



**LOWE'S**

# 2022 Analyst & Investor Conference

DECEMBER 7, 2022



# 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”, “scenario”, “guidance”, 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 volatility and/or lack of liquidity from time to time in U.S. and world financial markets and the consequent reduced availability and/or higher cost of borrowing to Lowe's and its customers, the risk that asset impairment and deal-related transaction costs on the divestiture of the Canadian retail business could ultimately be greater than what we currently expect, slower rates of growth in real disposable personal income that could affect the rate of growth in consumer spending, inflation and its impacts on discretionary spending and on our costs, shortages, and other disruptions in the labor supply, interest rate and currency fluctuations, home price appreciation or decreasing housing turnover, the availability of consumer credit and of mortgage financing, trade policy changes or additional tariffs, outbreaks of pandemics, fluctuations in fuel and energy costs, inflation or deflation of commodity prices, natural disasters, armed conflicts, acts of both domestic and international terrorism, 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.





# Marvin R. Ellison

CHAIRMAN AND CHIEF EXECUTIVE OFFICER



# Strong results delivered, 2018-2022E

**+36%**

4-year Sales growth

**+440** bps

Adjusted  
Operating Margin<sup>1</sup>

**+169%**

4-year Adjusted  
EPS growth<sup>1</sup>

**>500** bps

Pro customer  
service scores



**+141%**

Total stock return



**\$43B**

Capital return to shareholders

Note:

Sales and Adjusted EPS growth based on mid-point of full year 2022 outlook. Adjusted Operating Margin growth based on full year 2022 outlook.

Pro customer service scores measured Q4 2018 – Q3 2022.

Total stock return calculated for the periods November 30, 2018 – November 30, 2022.

Capital return to shareholders includes estimated capital return in-line with full year 2022 outlook.

<sup>1</sup> Adjusted Operating Margin and Adjusted EPS are non-GAAP financial measures. Please refer to the reconciliation of non-GAAP financial measures in the appendix for fiscal year 2018. The Company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items without unreasonable effort, including timing of and deal-related transaction costs associated with the sale of our Canadian retail business.



# Strong, diverse leadership team



**30+**  
YEARS  
experience

**Bill Boltz**  
EVP, Merchandising



**15+**  
YEARS  
experience

**Janice Dupré**  
EVP, Human Resources



**30+**  
YEARS  
experience

**Donald Frieson**  
EVP, Supply Chain



**25+**  
YEARS  
experience

**Seemantini Godbole**  
EVP, Chief Digital &  
Information Officer



**35+**  
YEARS  
experience

**Bill McCanless**  
EVP, General Counsel  
& Corp. Secretary



**25+**  
YEARS  
experience

**Joe McFarland**  
EVP, Stores



**20+**  
YEARS  
experience

**Brandon Sink**  
EVP, Chief Financial Officer



# Value and culture

## CORE BEHAVIORS



Focus on customers



Deliver results



Take action



Show courage



Continue learning

## CORE PRIORITIES



Supporting Associates



Serving Customers



Improving Communities

TRANSLATES INTO



Shareholder value



# Transformation timeline



2018–2020

**Retail Fundamentals**  
to improve operating  
capabilities



2020 AND BEYOND

**Total Home Strategy**  
to accelerate market share  
gains with DIY & Pro

# Total Home Strategy

MARKET SHARE ACCELERATION WITH DIY AND PRO CUSTOMERS



Drive **Pro**  
penetration



Accelerate  
**online business**



Expand  
**installation**  
services



Drive  
**localization**



Elevate  
**assortment**

Providing a **full complement of products and services** for Pros and consumers alike, enabling a Total Home solution for every need in the home





# Home improvement market

ATTRACTIVE MARKET EXPECTED TO BENEFIT FROM LONG-TERM GROWTH DRIVERS

U.S. HOME IMPROVEMENT (HI)  
TOTAL ADDRESSABLE MARKET



# Long-term HI growth drivers

BENEFITING FROM UNIQUE CONVERGENCE OF STRUCTURAL TAILWINDS

## U.S. Housing Stock



**Home price appreciation**



**Age of housing**  
50% of homes  
~41 years old



**Undersupply of homes**  
1.5–2M units

## Consumer Finances



**Disposable income**  
\$1.5T in excess savings,  
~85% concentrated in top  
40% of income earners



**Record homeowner equity**  
~\$330K average homeowner  
equity...an all time high

## Demographic Trends



**Millennial household formation**  
250K incremental first-time  
home buyers per year  
through 2025



**Baby Boomers aging in place**



**Remote work**  
~50% in-office  
occupancy vs. pre-pandemic

Sources: U.S. Census Bureau (age of housing stock & forecasted Millennial household formation)  
John Burns Consulting, (undersupply of homes)  
Federal Reserve (aggregate consumer savings increase & average homeowner equity)  
Kastle Back to Work Barometer (in-office occupancy)



# Home building vs. home improvement

DEMAND DRIVERS FOR HOME IMPROVEMENT ARE DISTINCT FROM THOSE DRIVING HOME BUILDING



## HOME BUILDING DEMAND DRIVERS

- Mortgage rates
- Affordability
- Labor & supply constraints

More discretionary



## HOME IMPROVEMENT DEMAND DRIVERS

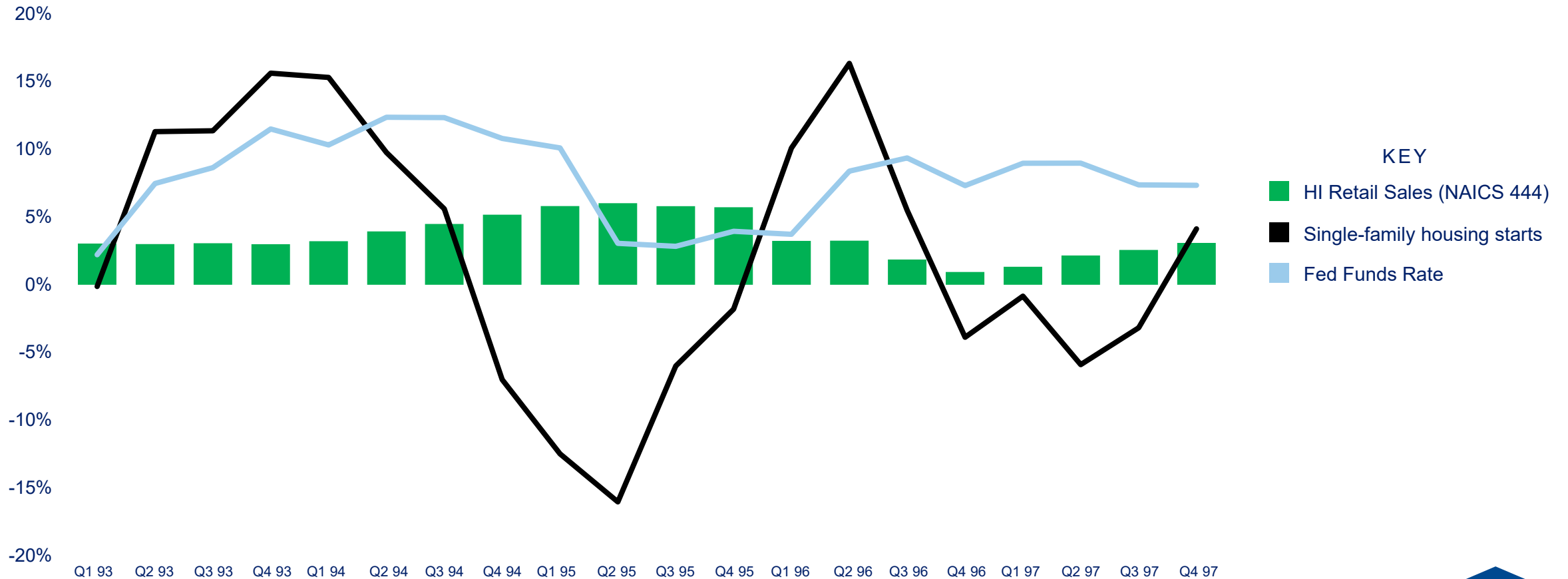
- Home price appreciation
- Age of the housing stock
- Disposable personal income

Less discretionary

# Home improvement spend in the 1990s

HI CAN PERFORM WELL EVEN WHEN HOME BUILDING SLOWS

## HI Retail Sales vs. Fed Funds Rate & Construction, 1993–1997





# DIY / DIFM customer overview

PROVIDING A TOTAL HOME SOLUTION ACROSS LIFESTYLES & GENERATIONS

## Who we'll win with



**Millennial homeowners  
with kids**



**Baby Boomers**

## How we'll win



**Everyday  
value**



**Seamless omnichannel  
experience shopping**



**Innovative  
products**



**Localized  
assortments**



**Private brand  
differentiation**



**Install solutions  
for busy DIFM**



# Pro customer overview

TAKING SHARE WITH SMALL AND MEDIUM PROS

## Lowe's Pro Customer



Tradespeople



Repair & remodelers



Property managers

## One Stop Shop for Pros



Fast & simple omnichannel shopping



Job site delivery



Pro brands & products



Financing & loyalty



Job lot inventory quantities



# Perpetual Productivity Improvement (PPI)

CULTURE OF CONTINUOUS IMPROVEMENT ACROSS THE ENTERPRISE



# Modernizing enterprise technology

SUNSETTING 30-YEAR-OLD SYSTEMS



Drive sales



Expand inventory visibility



Improve customer service

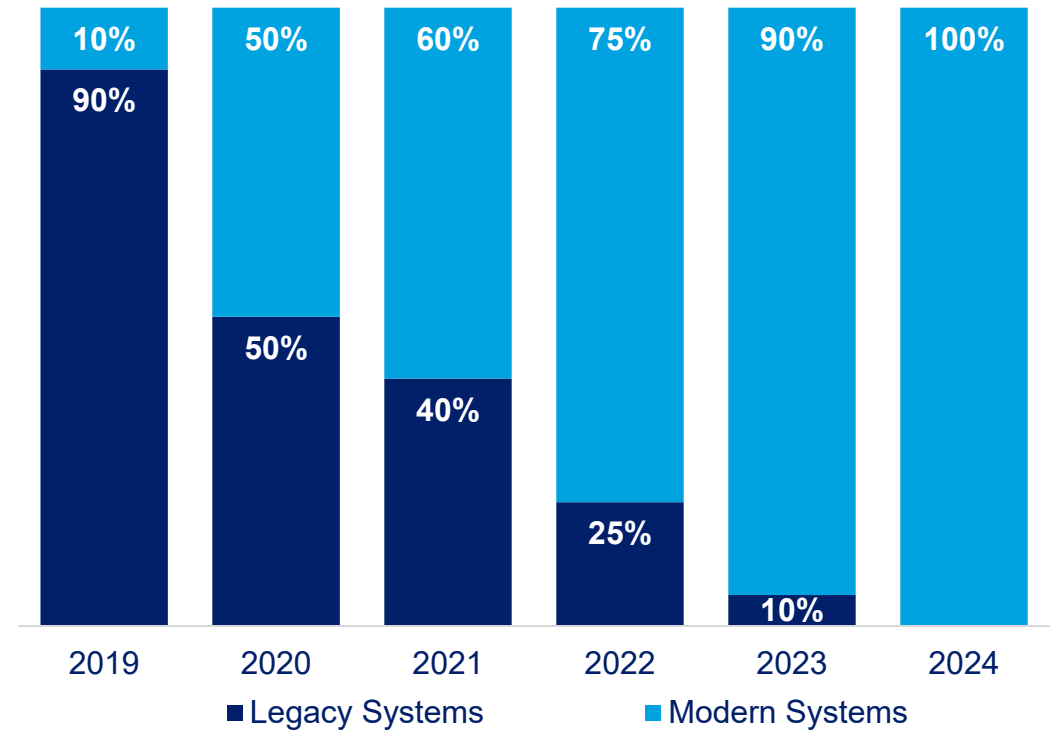


Enhance associate experience



Unlock productivity

## Multi-year conversion to omnichannel systems





# Responsible corporate citizen



## Sustainability

- **Announced 2050 science-based net zero target**
- Generated 287K+ MWh of renewable energy in 2021
- \$6B+ in customer lifetime savings from ENERGY STAR® products sold in 2021
- \$11B+ in customer lifetime savings from WaterSense® products sold in 2021



## Our Associates

- Providing a diverse and inclusive workplace
- Invested \$3B+ in incremental wages and share-based compensation programs for front-line associates from 2018-2022
- Awarded \$700M+ associate bonuses over past 12 months
- Investing in development, including Lowe's U in stores



## Our Communities

- Contributed \$100M to support our communities in 2021 with a focus on safe, affordable housing, skilled trades education and natural disaster response
- Announced a 5-year, \$100M commitment to improving hometowns across the U.S.

# New science-based, net-zero target

STRIVING TO ACHIEVE NET ZERO ACROSS LOWE'S FULL VALUE CHAIN BY 2050

Between 2021-2030

- Reduce scope 1 and 2 emissions by 40%
- Reduce scope 3 emissions by 22.5%

By 2050

- Reduce scope 1, 2 and 3 emissions by at least by 90%
- Offset any remaining emissions to reach net zero

HOW WE'LL DO IT



Drive efficiency and electrification across our product portfolio, operations and supply chain



Promote transition to clean energy sources



Transition away from hard to recycle materials and increase public awareness of recycling options



# Elevating brand reputation

#1 Specialty Retailer



3 years in a row

Member of  
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

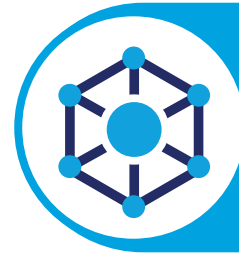
Recognized by leading voices in Diversity and Inclusion



# Key investment highlights



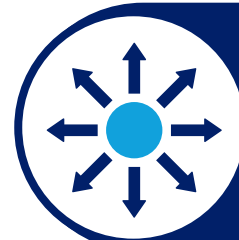
Favorable industry backdrop  
& resilient business model



Well-capitalized and investing  
in omnichannel capabilities



Taking market share across  
DIY and Pro



Significant productivity  
expansion opportunity



Responsible corporate citizen



Disciplined capital allocation



# Appendix



# 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 does not provide a reconciliation for non-GAAP estimates on a forward-looking basis where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items without unreasonable effort, including timing of and deal-related transaction costs associated with the sale of our Canadian retail business.



# Operating performance

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 year 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 comparisons to fiscal year 2018.

## Fiscal 2018 Impacts

For fiscal 2018, the Company recognized financial impacts from the following discrete items, not contemplated in the Company's Business Outlook 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 Alacrity 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).
- 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).



# Operating performance

The following measures are presented for comparison of operating performance for the fiscal year ended February 1, 2019:

	<u>Year Ended</u>
<b>Adjusted Operating Income</b> <b>(in millions, except percentage data)</b>	<b>February 1, 2019</b>
<b>Net Sales, As Reported</b>	<b>\$ 71,309</b>
<b>Operating Income, As Reported</b>	<b>\$ 4,018</b>
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
<b>Adjusted Operating Income</b>	<b>\$ 6,105</b>
<b>Operating Margin, % of sales</b>	<b>5.64 %</b>
<b>Adjusted Operating Margin, % of sales</b>	<b>8.56 %</b>



# Operating performance

	Year Ended		
	February 1, 2019		
Adjusted Diluted Earnings Per Share	Pre-Tax Earnings	Tax <sup>1</sup>	Net Earnings
<b>Diluted Earnings Per Share, As Reported</b>			\$ <b>2.84</b>
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
<b>Adjusted Diluted Earnings Per Share</b>			\$ <b>5.11</b>

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

