

# BOB HULL

Chief Financial Officer



# 2012 BUSINESS OUTLOOK



## Lowe's Business Outlook

	2012E	vs 2011
<small>\$ in Billions except per Share Data</small>		
Total Sales	\$50.3	~ 0% <sup>(1)</sup>
EBIT %	6.9%	+40 bps
Net Earnings	\$1.9	+3% <sup>(2)</sup>
EPS	\$1.64	+14%

<sup>(1)</sup> Up approximately 2% on a 52 vs. 52 week basis

<sup>(2)</sup> Up approximately 7% on a 52 vs. 52 week basis

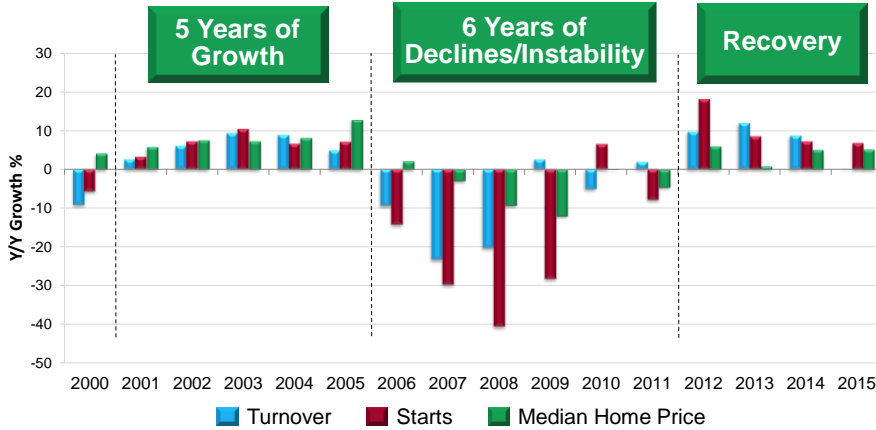
E = Estimate



## MACROECONOMIC IMPACTS



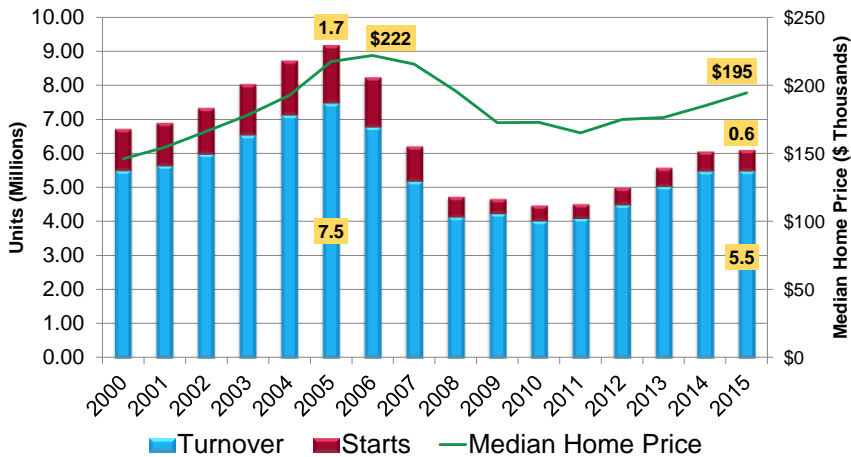
# Housing Market is Recovering...



Sources: Blue Chip Economic Indicators Oct-Nov 2012; Kantar Retail Forecast Sept 2012, Moody's Analytics & Forecasts Nov 2012



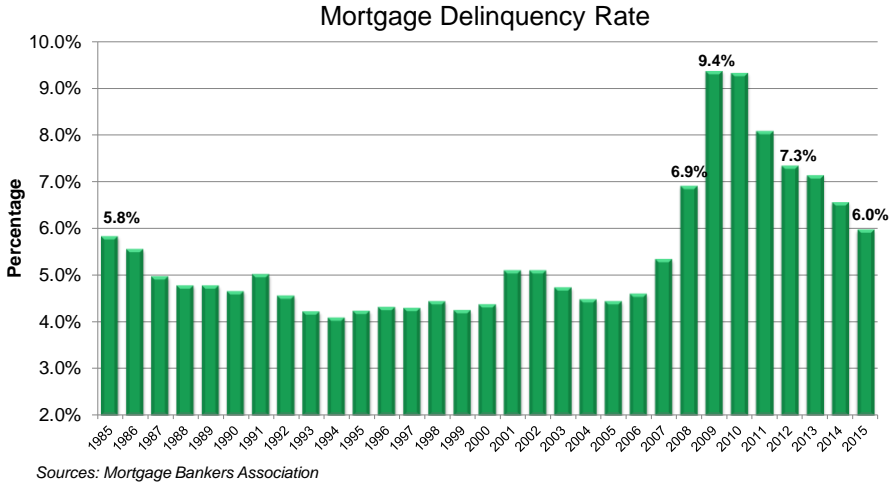
# Metrics Still Below Prior Levels...



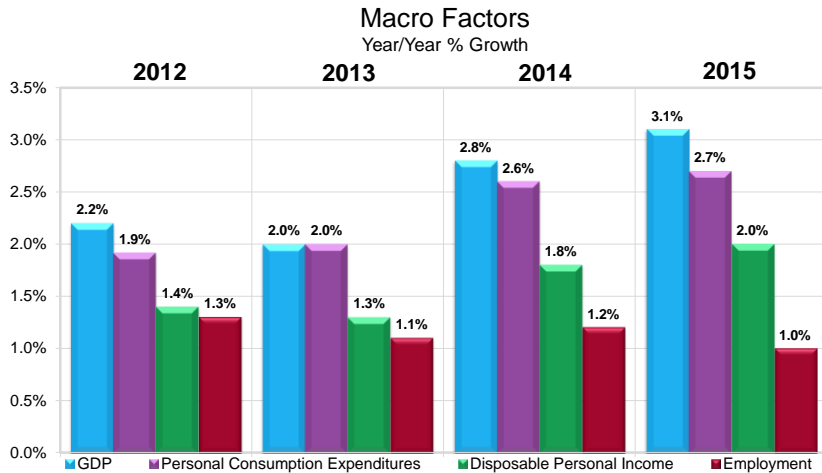
Sources: Kantar Retail Forecast Sept 2012, Moody's Analytics & Forecasts Nov 2012



# Mortgage Delinquency Rates Remain at Historic Highs...



# Consumers Still Under Pressure...



Sources: Bureau of Economic Analysis; Blue Chip Economic Indicators; Kantar Retail Forecast



## Fiscal Cliff Causes Uncertainty...



**LOWE'S** NEVER STOP  
**IMPROVING**

## LONG-TERM FINANCIAL OUTLOOK

**LOWE'S** NEVER STOP  
**IMPROVING**

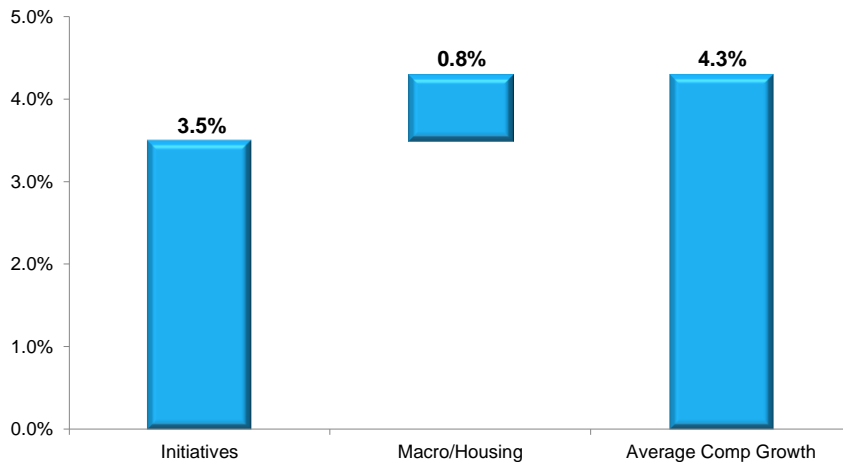
## Lowe's Business Outlook – Updates to 2015 Expectations

- 2012 performance coming in at low end of expected range
- International growth assumptions reduced slightly
- Higher mix of Information Technology CAPEX drives higher depreciation expense
- Making labor and inventory investments to improve close rate
- Lease adjusted debt to EBITDAR modeled at 2.15x

Note: All figures shown represent modeled assumptions and results to inform long-term trajectory only.



## Annual Comp Drivers – 2013 to 2015



Note: All figures shown represent modeled assumptions and results to inform long-term trajectory only.



# Lowe's Business Outlook – Income Statement

	2012E	Roadmap to 2015	2015E
<small>\$ in Billions except per Share Data</small>			
<b>Total Sales</b>	\$50.3	4.9% average annual growth	\$58.1
<b>EBIT %</b>	6.9%	1/3 from Gross Margin 2/3 from Expense	9.7%
<b>Net Earnings</b>	\$1.9	18.0% average annual growth	\$3.1
<b>EPS</b>	\$1.64	28.0% average annual growth	\$3.44

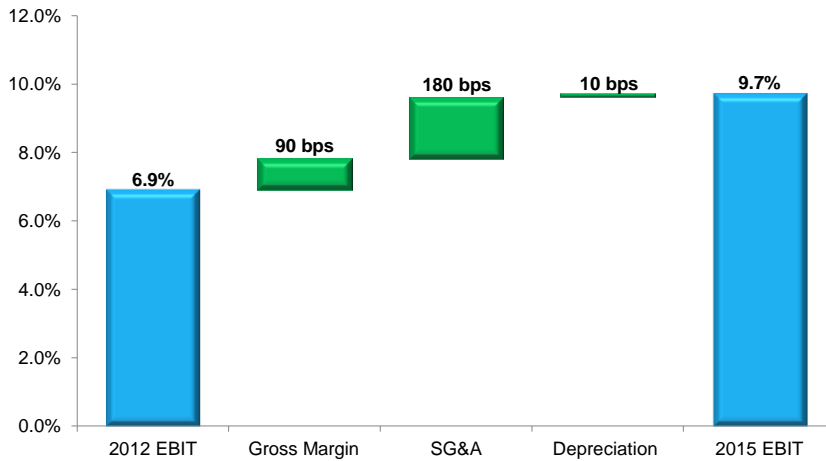
E = Estimate

Bps = basis points

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## EBIT Growth Drivers – 2012 to 2015



bps = basis points

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## Lowe's Business Outlook – Balance Sheet

	2012E	Roadmap to 2015	2015E
<small>\$ in Billions</small>			
<b>Inventory</b>	\$8.1	Inventory Turns grow to 4.4x	\$7.8
<b>Fixed Assets</b>	\$21.5	Annual Depreciation > CAPEX	\$19.6
<b>Accounts Payable</b>	\$3.9	Grows with Purchases	\$5.1
<b>Debt</b>	\$9.4	Modeled 2.15x LAD to EBITDAR	\$13.8

E = Estimate

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## Lowe's Business Outlook – Capital Expenditures

\$ in Millions	2012E	Roadmap to 2015	Average Annual
Expansion	\$300	10 to 15 New Stores per Year	\$300
Existing Stores	\$350	Selling Systems, Customer Experience, Trucks, Forklifts	\$425
Distribution	\$150	Ongoing Maintenance	\$75
Other	\$550	Lowes.com, Mobility	\$500
Operating Leases	(\$50)	More Operating Leases	(\$100)
Cash CAPEX	\$1,300		\$1,200

E = Estimate

Note: All figures shown represent modeled assumptions and results to inform long-term trajectory only.



## Lowe's Business Outlook – Free Cash Flow

\$ in Billions	2012E	Roadmap to 2015	2015E
Cash Flow from Operations	\$3.4	18.0% average annual growth	\$5.4
Cash Capital Expenditures	(\$1.3)	\$1.2 average annual	(\$1.2)
Free Cash Flow	\$2.1	\$3.8 average annual	\$4.2

E = Estimate

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## Lowe's Business Outlook – Returns to Shareholders

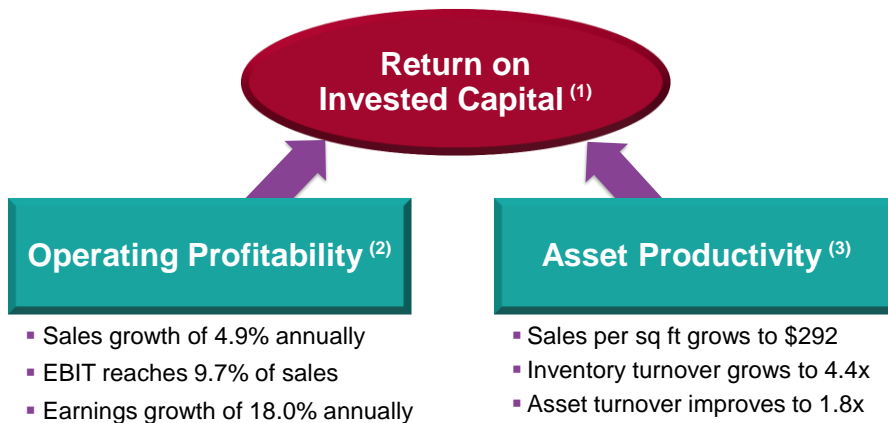
\$ in Billions except per Share Data	2012E	Roadmap to 2015	2015E
Dividends	\$0.7	35% Payout Ratio	\$1.0
Dividends per Share	\$0.62	20.7% average annual growth	\$1.08
Share Repurchases	\$4.2	\$4.3 average per year	\$4.5
Shares Outstanding	1.2	Reduced by average of 83 million shares annually	0.9
% of Shares Repurchased	11.4%	8.4% average annually	8.2%
Total Capital Returned	\$4.9	\$5.1 average per year	\$5.5

E = Estimate

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## Lowe's Business Outlook – ROIC



1) ROIC = Trailing 4-quarter earnings plus tax-adjusted interest divided by average debt and equity for the last five quarters

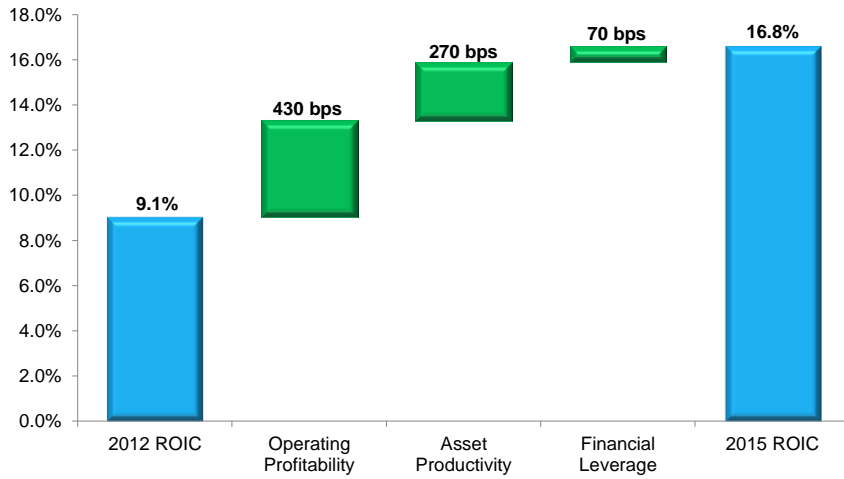
2) Operating Profitability = Trailing 4-quarter net operating profit (NOPAT) divided by trailing 4-quarter sales

3) Asset Productivity = Trailing 4-quarter sales divided by average net asset for the last five quarters

Note: All figures shown represent modeled assumptions and results to inform long-term trajectory only.



# ROIC Growth Drivers – 2012 to 2015



bps = basis points

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