



THE HOME DEPOT, INC. (HD)

Q2 2026

Earnings Report Update

**PREPARED BY:
SAVEST RESEARCH**

Company Overview

The Home Depot, Inc. is a leading home improvement retailer operating across the United States and internationally. Its core operations span building materials, home improvement products, lawn and garden, décor, and facilities maintenance, repair and operations products.

The company serves do-it-yourself consumers, professional contractors, homebuilders, renovators and specialty tradespeople through its extensive store network, digital platforms and installation services. It also provides tool and equipment rentals and professional installation across categories including flooring, kitchens, bathrooms, windows, roofing and HVAC systems.

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Home Depot reaffirmed its FY2026 guidance, targeting 2.5%–4.5% total sales growth, comparable sales between flat and 2.0% growth, gross margin of approximately 33.1%, GAAP operating margin of 12.4%–12.6%, and adjusted operating margin of 12.8%–13.0%. GAAP and adjusted diluted EPS are expected to range from approximately flat to 4.0% growth, while capital expenditure is projected at approximately 2.5% of sales. The outlook therefore implies continued sales growth but limited near-term earnings acceleration as investment requirements and input-cost pressures remain elevated.

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Outlook

Expectation Analysis

Million USD	Q2 2026	ESTIMATE	BEAT/MISS
REVENUE	47.9B	47.2B	1.3%
EBITDA	7.95B	7.68B	3.4%
EBIT	7.02B	6.77B	3.7%
EPS (adjusted)	4.92	4.73	4.0%

Source: Quartr

Financial Summary

Million USD	Q2 2026	Q2 2025	YOY
Net sales	47,861	45,277	5.71%
Gross profit	16,115	15,125	6.55%
Operating income	6,839	6,555	4.33%
Pre-tax income	6,315	6,005	5.16%
Net earnings	4,766	4,551	4.72%
Earnings per share	4.79	4.59	4.36%

Source: Company's Financial Statement

Financial Summary

Million USD	6M 2026	6M 2025	YOY
Net cash from operation	11,422	8,968	27.36%
Net cash from investing	(3,011)	(1,892)	-59.14%
Net cash from financing	(7,701)	(5,980)	-28.78%
Net change in cash	710	1,096	-35.22%
Closing cash balance	2,085	2,804	-25.64%
Total assets	109,384	100,049	9.33%
Total liabilities	92,767	89,384	3.78%
Total stockholders' equity	16,617	10,665	55.81%

Source: Company's Financial Statement

Performance Highlights

- Home Depot recorded 5.7% YoY sales growth in Q2 FY2026, supported by broad-based demand and continued customer activity in smaller home-improvement projects. Comparable sales increased 1.7%, including 1.3% growth in the U.S., despite comparable customer transactions declining 1.0%. Growth was therefore primarily ticket-led, with the comparable average ticket rising 2.8%, while acquisitions and expansion of the broader distribution platform also supported reported sales.
- Gross profit increased 6.5% YoY, ahead of the 5.3% increase in cost of sales, resulting in a modest improvement in gross margin to approximately 33.7% from 33.4%. This indicates that merchandise economics and pricing largely absorbed product-cost pressures during the quarter. However, SG&A expenses increased 8.5%, faster than sales, reflecting the cost of operating and investing in the expanded business.
- Operating income increased 4.3% YoY, below revenue growth, as higher SG&A absorbed part of the gross-profit improvement. Consequently, operating margin moderated to 14.3% from 14.5%, while adjusted operating margin eased to 14.7% from 14.8%. The limited margin compression alongside improving comparable sales indicates relatively stable operating efficiency, although expense leverage remains an area for monitoring.
- Bottom-line performance remained positive, with net earnings increasing 4.7% YoY and diluted EPS rising 4.6%. Adjusted diluted EPS increased 5.1%, slightly ahead of GAAP EPS growth. Earnings benefited from higher operating profit and a 4.7% decline in net interest and other expense, although the income-tax provision increased 6.5%. The relatively close alignment between operating income and underlying EPS growth indicates that quarterly earnings improvement was predominantly operational rather than driven by significant below-the-line items.
- The balance sheet expanded moderately, with total assets 9.3% higher YoY, supported by increases in receivables, inventories, goodwill and intangible assets. Receivables rose 18.5% and inventories increased 8.1%, while cash declined 25.6% YoY, although it increased materially from the fiscal year-end level. Long-term debt declined 4.3% YoY, while shareholders' equity increased 55.8%, strengthening the equity base despite the Company's sizeable debt position.
- Strategically, the quarter reflected continued execution across Home Depot's interconnected retail and professional-customer platform. Management attributed performance to investments across the business and broad-based customer demand, while maintaining its fiscal 2026 guidance. The Company operated 2,364 retail stores and more than 1,340 SRS locations at quarter-end, reinforcing the scale of its consumer and professional distribution network. Management also expects tariff refunds to partially offset unplanned fuel, energy and other product-input costs during the year.

Concerns Raised

Underlying demand remains relatively measured. While comparable sales improved 1.7%, comparable transactions declined 1.0%, meaning growth depended largely on the 2.8% increase in average ticket rather than higher transaction volumes. A sustained recovery in larger discretionary renovation projects would therefore be important for stronger organic growth, particularly given the sensitivity of home-improvement spending to housing activity, mortgage rates and consumer confidence.

Cost leverage also warrants monitoring. SG&A increased 8.5%, ahead of sales growth, contributing to the 20-basis-point contraction in GAAP operating margin. Home Depot also identifies tariffs, fuel and energy costs, labour expenses and broader product inflation among factors capable of affecting performance. Continued expense growth above comparable-sales growth could constrain margin expansion even as revenue improves.

Working-capital and leverage trends remain additional considerations. Receivables and inventories increased faster than sales on a YoY basis, while the balance sheet continues to carry substantial debt. Although long-term debt declined, the combination of higher working-capital requirements, acquisition-related assets and elevated interest expense could moderate financial flexibility if the housing and renovation cycle remains subdued.

OUR INSIGHT

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Home Depot's Q2 FY2026 performance points to a gradual improvement in operating momentum, with positive comparable sales, higher average ticket, gross-margin resilience and continued earnings growth despite softer transaction volumes. Its scale, established consumer franchise and expanding professional-customer platform provide a diversified base for participation in a future recovery in housing turnover and larger renovation activity.

The long-term investment case remains tied to Home Depot's ability to translate its market position and investments in the Pro ecosystem into sustained comparable-sales growth and improved operating leverage. Key watchpoints are transaction volumes, recovery in large discretionary projects, SG&A discipline, tariff and input-cost exposure, working-capital efficiency and debt management. A stronger housing cycle would provide upside, while prolonged weakness in housing turnover and elevated financing costs would constrain the pace of earnings expansion.

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