



2020

INVESTOR UPDATE



Forward-looking statements



This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements including words such as “believe”, “expect”, “anticipate”, “plan”, “desire”, “project”, “estimate”, “intend”, “will”, “should”, “could”, “would”, “may”, “strategy”, “potential”, “opportunity”, “outlook”, “guidance”, “scenario”, and similar expressions are forward-looking statements. Forward-looking statements involve, among other things, expectations, projections, and assumptions about future financial and operating results, objectives, business outlook, priorities, sales growth, shareholder value, capital expenditures, cash flows, the housing market, the home improvement industry, demand for products and services, share repurchases, Lowe’s strategic initiatives, including those relating to acquisitions and dispositions and the impact of such transactions on our strategic and operational plans and financial results. Such statements involve risks and uncertainties and we can give no assurance that they will prove to be correct. Actual results may differ materially from those expressed or implied in such statements.

A wide variety of potential risks, uncertainties, and other factors could materially affect our ability to achieve the results either expressed or implied by these forward-looking statements including, but not limited to, changes in general economic conditions, such as the rate of unemployment, interest rate and currency fluctuations, fuel and other energy costs, slower growth in personal income, changes in consumer spending, changes in the rate of housing turnover, the availability of consumer credit and of mortgage financing, changes in commodity prices, changes or threatened changes in tariffs, outbreak of public health crises, such as the COVID-19 pandemic, availability and cost of goods from suppliers, changes in our management and key personnel, and other factors that can negatively affect our customers.

Investors and others should carefully consider the foregoing factors and other uncertainties, risks and potential events including, but not limited to, those described in “Item 1A - Risk Factors” in our most recent Annual Report on Form 10-K and as may be updated from time to time in Item 1A in our quarterly reports on Form 10-Q or other subsequent filings with the SEC. All such forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update these statements other than as required by law.



Non-GAAP disclosure



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.





Marvin Ellison

PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Investor update agenda



Marvin Ellison

- Significant Progress, 2018-2020
- Capturing Share through Topline Growth

Dave Denton

- Shareholder Value Creation

Q&A to Follow

Our commitments



PRODUCT SUSTAINABILITY

- Save customers more than \$40 billion in energy costs through the sale of ENERGY STAR® products
- 100% of our strategic suppliers will have sustainability goals by 2025
- 100% of our wood products will be responsibly sourced by 2025



OUR PEOPLE AND OUR COMMUNITIES

- Reduce our lost time incident rate (LTIR) each year
- Invest \$350 million in our local communities
- Contribute more than 3 million hours of associate community service by 2025



OPERATIONAL EXCELLENCE

- Reduce absolute scope 1 & 2 GhG emissions by 40% by 2030 (from 2016 baseline)
- Reduce tons of waste to landfill per net sales by 40% from 2010 baseline by 2020

Values and culture



CORE BEHAVIORS



FOCUS ON
CUSTOMERS



DELIVER
RESULTS



TAKE
ACTION



SHOW
COURAGE



CONTINUE
LEARNING

CORE PRIORITIES



ASSOCIATES



CUSTOMERS



COMMUNITIES



INVESTORS



COVID-related financial support



\$1.2B in financial support committed in 2020



Frontline associate investment



In addition to COVID-related support, \$1.4B incremental investment in frontline associates since 2018



LOWE'S

HOME IMPROVEMENT WAREHOUSE



2550
Fries
Avenue



Strong, diverse leadership team



BILL BOLTZ
EVP, MERCHANDISING

30+ YEARS
EXPERIENCE



DAVE DENTON
EVP, CHIEF FINANCIAL OFFICER

25+ YEARS
EXPERIENCE



DON FRIESON
EVP, SUPPLY CHAIN

30+ YEARS
EXPERIENCE



SEEMANTINI GODBOLE
EVP, CHIEF INFORMATION OFFICER

25+ YEARS
EXPERIENCE



JANICE LITTLE
EVP, HUMAN RESOURCES

15+ YEARS
EXPERIENCE



BILL MCCANLESS
EVP, GEN. COUNSEL & CORP. SECRETARY

35+ YEARS
EXPERIENCE



JOE MCFARLAND
EVP, STORES

25+ YEARS
EXPERIENCE



MARISA THALBERG
EVP, CHIEF BRAND & MARKETING OFFICER

25+ YEARS
EXPERIENCE

**MERCHANDISING
EXCELLENCE**



**SUPPLY CHAIN
TRANSFORMATION**

LOWE'S
**Strategic
Initiatives**

**CUSTOMER
ENGAGEMENT**

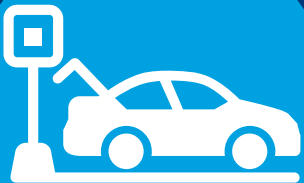


**OPERATIONAL
EFFICIENCY**

**OMNI-
CHANNEL**



SUPPLY CHAIN TRANSFORMATION



BOPIS



2-DAY PARCEL



SAME-DAY



NEXT-DAY

**Order Management Optimization
Multiple Fulfillment and Delivery Options**





MERCHANDISING EXCELLENCE

SALES SQ/FT
INCREASE

+26%

IMPROVED
PRODUCTIVITY



DRIVE
LOCALIZATION



IMPROVE RESET
EXECUTION



BEST-IN-CLASS
ONLINE





In-Store Presentation





Best-in-Class Online



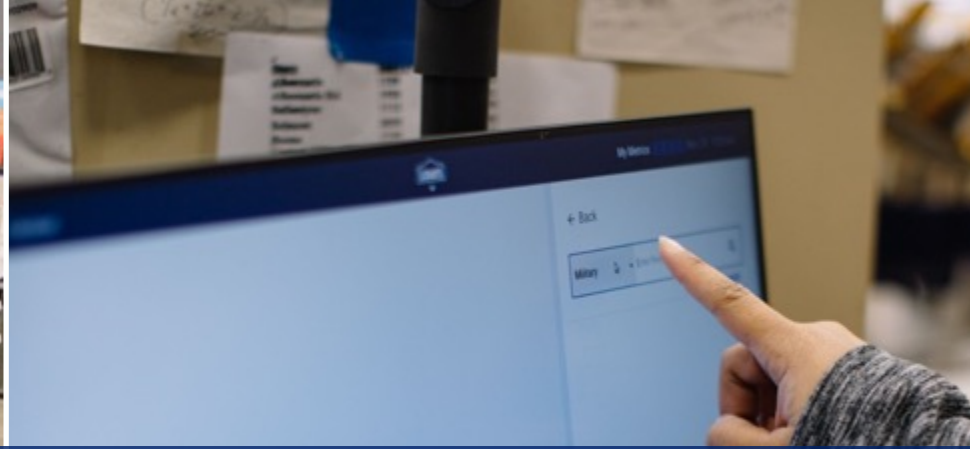
OPERATIONAL EFFICIENCY

STORE SIMPLIFICATION

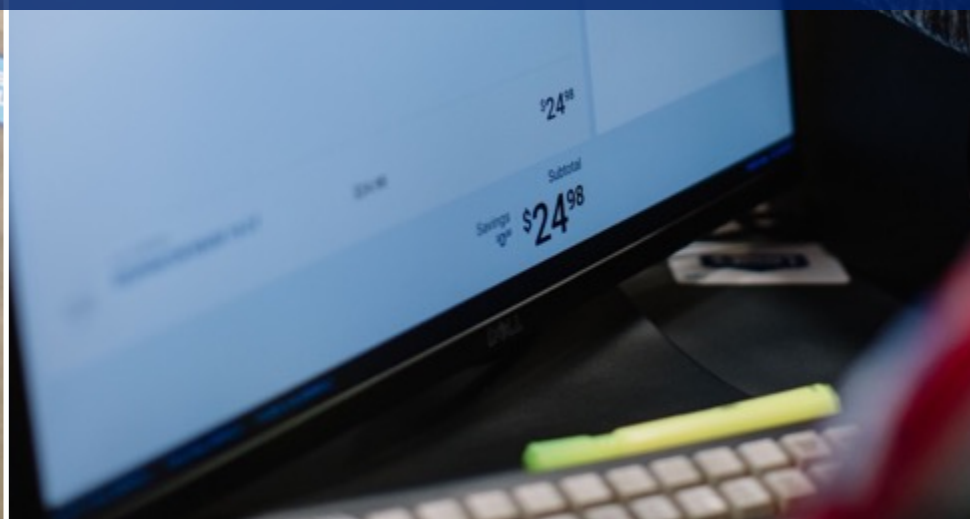


IN-STOCK EXECUTION





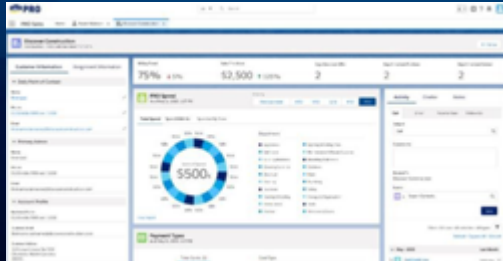
Touchscreen Point of Sale System





CUSTOMER ENGAGEMENT

OWN THE PRO



ASSOCIATE ENGAGEMENT



Strong results, 2018-2020



+23.5%

2-YEAR SALES
GROWTH

+225
bps

ADJUSTED
OPERATING MARGIN

+69.7%

2-YEAR ADJUSTED
EPS GROWTH

+400
bps

IMPROVED CUSTOMER
SERVICE SCORES

+71%

TOTAL STOCK
RETURN

Note:

Sales and Adjusted EPS Growth and Adjusted Operating Margin Growth based on FY2020 Outlook.

Customer service score measured 3Q18 – 3Q20

Total stock return measured from November 30, 2018 – November 30, 2020



Transformation timeline



ORIGINAL TIMELINE



12-18
MONTHS

**RETAIL
FUNDAMENTALS**



18-36
MONTHS

**SUSTAINABLE
GROWTH**



36
MONTHS AND BEYOND

**TAKE MARKET
SHARE**

ACTUAL TIMELINE



12-18
MONTHS

**RETAIL
FUNDAMENTALS**



18
MONTHS AND BEYOND

**TAKE MARKET
SHARE**





TOTAL HOME



Market share acceleration



**NEW HOME
FOR PROS**



**EXPAND
ONLINE
BUSINESS**



**INSTALLATION
SERVICES**



**DRIVE
LOCALIZATION**



**ELEVATED
ASSORTMENT**





NEW HOME FOR PROS



NEW HOME
FOR PROS



Resetting the store footprint



**OPTIMIZED BAY
COUNTS**



**NEW PRO
DROP ZONE**



**CLEANING TO THE
MAIN AISLE**



**FIXED
ADJACENCIES**

NEW HOME
FOR PROS





THE NEW HOME FOR PROS.

OTHER WAYS WE'RE WORKING HARDER FOR YOU.

- Dedicated Pro loaders, Pro cashiers and Pro parking so you get in and out fast
- Inventory enhancements so you get the job-lot quantities you need
- Buy in Bulk and Contractor Packs for greater value
- Extended store hours for your convenience



LOWE'S 4PROS LOYALTY PROGRAM

LOWE'S 4PROS LOYALTY PROGRAM

2024 LOWE'S 4PROS Loyalty Program is a registered trademark of Lowe's Companies, Inc. All rights reserved.

JOIN TODAY

LOWE'S 4PROS LOYALTY PROGRAM

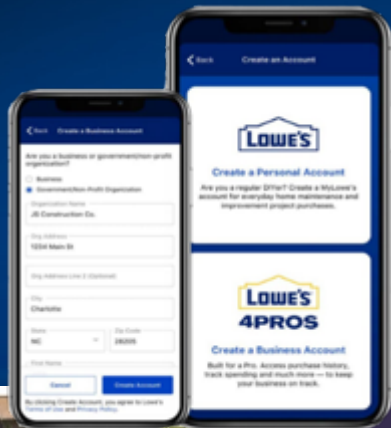
BENEFITS JUST FOR PROS.

- 
- 
- 

Scan or sign up online at: Lowe'sForPros.com/ProLoyalty

OR Text Loyalty to 65698

By texting, you represent and warrant that you are a valid customer of Lowe's and are not a minor. Texting is subject to standard carrier rates. Texting is not available in all areas. Texting is not available to users who have opted out of receiving text messages. May 6, 2024 10:00 AM - 10:00 PM



General Contractor | Open at 10AM

LOWE'S 4PROS | Lowe's Business Credit | Pro App

Shop by Department | Bulk Savings | Search by Name, Keyword or Item Number

RECOMMENDED SEARCHES FOR YOU

Bathroom Vanities | Blue Vanity | Buy in Bulk | Allen + Roth | Mid-Century Modern Bathroom Fixtures | Brass Faucets | Double Sink Vanities | Tool Racks

DON'T MISS OUT

SAVE 5%¹ EVERY DAY PLUS +

[Learn More](#)

5% INTEREST FOR 60 DAYS²

on purchases made now through 10/31/25.

Minimum monthly payments required. Regular rates apply after the 60-day promotional period ends.

EXTENDED TERMS³

Receive an extra billing cycle to pay on purchases made starting now for accounts opened on or before 10/31/25.

Valid only on accounts that currently do not have extended terms of more than 1 billing cycle.

Maintenance and Repair Supplies | Pro Savings | Bulk Savings | Business Credit

FEATURED CATEGORIES

- Appliances
- Lighting
- Flooring
- Paint
- Drywall
- Air Filters

NEW HOME
FOR PROS



The right Pro brands



BOSCH



NEW HOME
FOR PROS



Tool rental program



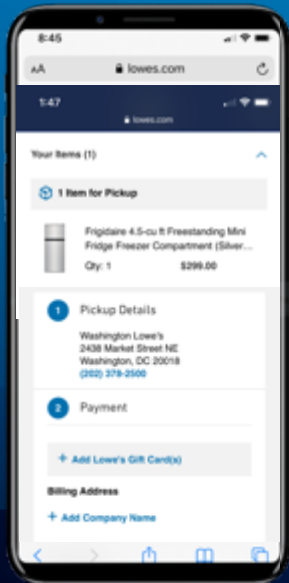
NEW HOME
FOR PROS



Expand online business



Excellent Customer Experience



Expanded Product Assortment



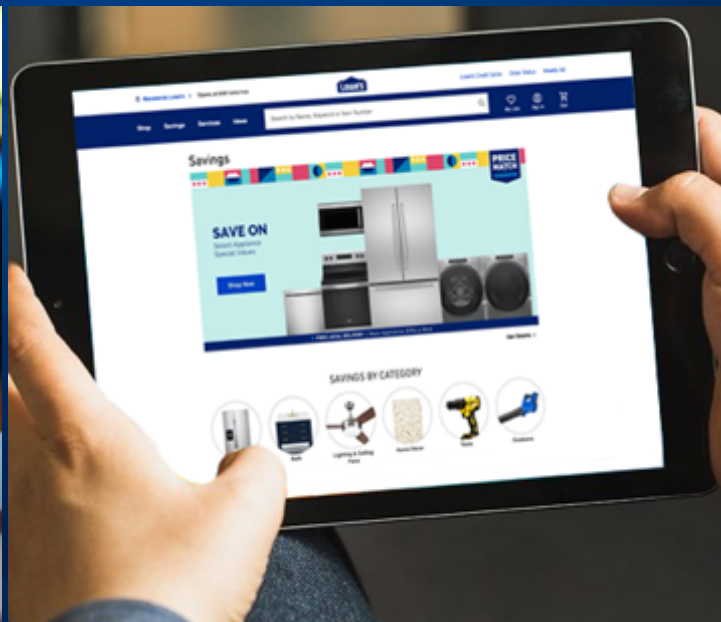
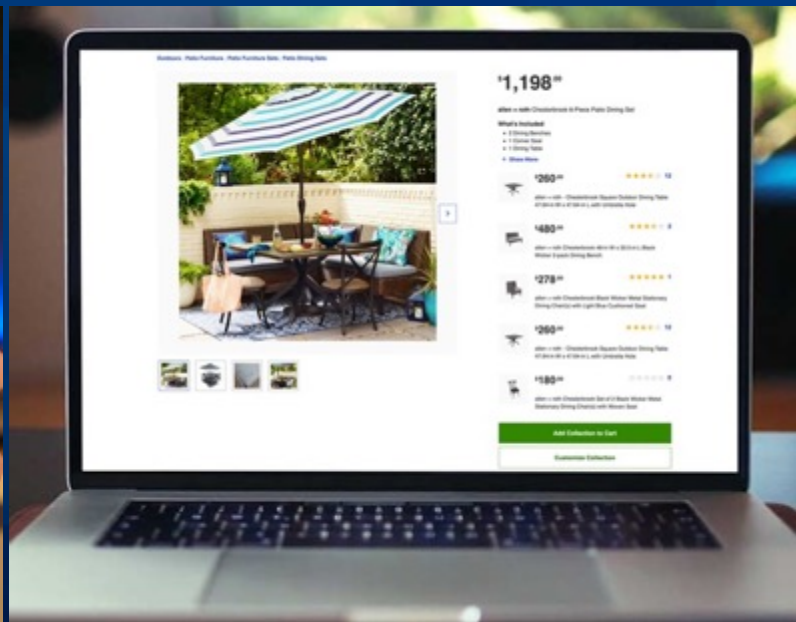
Enhanced In-store & Last-mile Fulfillment



EXPAND ONLINE
BUSINESS



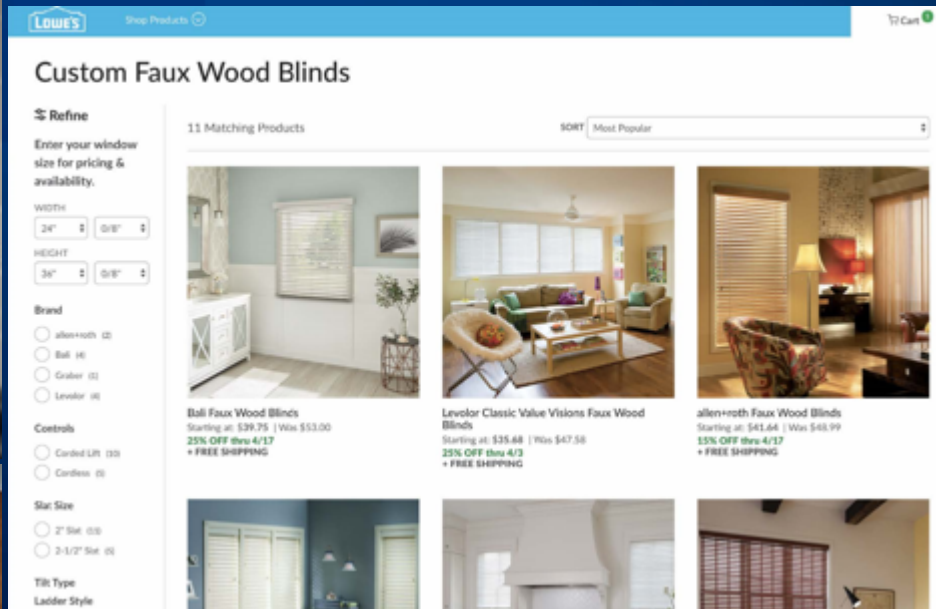
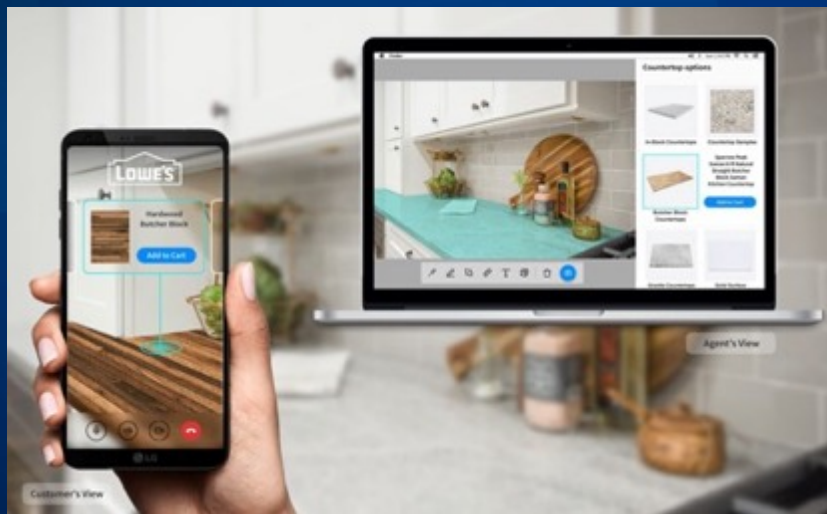
Improving customer experience



EXPAND ONLINE
BUSINESS



Innovating for future growth



Deeper Digital Connection

EXPAND ONLINE
BUSINESS



Expanding online-only assortment



APPLIANCES



KITCHEN
& BATH



DÉCOR



LAWN &
GARDEN



SEASONAL &
OUTDOOR LIVING

EXPAND ONLINE
BUSINESS



Enhancing our fulfillment channels



Integrated Store Experience



Expands
store
potential

Order Fulfilment Options



2-day
shipping
for virtually
all U.S.
customers

EXPAND ONLINE
BUSINESS



1



2



3



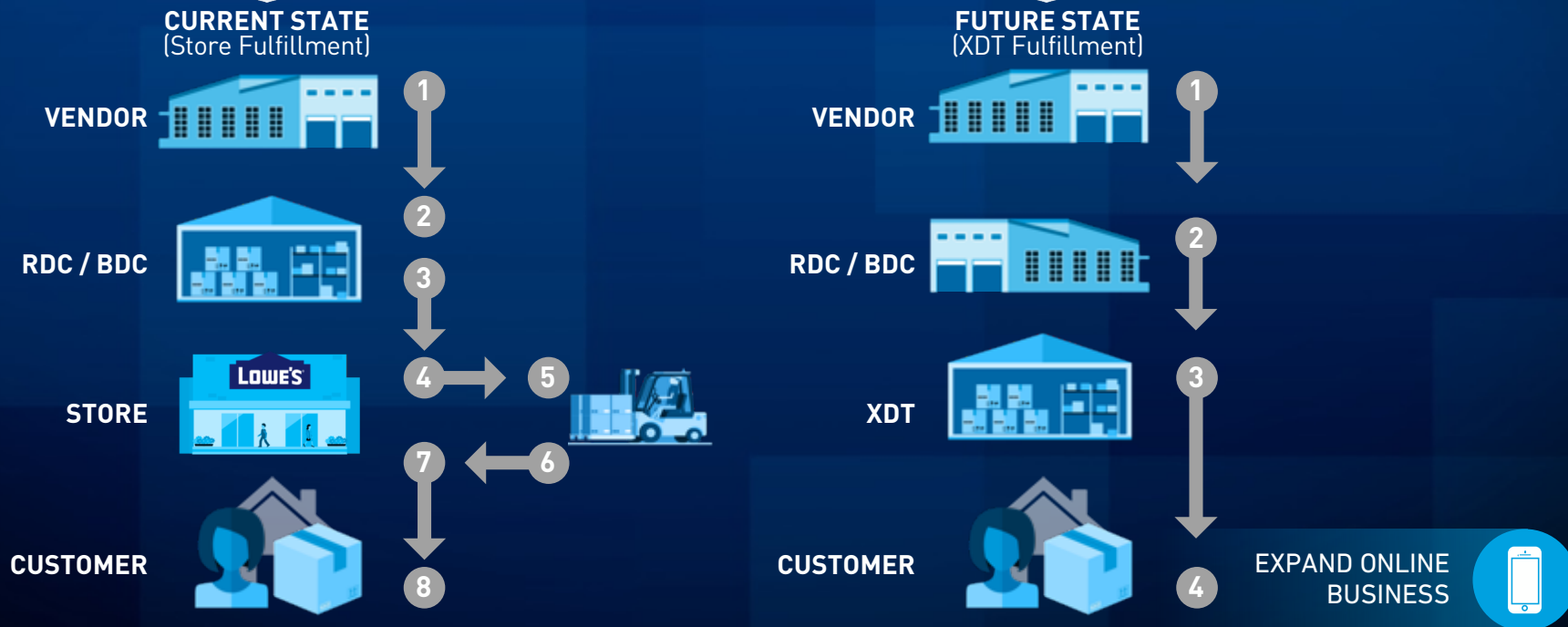
4



Additional delivery options from stores



APPLIANCE & BIG/BULKY PRODUCT



Lowe's stores offer a competitive advantage

Leverage Backroom for Same-Day / Next-Day Service



Lowe's: 10,000 square foot Backroom



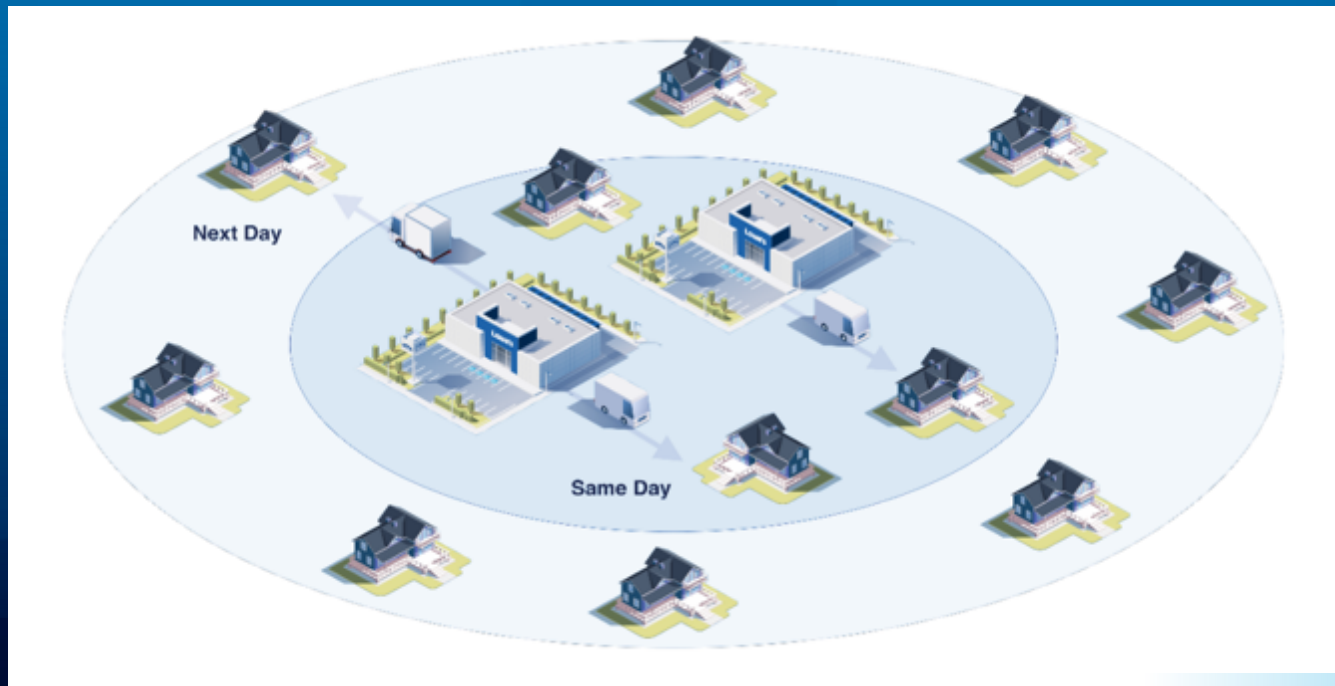
Competitor: 2,000 square foot Backroom

90% of US Population lives within 20 miles of a Lowe's store

EXPAND ONLINE
BUSINESS



Delivery network from store backrooms



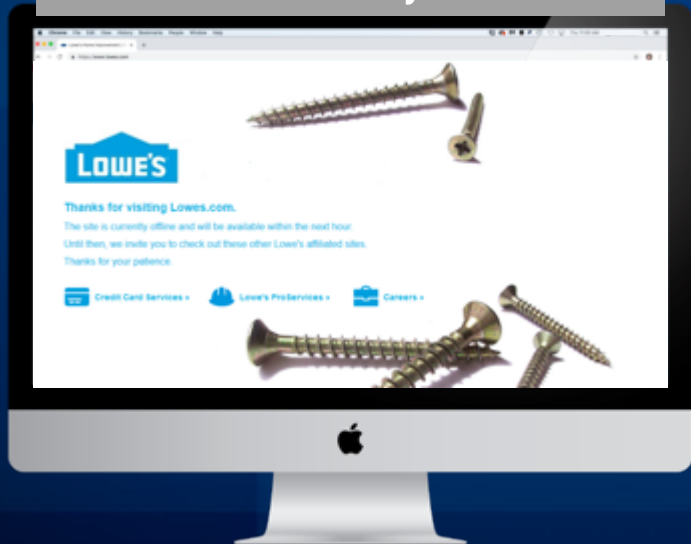
EXPAND ONLINE
BUSINESS



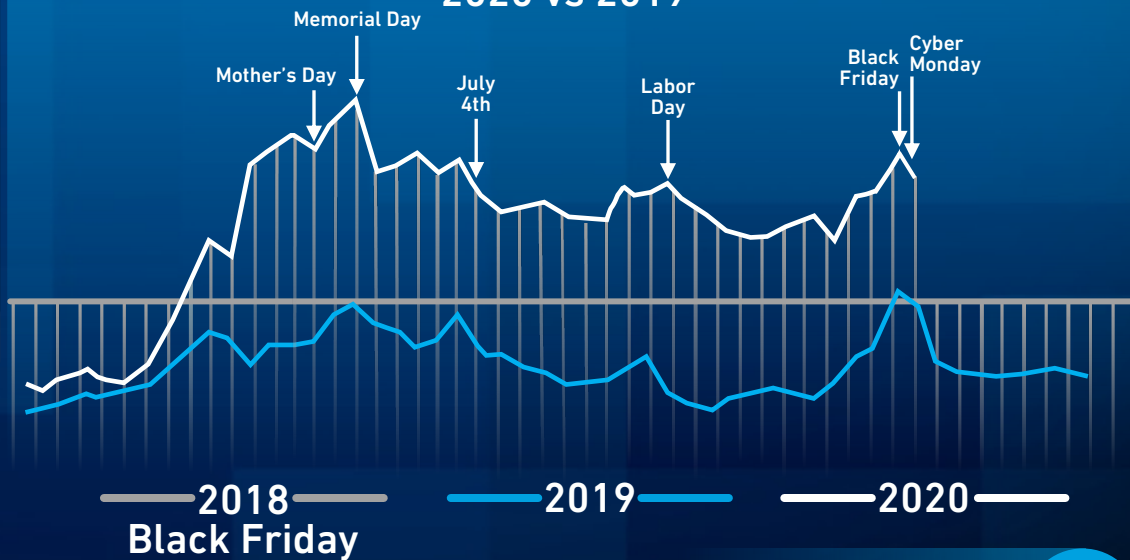
Tremendous growth runway



2018 Black Friday Site Crash



Traffic Comparison 2020 vs 2019



EXPAND ONLINE
BUSINESS





Overhauling the Installation Services Business

INSTALLATION
SERVICES



Vendor sells, furnishes & installs product

RE•BATH®



TRANE®

It's Hard To Stop A Trane.®



lifewaymobility

ACSmith.



TruTeam
Local Relationships. National Resources.™

LENNOX



**ROCK
SOLID
GRANITE**

INSTALLATION
SERVICES



Localization



RURAL

URBAN

COASTAL



DRIVE
LOCALIZATION





Total Home Solutions



Expanding private brands



Higher private brand penetration

ELEVATED
ASSORTMENT



House Beautiful

Bobby Berk Teams Up With Lowe's to Offer Curated Backyard Wedding Collections



Lowe's and Bobby Berk Bring 5 Couples' Backyard Wedding Dreams to Life

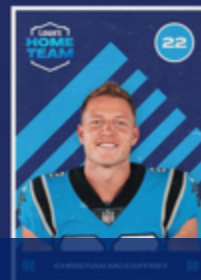
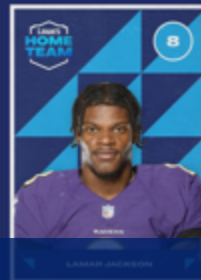
NY

NEW YORK
FASHION WEEK
GOES HOME



NY

THE SHOWS



YOUR SMALL BUSINESS
IS A BIG DEAL TO US
WE WANT YOUR PITCH!



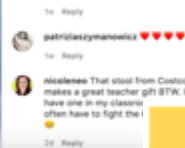
INNOVATIVE, DYNAMIC AND RELEVANT MARKETING CAMPAIGNS

to the
homes that
loved us

This year presented a host of challenges and changes, inspiring many of us to rely on our homes as never before.

As we approach this holiday time of reflection, Lowe's is asking people to express that gratitude in a personal letter to the homes that served as offices, classrooms, bakeries, yoga studios and more.

[Home letters should] reveal why "Home for the Holidays" has taken on a special meaning this year. Here is a sample tribute from a T Brand editor to her home. Let's see yours.



to the
homes that
loved us

This year presented a host of challenges and changes, inspiring many of us to rely on our homes as never before. As we approach this holiday time of reflection, Lowe's is asking people to express that gratitude in a personal letter to the homes that served as offices, classrooms, bakeries, yoga studios and more.



#BUILDTHANKS

Elevating brand reputation and attracting new customers



Top 10
Marketers of 2020
**Ranked #3 overall,
and #1 retailer**



**Top 100 Corporate
Reputation Rankings**
#28 Overall



Best Brand Rankings 2020
across 2,000+ brands



LOWE'S

#8 Overall



The road ahead



MARKET SHARE GROWTH

PRO

ONLINE

INSTALL BUSINESS

LOCALIZATION

ELEVATED PRODUCT ASSORTMENT



Dave Denton

EVP, CHIEF FINANCIAL OFFICER

Value creation roadmap



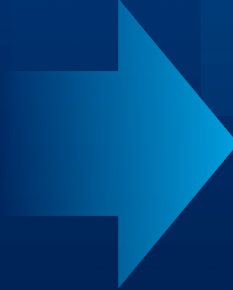
**CORE
OPERATIONAL
EXCELLENCE**



**SIGNIFICANT
CASH FLOW
GENERATION**



**OPTIMIZED
CAPITAL
DEPLOYMENT**



**ENHANCED
SHAREHOLDER
RETURNS**

Affirming 2020 outlook



Met unprecedented demand through improved operating model and strong, nimble execution

**TOTAL
SALES**

+~22%

**COMP
SALES**

+~23%

**ADJUSTED OPERATING
MARGIN**

~10.8%

**ADJ. OP. MARGIN
GROWTH VS. 2019**

+ ~170 bps

**ADJUSTED
DILUTED EPS**

\$8.62 - \$8.72

**CAPITAL
EXPENDITURES**

~\$1.7B

Note: Reflects FY 2020 outlook, inclusive of Q4 outlook range provided on November 18, 2020.



COVID environment – unique opportunity to invest for future growth and support associates and communities



	INVESTMENTS
NON-RECURRING COSTS COVID-related financial support for associates Incremental charitable contributions	\$800M \$100M
LIMITED / MINIMAL CARRYOVER INTO 2021 US Stores Reset	\$250M
ONGOING/LONG-TERM Cleaning/Safety	\$250M
TOTAL 2020	\$1.4B

Estimated \$300 million in expenses in 2021



Large and fragmented home improvement market



ATTRACTIVE MARKET

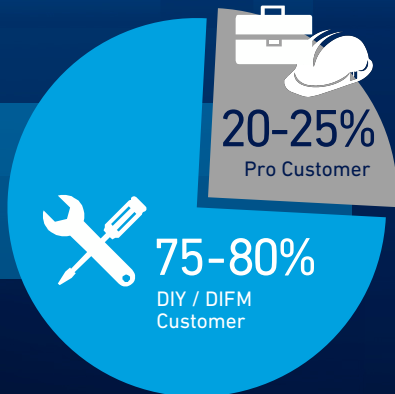
~\$900B

U.S. Home Improvement Market

Highly Fragmented with
Lowe's Share Roughly

10%

Lowe's Pro vs. DIY
Sales
Penetration



BROAD CUSTOMER BASE

Do-It-Yourself (DIY),
Do-It-For-Me (DIFM),
and Pro Customers

Home Improvement
Product Market
DIY vs. Pro



DIVERSE PRODUCT OFFERING

Repair & Maintenance
(2/3 of sales),
Home Improvement
and Home
Furnishing Products



2021 home improvement sector outlook



Despite near-term uncertainty, long-term outlook remains constructive

TAILWINDS



Home Price
Appreciation

Age of Housing
Stock

Historically Low
Mortgage Rates



Continued
Investment in
The Home

Solid Consumer
Balance Sheets

+ / -

Allocation of
Disposable
Income

HEADWINDS



COVID
Uncertainty



Wrap Against
Prior-Year
Stimulus / Broad-
Based Shutdown

Relevant market expected to decline -5 to -7%; up 18% on a two-year stack



2021 financial scenario – robust market growth

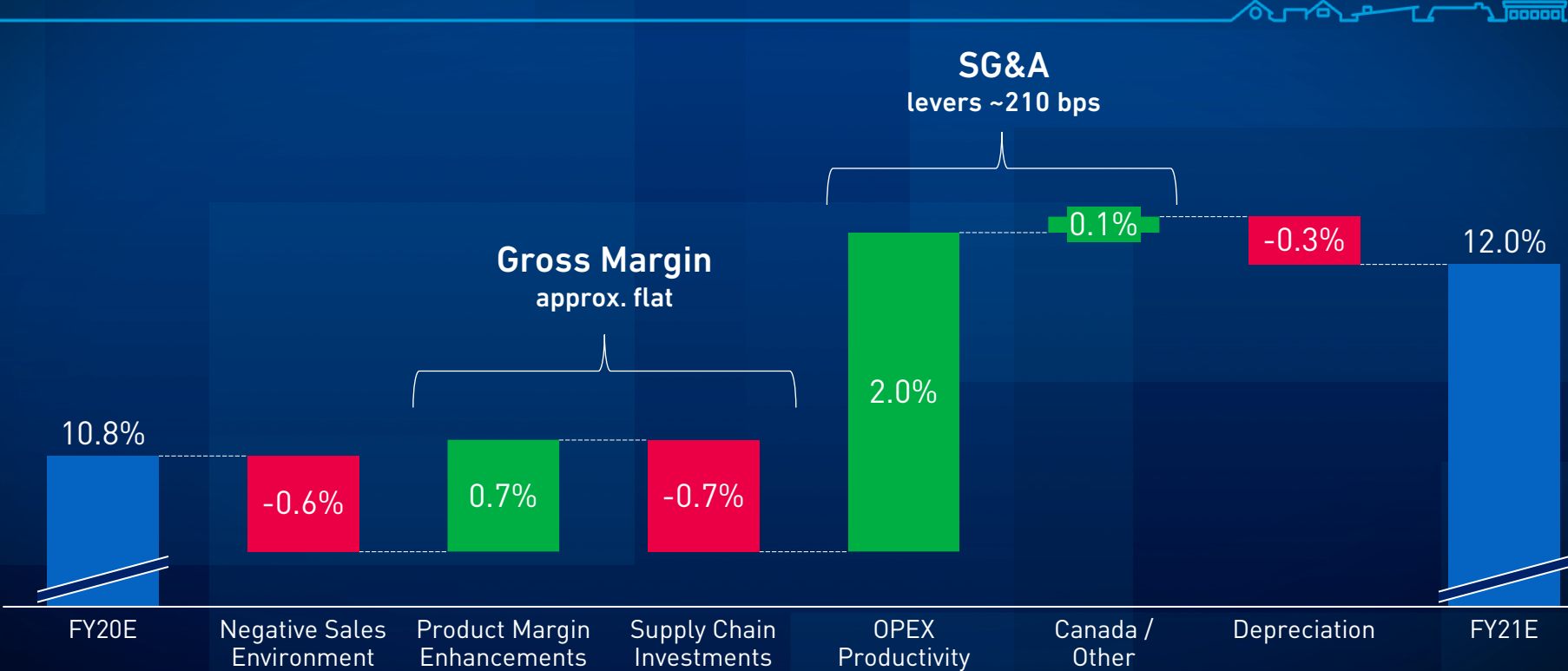


Lowe's would outpace market growth by 300 - 400 bps, with a clear path to 12%

	GUIDANCE 2020	ROBUST MARKET 2021
TOTAL SALES vs. LY	\$88B 22%	\$86B (2%)
ADJ. OPERATING INCOME % of Sales vs. LY	\$9.5B 10.8% +170 bps	\$10.3B 12.0% +120 bps
ADJUSTED EPS Y/Y Increase	\$8.67 51.0%	\$9.90 ~14.0%

Notes: 2020 guidance assumes midpoint of Q4 guidance range. 2021 scenario assumes \$9B share repurchases and \$2B capex.

Building blocks to 12% operating income



Clear line of sight to achieving 12% operating margin in 12 to 24 months

Operating margin expansion remains a key focus in uncertain market



Given the uncertain nature of the sector's performance and range of possible outcomes, Lowe's has modeled various financial results in 2021

	GUIDANCE 2020	ROBUST MARKET	MODERATE MARKET	WEAK MARKET
TOTAL SALES % vs. LY	\$88B 22%	\$86B (2%)	\$84B (5%)	\$82B (7%)
ADJ. OPERATING INCOME % of Sales vs. LY	\$9.5B 10.8% +170 bps	\$10.3B 12.0% +120 bps	\$9.6B 11.5% +70 bps	\$9.2B 11.2% +40 bps
MARKET DECLINE		-5% to -7%	-7% to -9%	-10%

In a slower sales scenario, Lowe's has contingency plans to deliver operating margin expansion

How we flex our business model and still achieve operating margin expansion



In a lower sales environment, we have levers we can manage to maintain operating margin expansion



Store
expense



Near-term inventory
buys



Advertising
expense



Incentive
compensation



Rationalize & defer
incremental projects

Building on the strength of our business...

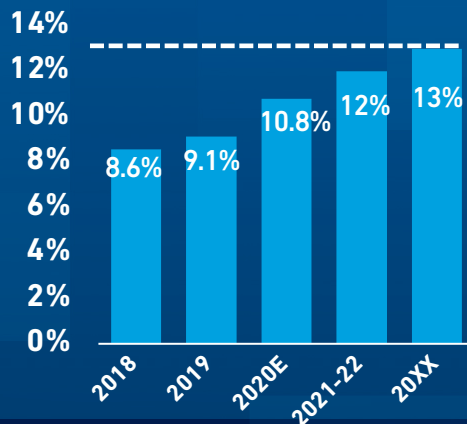


... with continued opportunity to improve

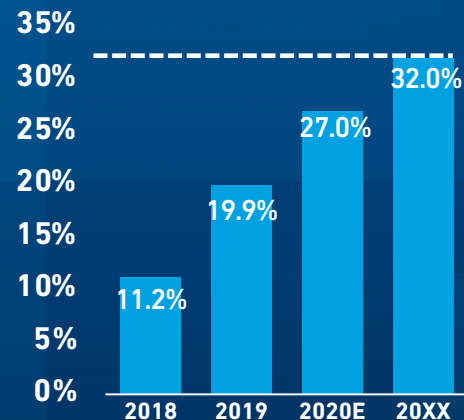
SALES PER SQUARE FOOT



ADJ. OPERATING MARGIN



RETURN ON INVESTED CAPITAL *

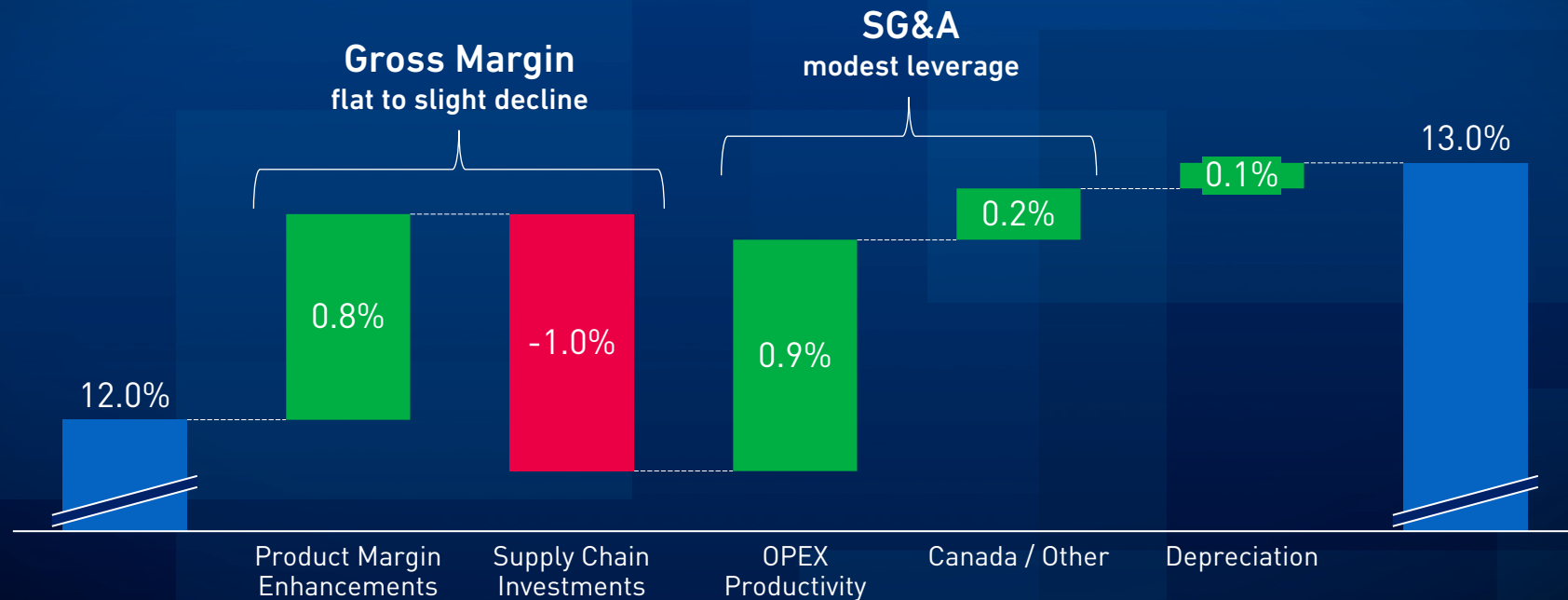


Note: 2020 expected results based on mid-point of Q4 2020 guidance.
* ROIC target adjusted to reflect adoption of new lease standard in 2019.

----- LONG TERM TARGET



Building blocks to further margin expansion beyond 12%



Product margin enhancements



MULTI-YEAR IMPACT

\$1.3B - \$1.5B

- Enhance consumer price perception
- Win-win supplier relationships

KEY EFFORTS



Advanced product line review process and proactive cost management align to reduce costs



Enhanced promotional strategy – move towards EDLP



Drive private brand penetration



Further implement pricing technology and infrastructure to limit markdowns, support local market and dynamic pricing



Separate freight from product costs to enhance price perception

Supply chain investments



MULTI-YEAR IMPACT

(\$1.3B) - (\$1.5B)

- Supports sales growth – store and omni-channel
- Improves store labor productivity
- Enhanced customer service / delivery scheduling
- Enables delivery route cost reductions

KEY EFFORTS



Optimize omnichannel fulfillment capabilities



Expand market level delivery model for big and bulky products through new BDC / XDT facilities



Complete North America coverage for online parcel - fulfillment centers and back of store



Refine technology-enabled demand planning, allocation and forecasting

Store OPEX productivity



MULTI-YEAR IMPACT

\$2.5B - \$2.7B

- Supports sales growth – store and omni-channel
- Drive improved customer satisfaction and loyalty through a more convenient shopping experience
- Improved store labor productivity (60% service / 40% tasking)
- Higher levels of associate engagement

KEY DRIVERS



Refine workforce management tools – dynamic payroll and labor scheduling technologies



Enhance associate selling tool



Cost takeout of non-recurring 2020 investments, and leverage fixed costs against higher revenue



Streamline checkout process through self-checkout, remote tender and app checkout



Improve efficiency of in-store fulfillment – BOPIS, BOPIS lockers and curbside pick-up



Canada and store support



MULTI-YEAR IMPACT

\$250M - \$350M

- Improved Canada service model, and omnichannel customer experience
- Streamline decision making
- Leverage technology to optimize labor cost

KEY EFFORTS



Streamline banner structure in the Canadian market – simplified business model



Leverage US Retail Fundamental Playbook in Canada operations



Canada product margin improvement through PLR and enhanced supplier management

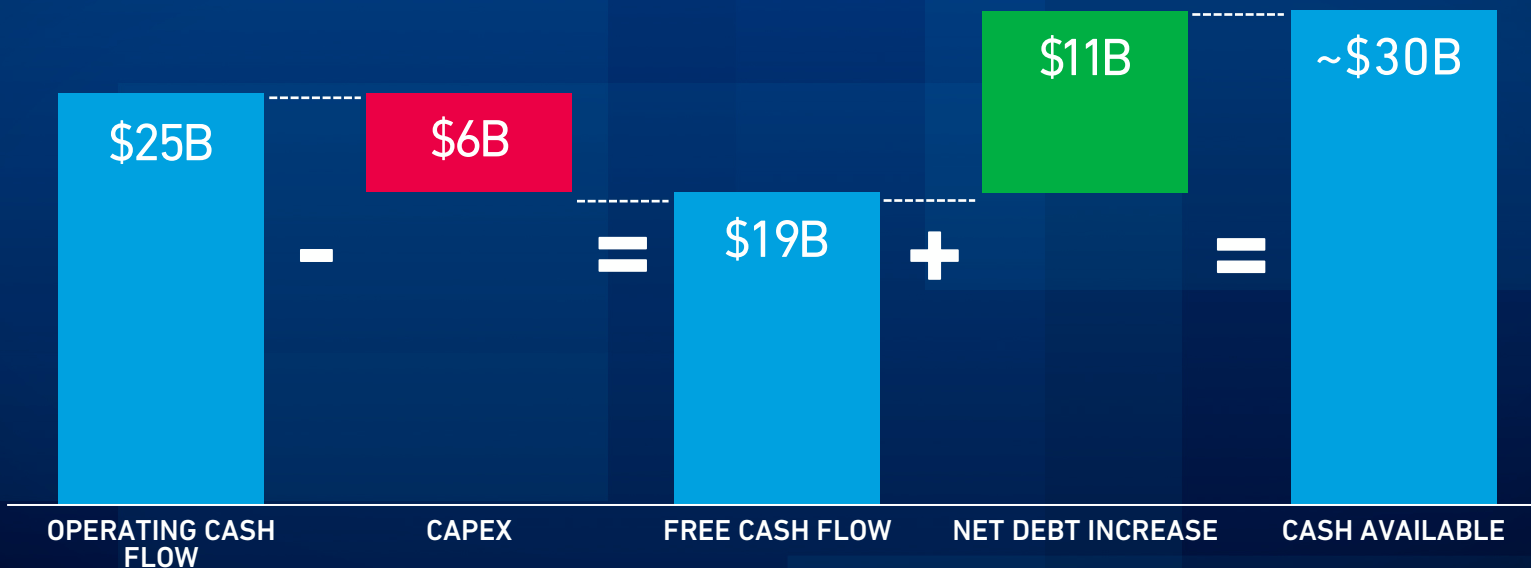


Expanded strategic sourcing for not for re-sale items / services for the enterprise



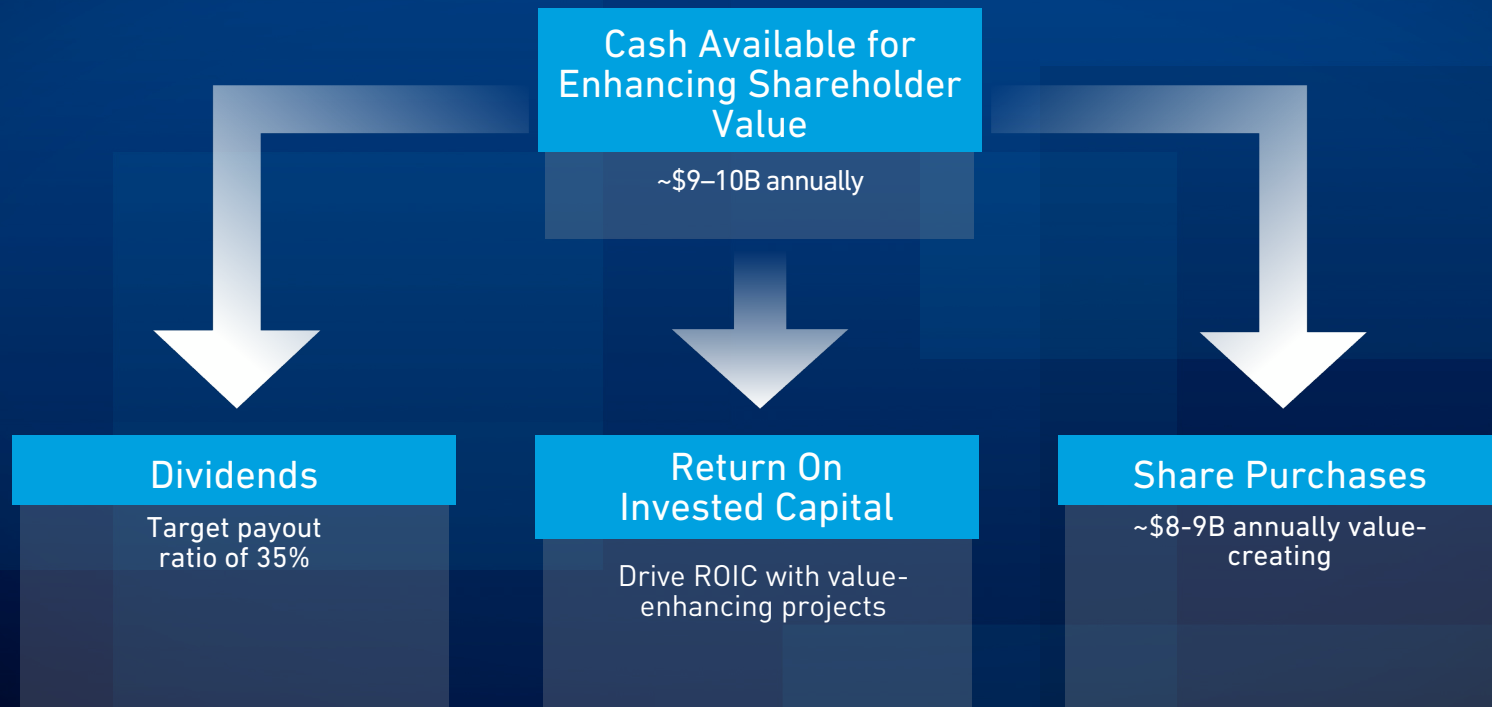
Nearly \$30B available to enhance returns in next 3 years

Cash generation & capital allocation are major contributors to value creation



Board authorized \$15B in share repurchase, bringing total to \$20B

Continue to enhance shareholder returns



Key investment highlights



Favorable Industry Backdrop & Resilient Business Model

Well-Capitalized Big Box Retailers Investing in Omnichannel Capabilities in Advantageous Position

Taking Market Share

Significant Productivity Expansion Opportunity

Responsible Corporate Citizen

Disciplined Capital Allocation





Appendix



2021 capital expenditures outlook



~\$2.0 Billion total CAPEX

NEW STORES / CANADA

~10%

~\$225M

~\$1.1B

RUN THE BUSINESS

~55%

~\$675M

STRATEGIC
~35%



Strong record of capital allocation



Fund Growth

Invest in the Business

Growth

- Run the business
- Strategic omnichannel investments
- New stores / Canada

Strategic Outlays

Opportunistic

- Build capabilities
- Minimum risk adjusted hurdle rate: Mid-teens

Return of Capital

Balance Sheet Management

Strong

- Target leverage (Adjusted Debt to EBITDAR) ratio of 2.75x
- Solid investment grade rating

Dividends

Consistency

- Target payout ratio of 35%
- Strong track record of increases for over 25 years

Share Repurchase

Value-Enhancing

- Repurchased \$4.3B in 2019 and ~\$4.6B planned in 2020
- ~\$20B remaining authorization

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, and
2. Capital/asset productivity measures



Operating Performance



In the Lowe's Business Outlook for fiscal 2020, the Company has provided the non-GAAP financial measures of forecasted adjusted operating income, forecasted adjusted operating margin, and forecasted adjusted diluted earnings per share for the fiscal year ended January 29, 2021. In addition, the Company has provided a comparison to the non-GAAP financial measures of adjusted operating income, adjusted operating margin, and adjusted diluted earnings per share for fiscal years 2019 and 2018. These measures exclude the impacts of certain discrete items, as further described below, to assist the user in further understanding the Company's operational performance for fiscal 2020 and comparisons to fiscal years 2019 and 2018.

The non-GAAP financial measures of adjusted operating income and adjusted diluted earnings per share presented as part of the market scenarios for fiscal 2021 reflect comparisons to the respective non-GAAP financial measures for fiscal year 2020 and do not exclude any discrete items from those same measures presented on a GAAP basis.



Fiscal 2020 Impacts



During the first nine months of fiscal 2020, the Company recognized financial impacts from the following discrete items, which are being excluded from certain non-GAAP measures in the Business Outlook for fiscal 2020:

- During fiscal 2019, the Company began a strategic review of its Canadian operations resulting in the decision to close 34 under-performing stores and additional actions to improve future performance and profitability of its Canadian operations. As a result of these actions, the Company recognized pre-tax operating costs of \$32 million related to additional inventory write-downs and other closing costs in the first nine months of fiscal 2020 (Canada restructuring).
- In the third quarter of fiscal 2020, the Company recognized a \$1.1 billion loss on extinguishment of debt in connection with a \$3.0 billion cash tender offer (Loss on extinguishment of debt).



Fiscal 2019 Impacts



For fiscal 2019, the Company recognized financial impacts from the following discrete items, which were excluded from certain non-GAAP measures for fiscal 2019:

- Prior to the beginning of fiscal 2019, the Company announced its intention to exit its Mexico retail operations and had planned to sell the operating business. However, in the first quarter of fiscal 2019, after an extensive market evaluation, the decision was made to instead sell the assets of the business. That decision resulted in an \$82 million tax benefit in the first quarter of fiscal 2019. In addition, the Company recognized \$35 million of pre-tax operating costs for the fiscal year 2019 associated with the exit and ongoing wind-down of the Mexico retail operations (Mexico adjustments).
- During fiscal 2019, the Company began a strategic review of its Canadian operations resulting in the decision to close 34 under-performing stores and additional actions to improve future performance and profitability of its Canadian operations. As a result of these actions, the Company recognized pre-tax operating costs and charges of \$230 million, consisting of inventory liquidation, long-lived asset impairment, accelerated depreciation and amortization, severance, and other costs, as well as a net \$26 million impact to income tax expense related to income tax valuation allowance (Canada restructuring).



Fiscal 2018 Impacts



For fiscal 2018, the Company recognized financial impacts from the following discrete items, which were excluded from certain non-GAAP measures for fiscal 2018:

- During the fourth quarter of fiscal 2018, the Company recorded \$952 million of goodwill impairment associated with its Canadian operations (Canadian goodwill impairment);
- On August 17, 2018, the Company committed to exit its Orchard Supply Hardware operations. As a result, the Company recognized pre-tax charges of \$561 million associated with long-lived asset impairment and discontinued projects, accelerated depreciation and amortization, severance, and lease obligation costs in fiscal year 2018 (Orchard Supply Hardware charges);
- On October 31, 2018, the Company committed to close 20 under-performing stores across the U.S. and 31 locations in Canada, including 27 under-performing stores. As a result, the Company recognized pre-tax charges of \$271 million associated with long-lived asset impairment, severance, lease obligation costs, and accelerated depreciation in fiscal year 2018 (U.S. and Canada closing charges);
- As previously discussed above, on November 20, 2018, the Company announced its plans to exit retail operations in Mexico and was exploring strategic alternatives. The Company recognized \$244 million associated with long-lived asset impairment in fiscal year 2018 (Mexico impairment charges);
- During the third quarter of fiscal 2018, the Company identified certain non-core activities within its U.S. home improvement business to exit, including Alacritty Renovation Services and Iris Smart Home. As a result, the Company recognized pre-tax charges of \$46 million primarily associated with long-lived asset impairment and inventory write-downs in fiscal year 2018 (Non-core activities charges), and;
- During fiscal year 2018, the Company recorded a pre-tax charge of \$13 million associated with severance costs due to the elimination of the Project Specialists Interiors position (Project Specialists Interiors charge).



The following measures are presented for forecasted operating performance for the fiscal year ended January 29, 2021:

	Fiscal 2020 Lowe's Business Outlook
Adjusted Operating Income (in millions)	Mid-Point of Guidance Range
Forecasted Net Sales	\$88,057
Forecasted Operating Income	\$9,504
Canada restructuring	32
Forecasted Adjusted Operating Income	\$9,536
Forecasted Operating Margin, % of sales	10.79%
Forecasted Adjusted Operating Margin, % of sales	10.83%

Fiscal 2020 Lowe's Business Outlook

(in millions, except per share data)	Low End of Guidance Range			High End of Guidance Range		
	Pre-Tax Earnings	Tax ¹	Net Earnings	Pre-Tax Earnings	Tax ¹	Net Earnings
Forecasted Diluted Earnings Per Share			\$7.53			\$7.63
Loss on extinguishment of debt	1.40	(0.35)	1.05	1.40	(0.35)	1.05
Canada restructuring	0.04	—	0.04	0.04	—	0.04
Forecasted Adjusted Diluted Earnings Per Share			\$8.62			\$8.72

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

The following measures are presented for comparison of operating performance for the fiscal years ended January 31, 2020 and February 1, 2019:

Adjusted Operating Income (in millions)	Year Ended	
	January 31, 2020	February 1, 2019
Net Sales, As Reported	\$72,148	\$71,309
Operating Income, As Reported	\$6,314	\$4,018
Canada restructuring	230	—
Mexico adjustments	35	—
Canadian goodwill impairment	—	952
Orchard Supply Hardware charges	—	561
U.S. and Canada charges	—	271.
Mexico impairment charges	—	244
Non-core activities charges	—	46
Project Specialists Interiors charge	—	13
Adjusted Operating Income	\$6,579	\$6,105
Operating Margin, % of sales	8.75%	5.64%
Adjusted Operating Margin, % of sales	9.13%	8.56%

Adjusted Diluted Earnings Per Share	Year Ended					
	January 31, 2020			February 1, 2019		
	Pre-Tax Earnings	Tax ¹	Net Earnings	Pre-Tax Earnings	Tax ¹	Net Earnings
Diluted Earnings Per Share, As Reported			\$5.49			\$2.84
Canada restructuring	0.29	0.02	0.31	—	—	—
Mexico adjustments	0.05	(0.11)	(0.06)	—	—	—
Canadian goodwill impairment	—	—	—	1.17	(0.03)	1.14
Orchard Supply Hardware charges	—	—	—	0.68	(0.17)	0.51
U.S. and Canada charges	—	—	—	0.33	(0.08)	0.25
Mexico impairment charges	—	—	—	0.30	0.01	0.31
Non-core activities charges	—	—	—	0.06	(0.02)	0.04
Project Specialists Interiors charge	—	—	—	0.02	—	0.02
Adjusted Diluted Earnings Per Share			\$5.74			\$5.11

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

Capital/Asset Productivity Measure



Return on Invested Capital

Return on Invested Capital (ROIC) is calculated using a non-GAAP financial measure. Management believes ROIC is a meaningful metric for analysts and 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 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 (on the next page):



ROIC (in millions)	Year Ended	
	January 31, 2020	February 1, 2019
Numerator		
Net Earnings	\$4,281	\$2,314
Plus:		
Interest expense, net	691	624
Operating lease interest ¹	195	206
Provision for income taxes	1,342	1,080
Lease adjusted net operating profit	6,509	4,224
Less:		
Income tax adjustment ²	1,554	1,344
Lease adjusted net operating profit after tax	\$4,955	\$2,880
Denominator		
Average debt and equity ³	\$24,950	\$25,713
Net earnings to average debt and equity	17.2%	9.0%
Return on invested capital	19.9%	11.2%

¹ Includes a proforma estimate of operating lease interest for the fiscal year ended February 1, 2019, prior to the adoption of ASU 2016-02, Leases (Topic 842).

² Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 23.9% and 31.8% for the years ended January 31, 2020 and February 1, 2019, respectively.

³ Average debt and 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 equity.