

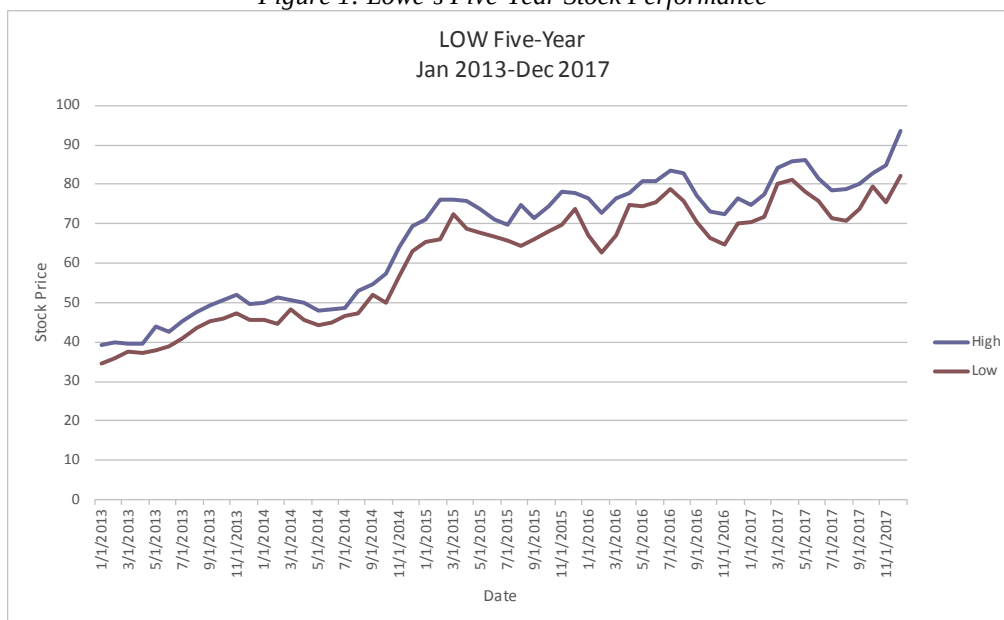
Stock Project LOW vs. HD

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Monday 4:20pm
February 19th, 2018

Lowe's Companies Inc. (LOW)

Lowe's Companies Inc. is an American company that operates a chain of retail home improvement and appliance stores. Lowe's was founded in 1946 in North Wilkesboro, North Carolina. Lowe's is a company that operates in the home improvement industry as well as the consumer cyclical, and Lowe's is also the second largest hardware chain in the United States. Lowe's not only operates in the United States, but has expanded to do business in Canada as well as Mexico. Lowe's Company main competitors are Home Depot Inc., Kingfisher PLC., Floor & Décor Holding Inc., and Lumber Liquidators Holdings Inc. The only chain of retail home improvement and appliance stores that is operating better than Lowe's is Home Depot, as they are the first largest hardware chain in the United States. Lowe's competitive position is how they differentiate themselves; by providing customer experiences while delivering superior value in their products and services compared to any competitor in the industry. Specific services Lowe's provides in order to commit to the customers experience are installed sales where they offer installation services through independent contractors in many of their product categories. They also provide extended plans and repair services which are protection plans that provide in-warranty and out-warranty repair services for major appliances as well as outdoor equipment.

Figure 1: Lowe's Five-Year Stock Performance



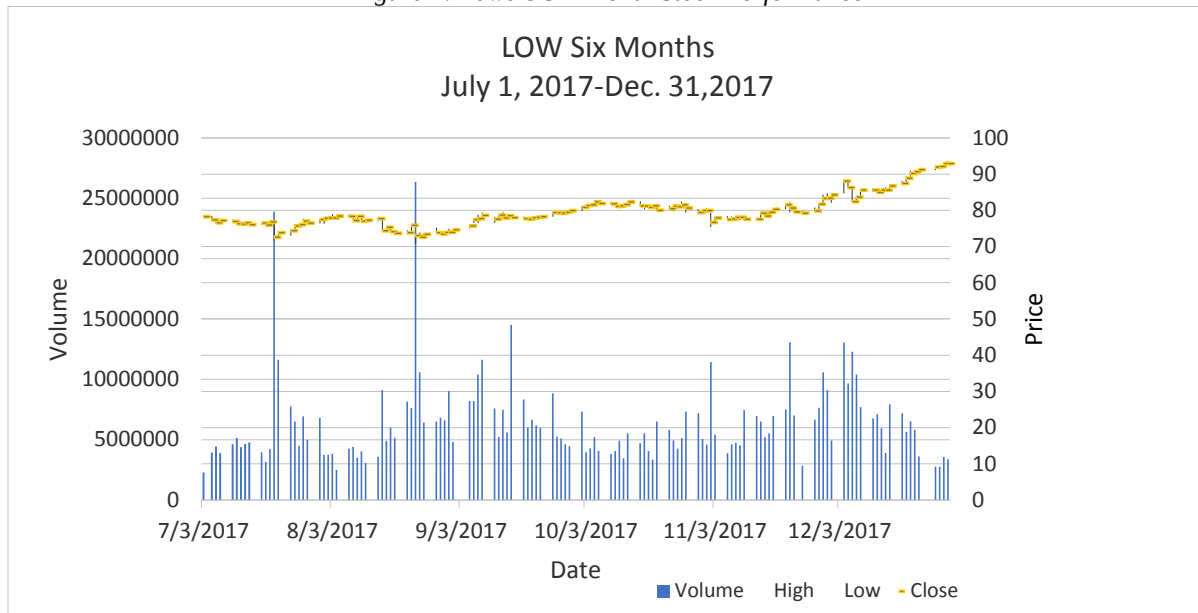
Analysis of Lowe's Five-Year Stock Performance

Lowe's stock performance throughout the past five years seems to be on a consistent, positive increase; including a major spike upwards in November 2014. Lowe's Companies reported their third quarter sales and earnings results in November of 2014; they reported a 17.3 percent increase in their net earnings. As well as a 5.6% increase in their sales going from \$13.0 billion to \$13.7 billion. When discussing a nine-month period, sales increased at 4.6% and their comparable sales increase at 3.5%. This stellar third quarter performance that Lowe's delivered is an understanding reason for as to why their stock.

Before posted their third quarter results of 2014, Lowe's companies also announced a new general counsel, secretary, and chief compliance in November 2014. Ross W. McCanless replaced Gaither M. Keener who announced plans to retire from the company following 30 years of service. It turns out that McCanless was actually returning to Lowe's, and in his role at Lowe's he will be responsible for directing all legal matters for Lowe's and its subsidiaries as well as advising the chairman and board of directors on corporate governance matters. McCanless served as the chief legal officer, general counsel and secretary for Extended Stay America, Inc. and ESH Hospitality, Inc. both companies that are listed as NYSE companies which both own more than 650 extended stay hotels in the U.S. and Canada. As mentioned earlier McCanless is actually returning to Lowe's companies and Robert A. Niblock, president and CEO, shares, "We are pleased to welcome Bill back to Lowe's, his combination of legal and retail executive management experience is a great asset, and he already knows our company and culture well, having worked previously with many of our leadership team." This addition to Lowe's Companies is most likely looked at as a trustworthy addition by investors, and is a reason for why stock may have increased significantly in November 2014 because of the regain of trust by investors with the addition of someone very experienced as well as already familiar with the company.

Another reason for the sharp increase through November 2014 and consistently rising until January 2015 could be due to the future of shopping that arrived during the holiday season of 2014. Lowe's Innovation Labs introduced two autonomous retail service robots in an Orchard Supply Hardware store in midtown San Jose, California in order to study how robotics technology can benefit customers as well as their own employees. The future of shopping they discovered is known as the OSHbot, which are robots that will assist customers to quickly navigate stores by directing them to specific products and providing real-time information about product promotions and inventory. For Lowe's employees, the OSHbot will provide an additional layer of support by helping customers with simple questions, enabling more time for them to focus on delivering project expertise. This advancement in technology done by Lowe's shows higher levels of efficiency they were capable to achieve, which showed investors and stockholders how promising Lowe's would be going into the holiday season of 2014.

Figure 2: Lowe's Six-Month Stock Performance



Analysis of Lowe's Six-Month Stock Performance

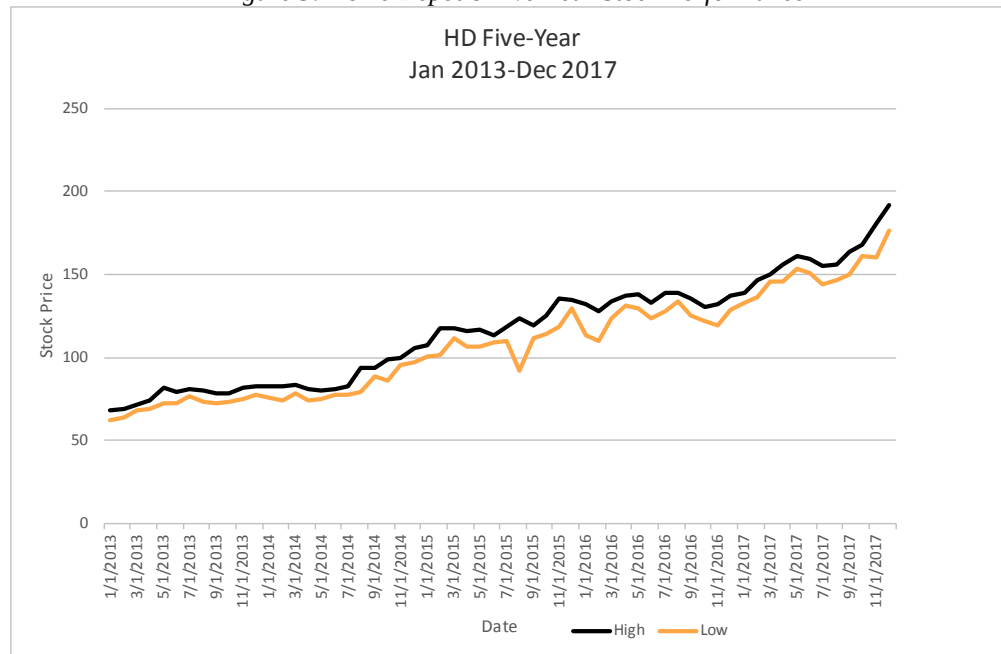
The figure above demonstrates Lowe's volume through a six-month period it represents the high, low, and close stock prices from July 1st until December 31st of 2017. A high volume I want to discuss is the increase in volume that took place between August 3rd and September 3rd. This increase in volume is the highest spike on this six-month chart and a major factor for this increase in volume may be due positive prediction on the home improvement market. The Home Improvement Research Institution (HIRI) published and news and press article sharing their predictions for the rest of 2017 going forward from August 2017. The HIRI forecasts expects 4.9% growth in the home improvement products market for the rest of 2017 after a strong 5.5% that was projected in 2016. Total home improvement products sales are expected to increase at 4.9% throughout the rest of 2017 and the Professional Market is expected to increase at 3.4%. A main reason for these prediction is the fact that consumer spending has been and will continue to remain as the engine of economic growth, supported by rising employment, real disposable incomes, and household wealth. Also, the effects of Hurricanes Harvey and Irma increased the volatility of growth going into the second half of 2017 and it is certainly demonstrated in this six-month stock performance for Lowe's.

The Home Depot, Inc. (HD)

The Home Depot is also an American home improvement supplies and retailing company that operate in the home improvement industry as well as the consumer cyclical. Home Depot was found in Marietta, Georgia in 1978, and is the largest home improvement retailer in the United States. Home Depot main competitors are Lowe's Companies Inc., which is the second largest home improvement retailer as mentioned earlier, and Tractor Supply Co. Home Depot's competitive position in its industry is the product authority they offer. Home Depot is focused on sourcing the best mix of exclusive brands and innovative products for its customers. Home

Depot focused on the annual sourcing decisions in order to claim the best mix of offering for the do-it-yourself shoppers as well as the professional customers. Home Depot has also been successful with the e-commerce of their company, their e-commerce actually soaks up a growing percentage of the retailing industry. Home Depot looks at their digital strategy as a critical aspect to its survival and more importantly their dominance in the industry, it is a factor that allows them to separate from their competition.

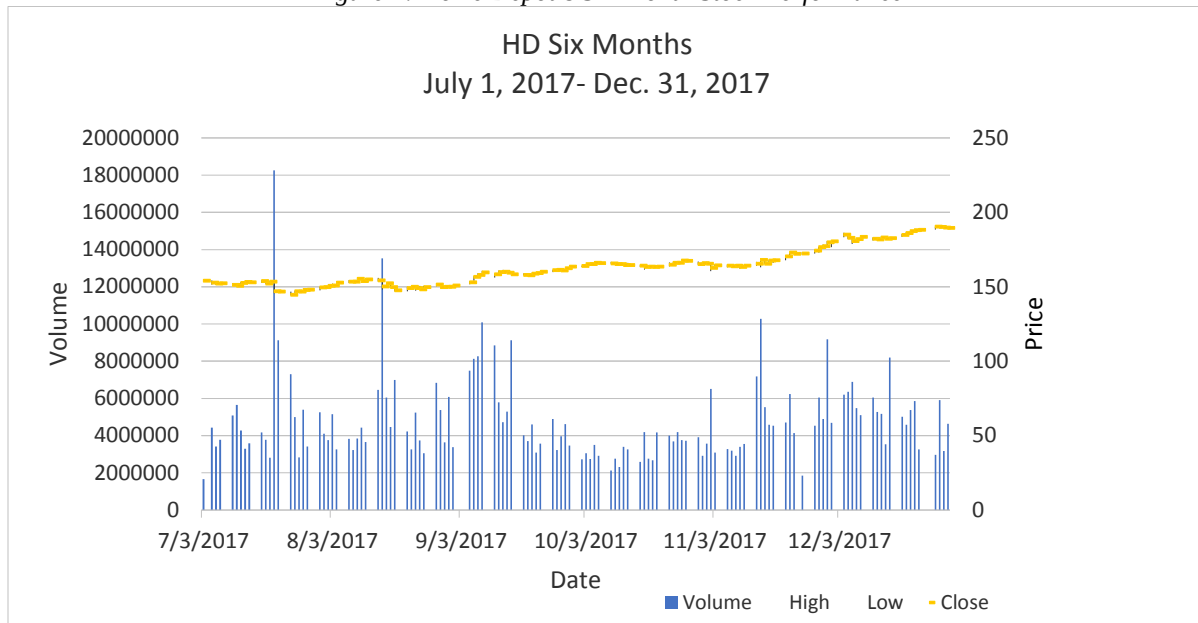
Figure 3: Home Depot's Five-Year Stock Performance



Analysis of Home Depot's Five-Year Stock Performance

Home Depot throughout the five-year time line has really made immense increased throughout years 2016 as well as 2017. Throughout 2017 the stock price is up more than 40% and currently sits near an all-time high. Home Depot has come across a lot of health sales growth and rises in profitability, research is showing this health increased are likely due to the consistent need for recovery in the housing market because of the natural disaster that have been taking places throughout our country. A huge explanation for the increase in the stock price in September of 2015 was that Home Depot paid off their \$1.6 billion acquisition of Interline Brands. Interline Brands is one of the nation's leading suppliers and wholesale distributors for those in maintenance, repair, and operations. Its primary customers are facility and maintenance staffs at large multifamily residences, hotels, hospitals, college dormitories, and prisons. Maintenance staff personnel around the country notice Interline brands as they turn to them for many needs to be fulfilled. Since Home Depot paid off their acquisition Interline currently represents 2% of Home Depot's sales but this opportunity is potentially a reason for why Home Depot discovered such great success in later years like 2016 and 2017.

Figure 4: Home Depot's Six-Month Stock Performance



Analysis of Home Depot's Six-Month Stock Performance

When focusing on the increase in volume that Home Depot came across between July and August 2017 I think it is important to take into consideration the factors in the industry that allowed volume to raise so high between these two months. During these later months of 2017 the housing market was showing to be one of the brightest spots of the U.S. economy. A graph I found in research from the National Association of Realtors showed that as of June 2017 median U.S. home prices were \$263,800 and has not been this high since 2006 when it was at \$221,900. This information connects to Home Depot supplying strong growth in 2017 because as housing prices continue to rise it makes any home improvement project a wise investment. Home Depot executives took note on customers throughout the last six months of 2017 and customers were spending a lot more on bigger ticket items such as flooring and appliances as well as gardening supplies, which goes to show how customers really were viewing home improvement as a wise project to invest in.

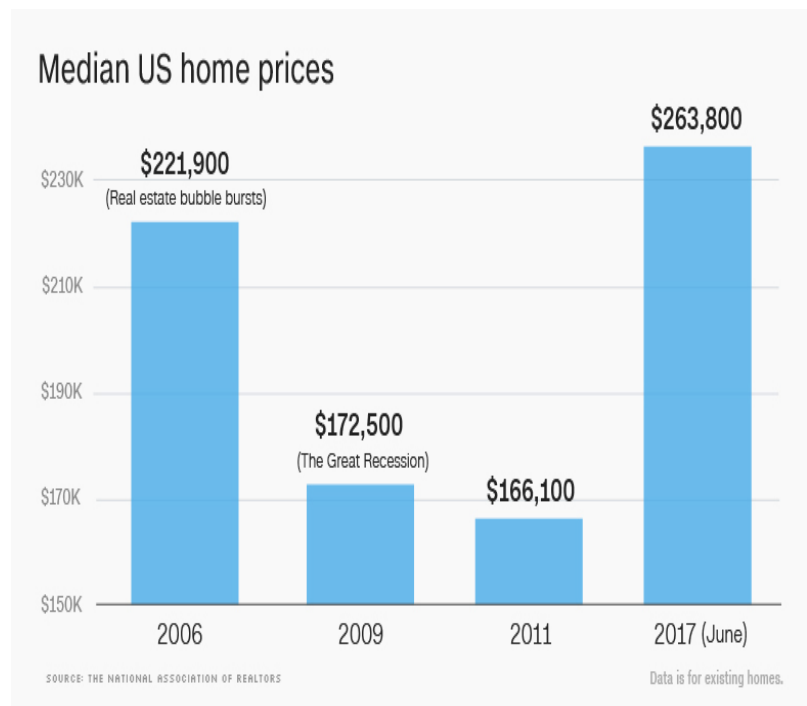
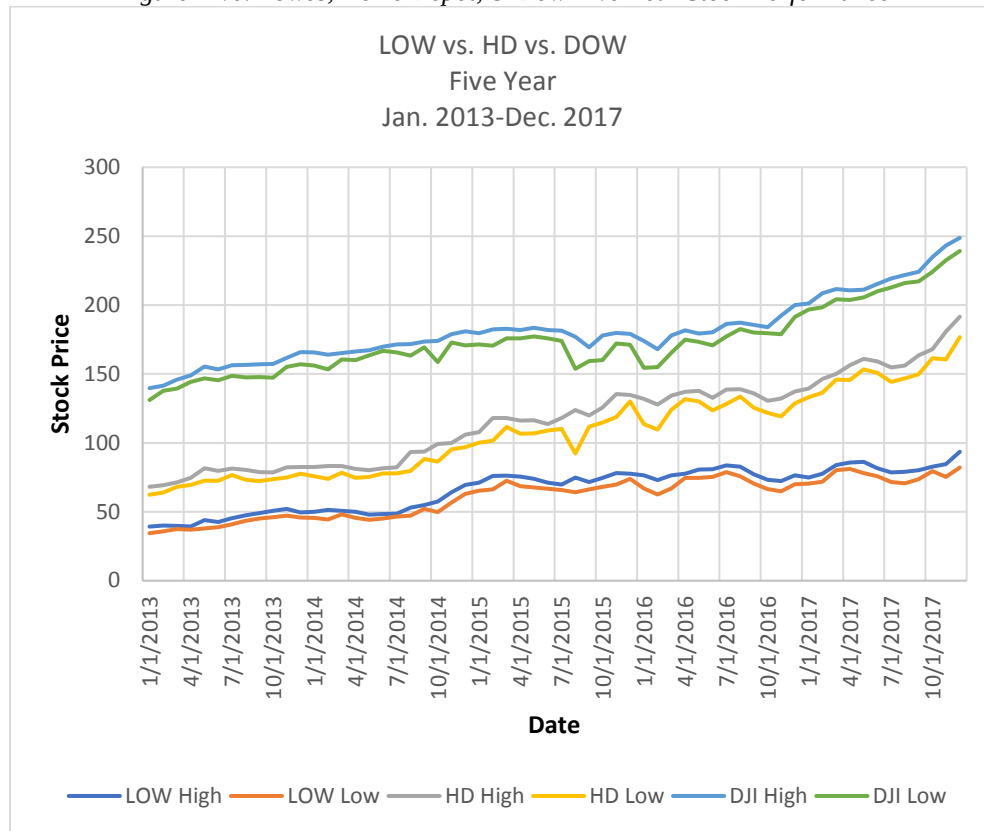


Figure Five: Lowes, Home Depot, & Dow Five-Year Stock Performance



Analysis on Lowe's vs. Home Depot's vs. Dow Five-Year Stock Performance

Analysts share that Lowe's and Home Depot are about 90% identical and both have benefited from improvements in consumer spending and the housing market. Both have been successful stock to purchase and make profit off throughout the five-year span. Home Depot seems to be on an up rise going into the end of 2017 and Lowe's seems like they are behind and not rising as well as Home Depot when looking at this same period. Home Depot as mentioned earlier paid off their acquisition with Interline Brands and this integration was a successful growth strategy. Lowe's also made an acquisition during the same timeframe and their acquisition was with the Canadian hardware chain Rona. After researching throughout the course of this paper I think a main reason why Home Depot benefitted so much from their acquisition with Interline brands is because of the natural disasters taking places throughout the past years in the United States. Lowe's may have not satisfied as well since their acquisition is done with a Canadian hardware chain while Interline Brand is involved in industrial business in the United States.

Also, I had mentioned earlier in the paper that housing investment has really become a priority for consumers throughout of 2017 Home Depot is the company to more likely benefit from this because of the fact that they have a bigger footprint in urban areas and densely populated suburbs. Home Depot has an average of 79,000 houses within a five-mile radius of each store and the average Lowe's store has only 51,000. Since home values have risen much faster it has mainly affected these suburb areas and therefore Home Depot has been in a better position to take advantage of the opportunities in construction and upgrades that led them to experience a lot

of growth. Lowe's is aware of their smaller footprint compared to Home Depot analysts believe Lowe's can counteract this by prioritizing their professional home improvement market. Recently, Lowe's launched an e-commerce platform for contractors and began partnering with brands preferred by professionals like Sherwin-Williams paints. This allowed Lowe's to gain growth just not as the same rate that Home Depot was gaining theirs but close enough to keep them as a fierce competitor to Home Depot.

Both stocks were consistently with the Dow from January 1, 2013 through July 2014. From here, the Dow grew more slowly than the 2 stocks, then dipped twice, once in September 2015 and again in February 2016. From that point forward all three prices rose by the end of the period, with the Dow rising steadily, and both Home Depot and Lowes decreasing in July 2017 before rising to their highs of the period.

Conclusion

Overall, Home Depot's stock has performed better compared to Lowe's but both companies show a lot of potential for their investors as they are both so dominant in their industry and showing great strides for growth. Challenges I faced throughout this stock project was finding true causes for why stocks fell at certain points during the 5-year or 6-month time spans. Especially since I was focusing on two companies in an industry that have been doing very well overall this made it difficult to find out the real causes for why stock prices might have decreased throughout the time span. So, gathering research was a bit time consuming but once I found the research I was able to make good understanding on how certain events effect the stock performance of the company.

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