

Non-GAAP Measures

The Company's presentations may include certain non-GAAP financial measures, such as its adjusted debt/EBITDAR ratio and its Return on Invested Capital ("ROIC") calculation. This supplemental information should not be considered in isolation or as a substitute for related GAAP measures.

Adjusted Debt/EBITDAR

The Company believes that its adjusted debt/EBITDAR ratio better enables management and investors to understand and analyze the Company's level of indebtedness in relation to its capital structure. The Company defines adjusted debt/EBITDAR as follows:

Adjusted Debt (Page 2)

The Company defines adjusted debt as long-term debt, plus current installments of long-term debt, plus short-term debt as shown on the balance sheet, plus eight times operating rents, excluding the impact of stores no longer operated by the Company, for the last four quarters. The Company believes eight times operating rents is a reasonable industry standard for estimating the economic value of its leased assets.

EBITDAR (Page 3)

The Company defines EBITDAR as net earnings before interest and other, taxes, depreciation and amortization, and operating rents, calculated on a four quarter rolling basis.

Adjusted Debt/EBITDAR (Page 4)

The Company defines adjusted debt/EBITDAR as adjusted debt divided by EBITDAR.

Return on Invested Capital

The Company believes that ROIC is meaningful for investors and management because it measures how effectively the Company deploys its capital base. The Company defines ROIC as follows:

Net Operating Profit After Tax (Page 5)

The Company defines Net Operating Profit After Tax as operating income for the most recent twelve-month period less income taxes calculated using the effective tax rate for the period.

Average Debt and Equity (Page 5)

The Company defines Average Debt and Equity as the average of beginning and ending long-term debt, including current installments of long-term debt, and equity for the most recent twelve-month period.

Return on Invested Capital (Page 5)

The Company defines ROIC as Net Operating Profit After Tax divided by Average Debt and Equity.



Adjusted Debt Calculation

(USD Millions)	Period Ended	
	10/29/2017	10/30/2016
Long-Term Debt	\$24,266	\$22,338
Current Installments of Long-Term Debt	1,198	543
Short-Term Debt	125	—
Total Debt	\$25,589	\$22,881
8x Operating Rents ⁽¹⁾	7,096	6,854
Adjusted Debt	\$32,685	\$29,735

(1) The Company excludes certain rent payments from its 8x operating rents calculation to reflect the impact of stores no longer operated by the Company. This adjustment reduces 8x operating rents by \$80 million for the period ended 10/29/2017 and \$138 million for the period ended 10/30/2016.



EBITDAR Calculation

(USD Millions)	Four Quarters Ended	
	10/29/2017	10/30/2016
Net Earnings	\$8,595	\$7,684
Interest and Other, net	972	937
Taxes	4,852	4,428
Depreciation and Amortization ⁽¹⁾	2,032	1,953
Operating Rents (Last 4 Quarters)	897	874
EBITDAR	\$17,348	\$15,876

(1) Total depreciation & amortization includes depreciation of distribution centers and tool rental equipment included in Cost of Sales and amortization of deferred financing costs included in Interest Expense.



Adjusted Debt / EBITDAR Calculation

(USD Millions)	Four Quarters Ended	
	10/29/2017	10/30/2016
Adjusted Debt ⁽¹⁾	\$32,685	\$29,735
EBITDAR ⁽²⁾	\$17,348	\$15,876
Adjusted Debt / EBITDAR	1.9x	1.9x

(1) The Company defines adjusted debt as long-term debt, plus current installments of long-term debt, plus short-term debt as shown on the balance sheet, plus eight times operating rents, excluding the impact of stores no longer operated by the Company, for the last four quarters. The Company believes eight times operating rents is a reasonable industry standard for estimating the economic value of its leased assets.

(2) The Company defines EBITDAR as net earnings before interest and other, taxes, depreciation and amortization, and operating rents, calculated on a four quarter rolling basis.



Return on Invested Capital Calculation

(USD Millions)	Period Ended	
	10/29/2017	10/30/2016
Net Earnings	\$8,595	\$7,684
Interest and Other, net	972	937
Taxes	4,852	4,428
Operating Income	\$14,419	\$13,049
Income Tax Adjustment ⁽¹⁾	(5,234)	(4,771)
Net Operating Profit After Tax	\$9,185	\$8,278
Average Debt and Equity ⁽²⁾	\$28,255	\$28,441
Return on Invested Capital ⁽³⁾	32.5%	29.1%

(1) Income Tax Adjustment is defined as Operating Income multiplied by the Effective Tax Rate.

(2) Average Debt and Equity is defined as the average of beginning and ending long-term debt, including current installments of long-term debt, and equity for the most recent twelve-month period.

(3) Return on Invested Capital is calculated as Net Operating Profit After Tax divided by Average Debt and Equity.

