

LOWES COMPANIES INC

Form 10-Q

May 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-7898

LOWE'S COMPANIES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA

56-0578072

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1000 Lowe's Blvd., Mooresville, NC

28117

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(704) 758-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS OUTSTANDING AT 5/27/2016

Common Stock, \$0.50 par value 886,104,716

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## Part I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Lowe's Companies, Inc.

Consolidated Balance Sheets

In Millions, Except Par Value Data

	(Unaudited)		(Unaudited)
	April 29, 2016	May 1, 2015	January 29, 2016
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,561	\$ 1,434	\$ 405
Short-term investments	174	95	307
Merchandise inventory - net	11,055	10,614	9,458
Other current assets	683	393	391
Total current assets	16,473	12,536	10,561
Property, less accumulated depreciation	19,463	19,892	19,577
Long-term investments	400	384	222
Deferred income taxes - net	154	160	241
Other assets	687	1,343	665
Total assets	\$ 37,177	\$ 34,315	\$ 31,266
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	\$ —	\$ —	\$ 43
Current maturities of long-term debt	1,083	1,026	1,061
Accounts payable	8,821	8,023	5,633
Accrued compensation and employee benefits	615	555	820
Deferred revenue	1,233	1,153	1,078
Other current liabilities	2,369	2,213	1,857
Total current liabilities	14,121	12,970	10,492
Long-term debt, excluding current maturities	14,322	10,324	11,545
Deferred revenue - extended protection plans	726	727	729
Other liabilities	796	817	846
Total liabilities	29,965	24,838	23,612
Shareholders' equity:			
Preferred stock - \$5 par value, none issued	—	—	—
Common stock - \$0.50 par value; Shares issued and outstanding			
April 29, 2016	894		
May 1, 2015	947		
January 29, 2016	910	447	473
Capital in excess of par value	—	—	—
Retained earnings	7,074	9,085	7,593
Accumulated other comprehensive loss	(309)	(81)	(394)
Total shareholders' equity	7,212	9,477	7,654
Total liabilities and shareholders' equity	\$ 37,177	\$ 34,315	\$ 31,266

See accompanying notes to the consolidated financial statements (unaudited).



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Lowe's Companies, Inc.

Consolidated Statements of Current and Retained Earnings (Unaudited)

In Millions, Except Per Share and Percentage Data

	Three Months Ended			
	April 29, 2016		May 1, 2015	
	Amount	% Sales	Amount	% Sales
Current Earnings				
Net sales	\$15,234	100.00	\$14,129	100.00
Cost of sales	9,897	64.96	9,117	64.53
Gross margin	5,337	35.04	5,012	35.47
Expenses:				
Selling, general and administrative	3,394	22.28	3,415	24.16
Depreciation	357	2.34	365	2.59
Interest - net	156	1.03	134	0.95
Total expenses	3,907	25.65	3,914	27.70
Pre-tax earnings	1,430	9.39	1,098	7.77
Income tax provision	546	3.59	425	3.01
Net earnings	\$884	5.80	\$673	4.76
Weighted average common shares outstanding - basic	897		950	
Basic earnings per common share	\$0.98		\$0.70	
Weighted average common shares outstanding - diluted	899		952	
Diluted earnings per common share	\$0.98		\$0.70	
Cash dividends per share	\$0.28		\$0.23	
Retained Earnings				
Balance at beginning of period	\$7,593		\$9,591	
Net earnings	884		673	
Cash dividends	(251 )		(218 )	
Share repurchases	(1,152 )		(961 )	
Balance at end of period	\$7,074		\$9,085	

See accompanying notes to the consolidated financial statements (unaudited).

Lowe's Companies, Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

In Millions, Except Percentage Data

	Three Months Ended			
	April 29, 2016		May 1, 2015	
	Amount	% Sales	Amount	% Sales
Net earnings	\$884	5.80	\$673	4.76
Foreign currency translation adjustments - net of tax	83	0.55	22	0.16
Other comprehensive income	83	0.55	22	0.16
Comprehensive income	\$967	6.35	\$695	4.92

See accompanying notes to the consolidated financial statements (unaudited).



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Lowe's Companies, Inc.  
 Consolidated Statements of Cash Flows (Unaudited)  
 In Millions

	Three Months Ended	
	April 29, 2016	May 1, 2015
Cash flows from operating activities:		
Net earnings	\$884	\$673
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	383	391
Deferred income taxes	52	(38 )
Loss on property and other assets - net	11	7
Loss on equity method investments	3	17
Share-based payment expense	25	29
Changes in operating assets and liabilities:		
Merchandise inventory - net	(1,556)	(1,687)
Other operating assets	(186 )	(48 )
Accounts payable	3,169	2,893
Other operating liabilities	435	241
Net cash provided by operating activities		