

Q2 2021 Reconciliation of Non-GAAP Measures

Management of Lowe's Companies, Inc. (the Company) uses certain non-GAAP financial measures and considers them to be important supplemental measures of the Company's performance. In addition, management believes these non-GAAP financial measures 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, and
3. Leverage measures.

Operating Performance

The Company has provided the non-GAAP financial measure of adjusted diluted earnings per share for comparing its operating performance to the three months ended July 31, 2020. This measure excludes the impact of a discrete item, further detailed below, not contemplated in Lowe's Business Outlook for the second quarter of fiscal 2020. Lowe's believes this measure is useful in helping understand actual operational performance, as well as performance between fiscal periods.

Fiscal 2020 Impacts

During fiscal 2020, the Company recognized financial impacts from the following discrete item, not contemplated in the Company's Business Outlook for the second quarter:

- Beginning in the third quarter of fiscal 2019, the Company began a strategic review of its Canadian operations, and in the fourth quarter of fiscal 2019, the Company announced additional actions to improve future performance and profitability of its Canadian operations. As a result of this review and related actions, in the second quarter of fiscal 2020, the Company recognized \$10 million of pre-tax operating costs related to inventory write-downs and other closing costs (Canada restructuring).

| | Three Months Ended | | |
|------------------------------------------------|--------------------|------------------|--------------|
| | July 31, 2020 | | |
| | Pre-Tax Earnings | Tax ¹ | Net Earnings |
| Adjusted Diluted Earnings Per Share | | | |
| Diluted Earnings Per Share, As Reported | | | \$ 3.74 |
| Canada restructuring | 0.01 | — | 0.01 |
| Adjusted Diluted Earnings Per Share | | | \$ 3.75 |

¹ Represents the corresponding tax benefit or expense related to the item excluded from adjusted diluted earnings per share. Based on these adjustments, the adjusted effective tax rate for the three months ended July 31, 2020 was 24.31%.

Liquidity Measures

Free Cash Flow

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. 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 30, 2021 | July 31, 2020 |
| Net cash provided by operating activities | \$ 6,913 | \$ 11,752 |
| Capital expenditures | (846) | (710) |
| Free Cash Flow | \$ 6,067 | \$ 11,042 |

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.

| EBITDAR (in millions) | Four Quarters Ended | |
|--------------------------------------------|---------------------|------------------|
| | July 30, 2021 | July 31, 2020 |
| Net Earnings | \$ 7,009 | \$ 5,724 |
| Interest ¹ | 852 | 783 |
| Taxes | 2,233 | 1,957 |
| Depreciation and amortization ² | 1,729 | 1,454 |
| Share-based payments | 206 | 111 |
| Rent | 656 | 656 |
| Certain charges ^{3,4} | 1,085 | 286 |
| EBITDAR | \$ 13,770 | \$ 10,971 |

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 amounts recognized in cost of goods sold, as well as amortization of certain trademarks and intangibles.

³ Certain charges for 2021 include: \$1,060 million of charges associated with the loss on extinguishment on debt and \$25 million of costs associated with the Canada restructuring.

⁴ Certain charges for 2020 include: \$261 million of costs associated with the strategic reassessment of Canadian operations, \$8 million of charges associated with the company's decision to exit its Mexico operations, and \$17 million of closing costs associated with Orchard Supply Hardware.

| Lease Adjusted Debt (in millions) | As of | |
|---------------------------------------------|------------------|------------------|
| | July 30, 2021 | July 31, 2020 |
| Short-term borrowings | \$ 1,000 | \$ 1,000 |
| Current maturities of long-term debt | 1,344 | 609 |
| Current operating lease liabilities | 557 | 520 |
| Long-term debt excluding current maturities | 21,967 | 20,197 |
| Noncurrent operating lease liabilities | 3,841 | 3,859 |
| Lease adjusted debt | \$ 28,709 | \$ 26,185 |
| EBITDAR | \$ 13,770 | \$ 10,971 |
| Lease adjusted debt to EBITDAR | 2.08 | 2.39 |