



Sell: Home Depot (HD)

SEPTEMBER 2025

HOLDINGS UPDATE

JENSEN QUALITY GROWTH STRATEGY

Investment Thesis and What Led Us to Sell

Our thesis for Home Depot was based on their business fundamentals' alignment with the key tenets of the **Jensen Quality Growth Strategy's** investment selection process:

- **Competitive Advantages:** Dominant position in the home improvement retail space with its supply chain sophistication, strong brand loyalty, and customer retention.
- **Earnings Stability:** Industry-leading margins and return on invested capital (ROIC).

Valuation is another crucial tenet of the Strategy's investment selection process. Although the company possesses the above competitive advantages and earnings qualities, Home Depot has risen above our estimate of its intrinsic value after a period of strong performance. Due to the elevated valuation, we believe there is limited near-term upside, as well as more favorable holdings for industry exposure. Therefore, the Investment Team liquidated Home Depot from the Strategy.

Outlook

Our near-term outlook for Home Depot is constrained. Amid a weak housing market and pressured consumer spending, 2025 likely marks a third consecutive year of flat or zero earnings growth due to these and other economic factors. We continue to favor **Sherwin-Williams (SHW)** and **Equifax (EFX)** for housing-related exposure in the Strategy. A portion of the proceeds from the sale of Home Depot was utilized to boost our position in Sherwin-Williams, which we believe offers superior top-line and margin growth potential at a more compelling valuation.

Despite our reserved near-term outlook, we maintain a favorable longer-term outlook for Home Depot. The company has continued to invest in digital offerings, their supply chain, and professional engagement through the downturn, all strengthening the franchise overall. Additionally, structural demand for home improvement remains attractive given an aging U.S. housing stock, which also bodes well for the company long term.

Company Overview

Home Depot (HD) is the largest home improvement retailer in the United States, with approximately 2,300 stores and 470,000 employees across North America. Founded in 1978, Home Depot sells a wide array of home improvement products such as building materials, lawn and garden supplies, and décor, while also offering installation services. Home Depot is consistently ranked among the world's most admired companies and is widely recognized for its scale, supply chain sophistication, and customer service.

Strategy holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the Quality Growth Strategy's current holdings, please visit www.jenseninvestment.com/growth-composite-holdings.

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