

Q1 2022 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. Liquidity measures,
2. Leverage measures, and
3. Capital/asset productivity measures.

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)	Three Months Ended	
	April 29, 2022	April 30, 2021
Net cash provided by operating activities	\$ 2,977	\$ 4,492
Capital expenditures	(343)	(461)
Free Cash Flow	\$ 2,634	\$ 4,031

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	
	April 29, 2022	April 30, 2021
Net Earnings	\$ 8,453	\$ 6,819
Interest ¹	918	855
Taxes	2,780	2,167
Depreciation and amortization ²	1,913	1,640
Share-based payments	225	183
Rent	684	649
Certain charges ³	—	1,096
EBITDAR	\$ 14,973	\$ 13,409

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 of debt and \$36 million of costs associated with the Canada restructuring.

Lease Adjusted Debt (in millions)	As of	
	April 29, 2022	April 30, 2021
Current maturities of long-term debt	\$ 121	\$ 1,338
Current operating lease liabilities	639	551
Long-term debt excluding current maturities	28,776	21,906
Noncurrent operating lease liabilities	4,061	3,925
Lease adjusted debt	\$ 33,597	\$ 27,720
EBITDAR	\$ 14,973	\$ 13,409
Lease adjusted debt to EBITDAR	2.24	2.07

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 investors as a measure of how effectively the Company is using capital to generate profits. 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)/equity. 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	
	April 29, 2022	April 30, 2021
Numerator		
Net Earnings	\$ 8,453	\$ 6,819
Plus:		
Interest expense – net	918	855
Operating lease interest	158	168
Loss on extinguishment of debt	—	1,060
Provision for income taxes	2,780	2,167
Lease adjusted net operating profit	12,309	11,069
Less:		
Income tax adjustment ¹	3,046	2,670
Lease adjusted net operating profit after tax	\$ 9,263	\$ 8,399
Denominator		
Average debt and shareholders' (deficit)/equity ²	\$ 27,442	\$ 28,053
Net earnings to average debt and shareholders' (deficit)/equity	30.8 %	24.3 %
Return on invested capital	33.8 %	29.9 %

¹ Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 24.7% and 24.1% for the periods ended April 29, 2022, and April 30, 2021, respectively.

² Average debt and shareholders' (deficit)/equity 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)/equity.