

Non-GAAP Measures

The Company's presentations may include certain non-GAAP financial measures, such as its adjusted operating income, adjusted operating margin, adjusted diluted earnings per share ("Adjusted EPS"), return on invested capital ("ROIC") calculation and adjusted debt/EBITDAR ratio. This supplemental information should not be considered in isolation or as a substitute for the related GAAP measures. Our calculation of non-GAAP measures may not be comparable to similarly titled measures reported by other companies and other companies may not define these non-GAAP financial measures in the same way, which may limit their usefulness as comparative measures.

Adjusted Operating Income / Adjusted Operating Margin / Adjusted Diluted Earnings Per Share

When used in conjunction with our GAAP results, we believe these non-GAAP measures provide investors with meaningful supplemental measures of our performance period to period, make it easier for investors to compare our underlying business performance to peers, and align to how management analyzes trends and evaluates performance internally. We define adjusted operating income, adjusted operating margin and adjusted diluted earnings per share as follows:

Adjusted Operating Income (Page 2)

We define adjusted operating income as operating income for the period presented excluding the impact of amortization expense from acquired intangible assets. We do not adjust for the revenue that is generated in part from the use of our acquired intangible assets. Amortization expense, unlike the related revenue, is not affected by operations in any particular period unless an intangible asset becomes impaired, or the useful life of an intangible asset is revised.

Adjusted Operating Margin (Page 2)

We define adjusted operating margin as adjusted operating income for the period presented, divided by total net sales.

Adjusted Diluted Earnings Per Share (Page 3)

We define adjusted diluted earnings per share as net income for the period presented excluding the impact of amortization expense from acquired intangible assets and the related tax impact for the period, divided by total diluted weighted average shares outstanding.

Return on Invested Capital

We believe that ROIC is meaningful for management, investors and ratings agencies because it measures how effectively we deploy our capital base. ROIC is a profitability measure, not a measure of financial performance under GAAP. We define ROIC as follows:

Net Operating Profit After Tax (Page 4)

We define net operating profit after tax as operating income for the trailing twelve months less income taxes calculated using the effective tax rate for that period.

Average Debt and Equity (Page 4)

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 trailing twelve months. Beginning debt and equity may be adjusted for changes in accounting principles which require historical restatement or an opening balance sheet adjustment to the amount previously reported.

Return on Invested Capital (Page 4)

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

Adjusted Debt/EBITDAR

We believe that adjusted debt/EBITDAR better enables management, investors and ratings agencies to understand and analyze our level of indebtedness in relation to our capital structure. Adjusted debt/EBITDAR is a liquidity measure, not a measure of financial performance under GAAP. We define adjusted debt/EBITDAR as follows:

Adjusted Debt (Page 5)

We define adjusted debt as long-term debt (including current installments of long-term debt), plus short-term debt, plus eight times operating rents for the trailing twelve months. We continue to use the eight times operating rents methodology to calculate adjusted debt post implementation of Accounting Standards Codification Topic 842, Leases, ("Topic 842") as it typically results in a more conservative estimate and is still used by a primary U.S. rating agency.

EBITDAR (Page 5)

We define EBITDAR as net earnings before interest and other, net, income taxes, depreciation and amortization, and operating rents calculated on a trailing twelve month basis.

Adjusted Debt/EBITDAR (Page 5)

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



Adjusted Operating Income Reconciliation

<i>USD in millions</i>	Three Months Ended			Six Months Ended		
	July 28, 2024	July 30, 2023	% Change	July 28, 2024	July 30, 2023	% Change
Net sales	\$ 43,175	\$ 42,916	0.6 %	\$ 79,593	\$ 80,173	(0.7)%
Operating income (GAAP)	6,534	6,589	(0.8)%	11,613	12,140	(4.3)%
<i>Operating margin</i> ⁽¹⁾	15.1 %	15.4 %		14.6 %	15.1 %	
Acquired intangible asset amortization ⁽²⁾	90	44		142	88	
Adjusted operating income (Non-GAAP)	\$ 6,624	\$ 6,633	(0.1)%	\$ 11,755	\$ 12,228	(3.9)%
<i>Adjusted operating margin (Non-GAAP)</i> ⁽³⁾	15.3 %	15.5 %		14.8 %	15.3 %	

(1) Operating margin is calculated as operating income divided by total net sales.

(2) Amounts include acquired intangible asset amortization related to the acquisition of SRS Distribution Inc. of \$39 million during the three and six months ended July 28, 2024.

(3) Adjusted operating margin is calculated as adjusted operating income divided by total net sales.



Adjusted Diluted EPS Reconciliation

	Three Months Ended			Six Months Ended		
	July 28, 2024	July 30, 2023	% Change	July 28, 2024	July 30, 2023	% Change
<i>USD in millions, except per share amounts</i>						
Diluted weighted average common shares	992	1,003	(1.1)%	992	1,008	(1.6)%
Diluted earnings per share (GAAP)	\$ 4.60	\$ 4.65	(1.1)%	\$ 8.23	\$ 8.46	(2.7)%
Impact of acquired intangible asset amortization	0.09	0.04		0.14	0.09	
Income tax impact of non-GAAP adjustment ⁽¹⁾	(0.02)	(0.01)		(0.03)	(0.02)	
Adjusted diluted earnings per share (Non-GAAP)	\$ 4.67	\$ 4.68	(0.2)%	\$ 8.34	\$ 8.53	(2.2)%

(1) Calculated as the per share impact of acquired intangible asset amortization multiplied by our effective tax rate for the period.



Return on Invested Capital Calculation

<i>USD in millions</i>	Twelve Months Ended	
	July 28, 2024 ⁽²⁾	July 30, 2023
Net earnings	\$ 14,772	\$ 16,233
Interest and other, net	1,813	1,683
Provision for income taxes	4,577	5,124
Operating income	\$ 21,162	\$ 23,040
Income tax adjustment ⁽¹⁾	(5,044)	(5,555)
Net operating profit after tax	\$ 16,118	\$ 17,485
Average debt and equity	\$ 50,534	\$ 42,084
ROIC	31.9%	41.5%

(1) Defined as operating income multiplied by our effective tax rate for the trailing twelve months.

(2) The twelve months ended July 28, 2024 only include approximately six weeks of financial results for the acquired operations of SRS Distribution Inc., consistent with our consolidated financial statements.



Adjusted Debt/EBITDAR Calculation

	Period Ended	
	July 28, 2024 ⁽⁴⁾	July 30, 2023
<i>USD in millions</i>		
Long-term debt (including current installments of long-term debt)	\$ 53,208	\$ 42,106
Short-term debt	2,527	—
Total debt	\$ 55,735	\$ 42,106
Eight times operating rents ⁽¹⁾	11,808	10,120
Adjusted debt	\$ 67,543	\$ 52,226

	Twelve Months Ended	
	July 28, 2024 ⁽⁴⁾	July 30, 2023
<i>USD in millions</i>		
Net earnings	\$ 14,772	\$ 16,233
Interest and other, net	1,813	1,683
Income taxes	4,577	5,124
Depreciation and amortization ⁽²⁾	3,367	3,049
Operating rents	1,476	1,265
EBITDAR	\$ 26,005	\$ 27,354

Adjusted debt/EBITDAR⁽³⁾	2.6x	1.9x
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(1) We continue to use the eight times operating rents methodology to calculate adjusted debt post Topic 842 implementation as it typically results in a more conservative estimate and is still used by a primary U.S. rating agency. As of July 28, 2024 and July 30, 2023, the operating lease liabilities included on our consolidated balance sheets were \$8,877 million and \$7,387 million, respectively.

(2) Includes depreciation of distribution centers and tool rental equipment included in cost of sales, and excludes debt issuance costs and other debt-related amortization of \$49 million and \$41 million for the twelve months ended July 28, 2024 and July 30, 2023, respectively, which is included in interest and other, net above.

(3) Adjusted debt/EBITDAR for the twelve months ended July 28, 2024 and July 30, 2023 would have been 2.5x and 1.8x, respectively, had it been calculated using the operating lease liabilities recorded on the consolidated balance sheet. We continue to use the eight times operating rents methodology to calculate adjusted debt post Topic 842 implementation as it typically results in a more conservative estimate and is still used by a primary U.S. rating agency.

(4) The twelve months ended July 28, 2024 only include approximately six weeks of financial results and operating rents for the acquired operations of SRS Distribution Inc., consistent with our consolidated financial statements.

