

Q3 2024 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 November 1, 2024: adjusted selling, general and administrative expenses (SG&A); adjusted operating income; adjusted operating margin; adjusted effective tax rate; and adjusted diluted earnings per share. These measures exclude the impact of a certain item, further described below, not contemplated in Lowe's Business Outlook.

Fiscal 2024 Impacts

During fiscal 2024, the Company recognized financial impacts from the following:

- In the third quarter of fiscal 2024, the Company recognized pre-tax income of \$54 million consisting of a realized gain on the contingent consideration associated with the fiscal 2022 sale of the Canadian retail business (Canadian retail business transaction).

Adjusted SG&A (in millions, except percentage data)	Three Months Ended	
	November 1, 2024	
SG&A, As Reported	\$	3,827
Canadian retail business transaction		54
Adjusted SG&A	\$	3,881
SG&A, % of Sales		18.97 %
Adjusted SG&A, % of Sales		19.23 %

Adjusted Operating Income (in millions, except percentage data)	Three Months Ended	
	November 1, 2024	
Operating Income, As Reported	\$	2,536
Canadian retail business transaction		(54)
Adjusted Operating Income	\$	2,482
Operating Margin, % of Sales		12.57 %
Adjusted Operating Margin, % of Sales		12.31 %



	Three Months Ended		
	November 1, 2024		
Adjusted Effective Tax Rate (in millions, except percentage data)	Pre-Tax Earnings	Income Tax Provision ¹	Effective Tax Rate
Effective Tax Rate, As Reported	\$ 2,219	\$ 524	23.6 %
Canadian retail business transaction	(54)	—	
Adjusted Effective Tax Rate	\$ 2,165	\$ 524	24.2 %

	Three Months Ended		
	November 1, 2024		
Adjusted Diluted Earnings Per Share	Pre-Tax Earnings	Tax ¹	Net Earnings
Diluted Earnings Per Share, As Reported			\$ 2.99
Canadian retail business transaction	(0.10)	—	(0.10)
Adjusted Diluted Earnings Per Share			\$ 2.89

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

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)	Nine Months Ended	
	November 1, 2024	November 3, 2023
Net cash provided by operating activities	\$ 8,714	\$ 7,032
Capital expenditures	(1,379)	(1,344)
Free Cash Flow	\$ 7,335	\$ 5,688

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	
	November 1, 2024	November 3, 2023
Net Earnings	\$ 6,853	\$ 7,664
Interest ¹	1,333	1,355
Taxes	2,137	2,554
Depreciation and amortization ²	1,959	1,892
Share-based payments	214	228
Rent	678	668
Certain charges ^{3,4}	(97)	378
EBITDAR	\$ 13,077	\$ 14,739

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 November 1, 2024 include \$97 million of realized gain on contingent consideration associated with the sale of the Canadian retail business.

⁴ Certain charges for the four quarters ended November 3, 2023 include \$378 million of costs associated with the loss on sale, realized gain on contingent consideration, and other closing costs associated with the sale of the Canadian retail business.

Lease Adjusted Debt (in millions)	As of	
	November 1, 2024	November 3, 2023
Current maturities of long-term debt	\$ 2,576	\$ 544
Current operating lease liabilities	497	533
Long-term debt excluding current maturities	32,906	35,374
Noncurrent operating lease liabilities	3,741	3,602
Lease Adjusted Debt	\$ 39,720	\$ 40,053
EBITDAR	\$ 13,077	\$ 14,739
Lease Adjusted Debt to EBITDAR	3.04	2.72

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:



ROIC (in millions, except percentage data)	Four Quarters Ended	
	November 1, 2024	November 3, 2023
Numerator		
Net Earnings	\$ 6,853	\$ 7,664
Plus:		
Interest expense – net	1,333	1,355
Operating lease interest	172	158
Provision for income taxes	2,137	2,554
Lease adjusted net operating profit	10,495	11,731
Less:		
Income tax adjustment ¹	2,495	2,933
Lease adjusted net operating profit after tax	\$ 8,000	\$ 8,798
Denominator		
Average debt and shareholders' deficit ²	\$ 25,603	\$ 25,125
Net earnings to average debt and shareholders' deficit	26.8 %	30.5 %
Return on invested capital ³	31.2 %	35.0 %

¹ Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 23.8% and 25.0% for the four quarters ended November 1, 2024, and November 3, 2023, 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.

³ As of November 3, 2023, ROIC was negatively impacted approximately 125 basis points as a result of the sale of the Canadian retail business.