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LOW.N - Q1 2026 Lowe's Companies Inc Earnings Call

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Shelly Hubbard *Lowe's Companies Inc - Vice President of Investor Relations*

Marvin Ellison *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

William Boltz *Lowe's Companies Inc - Executive Vice President - Merchandising*

Joseph McFarland *Lowe's Companies Inc - Executive Vice President - Stores*

Brandon Sink *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

Christopher Horvers *JPMorgan Chase & Co - Analyst*

Steven Forbes *Guggenheim Securities LLC - Analyst*

Kate McShane *Goldman Sachs Group Inc - Analyst*

Scot Ciccarelli *Truist Securities - Analyst*

Simeon Gutman *Morgan Stanley - Analyst*

Seth Sigman *Barclays Services Corp - Analyst*

Steven Zaccone *Citi Infrastructure Investments LLC - Analyst*

David Bellinger *Mizuho Securities USA LLC - Director*

Zachary Fadem *Wells Fargo Securities LLC - Analyst*

Peter Benedict *Robert W. Baird & Co Inc - Analyst*

PRESENTATION

Operator

(video playing)

Good morning, everyone. Welcome to Lowe's Companies first-quarter 2026 earnings conference call. My name is Rob, and I'll be your operator for today's call. As a reminder, this conference call is being recorded.

I'll now turn the call over to Shelly Hubbard, Vice President of Investor Relations.

Shelly Hubbard - *Lowe's Companies Inc - Vice President of Investor Relations*

Thank you, and good morning. Here with me today are Marvin Ellison, Chairman and Chief Executive Officer; Bill Boltz, our Executive Vice President, Merchandising; Joe McFarland, our Executive Vice President, Stores; and Brandon Sink, our Executive Vice President and Chief Financial Officer.

I would like to remind you that our notice regarding forward-looking statements is included in our press release this morning, which can be found on Lowe's Investor Relations website. During this call, we will be making comments that are forward-looking, including our expectations for fiscal 2026, actual results may differ materially from those expressed or implied as a result of various risks, uncertainties and important factors, including those discussed in the risk factors, MD&A and other sections of our annual report on Form 10-K and our other SEC filings.

Additionally, we'll be discussing certain non-GAAP financial measures. A reconciliation of these items to US GAAP can be found on the Quarterly Earnings section of our Investor Relations website.

Now I'll turn the call over to Marvin.

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Shelly. Good morning, everyone. Before we begin, let me take a moment and welcome Shelly Hubbard to the team. Shelly recently joined Lowe's as Vice President of Investor Relations, and we're excited to have her on board.

Now let's start with our results. In the first quarter, we delivered sales of $23.1 billion with comparable sales increasing 0.6%, leading to adjusted diluted earnings per share of $3.03, up 3.8% versus the prior year. Our results were driven by strong spring execution, along with continued strength in Pro, Appliances, Online and Home Services.

We're pleased with our performance this quarter despite February storms that slowed the start of the spring season. Our teams executed at a high level throughout the quarter, particularly during SpringFest, where we were well positioned with strong in-stocks, compelling offers, targeted member deals and traffic-driving store events. Bill will provide additional perspective on our spring performance later in the call.

Our continued growth in Pro, Online and Home Services in Q1 reflects how our Total Home Strategy is positioning Lowe's for short- and long-term market share gains. Starting with Pro. We maintain our momentum with our competitive assortment of national brands, consistent strong in-stock position and outstanding service levels.

Additionally, we are pleased that our loyalty program, MyLowe's Pro Rewards designed specifically for the small to medium Pro continues to resonate with our customers. Combined, these investments are providing the reliability, value and convenience our Pro customers have come to expect from Lowe's.

Now shifting to Online. We delivered sales growth of 15.5% this quarter driven by continued enhancements to our user experience, standout online deals and improved fulfillment capabilities, including same-day delivery. And to enhance the value of our loyalty programs, we began offering free same-day delivery for purchases over $25 for MyLowe's Rewards and MyLowe's Pro Rewards members.

This offering further differentiates our loyalty experience, helping to drive increased member engagement for both DIY and Pro customers. We're also pleased by the impact of Mylow, our AI-powered shopping assistant is having on the online shopping experience, giving our customers the ability to ask questions on recommendations, project guidance and other home improvement needs.

Since launching one year ago, Mylow adoption has scaled meaningfully and now supporting over 1 million customer inquiries each month. Importantly, the conversion rate for online customers who use Mylow is triple that of customers who do not use the tool, suggesting a well-designed agentic AI experience can be a clear driver in the purchasing decision.

Turning to Home Services. We again delivered growth this quarter, underscoring our ability to capture market share in a highly fragmented category and reinforcing that our enhanced installation experience continues to resonate with homeowners undertaking complex projects. Additionally, we recently announced HomeCare+, a first-of-its-kind subscription service to support customers with routine home maintenance tasks.

This service taps high-performing, technically trained Red Vest Lowes store associates to help busy customers stay on top of their to-do list. HomeCare+ is available exclusively to MyLowe's Rewards members, further strengthening customer engagement and loyalty while building long-lasting relationships with our DIY customers.

Let me now transition to our view of the macro environment. While DIY demand remains under pressure, we're continuing to grow market share in a challenging housing environment shaped by elevated interest rates, higher cost, and low housing turnover. And while we expect the broader market to remain flat in 2026, our focus remains on disciplined execution of our Total Home Strategy, driving continued growth regardless of market conditions.

We believe Lowe's is well positioned not only to perform in this environment but to deliver meaningful upside as macro conditions normalize. Which brings me to our acquisitions of FBM and ADG. Our near-term integration efforts are on track as we focus on extracting cost synergies from overlapping areas of spend and at the same time, exploring cross-selling opportunities. We remain confident that FBM and ADG will enable Lowe's to capitalize on the future recovery of the residential homebuilding market.

Before I close, I'd like to highlight our expanded commitment to the skilled trades. The Lowes Foundation recently announced a $250 million investment to help train and develop the next generation of skilled trades people.

Through this effort, we aim to support approximately 250,000 individuals, helping address the growing need for skilled labor across our industry and beyond. This investment reflects our commitment to strengthening the communities we serve and create an economic opportunity while also supporting long-term demand for the home improvement and construction industry.

In closing, I'd like to thank our frontline associates for their continued dedication throughout our busy spring season. Their commitment to serving customers and supporting the communities where we live and work are critical to our success.

And with that, I'll turn the call over to Bill.

William Boltz - *Lowe's Companies Inc - Executive Vice President - Merchandising*

Thanks, Marvin, and good morning, everyone. We're pleased that we delivered positive comp sales for the fourth consecutive quarter, driven by strong performance in our spring seasonal categories across all three geographic divisions. We accomplished this despite a slow start to the quarter after winter storms hit much of the country.

Before I walk through our performance, let me start with a quick update on our merchandising structure. We recently realigned select product categories, reducing our merchandise divisions from 14 to 13. Most notably, we combine power tools with outdoor power equipment to create a standalone Power Equipment division. This change will help us manage our battery platforms under one team and improve coordination and alignment between our merchants and supplier partners.

Turning now to our performance in hardlines. We delivered positive comp sales across every merchandise division, including Lawn and Garden, Seasonal and Cleaning, Tools and Hardware and Power Equipment. As spring kicked into full gear, we saw broad-based growth in many of our seasonal categories.

This performance reflects strong alignment between our merchandising, marketing, supply chain and store teams, all focused on serving customers and converting demand as weather improved. Our merchants ensured we had the strongest lineup and the best values.

Our marketing team delivered a clear and compelling message to drive traffic to our stores and our website. Our supply chain team kept product in stock, and our stores executed at a high level with excellent customer service.

A key driver of this performance was our third annual SpringFest event, where we leaned into our MyLowe's Rewards loyalty program and gave customers what they told us they want most: extended savings, rewards and convenient delivery options, including free same-day delivery on key items like mulch, one of the most popular spring projects.

These offers resonated with customers and gave them more reasons to choose Lowe's for their spring home improvement needs. As a result, we saw a standout performance in live goods, landscape products and hardscapes from great brands like Scotts, Oldcastle and Pavestone, along with strong engagement from customers shopping for patio furniture and riding lawn mowers.

This performance was supported by our industry-leading lineup of outdoor power equipment brands, such as John Deere, Toro, EGO, Husqvarna, CRAFTSMAN and Kobalt, where we drove strong engagement, including during our Toro and Ego Days events.

And as we continue to focus on improving our space productivity, a key pillar of our Total Home Strategy, we grew sales in categories like workwear and pet, where our strong offering includes national brands like Carhartt, Dickies and Wrangler Apparel, and private brands like Heart & Herd Pet Toys and Treats. We remain on track to complete the national rollout of workwear and pet to all of our stores by the end of the year.

Now turning to Building Products. We continue to drive growth in Pro-driven categories, particularly in Rough Plumbing and Electrical, especially with our core small- to medium-sized Pro, who remains busy with repair and maintenance projects. The warmer-than-average weather in March across much of the country, combined with our strong in-stock position, led to standout performance in irrigation and sprinkler projects.

And we also saw a particular strength in HVAC and water heaters, supported by our improved Lowe's Home Services offering, which provides fast, convenient repair and installation for our do-it-for-me customers, with simple scheduling, professional service and the confidence that comes with an experience backed by Lowe's.

And this capability continues to also drive our millwork category, which again delivered positive comps in the quarter, driven by windows and doors. Customers are returning to Lowe's for these replacement projects supported by our leading brands such as Pella, Therma-Tru and Larson, which are exclusive in the home center channel.

And lastly, to Home Decor, where we drove positive comp sales in Appliances and Paint. In appliances, we continue to drive sales with our broad assortment of the leading brands, fast delivery and best-in-class omnichannel experience, positioning Lowe's as the destination for urgent replacement purchases.

As a reminder, approximately 70% of appliance transactions are driven by a duress occasion, where a customer needs to replace a refrigerator or a washing machine quickly. Customers can research appliances online, come into the store and work with a knowledgeable Red Vest associate, and then choose to complete the transaction wherever and however they prefer.

This is where Lowe's continues to stand out. We're the only retailer that can deliver and install major appliances next day in virtually every ZIP Code in the US, a capability that continues to drive our performance.

Now let's shift to Paint, another area where we're driving results through an improved customer experience. This quarter, we delivered growth across multiple categories, including interior paint, sundries, tools, stain, spray paint and buckets. Behind our performance in paint is the work our teams have been doing to remove friction from the shopping experience from simplifying the in-store journey to make it easier for customers to navigate the category online.

We've enhanced our digital experience with a paint color visualizer, improved online product information and created a more intuitive checkout experience, all of which are driving stronger online engagement and conversion. At the same time, we're partnering closely with our vendor partners, like Sherwin Williams to elevate the in-store support for our Red Vest associates ensuring that they have the tools and expertise to guide customers with confidence and help them drive sales across the category.

Finally, as we move through quarter two, we're excited about the value, innovation and fast and free delivery options we're offering around key holidays like Memorial Day, Father's Day and July 4, with a strong focus on key seasonal categories like lawn and garden, patio furniture and drills from Weber, Charbroil and Blackstone.

We're also looking forward to building on our partnership with Lionel Messi this summer as fans around the world tune in for the World Cup. Our campaign includes a limited edition 10-foot Messi inflatable and exclusive fan experiences that tap into the growing soccer culture across North America.

As I close, I want to thank our merchants, our MST associates and our supplier partners for their continued collaboration and strong execution as we kicked off spring. And with that, I'll turn the call over to Joe.

Joseph McFarland - *Lowe's Companies Inc - Executive Vice President - Stores*

Thank you, Bill, and good morning, everyone. Let me start by thanking our frontline associates for their hard work throughout the spring season. Their commitment to delivering outstanding service to our customers during one of our busiest times of the year continues to make a meaningful difference across our stores.

Their focus showed up this quarter and strong customer satisfaction scores during SpringFest as our team prioritized execution and delivered a consistent experience across all departments. Customers also appreciated our flexible fulfillment options as they work to complete their spring projects, including same-day delivery for their time-sensitive needs, which you heard about from Marvin and Bill.

Fulfillment is just one of the improvements enabled by our transformed front-end layout, which provides a smoother pickup experience for customers using buy online, pick up in store for drivers executing same-day deliveries and for our associates serving them both.

Turning now to our first-quarter performance and starting with Pro, where we delivered another quarter of growth. We continue to build on our momentum with our core small- to medium-sized Pro customer, who has remained resilient in this macro environment.

Pros are responding positively to the enhanced tools we've deployed digitally and at the Pro desk, which are designed to save time and simplify the shopping experience. And we're continuing to leverage AI to create new capabilities.

A recent example is our launch of materials list. Pros can bring in the list in just about any format, whether a photo, handwritten note, PDF or spreadsheet, and our associates can use this tool to convert it into an actionable quote. In the past, this was a manual task, which meant generating these quotes could take days, taking associates away from serving Pro customers.

Now with this AI-enabled tool, we've reduced that time from days to minutes. In a recent survey, our core Pro customers indicated their backlogs are generally stable, but they have concerns about the growing costs associated with labor as they continue to navigate a constrained labor market.

On this note, I'd like to take a moment to reiterate what you heard from Marvin about our expanded commitment to address the nation's skilled trades workforce gap. Our Pro customers are at the forefront of this growing demand, and we hear from them directly about the difficulty in hiring trained workers to fill out their crews.

This is one of the most critical challenges facing the home improvement industry and this $250 million investment by the Lowe's Foundation is integral to supporting our Pro customers and helping them grow their business.

Switching gears now to our perpetual productivity improvement, or PPI initiatives with in-store operations. Over the past year, we continued to scale Mylow Companion, our AI-powered tool designed to support associates on the sales floor. We've enhanced this capability with new features, including voice detect, to help associates access information more quickly and confidently. And we've expanded its language capabilities, so associates can now ask for and receive information in Spanish.

Our associates are embracing this technology. In fact, they have asked more than 5 million questions through Mylow companion since its launch, reflecting strong adoption across our stores. As we continue to integrate AI-enabled tools into our operations, we're making it easier for associates to deliver a better customer experience while driving productivity at the same time.

We're also making progress on our Freight Flow 3.0 and full shelf replenishment initiatives. These efforts accelerate the speed of product from the distribution center to the sales floor while better leveraging our associates' time. As a result, we are improving in-stocks, making it easier for customers to find the product they need to complete their projects.

Before I close, let me thank our associates once again for their continued dedication to our customers and our communities. As a demonstration of our appreciation, we closed our stores on Easter, giving our teams time to rest, recharge and spend the day with their families.

And as we approach the Memorial Day and the end of Military Appreciation Month, I also want to recognize the more than 26,000 military members and spouses who are Lowe's associates and thank them for their service. Their leadership and commitment continue to make a positive impact across our company, and I'm proud that for the third consecutive year, Lowe's has been recognized as a 5 Star Employer by the VETS Indexes Employer Awards.

With that, let me turn it over to Brandon.

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Thank you, Joe, and good morning. Beginning with our Q1 results, we generated GAAP diluted earnings per share of $2.90. In the quarter, we recognized $96 million in pretax non-GAAP charges from acquisition-related intangible asset amortization. Excluding these impacts, we delivered adjusted diluted earnings per share of $3.03, up from $2.92 last year. My comments from this point forward will include certain non-GAAP comparisons that exclude these impacts where applicable.

Sales for the first quarter were $23.1 billion, up 10.3% from Q1 last year, in line with expectations. Comparable sales were up 0.6% driven by well-coordinated spring execution, including our SpringFest event, along with continued strength in Pro, Appliances, Online and Home Services.

Comps for February were down 1.4% as winter storms impacted much of the country. Comps accelerated to 2.1% in March and 0.5% in April as spring arrived across the country and customers responded to our seasonal offerings. Comparable average ticket increased 1.5%, driven by modest price inflation and strength in Pro and Appliances, while comparable transactions declined 0.9% as growth in seasonal categories was offset by continued DIY discretionary pressures.

For the first quarter, gross margin was 32.7%, down 70 basis points and in line with our expectations, primarily driven by the dilutive impact of FBM and ADG, offset by favorability in credit revenue. SG&A was 19.2% of sales, leveraging 17 basis points from continued disciplined cost management and the accretive impact of FBM and ADG.

Adjusted operating margin rate of 11.5% was down 43 basis points versus prior year, also in line with our expectations. Our perpetual productivity improvement, or PPI initiatives, continued to deliver meaningful results, helping offset underlying cost pressures, mitigate inflation and support reinvestment and value for our customers. The effective tax rate was 24.5%.

Inventory ended the first quarter at $18.4 billion, up $112 million versus prior year including inflationary pressures from tariffs as well as approximately $500 million related to recent acquisitions. Excluding these pressures, the year-over-year inventory reduction reflected continued progress on SKU rationalization and productivity initiatives while maintaining strong in-stock levels to support customer demand.

Moving to capital allocation. In the first quarter, we generated $2.8 billion in free cash flow. Capital expenditures totaled $521 million, reflecting continued investment in our Total Home Strategy, including tech-driven productivity efforts and key AI initiatives.

In the quarter, we paid $674 million in dividends at $1.20 per share. We also repaid $2.4 billion in bond maturities as we continue progressing towards our commitment to deleverage and return to a 2.75 times leverage ratio by mid-2027. Adjusted debt to EBITDAR was 3.1 times at the end of the quarter. And we ended the quarter with $786 million of cash and cash equivalents and delivered return on invested capital of 26.8%.

Looking forward to the remainder of the year, today, we are affirming our fiscal 2026 outlook. We continue to expect sales in the range of $92 billion to $94 billion, with comparable sales in a range of flat to up 2%. We expect adjusted operating margin in a range of 11.6% to 11.8%

and full-year adjusted diluted earnings per share of approximately $12.25 to $12.75. We also expect capital expenditures of up to $2.5 billion.

In terms of the second quarter, here are a few items to keep in mind. We saw solid growth in our spring categories in the first quarter, along with continued strength in Pro, Appliances, Online and Home Services. And as Bill mentioned, we have a great lineup of top brands and compelling values as well as tailwinds from the rollout of our workwear and pet assortments to additional locations.

All of this positions us well for the second quarter, where we expect our Total Home strategic initiatives, including Pro, Loyalty, Online and Home Services to continue to drive performance. Based on this, we expect second-quarter comp sales to be roughly in line with the midpoint of our full-year guide, and we expect second-quarter adjusted operating margins to be pressured from: the impact of acquisitions, which we will begin to anniversary in the second half of the year; investments in our sales driving actions, which are more focused in the second quarter due to our mix into the spring season and key holidays; and near-term pressure from higher transportation costs that we are actively working to offset through productivity initiatives in the back half of the year.

Additionally, we expect adjusted diluted earnings per share in the second quarter to be approximately 2% below prior year adjusted diluted earnings per share. This results in first-half sales and adjusted diluted earnings per share essentially in line with our expectations from the start of the year.

We have been clear in our intent to remain competitive and drive sales in this environment, particularly around key seasonal moments and through enhanced fulfillment options, and we are seeing customers respond to those actions consistent with our expectations. As we look ahead, we are confident in our team's ability to continue executing with discipline while navigating within the current uncertain environment. We remain committed to advancing our Total Home Strategy and driving value for both our customers and shareholders.

And with that, we will open it up for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Christopher Horvers, JPMorgan.

Christopher Horvers - *JPMorgan Chase & Co - Analyst*

Guys, I wanted to put the comp outlook into perspective and think about the first quarter a little bit. Do you look at the -- some of the strength in March as deferred February demand and a comparison? And then as you think about just the -- because there was weather, bad weather and good weather, I think, year-over-year.

And then as you think about the overall spring seasonal business, you tend to have a bit more southern exposure, and it seems like the deferral on the weather front is maybe in the northern tier. So do you think there was any shift of spring out of the first quarter and into the second quarter?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Chris, this is Brandon. I would say overall for weather, the theme for Q1 was roughly mix for the quarter. I think February results definitely impacted by the winter storms early in the year. If you look at just the first weekend of February, it had a 30-basis-point drag on the entire quarter just from the storms rolling through.

March and April saw I think a much more normal spring temperature. We did see some dry weather start spread out over most of the country. But I think as we looked at the exit rate into April, some of that had to do with just the timing of our events and our SpringFest April, relatively in line with expectations.

And then as we mentioned in the comments, I think really excited about Q2. Great products value in spring categories, our biggest weeks with Memorial Day, Father's Day, J4, great offers, go-to-market plans. We do also expect some benefits from our tax refunds here in Q2. And then as we look at the second half, really excited as we continue to drive the Total Home Strategy across a number of different areas.

Christopher Horvers - *JPMorgan Chase & Co - Analyst*

And then just stepping back because, obviously, tax stimulus has helped the consumer broadly, and you could see that as all retail is reporting earnings right now. As you think about how much maybe that helps your business, do you think it's helped so far this year?

Do you have concerns that as you get into the back half of the year, if energy prices here, you could see the actual consumer pullback? Or do you sit here today on May 20 and say, overall, net-net, it's coming in line with your overall expectations from the tenor of the consumer, how they're purchasing and where they're engaging in the assortment?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Chris, we've done a lot of work on the tax stimulus, trying to understand the nature and timing. Obviously, the macro events place a little bit more of a question mark around that. But we looked at Q1, the tax refund impact was more limited on our business. More significant drivers were the weather that I mentioned earlier.

At this point, we estimate about 20% of the refunds have been spent. About 50% of that sitting in savings with consumers just given the uncertainty and the remainder of that has offset some of the higher fuel prices of recent.

And then we're also estimating as we look forward, and this is based on IRS data, there still is just under about $50 billion of refunds that are yet to be distributed over the next three to four months, likely tied to extension. So in terms of spending, we do believe we could still see some benefits in Q2, in particular from higher-income consumers, and we've contemplated that in our outlook here for Q2 and the balance of the year.

Operator

Steve Forbes, Guggenheim Securities.

Steven Forbes - *Guggenheim Securities LLC - Analyst*

Marvin, I wanted to explore the recent launch of HomeCare+. Really just curious if you could talk about what the hypothesis is as it pertains to member spend trends over time. And realizing it's early, but any comment on how those initial member cohorts are engaging with not just the services themselves, but also the broader ecosystem that you guys have into market?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

Steve, thanks for the question. I think the key word is early, and it is early, but we're pleased with the launch. And our goal is to build a long-term relationship with the DIY customer. We're just embracing the fact that the majority of our customers are do-it-yourself customers, and we think that this is something that's unique and differentiated that doesn't exist in the marketplace.

But it's early. It's a long-term play. We think it gives us a unique opportunity to leverage our loyalty platform, MyLowe's Rewards, offering a unique subscription service at a great value, leveraging trained local associates that customers will know, trust, and have confidence in.

We see this as a long-term play. It's part of our mission statement of solving problems and fulfilling dreams for our customers. And we're really excited about what we've seen early, but it is early.

Steven Forbes - *Guggenheim Securities LLC - Analyst*

And then just a quick follow-up on Pro Extended Aisle. You guys have been talking about it for quite some time now. I don't know if it's at a point where you can maybe comment on how fast that segment is growing versus the total Pro segment? And whether you're already capturing revenue synergies? You hinted at it, right, cross-selling synergies with FBM, but love to hear you maybe just expand more about the Pro Extended Aisle initiative.

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

Well, look, we're excited about it. It's part of our initiative to do a better job of getting more Pro plan sales, and it gives us the opportunity to literally extend our product offering, our delivery capabilities without having to add inventory to our stores.

We are in the process of continuing to add suppliers and capabilities but we believe the Pro Extended Aisle success is a direct correlation to the fact that we had another strong quarter in Pro sales. And we're forecasting that Pro will continue to outperform DIY not only in the second half but for the balance of the year, and we think the Pro Extended Aisle initiative is tied directly to that outcome.

Operator

Kate McShane, Goldman Sachs.

Kate McShane - *Goldman Sachs Group Inc - Analyst*

We know in the original guidance discussion you have left some room for possible promotions. How does that look in Q1? And what are your thoughts around promotions heading into the rest of the year?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

So the first thing is when we think about promotional cadence, we're really consistent with how we perform year-over-year. We're excited about some of the things that we were able to do with SpringFest, and we're really excited about what's coming up with some of these big holiday events in the second quarter.

But as an overall comparison, we're very consistent with how we have historically executed promotions. I'll let Bill talk about some of the key promotional activity from Q1 that led to some sales success in what we're expecting leading into some of these huge sales events for Q2.

William Boltz - *Lowe's Companies Inc - Executive Vice President - Merchandising*

Yeah. Thanks, Marvin. And so Kate, in my prepared remarks, I talked about our third annual SpringFest event in the quarter. We're really pleased with how we executed against that. We had member offers that were strong. We had a really strong in-store event.

And our merchants brought really great offers to drive traffic and conversion both in our store and online. And then we're -- as we've said before, we're continuing to demonstrate to our customers that we've got to bring value. We've got to bring innovation. We got to continue to bring new stuff. And I think our team did a really nice job of doing that as well.

And then we continue to listen to the customer and they're looking at all these values that we bring to market. And so when we think about Q2, what's up in front of us coming into this weekend with Memorial weekend, obviously, is continue to keep these values front and center for the customer.

So we're excited about what we've got to offer in lawn and garden. We've got in our seasonal business, grills, appliances; and outdoor project areas like decking, paint, stains that product.

So team has done a really nice job. We've got great brands that are helping to drive it. And then as we shift gears go into June and July, it's all about Dad -- taking care of Dad in June and then coming back in July 4 and executing against a strong July 4 event.

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

And Kate, this is Brandon. I'll just add, we've been consistent here in our intention to remain competitive and drive sales in this environment and particularly in the key seasonal categories, events, fulfillment options that we've been able to offer, seeing great responses from customers as it relates to these actions, as Bill mentioned. And at the beginning of the year, again, we said we were going to be investing in the sales driving initiatives tailored around this and our guidance of 11.6% to 11.8% fully contemplates that.

Operator

Scot Ciccarelli, Truist Securities.

Scot Ciccarelli - *Truist Securities - Analyst*

You had positive comps in 70% of your product categories, but the total comp for the quarter was 60 basis points. I guess my question is like, how should we read that? Is it that most or all of your categories are slightly positive -- I guess, still slightly positive and a few slightly negative? Or are there some outsized upside performers offset by some sizable drags?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Scot, this is Brandon. I'll take that. I think the pressure that you're continuing to see is really around the DIY. Marvin mentioned ongoing strength we've seen with the Pro consumer, our services business, online. DIY, still very much engaging, but it continues to be in the repair maintenance replacement-related categories.

And then obviously, here in Q1 with the seasonal nature of the business, smaller transactions, outdoor, lawn and garden, but I would say continued. And this has been a trend now for multiple years. The categories that are related to big ticket discretionary are those categories in merch divisions that continue to lag.

And that's what we're dealing with. That's what we're managing through, and that's where we're trying to lean in and provide additional value where we can.

Scot Ciccarelli - *Truist Securities - Analyst*

And Brandon, is there any way to size the amount of your exposure to those bigger projects that are obviously the weakest point?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yes, Scot. We've said pretty consistently as we look at the overall portfolio, about two-thirds of our business is repair maintenance and about a third of it in the discretionary category. So that's roughly how it breaks out, and there really hasn't been a change in that.

Operator

Simeon Gutman, Morgan Stanley.

Simeon Gutman - *Morgan Stanley - Analyst*

Can I ask, it looks like transactions are below 2019 levels. That's not new, that's -- I think, for the last couple of years. So it supports this lock-in effect. But if you think about the age of the housing stock, which we talk about; the maintenance repair, which you just mentioned, how big of a piece of the business that is, you would think that the sector could show some more life. So I want to question how you think about that and if you think the sector can really grow without faster turning homes?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

Simeon, this is Marvin. I think overall, this has been the most difficult housing market that I have faced in this business since the financial crisis. And as Brandon mentioned, it's almost exclusively or disproportionately on the DIY customer. That's the majority of where our revenue comes from.

And so I look at it from this perspective, we've delivered four quarters of positive comp in an environment where the DIY faces more economic pressure than I've ever seen before. And so we're really confident that as we start to see some type of moderation or normalcy in the home improvement and the housing market, we think that we're positioned really well for long-term gains just because we structured this business to win in any economic environment.

And again, with roughly 60% to 65% of our revenue coming from the DIY facing this type of headwind, still able to deliver positive comps is something that we take as a win. But also we're focusing on areas like Home Services, Pro, Online, et cetera, that's allowing us to continue to perform well.

And I'll just make one more point, and I'll give it to Brandon. I mean, we're pleased that our appliance business was positive in the quarter, and that goes directly to what Bill talked about. I mean we have spent capital to have the best store environment in this space.

We not only have spent money on the environment, we've also expanded brands, and we've done an incredible job of creating the best fulfillment capabilities in the home improvement industry. And we think all those investments are paying dividends in an incredibly difficult market. And we think that that just bodes well for Lowe's in the future as things start to recover.

I'll hand it over to Brandon.

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yes, and I'll just add, we've been extremely focused on driving transactions, driving traffic in store onto our site. And I think that shows with our performance with transactions, some of the best performance we've seen here in several years. So focus is there. We've called out the sales driving actions that we're going to continue to invest in.

I think we look at the first half, it still is largely going to be skewed towards ticket. But as we look at the second half and expectations, we do expect transactions to continue to improve. It is going to be centered in those repair maintenance categories, but anything we can get with the macro or any consumer engagement on these big-ticket discretionary categories is going to be upside to that.

Simeon Gutman - *Morgan Stanley - Analyst*

And a follow-up, the cost environment, Brandon, looks like it's gotten a little bit more challenging since when you guided. Can you talk about the amount of cushion or, I guess, flexibility you have versus having to pivot either more PPI to be able to get to your margin goals, given the cost?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yeah, sure, Simeon. The macro, as you mentioned, certainly introduced some new risks and uncertainties here in the last three-or-so months; monitoring the situation here pretty closely, impact to both the consumer and our supply chain. We are seeing a pretty immediate impact from the oil prices. It's pressuring fuel, commodity-based products like resin and plastics.

Q1 net impact, Simeon, has been pretty manageable. Q2, we are starting to see some of that pressure. We're beginning to work with our vendor partners, supply chain partners to work to mitigate through that, adjusting contracts where we can, sharing that burden.

And then you mentioned we're looking hard at the PPI portfolio, where we can invest where we can pull some things forward, where we can get outsized benefit to try to offset that. So all that work is very much in motion.

And last thing I'll say is just while challenging, I think this team has proven the ability to effectively manage through that here in the past; multiple inflationary cycles to be specific, three, that this team has lived through in the last six-plus years, and we have a proven playbook here to remain competitive and manage profitability. So challenging, but confident that we can work our way through it here.

Operator

Seth Sigman, Barclays.

Seth Sigman - *Barclays Services Corp - Analyst*

I wanted to follow up on one of the last points. If you look back over the last few quarters, your growth has really been driven by ticket, and that got you to positive growth. It was still positive in Q1, but it has moderated. So I am curious if you're seeing a shift in mix? Or is that just less inflation in Q1, something specific in Q1 that would have led to that moderation in ticket?

And then if you could also elaborate a little bit more on pricing and where we are in some of the price increases that started last year related to tariffs, maybe now on the back of fuel? Just where are we, what inning perhaps that would be helpful.

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yeah, sure, Seth. On the first question, really around Q1 contraction and ticket growth, that really is a function of mix here with Q1 as we lean into smaller ticket spring seasonal projects like lawn and garden, versus a slowdown in what I'll call larger projects. Our big ticket performance, still positive over 2% in Q1, and that continues to be driven by Appliances, Pro and then the services repair maintenance projects. So I think to highlight that.

And I think your second question, just about what inning, we are continuing to work through, I think, the tariff environment. I mentioned the fuel, the renewed round of inflation, all very fluid. We're managing the tariff situation with the IEEPA ruling, new section 122, 232 tariff actions that we're working through and how that impacts the business, in particular, in the second half of the year, expecting new news as it relates to 301.

So we're continuing to partner. Bill and his team, doing great with our supplier partners as we manage through that, executing our country of origin diversification strategies. All that's in our outlook in terms of those expectations and the rules and the framework that we're managing under today. I think, again, we showed that we could manage through this tariff environment last year in 2025 and comfortable that we have our arms around it here over the back half of the year.

Seth Sigman - *Barclays Services Corp - Analyst*

Okay. That's helpful. And then on FBM and ADG, I believe those will come into the comp base at some point later this year, Q3, Q4. Maybe just talk about underlying performance in Q1 and then how are you planning those businesses for the rest of the year?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

So Seth, this is Marvin. Let me just start out with a remind of the strategic rationale around these acquisitions. We estimate that there's going to be roughly 12 million new homes needed by the year 2033. And historically, Lowe's has generated 0 revenue in the new home and multifamily construction projects, and we estimate that's roughly a $250 billion total addressable market.

So these two acquisitions we believe, puts us in a really good position as this building phase starts to have what we have described as an interior solutions platform for residential and commercial builders. And so that's the strategic rationale around why we made these acquisitions, and we're very pleased with what we've seen so far from all of the synergies and all the activities around costs.

So I'll hand over to Brandon, and he can give you an update on those activities and then get more specific to your question.

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yes, Seth, I'll just speak to what we're seeing with these businesses here in the short term. And we did expect as we came into the year that we'd be navigating a challenging residential construction market, and I think it's playing out exactly in line with that. I think just as a reminder, to step back, ADG, their business is fully exposed to new home construction, and that's single-family, multifamily FBM, more of a 50-50 mix, both feeling the pressure on the residential side.

I think for FBM, we have been really pleased with what we're seeing on the commercial side. They continue to win data center, stadium, municipality contracts, which does reflect some of the benefits of their diverse customer base. And then I think you also mentioned progress. We're really pleased with what we're seeing on the synergy side and the integration work primarily in the procurement cost space, and that's categories like drywall, steel and insulation.

So while tough conditions overall right now from a macro standpoint, this is giving us the opportunity to win new business and take share in a down market, and we fully expect ADG and FBM both to build on the leadership position and emerge even stronger on the back side of this, especially when the macro factors that Marvin outlined start to turn.

Operator

Steven Zaccone, Citi.

Steven Zaccone - *Citi Infrastructure Investments LLC - Analyst*

I wanted to ask about same-store sales for the full year. With your commentary about 2Q in the [plus 1] level, how do we think about the second half? What are some of the drivers to see some improvement in the second half of the year to get to that high end of the range since it's still there?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yeah. Thanks, Steve, if you're looking at the high end of the range, I do think it's continued traction with a number of our sales driving initiatives, our Total Home Strategy. And Marvin mentioned progress that we're seeing with our Extended Aisle momentum that we have with our online loyalty platforms, expanded fulfillment.

Bill talked about the rollout with pet and workwear where we expect to be in all stores by the end of the year. I mentioned also earlier some stimulus potentially from the tax refunds and then any potential HELOC activity that's unlocked.

I think there continues to be $35 trillion that's out there, an average of $400,000 per household, about a third of that, tappable. So continue to look at that as a potential opportunity to be unlocked. And then any progress that we're making around Pro plan spend, both in our store and with the FBM and ADG acquisition. So those would be all things if they came together that I think could push us potentially to the upper end of the range.

Steven Zaccone - *Citi Infrastructure Investments LLC - Analyst*

Understood. Then Marvin, a question, a follow-up on Simeon's question. How do you view the risk of higher rates as an impact to your business? You mentioned some of the Pro survey backlogs are still stable. Do you think higher rates or rest of the industry see some downside? Or is it more we see this too long period of softer industry growth?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

Steve, for us, we basically have factored that into our guidance for 2026. We started this year with a pretty muted view that we would have basically flat growth overall in the home improvement sector. And we basically set our guidance to take share and outperform the market.

We've been able to do that for successive years, and we see it the same exact way. We try to get out of the prediction business relative to what will happen in the macro specifically around things like rates. Obviously, that has a direct correlation on our consumer. We hear a lot and talk a lot about this lock-in effect that we're all experiencing with historically low housing turnover as a result of that.

But we don't see anything in the current environment that we didn't anticipate relative to rates in the broader macro. Again, we came into this year with a pretty muted point of view. As we did in the first quarter, as we've done for four consecutive quarters, we've had the ability to take market share. We've taken market share in the small- to medium-Pro segment.

We've taken market share in the home services area. We grew our dot-com business by 15.5%. And in a really, really difficult DIY environment, as I mentioned, we continue to perform well in spite of the headwinds. So we see the market pretty much as we anticipated and that's factored into our guidance.

Operator

David Bellinger, Mizuho.

David Bellinger - *Mizuho Securities USA LLC - Director*

Can you clarify some of the commentary around recent trends? You've guided to about 1% same-store sales growth in the second quarter, should we assume you're running at that level today?

And as April progressed and we moved into the early Q2 period, have you noticed anything within consumer spending patterns, whether that's DIY, Pro, anything across income cohorts that's breaking the consistency of the consumer and the resiliency of the consumer narrative in any way?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

So David, this is Marvin. Relative to what we're currently seeing, the best way to answer that is where the weather is seasonal the business is performing well. This time of year, this is an incredibly weather-dependent business.

But having said that, the biggest sales weeks are ahead of us with Memorial Day selling period, Father's Day and the Fourth of July that Bill mentioned, and we believe, although, I'm a bit biased, that we're the best executing retailer in the world, and our merchants have given us great value, but it's way too early to start to talk about what we're seeing different in the consumer.

What we've seen so far is what we've seen all year long, and that is we're operating and what we would describe as a K-shape economy where the higher income consumer spends and they're spending on innovation and they're spending on things to modernize their home and the lower income consumer is a little bit more cautious and a little bit more uncertain based on all of the macro factors that we all know so well.

And we haven't seen anything different in the start of this quarter that we saw in the first quarter. As a matter of fact, as I said earlier, what we're seeing play out with the consumer is pretty consistent with what we forecasted when we gave our guidance earlier in the year.

Having said that, we built a business to perform in any environment. As Brandon mentioned, we have a track record of performing well, managing expenses and finding ways to grow sales irrespective of the macro and we plan to take share this quarter. We plan to take share for the back half of the year. And we're just hoping with our fingers crossed that we start to see the macro start to moderate at some point.

David Bellinger - *Mizuho Securities USA LLC - Director*

Got it. And then a quick follow-up. Can you update us on where like-for-like inflation is running? And as we think about all these upwards pricing pressures that are formulating across the industry with the Iran conflict and everything else out there today, is there a scenario where pricing for the broader category does not accelerate? Can Lowe's use any of the potential tariff refunds as an offset and a source of price investment to keep everything as low as possible as long as possible?

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yeah. I think, David, as we look at like-for-like inflation running about 3%, which was fairly consistent with what we saw in Q4, and those trends as we work through tariff increases; obviously, as we look ahead and cycle some of the noise from tariffs from last year, we're expecting some of that to moderate. That's in our outlook around more moderating average ticket and an acceleration in transactions.

So as you mentioned, we're doing everything that we can in this environment to mitigate any inflation risk and protect value for our consumer and drive repeat traffic and transactions into our store. I think that's been pretty clear on where we're leaning in, how we're investing in the business. We continue to expect to do that over the remainder of the year.

Operator

Zach Fadem, Wells Fargo.

Zachary Fadem - *Wells Fargo Securities LLC - Analyst*

I think what a lot of people are getting at in terms of the outlook is there is an implied acceleration in Q2 and the second half on both a one- and a two-year basis. So I guess the first question is, how has your view of the category changed at all in light of all of the changes in the world around us? And could we then walk through the factors that give you confidence in your ability to take share and widen your spread versus the category as we move further through the year?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

Zach, this is Marvin. I'll take the first part of that. As I said earlier, the year is playing out basically consistent with how we thought it would. And it's very early. We're just through one quarter of the year and a couple of weeks of the second quarter.

Having said that, we still are very confident in the initiatives that correlate directly to our Total Home Strategy. And we believe, at the beginning of the year, that we would see sales growth more so in the back half of the year than in the front part of the year, and that's just based on the cadence of our year-over-year comparisons and based on some of the initiatives and when they're going to be kicking in.

So I'm going to hand it over to Bill, and he can just outline some of those key initiatives that we are excited about that we think will continue to drive our sales. And I'll let Joe talk about some of the things we're also seeing on the Pro side that we're excited about as well.

And this has nothing to do with us predicting that the macro environment is going to change. We're not looking for an inflection point in the consumer. This is simply a view that we have that the initiatives that we have in place and when they're going to be paying dividends for us, and that's how we shape the year.

William Boltz - *Lowe's Companies Inc - Executive Vice President - Merchandising*

Yeah. Thanks, Marvin. So Zach, I think for us, it's the initiatives we've been focused on, we touched a little bit on it last quarter, but we've got -- we're excited about rolling out Daltile into our flooring department, that obviously is the number one brand for the Pro. It gives us great confidence with the DIY consumer, allows us to access their showrooms across the United States, get to the job site or home within two or three days.

We're really excited about what we've done in appliances and the continued expansion that that team has done to bring innovation. I could literally go through all 13 merchandise divisions to talk about new and innovative products that are all set to come in, in the back half of the year. Some of that you're going to see as we get into Father's Day, July 4.

But as we roll into the back half of the year, we talked about in my prepared remarks, the continued expansion of workwear and pet. Those areas, those brands the private brand expansion to those categories are working well. Our soft flooring business in carpet driven by STAINMASTER and the innovation in STAINMASTER is helping to drive the soft flooring business.

The work the team has done across the Pro business between the electrical rough plumbing areas I called out in my prepared remarks, just consistent day-over-day continued growth in innovation and simplification for the Pro. And then the work that our supply chain teams have done to make sure that we've got the job lock quantities, and we continue to evolve with our localized assorting in our stores to make sure that we stay relevant for the Pro, how codes are changing across the country.

So we have a lot in the hopper of what we're doing online, continue to take friction out for our consumer that's starting online to shop literally every single category the online teams have done just a great job with our merchants to continue to take that friction out and make it easier for the consumer to navigate.

Joseph McFarland - *Lowe's Companies Inc - Executive Vice President - Stores*

Yeah. And Zach, just a few comments on the Pro, so we still have meaningful growth opportunity ahead of us as we think about areas like Pro Extended Aisle. This is a multiyear build-out. So we continue to add new capabilities, new suppliers, new programs, enhanced fulfillment options, and we're continuing to be very, very pleased. So we expand through markets, localization, and we're seeing green shoots there.

Operator

Peter Benedict, Baird.

Peter Benedict - *Robert W. Baird & Co Inc - Analyst*

I mean PPI is important, right, for helping you guys protect profitability in this period where demand is sluggish. There was some discussion of AI in the prepared remarks around how it's helping associates. It's also helping customers online.

I'm wondering if there's -- if you can talk a little more about maybe what is out there in terms of AI, helping on your systems and your back-end systems and the opportunity to drive productivity there? I'm thinking demand planning, pricing and promotion, replenishment, those types of things. Maybe it's not a '26 deliverable, but is there something on the horizon there that we should be thinking about?

Marvin Ellison - *Lowe's Companies Inc - Chairman of the Board, President, Chief Executive Officer*

So Peter, it's Marvin. I'll take the first part of that. Look, we're really excited about the framework we've put around how we leverage AI, and we framed it in how we sell, how we shop and how we work. And as I mentioned, our virtual assistant Mylow and Mylow Companion built on an open AI platform has been incredibly instructive for us, understanding the power of agentic commerce.

As I mentioned and Joe mentioned, if you combine both associate and customer inquiries, would get roughly 2 million a month going into the system and it's learning and it's getting smarter, it's getting better, it's getting more intuitive. And what we were so pleased to see is even our most tenured associates are adapting to this tool, which we were not sure if they would because these are associates with high level of technical skill, and we were not sure if they would embrace it, but because the system is so intuitive and is working so well, is being embraced across all levels of tenure.

And Joe and I went to a store a couple of weeks ago, and we ran across associates who have been onboard for less than a month. And he was able to walk us through and do a full demo of how to use the Companion tool and how it helped him to transition quickly into a really complex environment that home improvement is. But also in addition to that, our tech team is using AI tools for development and code review, and this has resulted in double-digit productivity gain.

So we understand that AI is going to be incredibly important to do a couple of things. Number one, it's going to create great productivity possibilities for us as we look at redesigning jobs and redesigning what AI agents can do for us, you know, independent of positions.

But we're also learning how AI is making existing associates so much more effective in their current job. Bill can go through a list of things as merchants are leveraging AI to be more efficient. The same thing in the store where you're seeing 200 basis points of customer satisfaction improvement based on the use of the Companion tool.

So we're leveraging it. We understand that it is definitely a tool for productivity, but it's also a tool to enhance capabilities of existing associates. I'll let Brandon wrap it up.

Brandon Sink - *Lowe's Companies Inc - Chief Financial Officer, Executive Vice President*

Yeah. Peter, I'll just add Marvin covered off there on how we shop, how we sell under the framework. You mentioned a few areas all very much in motion under the how we work, right? So demand planning, allocation, replenishment. Our pricing and promotional platforms, assortment planning.

These are all areas as we've allocated capital this year that we're investing heavily in. We're starting to see benefits. The $1 billion of PPI that we've messaged, starting to become more and more apportionment to these efforts and these categories. So we're going to continue to drive that, continue to work through that, and that gives us confidence again to our ability to deliver the $1 billion for this year.

Shelly Hubbard - *Lowe's Companies Inc - Vice President of Investor Relations*

Thank you all for joining us today. We look forward to speaking with you on our second quarter earnings call in August.

Operator

This concludes the Lowe's first quarter 2026 earnings call. You may now disconnect.
