



FOURTH QUARTER 2016
EARNINGS CALL

March 1, 2017

FOURTH QUARTER HIGHLIGHTS

Comp Sales	+5.1%	
Gross Margin	34.41%	-25 bps¹
SG&A	23.99%	-455 bps²
EBIT (Operating) Margin	8.05%	+474 bps^{1, 2}
EPS	\$0.74	NM
Adjusted EPS*	\$0.86	+45.8%

- Favorable macro fundamentals, our strength in omni-channel retailing and project expertise drove comp growth that exceeded our expectations
 - Positive comps in all 14 regions
 - Positive comps in 12 of 13 product categories
 - Pro comps well above the Company average
- Repurchased \$551 million of stock under share repurchase program and paid \$306 million in dividends

¹ Includes 25 and 36 bps negative impact to gross margin and EBIT margin, respectively, related to RONA as a result of purchase accounting adjustments and mix of the business.

² Includes 403 bps positive impact related to a non-cash charge in 4Q 2015 associated with the Company's joint venture with Woolworths in Australia, and 53 bps negative impact from severance-related costs associated with the Company's productivity efforts in 4Q 2016.

* Adjusted EPS is a non-GAAP financial measure; % change is to 2015 Adjusted EPS. Refer to the Non-GAAP Measures section of this document, starting on page 14, for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial measures.

TOTAL SALES SUMMARY¹

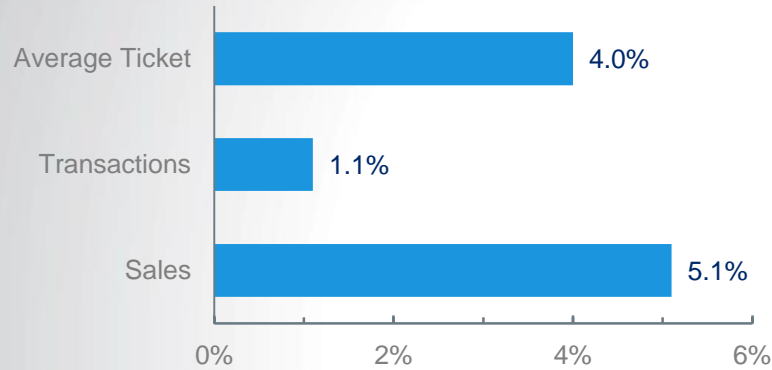
	Total	% Change
Sales	\$15.8B	+19.2%
Average Ticket	\$69.58	+3.6%
Customer Transactions	226.8M	+15.1%

¹ The extra week in the quarter added approximately \$950 million in sales, while the acquisition of RONA accounted for approximately \$825 million of sales in the quarter. Both the extra week and the acquisition of RONA aided transaction growth. The impact to average ticket was insignificant.

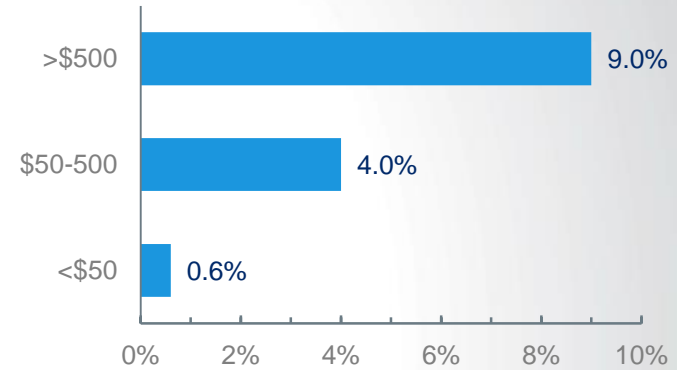


COMPARABLE SALES SUMMARY¹

Transaction/Ticket

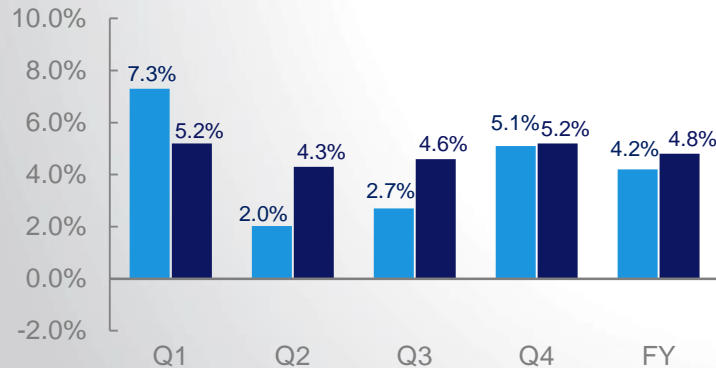


Ticket Size



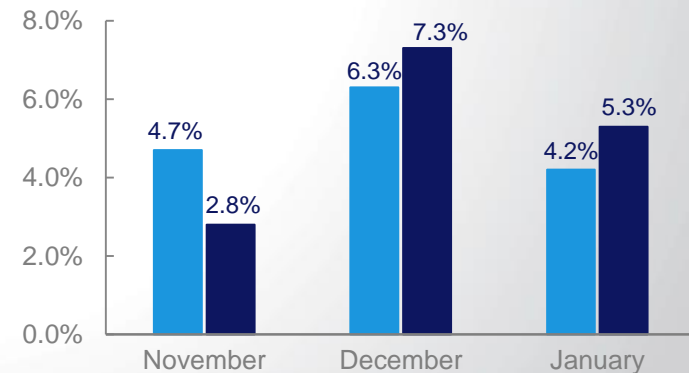
Quarterly Trend

■ 2016 ■ 2015



Monthly Trend

■ 2016 ■ 2015



¹ RONA will be included in the comparable sales calculation upon the anniversary of the transaction in Q2 2017.

PRODUCT CATEGORY PERFORMANCE¹

Above Average



Appliances
Kitchens
Lawn & Garden
Lumber & Building Materials
Rough Plumbing & Electrical

Average



Flooring
Millwork
Tools & Hardware

Below Average



Fashion Fixtures
Home Fashions
Outdoor Power Equipment
Paint
Seasonal Living

¹ Q4 comp sales were +5.1%. Positive comps in 12 of 13 product categories.

OPERATING MARGIN SUMMARY

	% of Sales	Leverage/ (Deleverage)	Drivers
Gross Margin	34.41%	(25) bps	(-) RONA purchase accounting adjustments and mix
SG&A	23.99%	455 bps	(+) Last year's non-cash charge to exit Australian JV (+) Benefits, primarily incentive compensation (+) Store environment, store payroll, and many other lines as a result of strong sales growth (-) Severance-related costs associated with productivity efforts
Depreciation and Amortization	2.37%	44 bps	(+) Higher sales
EBIT Margin¹	8.05%	474 bps	

¹ EBIT is defined as earnings before interest and taxes or operating income. Operating margin is defined as EBIT (operating income) as a percentage of sales.

BALANCE SHEET SUMMARY

		YOY Change
Cash & Cash Equivalents	\$558M	+\$153M or +37.9%
Inventory	\$10.5B	+\$1B or +10.6%¹
Inventory Turnover	4.05x	+13 bps
Accounts Payable	\$6.7B	+\$1B or +18.1%
Lease Adjusted Debt to EBITDAR	2.21x	
Return on Invested Capital²	15.83%	+175 bps

¹ The increase relates primarily to the addition of RONA.

² The net impact of non-cash charges related to our Australian joint venture, the net gain on the foreign currency hedge and the charges recognized in the third and fourth quarters hurt ROIC by 154 basis points.

STATEMENT OF CASH FLOWS SUMMARY

	Amount
Operating Cash Flow	\$5.6B
Capital Expenditures	\$1.2B
Free Cash Flow	\$4.4B
Share Repurchases:	
Fiscal Year	\$3.5B¹
Authorization Remaining	\$5.1B²

¹On the Company's Consolidated Statements of Cash Flows, the \$3.6 billion shown as *Repurchase of common stock* includes \$3.5 billion of shares repurchased under the Company's share repurchase program as well as shares withheld from employees to satisfy statutory tax withholding liabilities.

²Includes new \$5 billion share repurchase program announced on January 27, 2017.

ECONOMIC LANDSCAPE

- Key drivers of home improvement spending are real disposable personal income, home prices, and housing turnover.
- Macroeconomic fundamentals remain favorable and are aligned for another solid year of home improvement industry growth supported by continued job gains and income growth, debt service ratios near record lows, strong consumer balance sheets, and improved credit usage.
- Our quarterly Consumer Sentiment Survey revealed that homeowners have an increasingly favorable view of the national economy, personal finances and home values.
- Rising home prices should continue to encourage homeowners to engage in more discretionary projects in addition to ongoing maintenance and repair spending.

STRATEGIC PRIORITIES

Expand Home Improvement Reach

- Serve more customers, more effectively
- Differentiate by establishing market leadership for home improvement project solutions
- Continue to deepen and broaden our relationship with the Pro customer

Develop Capabilities to Anticipate and Support Customer Needs

- Empower customers across the most relevant moments of their project journey
- Advance customer experience through our omni-channel assets

Generate Profitable Growth and Substantial Returns

- Enhance operating discipline and focus making productivity a core strength
- Reinvest in capabilities for the future

2017 BUSINESS OUTLOOK

(COMPARISONS TO FISCAL YEAR 2016 – A 53-WEEK YEAR; BASED ON U.S. GAAP)

- Total sales are expected to increase approximately 5 percent
- Comparable sales are expected to increase approximately 3.5 percent
- The Company expects to add approximately 35 home improvement and hardware stores
- Earnings before interest and taxes as a percentage of sales (operating margin) are expected to increase approximately 120 basis points¹
- The effective income tax rate is expected to be approximately 37.8 percent
- Diluted earnings per share of approximately \$4.64 are expected for the fiscal year ending February 2, 2018
- Cash flow from operations are expected to be approximately \$5.9B
- Capital expenditures are expected to be approximately \$1.4B
- The Company expects to repurchase approximately \$3.5B of stock

¹ Includes the net gain on settlement of foreign currency hedge entered into in advance of RONA acquisition (1Q 2016 and 2Q 2016), the impact of the non-cash charge associated with the Company's joint venture in Australia (3Q 2016), the project write-offs that were a part of the ongoing review of strategic initiatives (3Q 2016), the goodwill and long-lived asset impairment charges associated with Orchard Supply Hardware (3Q 2016), as well as severance-related costs associated with the Company's productivity efforts (4Q 2016).



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APPENDIX

SUMMARY OF EBIT IMPACTS

(Income)/Expense	2015	2016				
	Q4	Q1	Q2	Q3	Q4	YTD
Net Gain on Settlement of Foreign Currency Hedge		(160)	84			(76)
Non-cash Charge on Australian Joint Venture	530			290		290
Non-cash Project Write-offs				96		96
Non-cash Goodwill & Long-lived Asset Impairment Charges				76		76
Severance-Related Costs					84	84
Total	530	(160)	84	462	84	470

FORWARD LOOKING STATEMENTS

This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements including words such as “believe”, “expect”, “anticipate”, “plan”, “desire”, “project”, “estimate”, “intend”, “will”, “should”, “could”, “would”, “may”, “strategy”, “potential”, “opportunity” and similar expressions are forward-looking statements. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Forward-looking statements include, but are not limited to, statements about future financial and operating results, Lowe’s plans, objectives, business outlook, priorities, 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, including those regarding the 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, and 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, such statements involve risks and uncertainties and we can give no assurance that such statements will prove to be correct. Actual results may differ materially from those expressed or implied in such statements. 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 that 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 focused on omni-channel sales and marketing presence 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; (ix) positively and effectively manage our public image and reputation and 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; and (x) effectively manage our relationships with selected suppliers of brand name products and key vendors and service providers, including third party installers. In addition, we could experience 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 acquisition of RONA, inc. potential risks include the effect of the transaction on Lowe’s and RONA’s strategic relationships, operating results and businesses generally; our ability to integrate personnel, labor models, financial, IT and others systems successfully; disruption of our ongoing business and distraction of management; hiring additional management and other critical personnel; increasing the scope geographic diversity and complexity of our operations; significant transaction costs or unknown liabilities; and failure to realize the expected benefits of the transaction. 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 filed with the U.S. Securities and Exchange Commission (the “SEC”) and the description of material changes thereto, if any, included in our Quarterly Reports on Form 10-Q or subsequent filings with the SEC.

The forward-looking statements contained in this presentation are expressly qualified in their entirety by the foregoing cautionary statements. The foregoing list of important factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. All such forward-looking statements are based upon data available as of the date of this presentation 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 presentation are qualified by these cautionary statements and in the “Risk Factors” included in our most recent Annual Report on Form 10-K and the description of material changes thereto, if any, 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, except as may be required by law.



NON-GAAP MEASURES

Management is using non-GAAP financial measures in this presentation 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. We have presented non-GAAP financial measures of adjusted earnings per common share to exclude the impact of certain items, as further detailed in the presentation and related earnings release, not contemplated in Lowe's Business Outlook for 2016 to assist the user in understanding performance relative to that Business Outlook. Management also uses the non-GAAP financial measures of EBITDAR, lease-adjusted debt, return on invested capital (ROIC) and free cash flow. The Company believes these non-GAAP financial measures provide useful insight for analysts and investors in evaluating what management considers the Company's core financial performance. These non-GAAP financial measures should not be considered alternatives to, or more meaningful indicators of, the Company's earnings per common share, total debt or other 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 for these or similar non-GAAP financial measures. Accordingly, these non-GAAP financial measures may not be comparable to measures used by other companies.

Detailed reconciliations between the Company's GAAP and non-GAAP financial results are shown below and available on the Company's website at www.lowes.com/investor.

NON-GAAP MEASURES

EBITDAR

We define EBITDAR as earnings before interest, taxes, depreciation, amortization, share-based payments, rent, and certain charges as defined by the Company's credit facility.

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 six times the last four quarters' rent. We believe six 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.

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	
	February 3, 2017	January 29, 2016
Net Earnings	3,093	2,546
Taxes	2,108	1,873
Interest ¹	645	552
EBIT	5,846	4,971
Depreciation and Amortization ²	1,575	1,579
Share-based Payments ³	91	117
Rent	549	473
Certain charges ⁴	549	530
EBITDAR	8,610	7,670

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

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

³ Includes a \$3M benefit related to award forfeitures associated with the productivity initiative.

⁴ Certain charges include the following: impairment of \$290M associated with JV in Australia, \$76M of goodwill and long-lived asset impairment associated with Orchard Supply Hardware; \$96M charge related to a write off as part of the Company's ongoing review of strategic initiatives; \$87M charge from severance-related costs associated with productivity initiatives in 2016 and \$530M associated with the joint venture with Woolworth's in Australia in 2015.

RECONCILIATION OF NON-GAAP MEASURES

Lease Adjusted Debt	Four Quarters Ended	
	February 3, 2017	January 29, 2016
Short-term Borrowings	510	43
Current Maturities of LTD	795	1,061
Long-term Debt Excluding Current Maturities	14,394	11,545
Total Debt	15,699	12,649
6 Times Rent	3,291	2,836
Lease Adjusted Debt	18,990	15,485
EBITDAR	8,610	7,670
Lease Adjusted Debt to EBITDAR	2.21	2.02

RECONCILIATION OF NON-GAAP MEASURES

EBIT and NOPAT	Four Quarters Ended	
	February 3, 2017	January 29, 2016
Net Earnings	3,093	2,546
Taxes	2,108	1,873
Interest	645	552
EBIT	5,846	4,971
Effective Tax Rate	40.5%	42.4%
Tax Adjustment	2,370	2,058
NOPAT	3,476	2,913
Average Debt and Equity	21,958	20,693
ROIC	15.83%	14.08%

RECONCILIATION OF NON-GAAP MEASURES

Free Cash Flow	FY 2017E	FY 2016	FY 2015
Net Cash Provided by Operating Activities	5,900	5,617	4,784
Capital Expenditures	1,400	1,167	1,197
Free Cash Flow	4,500	4,450	3,587

RECONCILIATION OF NON-GAAP MEASURES

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

	Three Months Ended February 3, 2017 Per Share Amount			Three Months Ended January 29, 2016 Per Share Amount		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted Earnings Per Common Share			\$0.74			\$0.01
Severance-related Costs	0.10	(0.04)	0.06			
IRC Section 987 Charge		0.04	0.04			
Premium on RONA Preferred Shares ¹			0.02			
Australian Joint Venture Impairment				0.58		0.58
Adjusted Diluted Earnings Per Share			\$0.86			\$0.59

¹ Under the two-class method, the premium paid to redeem the RONA preferred shares was deducted from net earnings to compute net earnings allocable to common shareholders

RECONCILIATION OF NON-GAAP MEASURES

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

	Year Ended February 3, 2017 Per Share Amount			Year Ended January 29, 2016 Per Share Amount		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted Earnings Per Common Share			\$3.47			\$2.73
Severance-related Costs	0.09	(0.03)	0.06			
IRC Section 987 Charge		0.04	0.04			
Premium on RONA Preferred Shares ¹			0.02			
Net Gain on Foreign Currency Hedge	(0.09)	0.04	(0.05)			
Australian Joint Venture Impairment	0.33		0.33	0.56		0.56
Project Write-offs	0.11	(0.04)	0.07			
Orchard Supply Hardware Goodwill and Long-lived Asset Impairment	0.08	(0.03)	0.05			
Adjusted Diluted Earnings Per Share			\$3.99			\$3.29

¹ Under the two-class method, the premium paid to redeem the RONA preferred shares was deducted from net earnings to compute net earnings allocable to common shareholders

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