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**FIRST QUARTER 2016  
EARNINGS CALL**

May 18, 2016

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## FIRST QUARTER HIGHLIGHTS



<b>Comp Sales</b>	<b>+7.3%</b>
<b>Gross Margin</b>	<b>35.04%, -43 bps</b>
<b>SG&amp;A</b>	<b>22.28%, -188 bps*</b>
<b>EBIT Margin</b>	<b>10.42%, +170 bps*</b>
<b>EPS</b>	<b>\$0.98, +40.0%*</b>

Healthy macro fundamentals, favorable weather, and compelling offers drove comp growth that exceeded our expectations

- Positive comps in all 14 regions
- Positive comps in all 13 product categories

Repurchased \$1.2 billion of stock under share repurchase program and paid \$255 million in dividends

\*Includes a \$160 million unrealized gain on a foreign currency hedge entered into in advance of the Company's pending RONA acquisition. The unrealized gain benefited SG&A and EBIT Margin by 105 bps and increased diluted earnings per share by \$0.11.

## TOTAL SALES SUMMARY

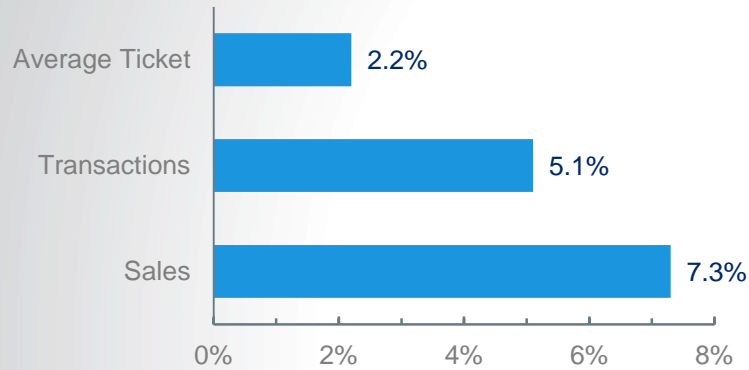


	Total	% Change
Sales	\$15.2B	+7.8%
Average Ticket	\$68.08	+2.2%
Customer Transactions	223.8M	+5.5%

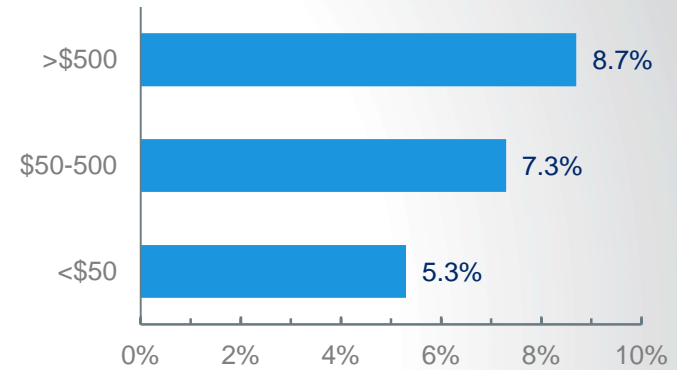
# COMPARABLE SALES SUMMARY



**Transaction/Ticket**

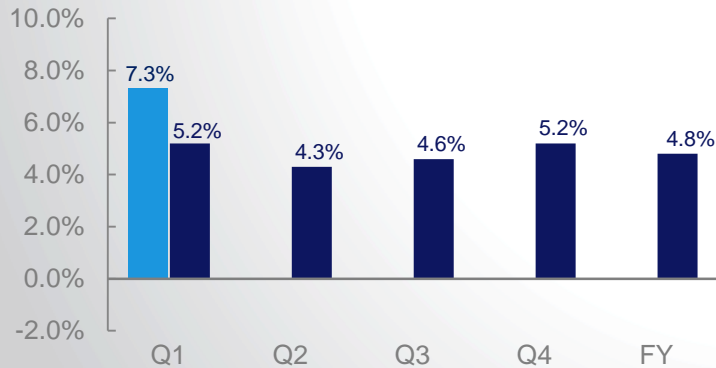


**Ticket Size**



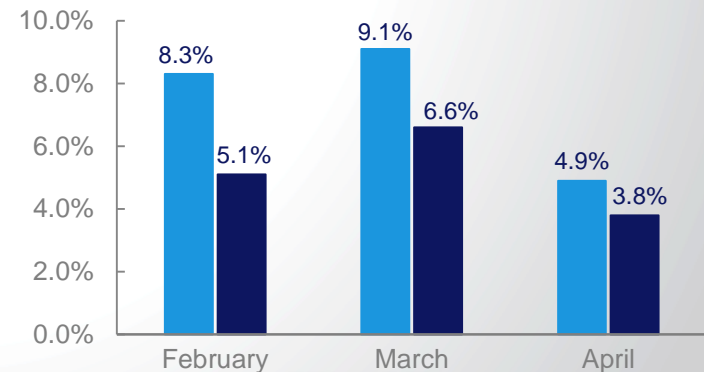
**Quarterly Trend**

■ 2016 ■ 2015



**Monthly Trend**

■ 2016 ■ 2015



# PRODUCT CATEGORY PERFORMANCE\*



## Above Average

- Lawn & Garden
- Lumber & Building Materials
- Millwork
- Paint
- Tools & Hardware

## Average

- Fashion Fixtures

## Below Average

- Appliances
- Flooring
- Home Fashions
- Kitchens
- Outdoor Power Equipment
- Rough Plumbing & Electrical
- Seasonal Living

\*Q1 comp sales were +7.3%. Positive comps in all 13 product categories.

## OPERATING MARGIN SUMMARY



	% of Sales	Leverage/ (Deleverage)	Drivers
<b>Gross Margin</b>	<b>35.04%</b>	<b>-43 bps</b>	(-) Product mix (-) Targeted promotions (-) Markdowns associated with reset activity
<b>SG&amp;A</b>	<b>22.28%</b>	<b>188 bps*</b>	(+) Unrealized gain on foreign currency hedge (+) Store payroll (+) Utilities
<b>Depreciation</b>	<b>2.34%</b>	<b>25 bps</b>	(+) Higher sales and fully depreciated assets
<b>EBIT Margin</b>	<b>10.42%</b>	<b>170 bps*</b>	

\*Includes a \$160 million unrealized gain on a foreign currency hedge entered into in advance of the Company's pending RONA acquisition, which benefited SG&A and EBIT Margin by 105 bps.

## BALANCE SHEET SUMMARY



		YOY Change
<b>Cash &amp; Cash Equivalents</b>	<b>\$4.6B</b>	<b>+\$3.1B or +218.1%</b>
<b>Inventory</b>	<b>\$11.1B</b>	<b>+\$441M or +4.2%</b>
<b>Inventory Turnover</b>	<b>3.83x</b>	<b>+5 bps</b>
<b>Accounts Payable</b>	<b>\$8.8B</b>	<b>+\$798M or +10.0%</b>
<b>Lease Adjusted Debt to EBITDAR</b>	<b>2.45x</b>	
<b>Return on Invested Capital*</b>	<b>14.98%</b>	<b>+64 bps</b>

\*The \$530 million non-cash impairment charge recognized in connection with the Company's exit of its joint venture with Woolworths Limited in Australia during 2015, net of the foreign currency hedge unrealized gain, negatively impacted ROIC by 181 basis points.

## STATEMENT OF CASH FLOWS SUMMARY



	Amount
<b>Operating Cash Flow</b>	<b>\$3.2B</b>
<b>Capital Expenditures</b>	<b>\$0.2B</b>
<b>Free Cash Flow</b>	<b>\$3.0B</b>
<b>Share Repurchases:</b>	
<b>Fiscal Year*</b>	<b>\$1.2B</b>
<b>Authorization Remaining</b>	<b>\$2.4B</b>

\*On the Company's Consolidated Statements of Cash Flows, the \$1.3 billion shown as *Repurchase of common stock* includes \$1.2 billion of shares repurchased under the Company's share repurchase program as well as shares withheld from employees to satisfy statutory tax withholding liabilities.



## ECONOMIC LANDSCAPE



- Key drivers of home improvement spending are real disposable personal income, home prices, and housing turnover.
- The outlook for the home improvement industry remains positive, supported by strong gains in the job market as well as income growth that's expected to outpace growth in the economy, and constructive housing trends.
- Our quarterly Consumer Sentiment Survey revealed that favorable views around personal finances and home improvement spending are holding steady.
- Rising home prices are motivating homeowners to invest in their homes as we continued to see positive home improvement project intentions.

## Grow Sales

- Continue developing omni-channel capabilities
- Differentiate through better customer experiences
- Further improve our product and service offering for the Pro customer

## Drive Productivity and Profitability

- Continue to optimize store payroll and marketing
- Leverage our scale to get cost savings on indirect spend

# 2016 BUSINESS OUTLOOK\*



(COMPARISONS TO FISCAL YEAR 2015 – A 52-WEEK YEAR; BASED ON U.S. GAAP UNLESS OTHERWISE NOTED)

- Total sales are expected to increase approximately 6 percent, including the 53<sup>rd</sup> week
- The 53<sup>rd</sup> week is expected to increase total sales by approximately 1.5 percent
- Comparable sales are expected to increase approximately 4 percent
- The company expects to add approximately 45 home improvement and hardware stores
- Earnings before interest and taxes as a percentage of sales (operating margin) are expected to increase 80 to 90 basis points\*\*
- The effective income tax rate is expected to be approximately 38.1%
- Diluted earnings per share of approximately \$4.11 are expected for the fiscal year ending February 3, 2017
- Cash flow from operations are expected to be approximately \$5.4B
- Capital expenditures are expected to be approximately \$1.5B
- The company expects to repurchase \$3.5B of stock

\* As of May 18, 2016; Outlook for 2016 excludes the impact of the pending RONA acquisition

\*\* Operating margin growth excludes the unrealized gain on the foreign currency hedge as well as the impact of the non-cash impairment charge on the Australian joint venture



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APPENDIX

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# FORWARD LOOKING STATEMENTS



This document release includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 including those regarding the proposed acquisition by Lowe’s Companies, Inc. of RONA, inc. and the expected impact of the transaction on Lowe’s strategic and operational plans and financial results. Statements including words such as “may”, “will”, “could”, “should”, “would”, “plan”, “potential”, “intend”, “anticipate”, “believe”, “estimate” or “expect” and other words, terms and phrases of similar meaning are forward-looking statements. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Such forward-looking statements include, but are not limited to, statements or implications about the benefits of the transaction, including future financial and operating results, Lowe’s plans, objectives, expectations and intentions, expectations for sales growth, comparable sales, earnings and performance, shareholder value, capital expenditures, cash flows, the housing market, the home improvement industry, demand for services, share repurchases, Lowe’s strategic initiatives, any statement of an assumption underlying any of the foregoing and other statements that are not historical facts. Although we believe that the expectations, opinions, projections, and comments reflected in these forward-looking statements are reasonable, we can give no assurance that such statements will prove to be correct. A wide variety of potential risks, uncertainties, and other factors could materially affect our ability to achieve the results either expressed or implied by these forward-looking statements including, but not limited to, changes in general economic conditions, such as the rate of unemployment, interest rate and currency fluctuations, fuel and other energy costs, slower growth in personal income, changes in consumer spending, changes in the rate of housing turnover, the availability of consumer credit and of mortgage financing, inflation or deflation of commodity prices, and other factors which can negatively affect our customers, as well as our ability to: (i) respond to adverse trends in the housing industry, such as a demographic shift from single family to multi-family housing, a reduced rate of growth in household formation, and slower rates of growth in housing renovation and repair activity, as well as uneven recovery in commercial building activity; (ii) secure, develop, and otherwise implement new technologies and processes necessary to realize the benefits of our strategic initiatives and enhance our efficiency; (iii) attract, train, and retain highly-qualified associates; (iv) manage our business effectively as we adapt our traditional operating model to meet the changing expectations of our customers; (v) maintain, improve, upgrade and protect our critical information systems from data security breaches and other cyber threats; (vi) respond to fluctuations in the prices and availability of services, supplies, and products; (vii) respond to the growth and impact of competition; (viii) address changes in existing or new laws or regulations that affect consumer credit, employment/labor, trade, product safety, transportation/logistics, energy costs, health care, tax or environmental issues; and (ix) respond appropriately to unanticipated failures to maintain a high level of product and service quality that could result in a negative impact on customer confidence and adversely affect sales. In addition, we could experience additional impairment losses if either the actual results of our operating stores are not consistent with the assumptions and judgments we have made in estimating future cash flows and determining asset fair values, or we are required to reduce the carrying amount of our investment in certain unconsolidated entities that are accounted for under the equity method. With respect to the transaction discussed herein specifically, potential risks include the possibility that the transaction will not close or that the closing may be delayed; the effect of the announcement of the transaction on Lowe’s and RONA’s strategic relationships, operating results and businesses generally; significant transaction costs or unknown liabilities; failure to realize the expected benefits of the transaction; and general economic conditions. For more information about these and other risks and uncertainties that we are exposed to, you should read the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” included in our most recent Annual Report on Form 10-K to the United States Securities and Exchange Commission (the “SEC”) and the description of material changes therein or updated version thereof, if any, included in our Quarterly Reports on Form 10-Q or subsequent filings with the SEC.

The forward-looking statements contained in this document are expressly qualified in their entirety by the foregoing cautionary statements. All such forward-looking statements are based upon data available as of the date of the 1<sup>st</sup> quarter earnings release or other specified date and speak only as of such date. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf about any of the matters covered in this release are qualified by these cautionary statements and in the “Risk Factors” included in our most recent Annual Report on Form 10-K to the SEC and the description of material changes, if any, therein included in our Quarterly Reports on Form 10-Q or subsequent filings with the SEC. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, change in circumstances, future events, or otherwise.



# NON-GAAP MEASURES



Management is using non-GAAP financial measures in this document because it considers them to be important supplemental measures of the Company's performance. Management also believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operating performance. Non-GAAP financial measures should be considered in addition to, not as a substitute for, net earnings, earnings per share, total debt or other financial measures 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 for these or similar non-GAAP financial measures. Accordingly, these non-GAAP financial measures may not be comparable to measures used by other companies.

Pursuant to the requirements of SEC Regulation G, detailed reconciliations between the Company's GAAP and non-GAAP financial results were posted, by incorporation within the appendix to this presentation, on the Company's Investor Relations website at [www.Lowes.com/investor](http://www.Lowes.com/investor) on the day the Company's operating and financial results were announced for the quarter ended April 29, 2016 and management presented certain non-GAAP financial measures during a conference call with analysts and investors. Investors are advised to carefully review and consider this information as well as the GAAP financial results that are disclosed in the Company's earnings releases and annual and quarterly SEC filings.

# NON-GAAP MEASURES



## EBIT Margin (Operating Margin)

We define EBIT Margin as earnings before interest and taxes as a percentage of sales.

Lowe's believes that EBIT Margin is a useful measure to describe the Company's operating profit.

## EBITDAR

We define EBITDAR as earnings before interest, taxes, depreciation, amortization, share-based payments, rent, and non-recurring non-cash items.

## Lease-Adjusted Debt

We define Lease-Adjusted Debt as short-term debt, current maturities of long-term debt, long-term debt excluding current maturities, and eight times the last four quarters' rent. We believe eight times rent is a reasonable industry standard estimate of the economic value of our leased assets.

Lowe's believes the ratio of Lease-Adjusted Debt to EBITDAR is a useful supplemental measure, as it provides an indication of the results generated by the Company in relation to its level of indebtedness by reflecting cash flow that could be used to repay debt.

# NON-GAAP MEASURES



## ROIC

We define ROIC as trailing four quarters' Net Operating Profit after Tax (NOPAT) divided by the average of ending debt and equity for the last five quarters.

Lowe's believes ROIC is a useful measure of how effectively the Company uses capital to generate profits.

## Free Cash Flow

We define Free Cash Flow as net cash provided by operating activities less capital expenditures.

Lowe's believes Free Cash Flow is a useful measure to describe the Company's financial performance and measures its ability to generate excess cash from its business operations.



## RECONCILIATION OF NON-GAAP MEASURES



EBIT and EBITDAR	Four Quarters Ended	
	April 29, 2016	May 1, 2015
Net Earnings	2,758	2,747
Taxes	1,993	1,685
Interest <sup>1</sup>	575	526
<b>EBIT</b>	<b>5,326</b>	<b>4,958</b>
Depreciation and Amortization <sup>2</sup>	1,572	1,571
Share-based Payments	113	119
Rent	480	447
Non-cash impairment charge	530	-
Unrealized FX hedge gain	(160)	-
<b>EBITDAR</b>	<b>7,861</b>	<b>7,095</b>

<sup>1</sup> Interest includes amortization of original issue discount, deferred loan costs & other non-cash amortization charges

<sup>2</sup> Depreciation and amortization represents total Company depreciation, including Distribution Networks and Millworks, as well as amortization of certain trademarks and intangibles

## RECONCILIATION OF NON-GAAP MEASURES



Lease Adjusted Debt	Four Quarters Ended	
	April 29, 2016	May 1, 2015
Short-term Borrowings	-	-
Current Maturities of LTD	1,083	1,026
Long-term Debt Excluding Current Maturities	14,322	10,334
<b>Total Debt</b>	<b>15,405</b>	<b>11,360</b>
8 Times Rent	3,837	3,579
<b>Lease Adjusted Debt</b>	<b>19,242</b>	<b>14,939</b>

## RECONCILIATION OF NON-GAAP MEASURES



EBIT and NOPAT	Four Quarters Ended	
	April 29, 2016	May 1, 2015
Net Earnings	2,758	2,747
Taxes	1,993	1,685
Interest	575	526
<b>EBIT</b>	<b>5,326</b>	<b>4,958</b>
Effective Tax Rate	42.0%	38.0%
Tax Adjustment	2,187	1,883
<b>NOPAT</b>	<b>3,139</b>	<b>3,075</b>

## RECONCILIATION OF NON-GAAP MEASURES



Free Cash Flow	FY 2016E	FY 2015	FY 2014
Net Cash Provided by Operating Activities	5,400	4,784	4,929
Capital Expenditures	1,500	1,197	880
<b>Free Cash Flow</b>	<b>3,900</b>	<b>3,587</b>	<b>4,049</b>

# INVESTOR RELATIONS CONTACTS



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