Q2 2026 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 July 31, 2026 and August 01, 2025: adjusted gross margin, adjusted selling, general and administrative expenses (SG&A), adjusted operating margin, and adjusted diluted earnings per share. These measures exclude the impact of certain items, further described below.

Fiscal 2026 Impacts
During fiscal 2026, the Company recognized financial impacts from the following:

- In the second quarter of fiscal 2026, the Company recognized pre-tax expenses of $96 million consisting of intangible asset amortization related to the acquisitions of Artisan Design Group and Foundation Building Materials (Acquisitions of businesses).

Fiscal 2025 Impacts
During fiscal 2025, the Company recognized financial impacts from the following:

- In the second quarter of fiscal 2025, the Company recognized pre-tax expenses of $43 million consisting of transaction costs, purchase accounting adjustments, and intangible asset amortization related to the acquisition of Artisan Design Group (Acquisitions of businesses).

In addition, the Company has provided full year fiscal 2026 guidance of the non-GAAP financial measures adjusted operating margin and adjusted diluted earnings per share, which exclude the impact of intangible asset amortization, and related tax effects if applicable, related to the acquisitions of Artisan Design Group and Foundation Building Materials. When evaluated with our GAAP results, we believe these non-GAAP measures provide investors with meaningful measures of comparable performance.

Adjusted Gross Margin (in millions, except percentage data)	**Three Months Ended August 1, 2025**
Gross Margin, As Reported	**$ 8,101**
Acquisitions of businesses	7
Adjusted Gross Margin	**$ 8,108**
Gross Margin, % of Sales	**33.81 %**
Adjusted Gross Margin, % of Sales	**33.84 %**

Adjusted SG&A (in millions, except percentage data)	Three Months Ended August 1, 2025
SG&A, As Reported	**$ 4,175**
Acquisitions of businesses	(26)
Adjusted SG&A	**$ 4,149**
SG&A, % of Sales	**17.43 %**
Adjusted SG&A, % of Sales	**17.32 %**

Adjusted Operating Income (in millions, except percentage data)	Three Months Ended July 31, 2026	 August 1, 2025
Operating Income, As Reported	**$ 3,549**	**$ 3,469**
Acquisitions of businesses	96	43
Adjusted Operating Income	**$ 3,645**	**$ 3,512**
Operating Margin, % of Sales	**13.67 %**	**14.48 %**
Adjusted Operating Margin, % of Sales	**14.04 %**	**14.66 %**

Our adjusted operating margin guidance for fiscal 2026 excludes an expected approximately 40 basis point impact from intangible asset amortization.

	Three Months Ended					
	July 31, 2026			August 1, 2025		
Adjusted Diluted Earnings Per Share	Pre-Tax Earnings	Tax [1]	Net Earnings	Pre-Tax Earnings	Tax [1]	Net Earnings
Diluted Earnings Per Share, As Reported			**$ 4.27**			**$ 4.27**
Acquisitions of businesses	0.17	(0.04)	0.13	0.08	(0.02)	0.06
Adjusted Diluted Earnings Per Share			**$ 4.40**			**$ 4.27**

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

Our adjusted diluted earnings per share guidance for fiscal 2026 and third quarter of fiscal 2026 excludes an expected after-tax impact of approximately $0.50 and $0.13, respectively, from intangible asset amortization.

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 July 31, 2026	 August 1, 2025
Net cash provided by operating activities	$ 7,009	$ 7,610
Capital expenditures	(1,063)	(1,013)
Free Cash Flow	**$ 5,946**	**$ 6,597**

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.

	Four Quarters Ended	
EBITDAR (in millions)	**July 31, 2026**	**August 1, 2025**
Net Earnings	**$ 6,642**	**$ 6,858**
Interest [1]	1,528	1,295
Taxes	2,121	2,177
Depreciation and amortization [2]	2,461	2,027
Share-based payments	262	229
Rent	843	697
Certain charges [3, 4]	134	(101)
EBITDAR	**$ 13,991**	**$ 13,182**

[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 July 31, 2026 include $134 million in business acquisition-related expenses for Artisan Design Group and Foundation Building Materials acquisitions.*

[4] *Certain charges for the four quarters ended August 1, 2025 include $134 million of realized gain on contingent consideration associated with the sale of the Canadian retail business and Artisan Design Group business acquisition-related expenses of $34 million.*

	As of	
Lease Adjusted Debt (in millions)	**July 31, 2026**	**August 1, 2025**
Current maturities of long-term debt	2,352	4,175
Current operating lease liabilities	733	536
Long-term debt excluding current maturities	35,204	30,548
Noncurrent operating lease liabilities	3,734	3,801
Lease Adjusted Debt	**$ 42,023**	**$ 39,060**
EBITDAR	**$ 13,991**	**$ 13,182**
Lease Adjusted Debt to EBITDAR	**3.00**	**2.96**

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:

	Four Quarters Ended	
ROIC (in millions, except percentage data)	**July 31, 2026**	**August 1, 2025**
Numerator		
Net Earnings	$ 6,642	$ 6,858
Plus:		
Interest expense – net	1,528	1,295
Operating lease interest	178	176
Provision for income taxes	2,121	2,177
Lease adjusted net operating profit	10,469	10,506
Less:		
Income tax adjustment [1]	2,534	2,531
Lease adjusted net operating profit after tax	$ 7,935	$ 7,975
Denominator		
Average debt and shareholders' deficit [2]	$ 31,123	$ 27,069
Net earnings to average debt and shareholders' deficit	**21.3 %**	**25.3 %**
Return on invested capital	**25.5 %**	**29.5 %**

[1] *Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 24.2% and 24.1% for the four quarters ended July 31, 2026, and August 1, 2025, 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.*