# Home depot and lowe's financial analysis

Finance

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Dupoint analysis Leverage ratios Home depot- The long-term debt ratio for the company is fluctuating over the three years. The ratio increased from 32% to 37% from the year 2011 to 2012 then reduced to 35% in the year 2013. That shows that the ratio for the company for the long-term debt is not stable. For the long term to equity ratio, the ratio increased from 46% to 60% then reduced to 53% over the three years. The total debt ratio for the company increased from 53% to 56% then 57%. That shows that the total debt for the company is increasing with time. That shows that that the company is dependent on debt as the means of raising funds for the company. The times earned ratio increased from 9. 95 to 11. 01 to 12. 43 over the three years. That shows that the company is earning interest over its investments and that is a positive thing for the company. The cash coverage ratio for the company increased to 15. 1 from 13. 8 and 13 over the three years.

Lowe- The long-term debt ratio for the company is increasing over the three years. The ratio increased from 27% to 29% from the year 2011 to 2012 then increased to 39% in the year 2013. That shows that the ratio for the company for the long-term debt is stable and the company depends on long term funding for its operations. For the long term to equity ratio, the ratio increased from 36% to 42% then increased to 65% over the three years. The total debt ratio for the company reduced from 46% to 23% then increased to 24%. That shows that the total debt for the company is not stable. That shows that that the company is dependent on debt as the means of raising funds for the company. The times earned ratio reduced from 9. 72 to 7. 7 to 6. 95 over the three years. That shows that the company is cutting on the interest earned on its investments and that is not a positive thing for the

company. The cash coverage ratio for the company reduced to 11 from 11. 89 and 14. 80 over the three years.

Liquidity ratios

Home depot: The net working capital to total assets ratio increased from 0. 08 to 0. 13 in the year 2012 then reduced to 0. 1. That shows that the liquidity of the company is not stable and that shows that the working capital of the company should be increased (Damodaran 1999). The current ratio for the company increased from 1. 33 to 1. 55 then reduced to 1. 34. The current ratio shows the ratio of current liabilities to current assets. That shows the ability of the company to payback its liabilities using current assets. The best ratio is 2: 1. The quick ratio for the company reduced from 0. 4 from 0. 44. That shows the ability of a company to settle its short-term liabilities using current assets less stock.

Lowe: The net working capital to total assets ratio reduced from 0. 08 to 0. 06 in the year 2012 and 2013. That shows that the liquidity of the company is reducing and that shows that the working capital of the company should be increased. The current ratio for the company decreases from 2. 16 to 1. 28 then reduced to 1. 27. That shows the ability of the company to payback its liabilities using current assets is reducing with time. The quick ratio for the company increased from 0. 07 to 0. 21 then reduced to 0. 07. That shows the ability of a company to settle its short liabilities using current assets less stock.

References

Damodaran, A. 1999. Financing Innovations and Capital Structure Choices, Journal of Applied Corporate Finance, v12, 28-39.