37** P/E RATIO **24.5** (Trailing: 25.2; Median: 21.0) RELATIVE P/E RATIO **1.38** DIV'D YLD **2.4%** VALUE LINE **1146**

High: 82.5 106.0 135.5 191.5 215.4 239.3 293.0 420.6 417.8 354.9 385.1
 Low: 62.4 74.0 92.2 109.6 133.0 158.1 168.2 140.6 246.6 264.5 274.3 336.6

TIMELINESS 3 Lowered 11/24/23
SAFETY 1 Raised 10/5/07
TECHNICAL 3 Lowered 3/8/24
BETA .95 (1.00 = Market)

18-Month Target Price Range
 Low-High Midpoint (% to Mid)
 \$315-\$484 \$400 (5%)

2027-29 PROJECTIONS

| Price | Gain | Ann'l Total |
|-------|--------|-------------|
| High | (+30%) | Return |
| Low | (+5%) | |
| 490 | 9% | 9% |
| 400 | 4% | 4% |

Institutional Decisions

| | 2020/23 | 3020/23 | 4020/23 |
|----------|---------|---------|---------|
| To Buy | 1471 | 1526 | 1684 |
| To Sell | 1475 | 1388 | 1521 |
| Hrs(000) | 693141 | 688122 | 707530 |

Percent shares traded: 30, 20, 10

Target Price Range 2027 2028 2029

% TOT. RETURN 2/24
 THIS STOCK VL ARITH. INDEX
 1 yr. 31.9 10.4
 3 yr. 58.5 16.5
 5 yr. 132.6 63.1

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | © VALUE LINE PUB. LLC | 27-29 | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------|--------|-------|
| 42.03 | 38.84 | 41.90 | 45.80 | 50.37 | 57.11 | 63.64 | 70.70 | 78.63 | 87.14 | 97.92 | 102.34 | 122.66 | 146.05 | 154.92 | 154.55 | 160.65 | 171.50 | 154.92 | 154.55 | 206.65 | |
| 2.81 | 2.66 | 3.07 | 3.55 | 4.21 | 5.08 | 5.96 | 6.82 | 8.07 | 9.19 | 11.92 | 12.29 | 13.92 | 18.18 | 19.76 | 16.45 | 18.50 | 19.45 | 15.11 | 15.75 | 16.50 | 25.85 |
| 1.78 | 1.66 | 2.03 | 2.47 | 3.10 | 3.76 | 4.56 | 5.34 | 6.45 | 7.46 | 9.89 | 10.25 | 11.94 | 15.53 | 16.69 | 15.11 | 15.75 | 16.50 | 15.11 | 15.75 | 16.50 | 22.30 |
| .90 | .90 | .95 | 1.04 | 1.16 | 1.56 | 1.88 | 2.36 | 2.76 | 3.56 | 4.12 | 5.44 | 6.00 | 6.60 | 7.60 | 8.36 | 9.00 | 9.60 | 9.00 | 9.60 | 9.60 | 10.50 |
| 10.48 | 11.42 | 11.64 | 11.64 | 11.98 | 9.07 | 7.13 | 5.04 | 3.60 | 1.26 | 0.170 | 0.289 | 3.06 | 0.164 | 1.54 | 0.05 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| 1696.0 | 1698.0 | 1623.0 | 1537.0 | 1484.0 | 1380.0 | 1307.0 | 1252.0 | 1203.0 | 1158.0 | 1105.0 | 1077.0 | 1077.0 | 1035.0 | 1016.0 | 990.0 | 975.0 | 950.0 | 950.0 | 950.0 | 950.0 | 950.0 |
| 14.3 | 15.3 | 15.6 | 15.0 | 17.9 | 20.2 | 19.1 | 22.1 | 20.3 | 21.6 | 18.9 | 20.6 | 21.1 | 21.6 | 18.3 | 20.7 | 20.7 | 20.7 | 20.7 | 20.7 | 20.7 | 20.7 |
| .86 | 1.02 | .99 | .94 | 1.14 | 1.13 | 1.01 | 1.11 | 1.07 | 1.09 | 1.02 | 1.10 | 1.08 | 1.17 | 1.06 | 1.16 | 1.16 | 1.16 | 1.16 | 1.16 | 1.16 | 1.16 |
| 3.5% | 3.5% | 3.0% | 2.8% | 2.1% | 2.1% | 2.2% | 2.0% | 2.1% | 2.2% | 2.2% | 2.2% | 2.6% | 2.4% | 2.0% | 2.5% | 2.7% | 2.7% | 2.7% | 2.7% | 2.7% | 2.7% |

CAPITAL STRUCTURE as of 1/28/24
 Total Debt \$441.11 mill. Due in 5 Yrs \$888.2 mill.
 LT Debt \$4274.3 mill. LT Interest \$1617 mill.
 (Total interest coverage: 13.9x. LT int earned: 17.1x)

Leases, Uncapitalized Annual rentals \$1005 mill.
 (96% of Cap'l)

No Defined Benefit Pension Plan

Pld Stock None

Common Stock 995,261,844 shs. as of 11/14/23

MARKET CAP: \$379 billion (Large Cap)

CURRENT POSITION

| | 2021 | 2022 | 1/28/24 |
|----------------|-------|-------|---------|
| Cash Assets | 2343 | 2757 | 3760 |
| Receivables | 3426 | 871 | 3328 |
| Inventory | 22068 | 24880 | 20976 |
| Other | 1218 | 3957 | 1711 |
| Current Assets | 29055 | 32471 | 29775 |
| Accts Payable | 13492 | 11443 | 10037 |
| Debt Due | 3482 | 1231 | 1368 |
| Other | 11749 | 10436 | 10610 |
| Current Liab. | 28690 | 23110 | 22015 |

ANNUAL RATES

| | Past 10 Yrs | Past 5 Yrs | Est'd '20-'22 |
|-----------------|-------------|------------|---------------|
| Change (per sh) | 10.9% | 11.5% | 11.5% |
| Sales | 11.5% | 11.5% | 6.0% |
| "Cash Flow" | 16.0% | 14.5% | 6.5% |
| Earnings | 18.0% | 15.0% | 6.5% |
| Dividends | 19.0% | 15.5% | 7.5% |
| Book Value | -- | -- | NMF |

QUARTERLY SALES (\$ mill.)^A

| Fiscal Year Begins | Apr.Per | Jul.Per | Oct.Per | Jan.Per | Full Fiscal Year |
|--------------------|---------|---------|---------|---------|------------------|
| 2021 | 37500 | 41118 | 38820 | 35719 | 151157 |
| 2022 | 38908 | 43792 | 38872 | 35831 | 157403 |
| 2023 | 37257 | 42916 | 37710 | 34786 | 152669 |
| 2024 | 36550 | 42500 | 40250 | 37350 | 156650 |
| 2025 | 38000 | 44500 | 42250 | 38150 | 162900 |

EARNINGS PER SHARE^{A, B}

| Fiscal Year Begins | Apr.Per | Jul.Per | Oct.Per | Jan.Per | Full Fiscal Year |
|--------------------|---------|---------|---------|---------|------------------|
| 2021 | 3.86 | 4.53 | 3.92 | 3.21 | 15.53 |
| 2022 | 4.09 | 5.05 | 4.24 | 3.30 | 16.69 |
| 2023 | 3.82 | 4.65 | 3.83 | 2.82 | 15.11 |
| 2024 | 3.75 | 4.90 | 4.05 | 3.05 | 15.75 |
| 2025 | 3.90 | 5.10 | 4.25 | 3.25 | 16.50 |

QUARTERLY DIVIDENDS PAID^{C, D}

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2020 | 1.50 | 1.50 | 1.50 | 1.50 | 6.00 |
| 2021 | 1.65 | 1.65 | 1.65 | 1.65 | 6.60 |
| 2022 | 1.90 | 1.90 | 1.90 | 1.90 | 7.60 |
| 2023 | 2.09 | 2.09 | 2.09 | 2.09 | 8.36 |
| 2024 | 2.25 | | | | |

Business: The Home Depot, Inc. operates a chain of 2,335 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of 1/28/24). Acquired Hughes Supply in 1/06. Average store size: roughly 104,000 sq. ft. indoor plus 24,000 sq. ft. garden center. Items stocked: about 35,000. Product lines include building materials; lumber; floor/wall coverings; plumbing, heating, & electrical; paint & furniture; seasonal and specialty items; hardware & tools. Has about 465,000 employees. Off. & dir. own less than 1.0% of common stock; The Vanguard Group, 9.4% (4/23 Proxy). Chairman (as of 10/1/22) and CEO: Ted Decker, Inc.; DE. Addr.: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

The Home Depot ended fiscal 2023 on a weaker note. Sales declined 3% compared to the prior year and missed our target by more than \$300 million. The number of customer transactions fell 1.7% in the January quarter and the average amount spent per ticket fell 1.3%, to \$88.87, the lowest of the year. January-period earnings per share of \$2.82 missed our mark of \$2.95 and were down 14.5% compared to the year before. Weak large ticket items and a continued soft new home construction market weighed on results.

Management is not looking for much improvement in the year ahead. Same store sales are expected to decline 1% further in fiscal 2024 (years end in January) after the first drop in more than a decade in fiscal 2023. Persistently high interest rates and rising home prices have made mortgages out of reach for many and should keep a damper on home sales. In addition to new construction, customers typically remodel shortly after buying a home, and in the current environment, this business has been challenging. All told, we have cut our estimates for the fiscal 2024 year from \$16.10 to \$15.75 per share.

Longer-term growth prospects remain intact. First, despite the difficult operating environment, management has done a good job of maintaining high levels of profitability. The work force has been trimmed by about 6,000 employees in the past 12 months. Once business improves, we expect results to bounce back to record margins and profits. Management believes its addressable market is just short of \$1 trillion and is still very fragmented with independent shops that will find it hard to compete with The Home Depot. Also, the company has been gaining share with professional contractors through several programs that should lead to healthy growth in the future.

These top-quality shares are ranked to perform in line with the average equity for the year ahead. We expect that operating results will begin to recover about mid-year. Longer term, the stock price has rallied 18% over the past three months. As a result, total return potential out to 2027-2029 does not look attractive.

Tom Mulle, CFA *March 15, 2024*

(A) Fiscal year ends Sunday closest to January 31st of the following year. **(B)** Diluted earnings. Excludes nonrecurring gains/(losses): '08, (\$0.44); '09, (\$0.09); '10, (\$0.02); '12, (\$0.10); '14, \$0.15; '15, \$0.12; '17, (\$0.17); '18, (\$0.16). Totals may not sum due to rounding. Next earnings report due mid-May. **(C)** Dividends historically paid in March, June, Sept., and Dec. **(D)** Div'd reinvest. plan avail. **(E)** Includes intangibles. At 1/30/23: \$7.444 bill. (\$7.30/share).

Company's Financial Strength A++
 Stock's Price Stability 95
 Price Growth Persistence 100
 Earnings Predictability 95

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Figures in bold italics are analyst estimates

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