

The Value Line Investment Survey® Sample Page

The Value Line System

Our Ranks (see below) always use 1 for best and 5 for worst. It's that simple. Value Line ranks stocks for Timeliness, Safety, and Technical in five groups, with Rank 1 being the best, always in comparison to all approximately 1,700 stocks we cover.

(Please read the boxes at the bottom of this column titled Value Line Ranks and Target Price Ranges.)

Value Line Ranks — the rank for Timeliness; the rank for Safety; the Technical rank. Beta measures how volatile the stock price is relative to all NYSE exchange-listed stocks. Beta is not one of our proprietary ranks. Safety measures the overall risk of a stock, taking into account the company's Financial Strength as well as the volatility of the stock.

The Legends box contains the "cash flow" multiple, and indicates if options are traded on the stock. "Options" refer to rights to buy or sell shares of the stock at a certain price.

The 18-month Target Price predicts a stock's price over an 18-month horizon. The percentage difference between the current stock price and the midpoint of the range is provided (rounded to the nearest 5%). This percentage may be thought of as the stock's most likely 18-month potential profit. Value Line publishes the median expected appreciation to the midpoint of all of our approximately 1,700 stocks from the present until 18 months in the future on the front page of the weekly *Summary & Index*, along with the 3- to 5-year median of midpoints.

Projected stock price Value Line also projects the high to low price Value Line expects the stock to reach in three to five years, the total expected % gain/loss before dividends and the projected high and low Annual Compound Total Return (% including dividends) for the next three to five years.

Stock purchases/sales by institutions — the number of times institutions with more than \$100 million of assets under management bought or sold stock of this company during the past three quarters and the total number of shares of this stock held by those institutions at the end of each of the last three quarters.

Statistical Array — historical financial data appears in regular type. Value Line estimates are in bold type. Calendar years are used, unless the company has a fiscal year indicated in the Footnotes.

The Capital Structure as of the indicated recent date showing, if applicable, the number of shares of common and preferred stock, interest, leases, the company's market capitalization (the stock price times the number of outstanding shares), the \$ amount of long-term debt, and the % of capital represented by the long-term debt.

Current Position — total current assets and total current liabilities.

Annual Rates of Change are actual annual rates for each of the past five and 10 years, and are Value Line estimates for the next three to five years.

Quarterly Sales are shown on a gross basis before taxes are paid (estimates in bold italic type).

Quarterly earnings are shown on a per-share basis (estimates in bold italic type).

Quarterly Dividends Paid are actual payments. The total of dividends paid in four (calendar) quarters may not equal the figure shown in the annual series on dividends declared in the Historical and Statistical Arrays. Often, a dividend declared at the end of a calendar year is paid in the beginning of the following year. When a company announces an increase or decrease to the next dividend payment not yet paid, we will show that dividend in bold.

The "Cash Flow" line — reported earnings plus depreciation ("cash flow") multiplied by a number selected to correlate with the stock's 3-5 year projected target price in the top right portion of the graph over the same time period. The line is dotted in the period for which full-year audited financials have not been released.

Recent Price — Price as of the date listed on page 2 under Index to Stocks of this issue's *Summary & Index*.

P/E ratio — is the company's recent stock price divided by the latest six months' earnings per share plus earnings estimated for the next six months. P/E shows what price a shareholder would pay for each dollar of a stock's earnings.

Monthly price ranges of the stock — plotted on a ratio (logarithmic) grid to show percentage changes in true proportion. For example, a ratio grid equalizes the move of a \$10 stock that rises to \$11 with that of a \$100 stock that rises to \$110. Both have advanced 10% and over the same space on a ratio grid. Each vertical line represents one month. The length of the vertical line represents the high and low prices for the month. The dot at the right end of the monthly price range graph is the latest price whenever the graph is not done on the last day of the month.

Trailing and Median P/E — the first is the recent price divided by the sum of reported earnings for the past four reported quarters; the second is the median of the price/earnings ratios over the past 10 years. The median P/E is not calculated when the trading history is less than 10 years.

Relative P/E ratio — the stock's current P/E divided by the current median P/E for the approximately 1,700 stocks under Value Line review.

Dividend Yield — cash dividends estimated by Value Line to be declared in the next 12 months divided by the recent price.

The stock's highest and lowest prices of the calendar year referred to on the chart. The year is found at the bottom of each column. The chart uses calendar years.

Target Price Range — the range in which Value Line thinks a stock price is likely to trade in the next 3- to 5-years; also shown in the "Projections" box near the top left of the page. The range from high to low is narrower for stocks with higher Safety ranks.

Relative Price Strength describes the stock's past price performance relative to the Value Line Arithmetic Index, which is an average of the prices of the approximately 1,700 stocks in *The Value Line Investment Survey*. (A rising line indicates that this stock's price has outperformed the average of the stocks in the Value Line universe. A declining line indicates that this stock's price has risen less than that of the average stock in the Value Line universe.)

The % Total Return shows the cumulative price appreciation and dividends of a stock for the past one, three, and five years compared to the Value Line Arithmetic Index, which is an average of the price appreciation and dividends of the approximately 1,700 stocks in *The Value Line Investment Survey*, for one, three and five years.

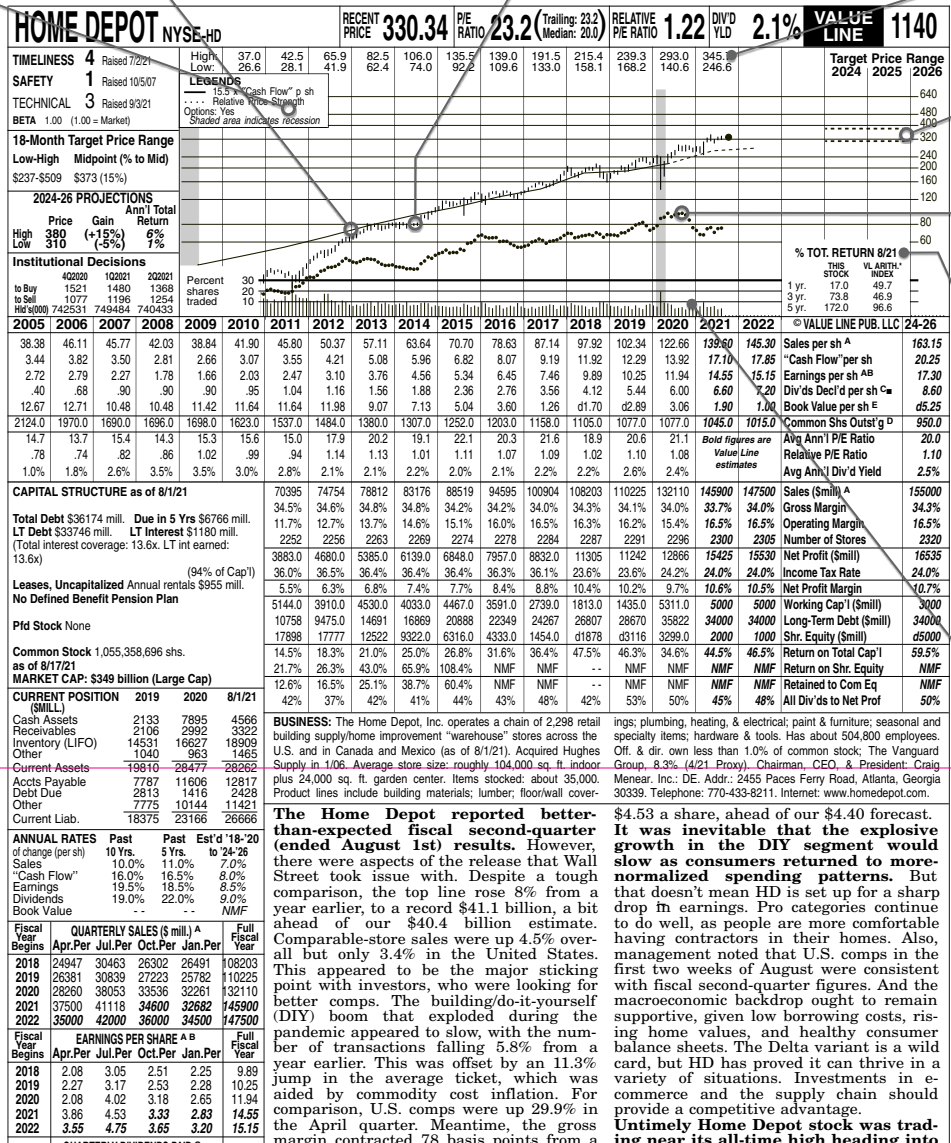
The percentage of shares traded monthly — the number of shares of this stock traded each month as a percentage of the number of shares outstanding. The scale of the % of the shares of this stock traded each month is immediately to the left of the grid of shares traded monthly.

Statistical Array — Important historical and projected numerical information. The numbers are for fiscal years if used by the company. Historical financial data appears in regular type. Value Line estimates and projections appear in bold italics. The quarterly figures in the lower left of the page indicate whether calendar or fiscal years are used. The Footnotes indicate the fiscal year of non-calendar year companies.

Business Information — a brief description of the company's business, its major products, and other important data.

Analyst's Commentary — A 300 – 400 word report about recent developments and prospects – issued every three months on a regular schedule for each *Value Line Investment Survey* stock. Supplementary reports in the back of each issue of *Ratings and Reports* are issued when there is important news about the stock after the page has gone to press..

Issue Date — The expected date this issue will be received by print subscribers.



Business: The Home Depot, Inc. operates a chain of 2,298 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of 8/1/21). 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 504,800 employees. Off. & dir. own less than 1.0% of common stock. The Vanguard Group, 8.3% (4/21 Proxy). Chairman, CEO, & President: Craig Menear, Inc. DE. Addr.: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

The Home Depot reported better-than-expected fiscal second-quarter (ended August 1st) results. However, there were aspects of the release that Wall Street took issue with. Despite a tough comparison, the top line rose 8% from a year earlier, to a record \$41.1 billion, a bit ahead of our \$40.4 billion estimate. Comparable-store sales were up 4.5% overall but only 3.4% in the United States. This appeared to be the major sticking point with investors, who were looking for better comps. The building/do-it-yourself (DIY) boom that exploded during the pandemic appeared to slow, with the number of transactions falling 5.8% from a year earlier. This was offset by an 11.3% jump in the average ticket, which was aided by commodity cost inflation. For comparison, U.S. comps were up 29.9% in the April quarter. Meantime, the gross margin contracted 78 basis points from a year earlier (hurt by volatile lumber prices, transportation costs, etc.) but total operating expenses as a percentage of sales were down 97 basis points. Lower interest expense, taxes, and a reduction in the share count also helped earnings reach \$4.53 a share, ahead of our \$4.40 forecast. It was inevitable that the explosive growth in the DIY segment would slow as consumers returned to more-normalized spending patterns. But that doesn't mean HD is set up for a sharp drop in earnings. Pro categories continue to do well, as people are more comfortable having contractors in their homes. Also, management noted that U.S. comps in the first two weeks of August were consistent with fiscal second-quarter figures. And the macroeconomic backdrop ought to remain supportive, given low borrowing costs, rising home values, and healthy consumer balance sheets. The Delta variant is a wild card, but HD has proved it can thrive in a variety of situations. Investments in e-commerce and the supply chain should provide a competitive advantage. **Untimely Home Depot stock was trading near its all-time high heading into the report, so investors were likely eager to take profits on any sign of weakness.** The valuation still looks pretty full, however, so most investors will probably want to wait on the sidelines, for now. *Matthew Spencer, CFA, September 17, 2021*

Footnotes explain a number of things, such as the way earnings are reported, whether basic or diluted. Basic Earnings are net income divided by the weighted average number of common shares outstanding during a year or quarter. Diluted Earnings divide the net income by the number of common shares, assuming that any securities or other contracts to issue common stock (including options and warrants) were exercised or converted into common stock. If a company does not use the calendar year, the day the fiscal year ends is described. The fiscal year is used in the Statistical Array, and in the Quarterly Sales and Quarterly Earnings Per Share boxes. The calendar year is used in the graph and in the Quarterly Dividends Paid box.

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

Value Line Ratings

The Value Line "ranks" in the upper left corner of the page, are our proprietary 1 to 5 measures for Timeliness, Safety and Technical. Our other measurements listed here and known as ratings, run from 100 (highest) to 5 (lowest) in increments of five in 20 equal groups, except for a Company's Financial Strength which runs from C to A++ in nine steps.

Financial Strength Rating — Senior analysts at Value Line classify approximately 1,700 companies in *The Value Line Investment Survey* assigning Financial Strength ratings from A++ to C, in nine steps (A++, A+, A, B+, B, C+, C-, C). The lowest grade (C) is reserved for companies experiencing serious financial difficulty. A grade of B+ is considered average for the companies in *The Value Line Investment Survey*. The ratings are not necessarily distributed in a "bell curve." The proportion of debt to capital, business risk, the amount of cash on hand net of debt, corporate size and the level and direction of profits all contribute to a company's position.

Price Stability — This rating is based on the standard deviation of weekly percentage changes in the price of a stock over the past five years. A stock has higher "stability" if its price trend remains relatively the same over time, whether its price trend is steadily increasing, decreasing, or staying flat. The ratings go from 100 for the most stable to 5 for the least stable in increments of five in 20 equal groups. The average Price Stability is 50.

Price Growth Persistence — A measure of the historic tendency of a stock to show persistent price growth compared to the other stocks in *The Value Line Investment Survey*, over the past 10 years. Value Line price growth persistence ratings are computed in a range from 100 (highest) to 5 (lowest) in increments of five in 20 equal groups. The average is 50.

Earnings Predictability — A quantitative measure of how volatile the earnings are. Earnings Predictability is based upon the stability of year-to-year earnings, with recent years being weighted more heavily than earlier ones. The most "predictable" ratings are those with the highest rating (100). Earnings Predictability is computed from 100 (highest) to 5 (lowest) in increments of five in 20 equal groups. The average Earnings Predictability rating is 50.

Value Line Ranks And Target Price Ranges

Each Value Line Rank and the Target Price Ranges refer to a different time frame. Please factor in the length of time you are likely to hold a stock. The Ranks (left side below) always use 1 for best and 5 for worst.

The Technical Rank is a trader's guide. It is Value Line's estimate of a stock's probable price performance over the next three to six months relative to the approximately 1,700 stocks in *The Value Line Investment Survey*. Stocks ranked 1 for Technical are expected to perform best.

The Timeliness Rank is Value Line's estimate of the stock's probable price performance over the next six to twelve months relative to the approximately 1,700 stocks in *The Value Line Investment Survey*. Stocks ranked 1 and 2 for Timeliness are projected to perform better over the next year than stocks ranked 4 and 5.

The Safety Rank measures the overall risk of a stock. Every investor can benefit by considering the Safety Rank. Stocks ranked 1 and 2 are safest, but usually their prices go up less in a rising market and fall less in a declining market.

The 18-Month Target Price Range is Value Line's estimate of the range of the stock's probable price 18 months in the future.

The Three- to Five-year Target Price Range is based on our projections and predicts the stock's probable price performance over the next three to five years. It represents Value Line's estimate of the range of the stock's probable price three to five years in the future.

Supplements are issued when major changes occur in ranks, prices, etc. Please refer to Quick Links in our digital service and the end of *Ratings & Reports* for Supplements.

The Value Line Investment Survey consists of three parts: *Summary & Index* is a summary and index of all the important information in the service. *Ratings & Reports* contain a one-page detailed report on each of the stocks covered in the Value Line universe, and a one-page report on each industry the stocks of which are included in the weekly *Ratings & Reports* section. *Selection & Opinion*, kept in a separate binder, features a current assessment of the U.S. stock market and economic conditions, and four Model Portfolios discussed below under "Selection & Opinion".

BUILDING YOUR PORTFOLIO



What Value Line Does

What You Do

Know Your Asset Allocation

Over time, your mix of stocks and other assets may vary with your cash flow needs and risk preference. You should also consider the Value Line asset allocation model, appearing each week on the Market Monitor page, which is the inside back page of the weekly issue of *Selection & Opinion*. The model, based on economic factors, suggests the percentage of an investor's portfolio that Value Line thinks should be in stocks, and the percentage in cash and Treasury issues.

By Stock — Safety™

Value Line ranks approximately 1,700 stocks according to Safety in five categories. Those ranked 1 (Highest) are expected to be the least volatile and financially strongest, and those ranked 5 (Lowest) the most volatile and weakest financially.

By Stock — Price Appreciation

The new 18-month Target Price Range is an excellent guide for investors not inclined to hold a stock for three years or longer. Value Line publishes the median expected appreciation of our approximately 1,700 stocks from the present until 18 months in the future on the front page of the weekly *Summary & Index* (S&I). In the Projections Box at the top left of the Value Line page, Value Line predicts the price range in which we think a stock may trade three to five years in the future, and the median percentage increase that price range represents for the particular stock. At any given time, you will probably want to buy stocks with an 18-month projected midpoint increase or 3- to 5-year projected midpoint increase that is greater than the median of all stocks, appearing weekly on the front page of the *Summary & Index* in *The Value Line Investment Survey* and *The Value Line 600*.

By Stock — Income

Value Line estimates the next 12 months' dividend yield every week of each stock based on its most recent price. The stock's expected yield is updated every week in the *Summary & Index*. Value Line also shows, for comparative purposes, the median yield of all dividend-paying stocks in *The Value Line Investment Survey* on the front page of the *Summary & Index*.

Value Line Reports

Value Line reports on each stock and each industry once every three months, on a preset schedule, in the weekly *Ratings & Reports* section. The page numbers on which the reports appear are shown in the *Summary & Index*. When important news is released before the next issue goes to press, a "Supplementary Report" is published. The "Supplementary Reports" appear in the final pages of each issue of the *Ratings & Reports* section, as well as on our website. In the *Summary & Index*, the number to the far left of the company name refers to the page for any recent Supplementary Report. If two asterisks (**) appear at the far left, there is a Supplementary Report in the current Issue. Supplements are inserted just before press time with "final report" notes on discontinued stocks first. An alphabetical table of Supplements appears weekly on the back page of the *Ratings & Reports* section.

Selection & Opinion

Value Line's *Selection & Opinion* section provides a current appraisal of the stock market and economic conditions. It recommends on the Market Monitor page (the inside back page of each weekly issue of *Selection & Opinion*) how much of one's capital should be invested in common stocks and how much Value Line recommends you set aside temporarily in cash and Treasury issues.

Consider your needs for income and your risk preferences. Some industries and stocks are less risky than average. For example, the entire electric utility industry (power companies) tends to be less risky than average, having average or better Safety ranks. On the other hand, some Bank stocks have high Safety ranks, while others rank lower for Safety.

Make a list of those stocks you like that are ranked 1 (Highest) or 2 (Above Average) for Safety. Also consider the Technical Ranks, and Target Price Ranges. You will find the latest full-page report on each stock in *Ratings & Reports*.

Particularly if you are a short-term investor, you should look at the Technical Ranks which look ahead three to six months, and limit purchases to stocks with Technical Ranks of 1 or 2. Earnings are not a factor in the Technical rank, which is based on a stock's historical price trend and predicts the stock's price movement relative to the other stocks Value Line covers, in the next three to six months. For investors who may want to sell a stock within a year, the Timeliness Rank predicts the relative price performance of the stocks in our universe for the next six to 12 months. The favorable ranks, 1 and 2, indicate stocks whose prices we believe will outperform those ranked 3, 4, and 5. Many investors consider the Rank 2 stocks "rising stars" with the best profit potential. Rank 1 stocks are strong performers whose price Value Line thinks still has room to rise. Investors for the mid-term should look at our new 18-month Target Price Range. Longer-term investors will rely more on the 3- to 5-year projected appreciation.

If one of your objectives is income, you should eliminate from your list those stocks that fall short of your current-income standard. For example, if your standard is 3%, eliminate stocks that yield less than 3%, or if you accept a stock that yields less than 3%, see to it that other stocks you select yield enough to bring the average of the stocks in your portfolio up to 3%.

Most stocks in an industry are grouped together, preceded by a report on the industry as a whole. Read the latest Value Line reports on those industries and stocks that have qualified according to all of your standards. In making your final selection, see to it that you have stock representation in a variety of different industries. In addition, we list all the Industries we follow on the front page of *Summary & Index*, with our ranks for probable industry price performance, and the page on which each Industry analysis is found. The industry rank for price performance is based on the Timeliness ranks of the stocks in that industry.

Each week we suggest you review the wealth of economic information in the *Selection & Opinion* section.

MAINTAINING YOUR PORTFOLIO

Safety ranks are significant and should not be ignored. If they fall by two or more ranks, compared to when you purchased the stock, you should generally consider a sale.

If a stock has reached its 18-month mid-point price sooner than in 18 months, or its 3- to 5-year Target Price sooner than in three to five years, it may be time to take profits. Sometimes you may consider the fact that a stock's price has reached its Value Line target price range sooner than the relevant period as a sign of good management and may wish to keep the stock. If you are an active trader, consider a sale when a stock's Technical rank falls.

*When a stock is sold, replace it with a well-ranked stock that also meets your standards for expected price appreciation, Safety, and/or Beta and current income. See if there is room for price growth from today's price to the 18-month and 3- to 5-year Target Price Ranges. It would be best in the long run to maintain diversification through at least 10 or more stocks in six different industries. (See Note and Comment below.) Please keep track of news affecting your stocks with our Supplementary Reports. When a second number appears to the far left of the company name in the *Summary & Index*, that is the page number for a Supplementary Report. Two stars (★★) indicate a new Supplementary Report is in the current Issue of our service.*

Many investors rely on the Model Portfolios in the *Selection & Opinion* section for guidance in choosing stocks. These portfolios each include 20 stocks. The separate portfolios are oriented to 18-month price potential, income and growth; 3- to 5-year price potential; and above-average dividend yields. When the Value Line service in its *Selection & Opinion* section recommends building cash reserves because the general market seems temporarily to be too high, sell stocks and temporarily invest instead in cash and Treasury issues.

Note: There can be no assurance that every one of the approximately 1,700 stocks will always perform in accordance with its Rank, or rating. But it can be said that a high percentage have done so in the past. Note that diversification is essential.

Of the Safety Ranks, it can be said that stocks ranked high for Safety have held up better than average during significant market declines in the past. In strongly rising markets, however, high Safety could prove to be a restraining influence upon performance. For example, in the case of two stocks, both predicted to appreciate in the next three to five years, the stock ranked 1 for Safety will tend to go up less than another ranked 5 for Safety, during a rising market. Conversely, in a down market, stocks with a high Safety Rank should hold up better than stocks with low Safety ranks.

Comment: In a widely diversified portfolio, the variations in individual stock prices tend to cancel each other out, leaving the general market fluctuation as the main influence. The Beta measures the individual stock's likely price movement relative to all New York Stock Exchange-listed stocks. The Safety Rank, on the other hand, is a measure of the stock's total risk, i.e., volatility relative to the market (Beta) plus sensitivity to all other factors affecting the individual stock's price.

The Value Line 600 does not include Market Monitor.

When major changes occur, Value Line publishes the most significant supplements as space permits. Please refer to the back pages of *Ratings & Reports*, or to Quick Links in our digital services, where all supplements are available.