

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			Nine Months Ended		
	October 27, 2024	October 29, 2023	% Change	October 27, 2024	October 29, 2023	% Change
Net sales	\$ 40,217	\$ 37,710	6.6 %	\$119,810	\$117,883	1.6 %
Operating income (GAAP)	5,418	5,406	0.2 %	17,031	17,546	(2.9)%
<i>Operating margin</i> ⁽¹⁾	13.5 %	14.3 %		14.2 %	14.9 %	
Acquired intangible asset amortization ⁽²⁾	138	48		280	136	
Adjusted operating income (Non-GAAP)	\$ 5,556	\$ 5,454	1.9 %	\$ 17,311	\$ 17,682	(2.1)%
<i>Adjusted operating margin (Non-GAAP)</i> ⁽³⁾	13.8 %	14.5 %		14.4 %	15.0 %	

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

(2) Amounts include acquired intangible asset amortization of \$86 million and \$125 million during the three and nine months ended October 27, 2024, respectively, related to SRS Distribution Inc., which was acquired on June 18, 2024.

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



Adjusted Diluted EPS Reconciliation

<i>USD in millions, except per share amounts</i>	Three Months Ended			Nine Months Ended		
	October 27, 2024	October 29, 2023	% Change	October 27, 2024	October 29, 2023	% Change
Diluted weighted average common shares	993	999	(0.6)%	992	1,005	(1.3)%
Diluted earnings per share (GAAP)	\$ 3.67	\$ 3.81	(3.7)%	\$ 11.90	\$ 12.28	(3.1)%
Impact of acquired intangible asset amortization	0.14	0.05		0.28	0.13	
Income tax impact of non-GAAP adjustment ⁽¹⁾	(0.03)	(0.01)		(0.06)	(0.03)	
Adjusted diluted earnings per share (Non-GAAP)	\$ 3.78	\$ 3.85	(1.8)%	\$ 12.12	\$ 12.38	(2.1)%

(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	
	October 27, 2024 ⁽²⁾	October 29, 2023
Net earnings	\$ 14,610	\$ 15,704
Interest and other, net	1,970	1,715
Provision for income taxes	4,594	4,879
Operating income	\$ 21,174	\$ 22,298
Income tax adjustment ⁽¹⁾	(5,064)	(5,347)
Net operating profit after tax	\$ 16,110	\$ 16,951
Average debt and equity	\$ 51,190	\$ 43,810
ROIC	31.5%	38.7%

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

(2) The twelve months ended October 27, 2024 only include operating results for SRS Distribution Inc. since the acquisition date of June 18, 2024, consistent with our consolidated financial statements.



Adjusted Debt/EBITDAR Calculation

	Period Ended	
	October 27, 2024 ⁽⁴⁾	October 29, 2023
<i>USD in millions</i>		
Long-term debt (including current installments of long-term debt)	\$ 53,234	\$ 41,929
Short-term debt	1,344	—
Total debt	\$ 54,578	\$ 41,929
Eight times operating rents ⁽¹⁾	12,688	10,480
Adjusted debt	\$ 67,266	\$ 52,409
	Twelve Months Ended	
	October 27, 2024 ⁽⁴⁾	October 29, 2023
<i>USD in millions</i>		
Net earnings	\$ 14,610	\$ 15,704
Interest and other, net	1,970	1,715
Income taxes	4,594	4,879
Depreciation and amortization ⁽²⁾	3,529	3,133
Operating rents	1,586	1,310
EBITDAR	\$ 26,289	\$ 26,741
Adjusted debt/EBITDAR ⁽³⁾	2.6x	2.0x

(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 October 27, 2024 and October 29, 2023, the operating lease liabilities included on our consolidated balance sheets were \$8,800 million and \$7,326 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 \$55 million and \$41 million for the twelve months ended October 27, 2024 and October 29, 2023, respectively, which is included in interest and other, net above.

(3) Adjusted debt/EBITDAR for the twelve months ended October 27, 2024 and October 29, 2023 would have been 2.4x 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 October 27, 2024 only include operating results for SRS Distribution Inc. since the acquisition date of June 18, 2024, consistent with our consolidated financial statements.

