

# Non-GAAP Measures

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

## **Return on Invested Capital**

We believe that ROIC is meaningful for management and investors because it measures how effectively we deploy our capital base. We define ROIC as follows:

### **Net Operating Profit After Tax (Page 2)**

We define net operating profit after tax as operating income for the last four quarters less income taxes calculated using the effective tax rate for that period.

### **Average Debt and Equity (Page 2)**

We define 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 last four quarters.

### **Return on Invested Capital (Page 2)**

We define ROIC as net operating profit after tax divided by average debt and equity.

## **Adjusted Debt/EBITDAR**

We believe that our adjusted debt/EBITDAR ratio better enables management and investors to understand and analyze our level of indebtedness in relation to our capital structure. We define adjusted debt/EBITDAR as follows:

### **Adjusted Debt (Page 3)**

We define adjusted debt as long-term debt (including current installments of long-term debt), plus short-term debt, plus eight times operating rents (excluding the impact of stores no longer operated by us) for the last four quarters. We believe eight times operating rents is a reasonable industry standard for estimating the economic value of our leased assets.

### **EBITDAR (Page 4)**

We define EBITDAR as net earnings before interest and other, net, income taxes, depreciation and amortization, and operating rents; calculated on a four quarter rolling basis.

### **Adjusted Debt/EBITDAR (Page 5)**

We define adjusted debt/EBITDAR as adjusted debt divided by EBITDAR.



# Return on Invested Capital Calculation

(USD millions)	Four Quarters Ended	
	January 28, 2018	January 29, 2017
Net earnings	\$8,630	\$7,957
Interest and other, net	983	936
Income taxes	5,068	4,534
<b>Operating income</b>	<b>\$14,681</b>	<b>\$13,427</b>
Income tax adjustment <sup>(1)</sup>	(5,432)	(4,874)
<b>Net operating profit after tax</b>	<b>\$9,249</b>	<b>\$8,553</b>
<b>Average debt and equity</b>	<b>\$27,074</b>	<b>\$27,203</b>
<b>Return on invested capital</b>	<b>34.2%</b>	<b>31.4%</b>

(1) Defined as operating income multiplied by the effective tax rate.



# Adjusted Debt Calculation

(USD millions)	Period Ended	
	January 28, 2018	January 29, 2017
Long-term debt (including current installments of long-term debt)	\$25,469	\$22,891
Short-term debt	1,559	710
<b>Total debt</b>	<b>\$27,028</b>	<b>\$23,601</b>
Eight times operating rents <sup>(1)</sup>	7,174	6,804
<b>Adjusted debt</b>	<b>\$34,202</b>	<b>\$30,405</b>

(1) Excludes certain rent payments to reflect the impact of stores no longer operated by us. This adjustment reduces eight times operating rents by \$82 million for the period ended January 28, 2018 and \$140 million for the period ended January 29, 2017.



# EBITDAR Calculation

(USD millions)	Four Quarters Ended	
	January 28, 2018	January 29, 2017
Net earnings	\$8,630	\$7,957
Interest and other, net	983	936
Income taxes	5,068	4,534
Depreciation and amortization <sup>(1)</sup>	2,062	1,973
Operating rents	907	868
<b>EBITDAR</b>	<b>\$17,650</b>	<b>\$16,268</b>

(1) 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

	Four Quarters Ended	
	January 28, 2018	January 29, 2017
(USD millions)		
Adjusted debt	\$34,202	\$30,405
EBITDAR	\$17,650	\$16,268
<b>Adjusted debt/EBITDAR</b>	<b>1.9x</b>	<b>1.9x</b>

