

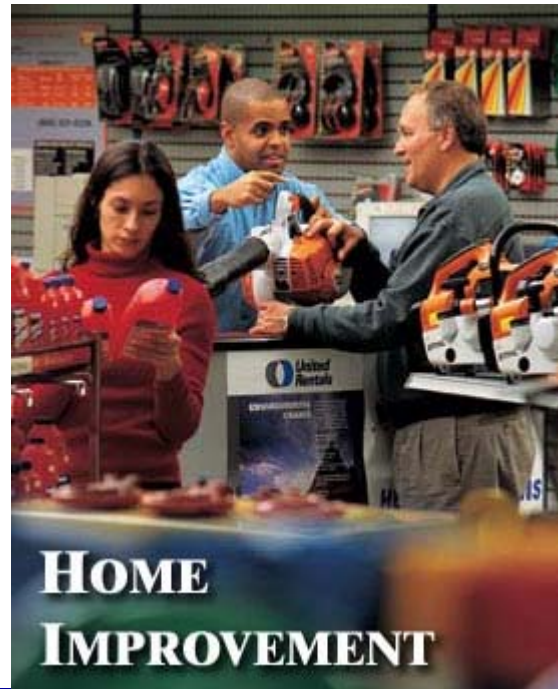


HOME DEPOT vs. LOWE'S





Background





The HOME DEPOT

- Founded in 1978 in Atlanta, Georgia
- 1,500 stores in 50 states
- 35,000 different kinds of products
- Largest home improvement retailer



LOWE'S

- Since October 10, 1961
- 875 stores in 45 states
- A new store every three days
- Second largest home improvement retailer



Company Strategies Analysis





The HOME DEPOT

- Traditionally relied on low prices, lots of selection
- Working with professional contractors
- Conservative but strong financial condition





LOWE'S

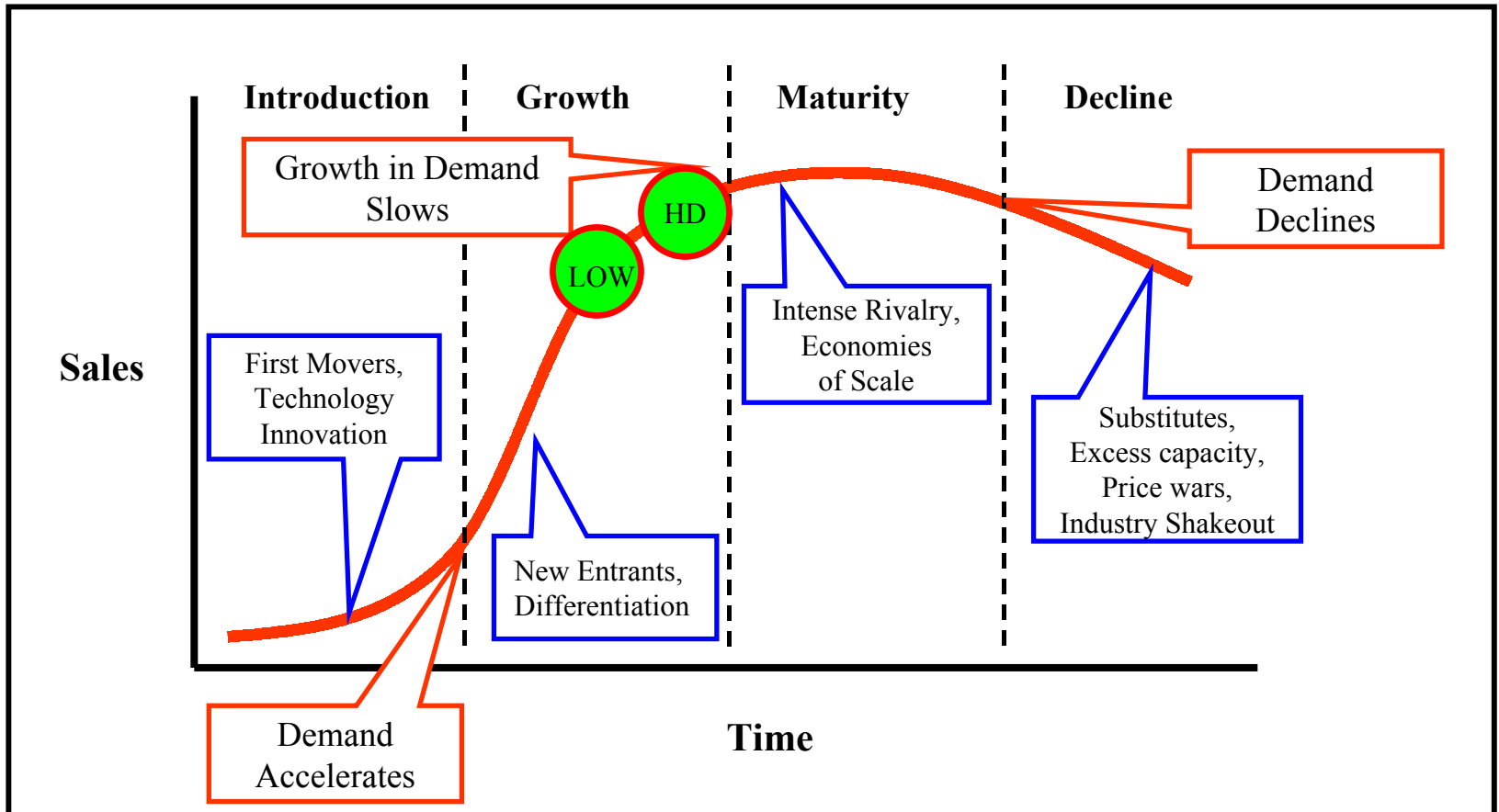
- Targeting customers who wants appliances
- Appealing to women
- Aggressive growth
- Using high leverage for expansion



Industry Analysis



Industry Life Cycle

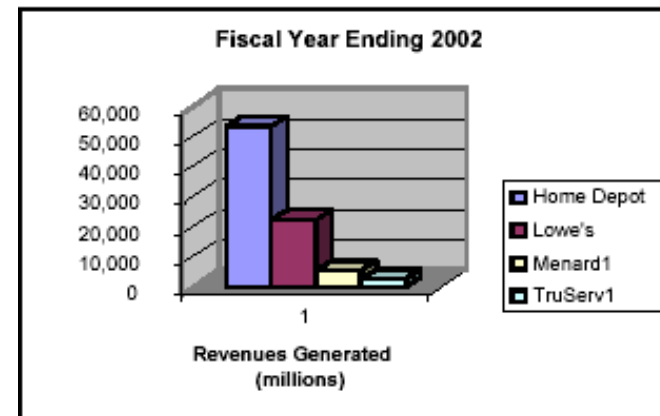
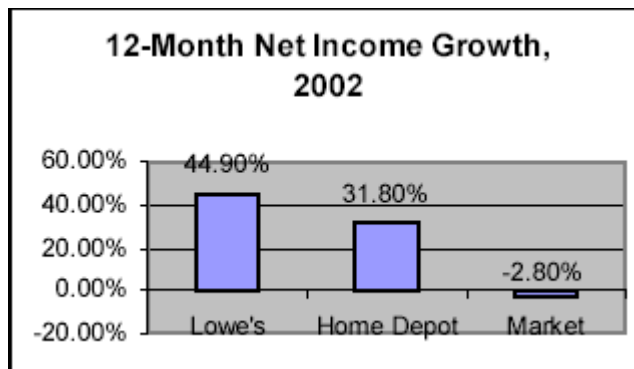


Industry's key success factors

DEMAND	COMPETITION	KSF
1. One-stop shopping	1. Super store concept	1. Wide Product Line
2. Low Price	2. Price based	2. Economy of scale/ Cost efficiency
3. Convenient location	3. Fragmented market, many local competitors	3. Ability to expand by acquisition and new store opening
4. Excellent customer service	4. Provide quality customer care	4. Educated and trained sales force

Industry Snapshot

- Due to the economic expansion over the 90s, the home improvement industry has experienced a rapid growth
- The market reached a peak record level of \$377 billion in 2000





Financial Analysis





Adjustment of Financial Statement

HOME DEPOT:

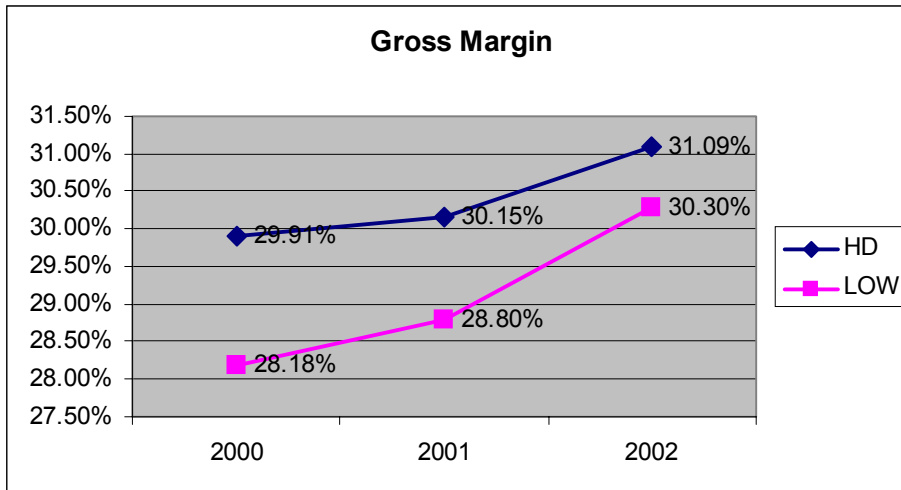
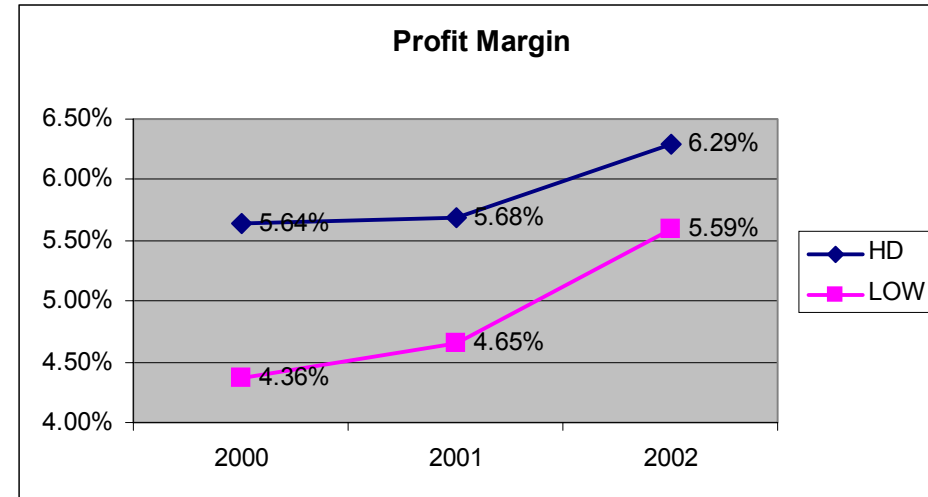
1. Non-recurring items: gain(loss) from discontinued operations
2. Operating lease
3. SG&A

LOWE'S

1. Non-recurring items
2. Operating lease

Ratio Analysis-Profitability

- Describes operating efficiency
- Control over suppliers



- Shows the markup in price over the cost of goods sold

Ratio Analysis- Profitability

Heath Zenith Plug-In Entry Alert Chime

Item #: 56293
Model: SL-6168

Lowe's Price: \$24.97
Home Depot Price: \$29.97



DeWalt Heavy-Duty Top Handle Jig Saw Kit

Item #: 72220
Model: DW321K

Lowe's Price: \$149.00
Home Depot Price: \$169.00



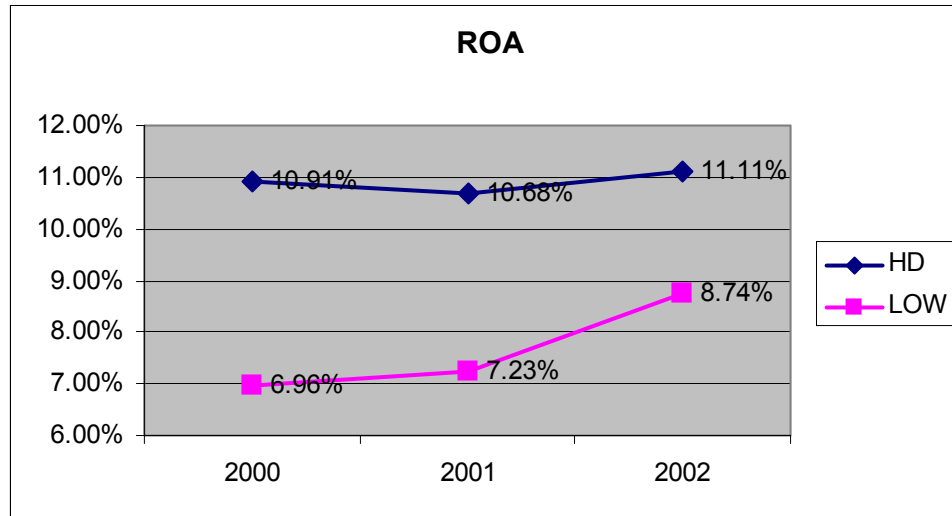
Black & Decker 2-In-1 Landscape Edger

Item #: 1300
Model: LE750

Lowe's Price: \$89.00
Home Depot Price: \$89.00

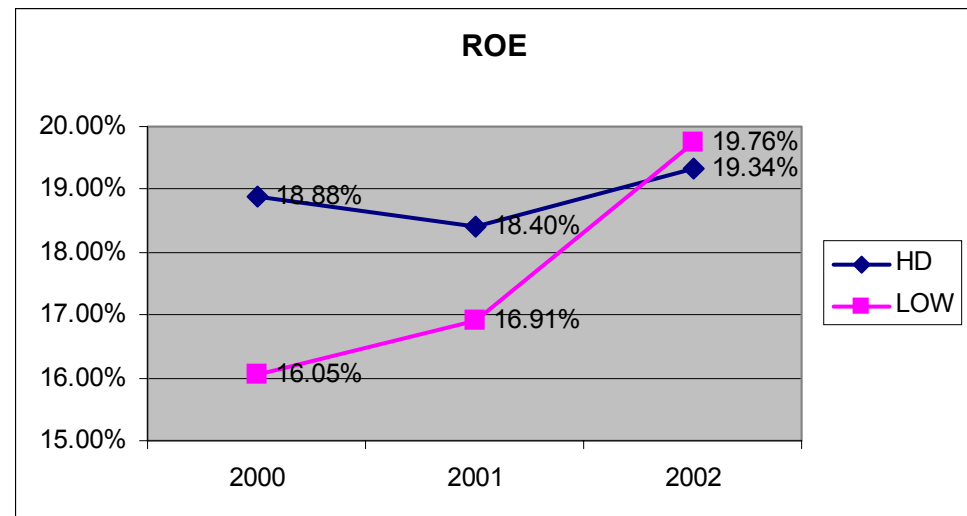


Ratio Analysis-Profitability



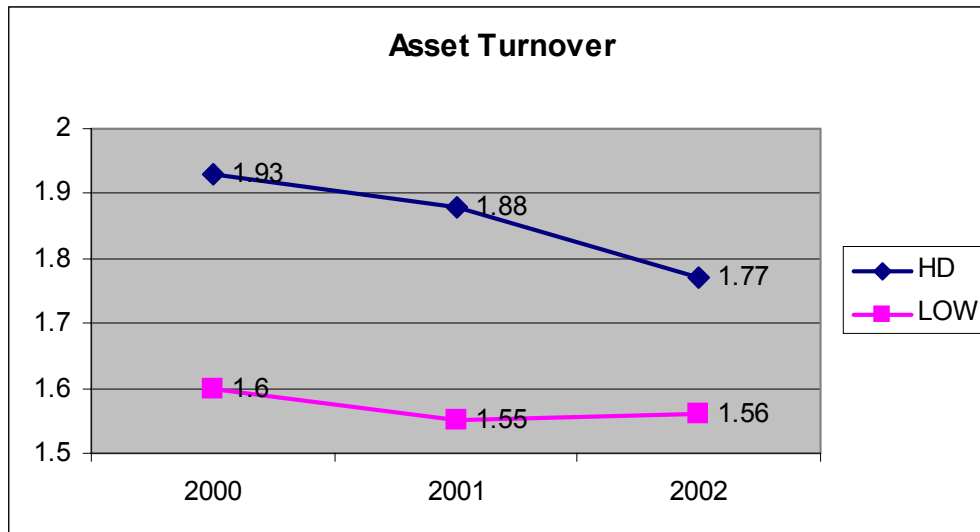
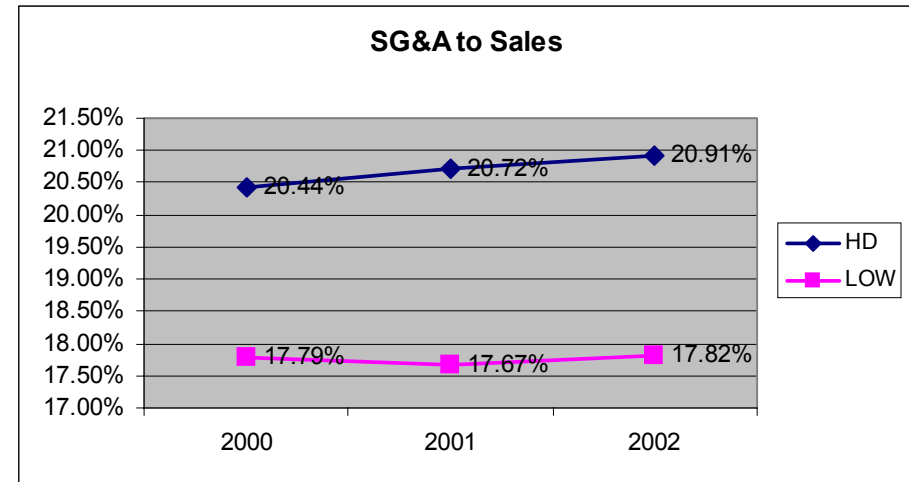
- Overall indicator of the efficiency of assets used

- The return on the resource contributed by the shareholders
- Due to higher percentage of debt (Financial leverage)



Ratio Analysis-Profitability

- Indicates efficiency of the management for a company



- Depicts investment efficiency
- Recent investment in PP&E not reached their potentials



Ratio Analysis- Risk

	2000	2001	2002
Current Ratio			
Home Depot	1.77	1.59	1.48
Lowe's	1.43	1.63	1.56

- HD decreased current ratio due to increased current debt

	2000	2001	2002
Inventory Turnover			
Home Depot	5.32	5.63	5.33
Lowe's	4.42	4.57	4.87

- Efficient use of investment in inventory
- Home Depot is recycling its inventory ever 68 days
- Lowe's is doing better year by year



Ratio Analysis- Risk

	2000	2001	2002
Debt to Equity			
Home Depot	73.59%	71.15%	76.74%
Lowe's	134.69%	133.35%	120.32%

	2000	2001	2002
Debt to Asset			
Home Depot	42.39%	41.57%	43.42%
Lowe's	57.39%	57.15%	54.61%

	2000	2001	2002
Long-term Debt to Equity			
Home Depot	11.96%	8.97%	9.15%
Lowe's	76.82%	83.57%	71.46%

- Lowe's has higher debt percentage, especially LT debt due to business expanding

- Home Depot has much less LT debt. Lowest debt ratio in the industry, helpful for future financing



Future Prediction





Future Prediction

- Economic expansion and strong housing market
- Growing home improvement industry but saturation in the near future
- Slower short term but steady long term
- More consolidation and oligopoly
- Rivalry from other competitors. Wal-Mart factor



Future Prediction

- Intense competition
- Lowe's catching up with Home Depot
- Home Depot adapting more aggressive strategies
- Lowe's slowing down its expansion and fixing its debt to equity ratio

Q & A

