

Q4 and Fiscal 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 in comparing its operating performance for the three months ended January 31, 2025, and years ended January 31, 2025 and February 2, 2024, respectively: 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

The Company recognized financial impacts from the following:

- In the fourth quarter of fiscal 2024, the Company recognized pre-tax income of \$80 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).
- In the third quarter of fiscal 2024, the Company recognized pre-tax income of \$54 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).
- 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	
	January 31, 2025	
SG&A, As Reported	\$	3,822
Canadian retail business transaction		80
Adjusted SG&A	\$	3,902
SG&A, % of Sales		20.59 %
Adjusted SG&A, % of Sales		21.03 %



Adjusted Operating Income (in millions, except percentage data)	Three Months Ended		Year Ended	
	January 31, 2025		January 31, 2025	
Operating Income, As Reported	\$	1,830	\$	10,466
Canadian retail business transaction		(80)		(177)
Adjusted Operating Income	\$	1,750	\$	10,289
Operating Margin, % of Sales		9.87 %		12.51 %
Adjusted Operating Margin, % of Sales		9.43 %		12.30 %

Adjusted Effective Tax Rate (in millions, except percentage data)	Three Months Ended		
	January 31, 2025		
	Pre-Tax Earnings	Income Tax Provision ¹	Effective Tax Rate
Effective Tax Rate, As Reported	\$ 1,502	\$ 377	25.1 %
Canadian retail business transaction	(80)	(43)	
Adjusted Effective Tax Rate	\$ 1,422	\$ 334	23.5 %

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

Adjusted Diluted Earnings Per Share	Three Months Ended			Year Ended		
	January 31, 2025			January 31, 2025		
	Earnings	Tax ¹	Earnings	Earnings	Tax ¹	Earnings
Diluted Earnings Per Share, As Reported	\$	1.99		\$	12.23	
Canadian retail business transaction	(0.14)	0.08	(0.06)	(0.31)	0.07	(0.24)
Adjusted Diluted Earnings Per Share	\$	1.93		\$	11.99	

² Represents the tax benefit or expense 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)	Years Ended	
	January 31, 2025	February 2, 2024
Net cash provided by operating activities	\$ 9,625	\$ 8,140
Capital expenditures	(1,927)	(1,964)
Free Cash Flow	\$ 7,698	\$ 6,176

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	
	January 31, 2025	February 2, 2024
Net Earnings	\$ 6,957	\$ 7,726
Interest ¹	1,314	1,382
Taxes	2,196	2,449
Depreciation and amortization ²	1,973	1,923
Share-based payments	221	210
Rent	681	659
Certain items ^{3,4}	(177)	(63)
EBITDAR	\$ 13,165	\$ 14,286

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 items for the four quarters ended January 31, 2025 include \$177 million of realized gain on contingent consideration associated with the sale of the Canadian retail business.

⁴ Certain items for the four quarters ended February 2, 2024 include \$63 million of 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	
	January 31, 2025	February 2, 2024
Current maturities of long-term debt	\$ 2,586	\$ 537
Current operating lease liabilities	563	487
Long-term debt excluding current maturities	32,901	35,384
Noncurrent operating lease liabilities	3,628	3,737
Lease Adjusted Debt	\$ 39,678	\$ 40,145
EBITDAR	\$ 13,165	\$ 14,286
Lease Adjusted Debt to EBITDAR	3.01	2.81

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	
	January 31, 2025	February 2, 2024
Numerator		
Net Earnings	\$ 6,957	\$ 7,726
Plus:		
Interest expense – net	1,314	1,382
Operating lease interest	173	157
Provision for income taxes	2,196	2,449
Lease adjusted net operating profit	10,640	11,714
Less:		
Income tax adjustment ¹	2,552	2,819
Lease adjusted net operating profit after tax	\$ 8,088	\$ 8,895
Denominator		
Average debt and shareholders' deficit ²	\$ 25,270	\$ 24,418
Net earnings to average debt and shareholders' deficit	27.5 %	31.6 %
Return on invested capital	32.0 %	36.4 %

¹ Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 24.0% and 24.1% for the four quarters ended January 31, 2025, and February 2, 2024, 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.