



Fallen Angel

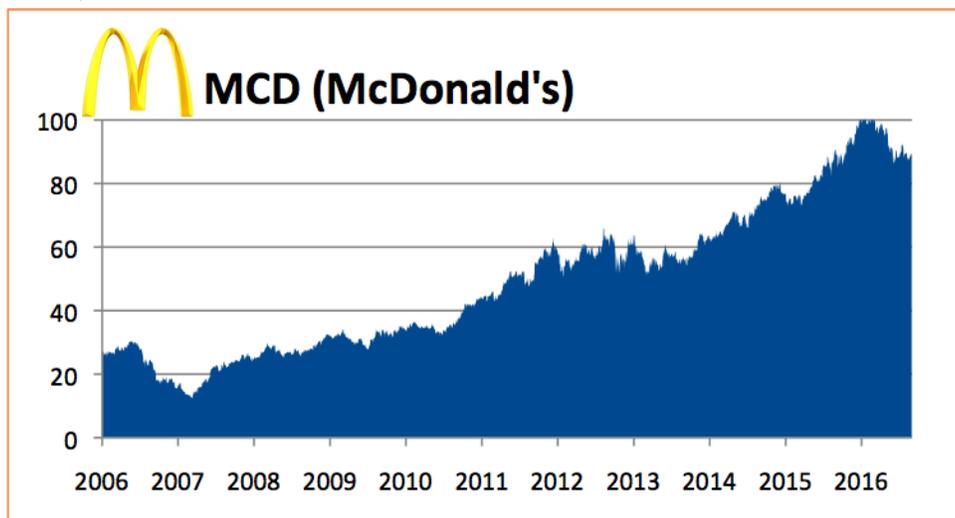
May 2011: Home Depot



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On September 30, 2002 we wrote an in-depth research report on McDonald's when it was experiencing significant operating problems which caused its common stock to plummet in value to \$17.66 per share. Prior to 2002, McDonald's primarily grew revenue through the opening of new restaurants, without regard to existing store performance. With declining same store sales, unhappy franchisees, and a declining stock price, a new management team came in and refocused the Company. Management reduced new restaurant openings and focused on store operations by introducing new products and improving the customer experience. With the money saved from reduced capital expenditures, McDonald's returned cash to shareholders. As a result, McDonald's stock price significantly rebounded from an all time low of \$12.38 on March 12, 2003.



A more recent example of a “fallen angel,” that Boyar Research profiled is Home Depot. As we wrote in our May 2011 report on Home Depot, we believe CEO Blake’s turnaround strategy is eerily similar to the playbook that McDonald’s utilized nearly a decade ago. Blake has foregone new store openings and acquisitions in favor of focusing on existing store operations. In addition, management has embarked on a number of initiatives including bolstering the Company’s supply chain, improving customer service, and focusing on innovation and values.

In addition, both McDonald’s and Home Depot had a margin of safety, which is critically important to us when we decide to profile a company. Each of the companies owned a significant amount of real estate, which was worth considerably more than the value it was carried on their respective balance sheets. In fact, in our September 30, 2002 report we stated that the real estate McDonald’s owns could be worth close to the entire market value of the company. In our May 2011 report on HD, we estimated that the company’s real estate was worth approximately \$16.50 per share, which was almost 50% of the entire market capitalization of the company.



To receive a copy of our May 2011 report on Home Depot, please email: Client_Services@boyarvaluegroup.com

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