

Horan Capital's Malcom Says Home Depot Faces Housing Headwind
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By Ken Prewitt and Tony Greco

May 15 (Bloomberg) -- Jeffrey Malcom, who helps oversee about \$355 million as a portfolio manager at Horan Capital Management in Towson, Maryland, comments on Home Depot Inc.'s first-quarter earnings report.

The firm owns about 510,000 Home Depot shares. Malcom, who also owns Home Depot shares personally, spoke in an interview. Home Depot, the world's largest home-improvement retailer, said first-quarter profit fell more than analysts' estimates and yearly earnings will be at the low end of forecasts because of the U.S. housing slump.

On the decline in Home Depot's earnings:

weakness in the U.S. housing industry ``is definitely a huge headwind for Home Depot. The good thing is it's an issue that is cyclical and, ultimately, Home Depot is a great business.''

On investing in Home Depot:

``we're at low-end valuations here and Home Depot is not a company that's broken for the long term. The housing market in this country is going to grow. They have a great market position. They're basically two times bigger than their nearest competitor. They operate in a duopoly and they have enormous scale.''

Home Depot is ``a very sustainable company that generates a lot of cash and the time to get good companies is when they go in sale. That's what we're seeing now.''

--with reporting by Vonnie Quinn in New York. Editor: Porter.

Story illustration: For Home Depot's stock performance compared with indexes: {HD US <Equity> COMP D <GO>}. For sales and earnings summary: {HD US <Equity> EM <GO>}.

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