Q2 2023 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. 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 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.

	Six Months Ended	
Free Cash Flow (in millions)	**August 4, 2023**	**July 29, 2022**
Net cash provided by operating activities	$ 5,968	$ 6,012
Capital expenditures	(765)	(687)
Free Cash Flow	**$ 5,203**	**$ 5,325**

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.

	Four Quarters Ended	
EBITDAR (in millions)	**August 4, 2023**	**July 29, 2022**
Net Earnings	**$ 6,044**	**$ 8,427**
Interest [1]	1,305	966
Taxes	2,452	2,776
Depreciation and amortization [2]	1,909	1,957
Share-based payments	237	225
Rent	679	695
Certain charges [3]	2,438	—
EBITDAR	**$ 15,064**	**$ 15,046**

[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 2023 include:$2.4 billion of costs associated with the long-lived asset impairment, loss on sale, realized gain on deferred consideration, and other closing costs associated with the sale of the Canadian retail business.*

Lease Adjusted Debt (in millions)	As of August 4, 2023	As of July 29, 2022
Current maturities of long-term debt	$ 592	$ 121
Current operating lease liabilities	534	652
Long-term debt excluding current maturities	35,839	28,763
Noncurrent operating lease liabilities	3,611	4,069
Lease Adjusted Debt	**$ 40,576**	**$ 33,605**
EBITDAR	**$ 15,064**	**$ 15,046**
Lease Adjusted Debt to EBITDAR	**2.69**	**2.23**

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 August 4, 2023	Four Quarters Ended July 29, 2022
Numerator		
Net Earnings	$ 6,044	$ 8,427
Plus:		
Interest expense – net	1,305	966
Operating lease interest	158	159
Provision for income taxes	2,452	2,776
Lease adjusted net operating profit	9,959	12,328
Less:		
Income tax adjustment [1]	2,874	3,055
Lease adjusted net operating profit after tax	$ 7,085	$ 9,273
Denominator		
Average debt and shareholders' deficit [2]	$ 25,504	$ 26,849
Net earnings to average debt and shareholders' deficit	**23.7 %**	**31.4 %**
Return on invested capital [3]	**27.8 %**	**34.5 %**

[1] *Income tax adjustment is defined as lease adjusted net operating profit multiplied by the effective tax rate, which was 28.9% and 24.8% for the periods ended August 4, 2023, and July 29, 2022, 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 August 4, 2023, ROIC was negatively impacted approximately 750 basis points as a result of the sale of the Canadian retail business.*