

Q2 2024 Reconciliation of Non-GAAP Measures

Management of Lowe's Companies, Inc. (the Company) uses certain non-GAAP financial measures to provide additional insight for analysts and investors in evaluating the Company's financial and operating performance. These non-GAAP financial measures should not be considered alternatives to, or more meaningful indicators of, the Company's financial measures as prepared in accordance with GAAP. The Company's methods of determining these non-GAAP financial measures may differ from the methods used by other companies and may not be comparable.

The Company's non-GAAP financial measures are intended to provide better visibility to the following:

1. Operating performance,
2. Liquidity measures,
3. Leverage measures, and
4. Capital/asset productivity measures.

Operating Performance

The Company has provided the following non-GAAP financial measures to assist the user in comparing its operating performance for the three months ended August 2, 2024: adjusted selling, general and administrative expenses (SG&A); adjusted operating income; adjusted operating margin; adjusted effective tax rate; and adjusted diluted earnings per share. These measures exclude the impact of a certain item, further described below, not contemplated in Lowe's Business Outlook.

Fiscal 2024 Impacts

During fiscal 2024, the Company recognized financial impacts from the following, not contemplated in the Company's Business Outlook for fiscal 2024:

- In the second quarter of fiscal 2024, the Company recognized pre-tax income of \$43 million consisting of a realized gain on the contingent consideration associated with the fiscal 2022 sale of the Canadian retail business (Canadian retail business transaction).

Adjusted SG&A (in millions, except percentage data)	Three Months Ended	
	August 2, 2024	
SG&A, As Reported	\$	4,025
Canadian retail business transaction		43
Adjusted SG&A	\$	4,068
SG&A, % of Sales		17.07 %
Adjusted SG&A, % of Sales		17.25 %

Adjusted Operating Income (in millions, except percentage data)	Three Months Ended	
	August 2, 2024	
Operating Income, As Reported	\$	3,447
Canadian retail business transaction		(43)
Adjusted Operating Income	\$	3,404
Operating Margin, % of Sales		14.61 %
Adjusted Operating Margin, % of Sales		14.43 %



	Three Months Ended		
	August 2, 2024		
Adjusted Effective Tax Rate (in millions, except percentage data)	Pre-Tax Earnings	Income Tax Provision ¹	Effective Tax Rate
Effective Tax Rate, As Reported	\$ 3,130	\$ 747	23.9 %
Canadian retail business transaction	(43)	—	
Adjusted Effective Tax Rate	\$ 3,087	\$ 747	24.2 %

	Three Months Ended		
	August 2, 2024		
Adjusted Diluted Earnings Per Share	Pre-Tax Earnings	Tax ¹	Net Earnings
Diluted Earnings Per Share, As Reported			\$ 4.17
Canadian retail business transaction	(0.07)	—	(0.07)
Adjusted Diluted Earnings Per Share			\$ 4.10

¹ Represents the corresponding tax benefit or expense specifically related to the item excluded from adjusted diluted earnings per share.

Liquidity Measures

Free Cash Flow

Lowe's believes Free Cash Flow is a useful measure and focuses on the Company's ability to generate excess cash from its business operations. The Company defines Free Cash Flow as net cash provided by operating activities less capital expenditures.

Free Cash Flow (in millions)	Six Months Ended	
	August 2, 2024	August 4, 2023
Net cash provided by operating activities	\$ 7,415	\$ 5,968
Capital expenditures	(808)	(765)
Free Cash Flow	\$ 6,607	\$ 5,203

Leverage Measures

Lease Adjusted Debt to EBITDAR

Lowe's believes the ratio of Lease Adjusted Debt to EBITDAR is a useful supplemental measure and provides an indication of the results generated by the Company in relation to its level of indebtedness. The Company defines EBITDAR as four quarters' earnings before interest, taxes, depreciation, amortization, share-based payments, rent (inclusive of interest on operating leases), and certain items as defined by the Company's credit facility.

The Company defines Lease Adjusted Debt as short-term debt, current maturities of long-term debt, long-term debt excluding current maturities, and operating lease liabilities reflected on our balance sheet.



EBITDAR (in millions)	Four Quarters Ended	
	August 2, 2024	August 4, 2023
Net Earnings	\$ 6,931	\$ 6,044
Interest ¹	1,361	1,305
Taxes	2,191	2,452
Depreciation and amortization ²	1,951	1,909
Share-based payments	205	237
Rent	677	679
Certain charges ^{3,4}	(43)	2,438
EBITDAR	\$ 13,273	\$ 15,064

¹ Interest includes amortization of original issue discount, deferred loan costs & other non-cash amortization charges.

² Depreciation and amortization represents total depreciation, including amounts recognized in cost of goods sold, as well as amortization of certain trademarks and intangibles.

³ Certain charges for the four quarters ended August 2, 2024 include \$43 million of realized gain on contingent consideration associated with the sale of the Canadian retail business.

⁴ Certain charges for the four quarters ended August 4, 2023 include \$2.4 billion of costs associated with the long-lived asset impairment, loss on sale, realized gain on contingent consideration, and other closing costs associated with the sale of the Canadian retail business.

Lease Adjusted Debt (in millions)	As of	
	August 2, 2024	August 4, 2023
Current maturities of long-term debt	\$ 1,290	\$ 592
Current operating lease liabilities	552	534
Long-term debt excluding current maturities	34,659	35,839
Noncurrent operating lease liabilities	3,738	3,611
Lease Adjusted Debt	\$ 40,239	\$ 40,576
EBITDAR	\$ 13,273	\$ 15,064
Lease Adjusted Debt to EBITDAR	3.03	2.69

Capital/Asset Productivity Measures

Return on Invested Capital

Return on Invested Capital (ROIC) is calculated using a non-GAAP financial measure. Lowe's believes ROIC is a meaningful metric for analysts and investors as a measure of how effectively the Company is using capital to generate financial returns. Although ROIC is a common financial metric, numerous methods exist for calculating ROIC. Accordingly, the method used by our management may differ from the methods used by other companies. We encourage you to understand the methods used by another company to calculate ROIC before comparing its ROIC to ours.

We define ROIC as the rolling 12 months' lease adjusted net operating profit after tax (Lease adjusted NOPAT) divided by the average of current year and prior year ending debt and shareholders' deficit. Lease adjusted NOPAT is a non-GAAP financial measure, and net earnings is considered to be the most comparable GAAP financial measure. The calculation of ROIC, together with a reconciliation of net earnings to Lease adjusted NOPAT, is as follows:



ROIC (in millions, except percentage data)	Four Quarters Ended	
	August 2, 2024	August 4, 2023
Numerator		
Net Earnings	\$ 6,931	\$ 6,044
Plus:		
Interest expense – net	1,361	1,305
Operating lease interest	169	158
Provision for income taxes	2,191	2,452
Lease adjusted net operating profit	10,652	9,959
Less:		
Income tax adjustment ¹	2,559	2,874
Lease adjusted net operating profit after tax	\$ 8,093	\$ 7,085
Denominator		
Average debt and shareholders' deficit ²	\$ 26,160	\$ 25,504
Net earnings to average debt and shareholders' deficit	26.5 %	23.7 %
Return on invested capital ³	30.9 %	27.8 %

¹ Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 24.0% and 28.9% for the four quarters ended August 2, 2024, and August 4, 2023, respectively.

² Average debt and shareholders' deficit is defined as average current year and prior year ending debt, including current maturities, short-term borrowings, and operating lease liabilities, plus the average current year and prior year ending total shareholders' deficit.

³ As of August 4, 2023, ROIC was negatively impacted approximately 750 basis points as a result of the sale of the Canadian retail business.