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**FOURTH QUARTER 2015  
EARNINGS CALL**

February 24, 2016

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## FOURTH QUARTER HIGHLIGHTS



<b>Comp Sales</b>	<b>+5.2%</b>
<b>Gross Margin</b>	<b>34.66%, Flat</b>
<b>Adjusted SG&amp;A*</b>	<b>24.55%, -69 bps</b>
<b>Adjusted EBIT Margin*</b>	<b>7.32%, +79 bps</b>
<b>Adjusted EPS*</b>	<b>\$0.59, +28.3%</b>

### Posted solid results for the quarter

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

### Continued to capitalize on a favorable macro backdrop

Repurchased \$562 million of stock under share repurchase program and paid \$257 million in dividends

\*Adjusted SG&A, Adjusted EBIT Margin, and Adjusted EPS are non-GAAP financial measures. Refer to the Non-GAAP Measures section of this document, starting on page 13, for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial measures.

## TOTAL SALES SUMMARY



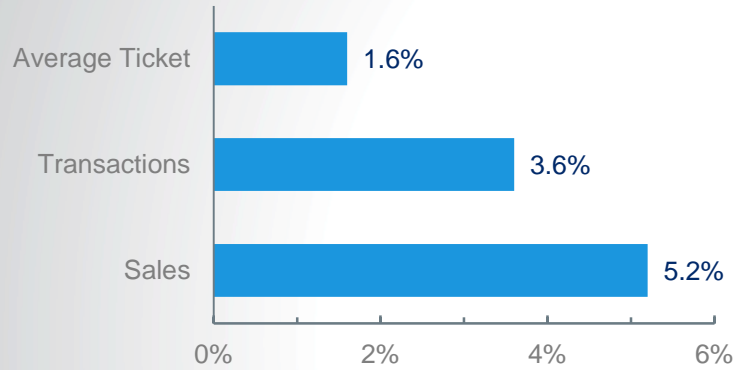
	Total	% Change
Sales	\$13.2B	+5.6%
Average Ticket	\$67.15	+1.5%
Customer Transactions	197.1M	+4.0%

Efforts to drive traffic are resonating with customers, resulting in 4.0% increase in transactions along with 1.5% increase in average ticket

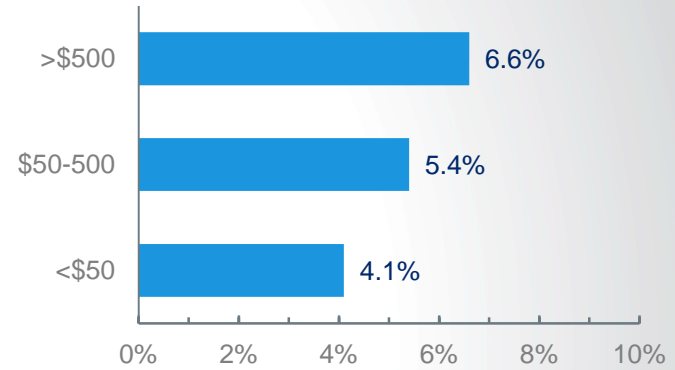
# COMPARABLE SALES SUMMARY



**Transaction/Ticket**

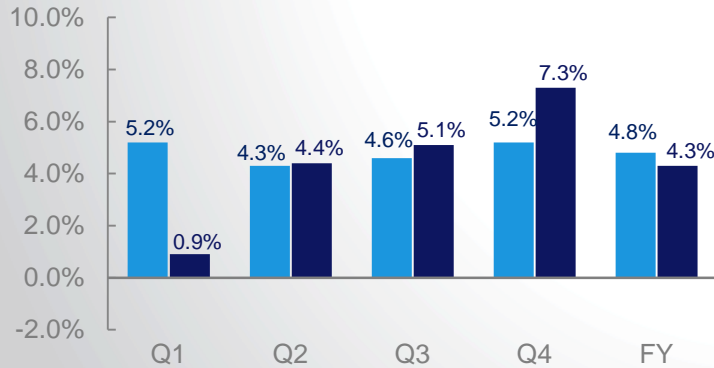


**Ticket Size**



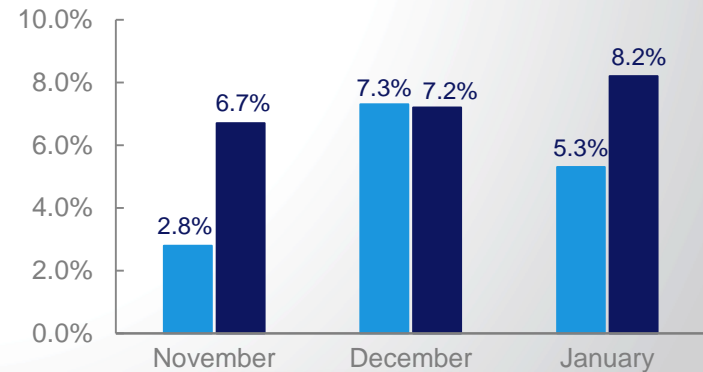
**Quarterly Trend**

■ 2015 ■ 2014



**Monthly Trend**

■ 2015 ■ 2014



# PRODUCT CATEGORY PERFORMANCE\*



## Above Average

- Appliances
- Lawn & Garden
- Lumber & Building Materials
- Paint

## Average

- Millwork
- Outdoor Power Equipment
- Tools & Hardware

## Below Average

- Fashion Fixtures
- Flooring
- Home Fashions
- Kitchens
- Rough Plumbing & Electrical
- Seasonal Living

\*Q4 comp sales were +5.2%. Positive comps in all 13 product categories.

## OPERATING MARGIN SUMMARY



	% of Sales	Leverage/ (Deleverage)	Drivers
<b>Gross Margin</b>	<b>34.66%</b>	<b>Flat</b>	<b>(+) Product cost deflation</b> <b>(+) Value improvement</b> <b>(-) Product mix</b> <b>(-) Promotional activity</b>
<b>Adjusted SG&amp;A*</b>	<b>24.55%</b>	<b>69 bps</b>	<b>(+) Store payroll</b> <b>(+) Marketing</b> <b>(+) Utilities</b> <b>(+) Employee Insurance</b>
<b>Depreciation</b>	<b>2.79%</b>	<b>10 bps</b>	<b>(+) Higher sales</b>
<b>Adjusted EBIT Margin*</b>	<b>7.32%</b>	<b>79 bps</b>	

\*Adjusted SG&A and Adjusted EBIT Margin are non-GAAP financial measures. Refer to the Non-GAAP Measures section of this document, starting on page 13, for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial measures.

## BALANCE SHEET SUMMARY



		YOY Change
<b>Cash &amp; Cash Equivalents</b>	<b>\$405M</b>	<b>-\$61M or -13.0%</b>
<b>Inventory</b>	<b>\$9.5B</b>	<b>+\$547M or +6.1%</b>
<b>Inventory Turnover</b>	<b>3.92x</b>	<b>+7 bps</b>
<b>Accounts Payable</b>	<b>\$5.6B</b>	<b>+\$509M or +9.9%</b>
<b>Lease Adjusted Debt to EBITDAR*</b>	<b>2.14x</b>	
<b>Return on Invested Capital**</b>	<b>14.08%</b>	<b>+18 bps</b>

\*Lease Adjusted Debt to EBITDAR and Return on Invested Capital are non-GAAP financial measures. Refer to the Non-GAAP Measures section of this document, starting on page 13, for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial measures.

\*\*The estimated impact of the non-cash impairment charge recognized in connection with the Company's decision to exit its joint venture with Woolworths Limited in Australia negatively impacted Return on Invested Capital by 238 bps.

## STATEMENT OF CASH FLOWS SUMMARY



	Amount
<b>Operating Cash Flow</b>	<b>\$4.8B</b>
<b>Capital Expenditures</b>	<b>\$1.2B</b>
<b>Free Cash Flow</b>	<b>\$3.6B</b>
<b>Share Repurchases:</b>	
<b>Fiscal Year*</b>	<b>\$3.8B</b>
<b>Authorization Remaining</b>	<b>\$3.6B</b>

\*On the Company's Consolidated Statements of Cash Flows, the \$3.9 billion shown as *Repurchase of common stock* includes \$3.8 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.
- Continued support from steady job growth and improved incomes, as well as the recent favorable trends in housing, should keep home improvement growth buoyant in 2016.
- Our quarterly Consumer Sentiment Survey continued to indicate positive trends for our business. Roughly half of survey respondents believe the value of their home has increased, double the number feeling this way in 2009.
- While most survey respondents indicated that their spending levels are staying the same, they revealed that they're more likely to allocate funds to home improvement compared to other areas.

## Grow Sales

- Differentiate through better customer experiences
- Continue developing omni-channel capabilities
- 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 \$4.00 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 February 24, 2016

\*\* Operating margin growth excludes 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 includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), which the words "believe," "expect," "anticipate," "project," "will," "should," "could," and similar expressions are intended to imply. Statements of the company's 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, the company's strategic initiatives, and any statement of an assumption underlying any of the foregoing, constitute "forward-looking statements" under the Act. 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. As previously noted in this news release, our estimate of the impairment charge related to the divestment of the company's investment in its Australian joint venture with Woolworths Limited is subject to adjustment based on the outcome of the valuation process set forth under the terms of the joint venture agreement. For more information about these and other risks and uncertainties that we are exposed to, you should read the "Risk Factors" and "Critical Accounting Policies and Estimates" included in our most recent Annual Report on Form 10-K and the description of material changes therein or updated version thereof, if any, included in our Quarterly Reports on Form 10-Q.

The forward-looking statements contained in this document are based upon data available as of the date of the 4<sup>th</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 the "Risk Factors" included in our most recent Annual Report on Form 10-K and the description of material changes therein or updated version thereof, if any, included in our Quarterly Reports on Form 10-Q. 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 January 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 charges.

## 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	
	January 29, 2016	January 30, 2015
Net Earnings	2,546	2,698
Taxes	1,873	1,578
Interest <sup>1</sup>	552	516
<b>EBIT</b>	<b>4,971</b>	<b>4,792</b>
Depreciation and Amortization <sup>2</sup>	1,579	1,579
Share-based Payments	117	119
Rent	473	445
Non-cash impairment charge	530	-
<b>EBITDAR</b>	<b>7,670</b>	<b>6,935</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	
	January 29, 2016	January 30, 2015
Short-term Borrowings	43	-
Current Maturities of LTD	1,061	552
Long-term Debt Excluding Current Maturities	11,545	10,806
<b>Total Debt</b>	<b>12,649</b>	<b>11,358</b>
8 Times Rent	3,782	3,562
<b>Lease Adjusted Debt</b>	<b>16,431</b>	<b>14,920</b>

## RECONCILIATION OF NON-GAAP MEASURES



EBIT and NOPAT	Four Quarters Ended	
	January 29, 2016	January 30, 2015
Net Earnings	2,546	2,698
Taxes	1,873	1,578
Interest	552	516
<b>EBIT</b>	<b>4,971</b>	<b>4,792</b>
Effective Tax Rate	42.4%	36.9%
Tax Adjustment	2,058	1,768
<b>NOPAT</b>	<b>2,913</b>	<b>3,024</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>

## RECONCILIATION OF NON-GAAP MEASURES



To provide additional transparency, we have disclosed certain non-GAAP financial measures to exclude the impact of the \$530 million non-cash impairment charge recognized in connection with the Company's decision to exit its joint venture with Woolworths Limited in Australia. We believe these non-GAAP financial measures provide useful insight for analysts and investors in evaluating what management considers the Company's core financial performance.

The following provides a reconciliation of certain non-GAAP financial measures used within this document to the most directly comparable GAAP financial measures.

	Three Months Ended January 29, 2016		Fiscal Year Ended January 29, 2016	
	\$ Amount	% of Sales	\$ Amount	% of Sales
<b><i>Reconciliation of Adjusted SG&amp;A:</i></b>				
<b>SG&amp;A</b>	<b>\$3,780</b>	<b>28.56%</b>	<b>\$14,115</b>	<b>23.90%</b>
Non-cash impairment charge	530	4.01	530	0.90
<b>Adjusted SG&amp;A</b>	<b>\$3,250</b>	<b>24.55%</b>	<b>\$13,585</b>	<b>23.00%</b>
<b><i>Reconciliation of Adjusted Net Earnings and Adjusted EBIT:</i></b>				
<b>Net Earnings</b>	<b>\$11</b>	<b>0.09%</b>	<b>\$2,546</b>	<b>4.31%</b>
Non-cash impairment charge	530	4.01	530	0.90
<b>Adjusted Net Earnings</b>	<b>\$541</b>	<b>4.10%</b>	<b>\$3,076</b>	<b>5.21%</b>
Interest – net	144	1.08	552	0.93
Income tax provision	284	2.14	1,873	3.17
<b>Adjusted EBIT</b>	<b>\$969</b>	<b>7.32%</b>	<b>\$5,501</b>	<b>9.31%</b>

## RECONCILIATION OF NON-GAAP MEASURES



The following provides a reconciliation of Adjusted diluted earnings per common share to Diluted earnings per common share, the most directly comparable GAAP financial measure.

	Three Months Ended January 29, 2016 Per Share Amount	Fiscal Year Ended January 29, 2016 Per Share Amount
<b>Diluted earnings per common share</b>	<b>\$0.01</b>	<b>\$2.73</b>
Non-cash impairment charge	0.58	0.56
<b>Adjusted diluted earnings per common share</b>	<b>\$0.59</b>	<b>\$3.29</b>

# INVESTOR RELATIONS CONTACTS



## TIFFANY MASON

Senior Vice President, Corporate Finance and Treasurer

704.758.2033

tiffany.l.mason@lowes.com

## HEATHER HOLLANDER

Director, Investor Relations and Strategic Assessment

704.758.3579

heather.hollander@lowes.com

[Investor Relations Website](#)

[www.Lowes.com/investor](http://www.Lowes.com/investor)