



Lowe's
Q1 2026 21 May, 2025

- Speaker 5**
0s Good morning, everyone, and welcome to Lowe's Company's first quarter 2025 earnings conference call. My name is Rob, and I'll be your operator for today's call. As a reminder, this conference is being recorded. I'll now turn the call over to Kate Perlman, Vice President of Investor Relations and Treasurer.
- Speaker 1**
17s Thank you, and good morning. Here with me today are Marvin Ellison, Chairman and Chief Executive Officer; Bill Boltz, our Executive Vice President, Merchandising; Joe McFarland, our Executive Vice President, Stores; and Brandon Sink, our Executive Vice President and Chief Financial Officer. I would like to remind you that our notice regarding forward-looking statements is included in our press release this morning, which can be found on Lowe's Investor Relations website. During this call, we will be making comments that are forward-looking, including our expectations for fiscal 2025. Actual results may differ materially from those expressed or implied as a result of various risks, uncertainties, and important factors, including those discussed in the risk factors, MD&A, and other sections of our annual report on Form 10-K and our other SEC filings. Additionally, we'll be discussing certain non-GAAP financial measures. A reconciliation of these items to U.S. GAAP can be found on the quarterly earnings section of our Investor Relations website. Now, I'll turn the call over to Marvin.
- Speaker 3**
1m 15s Thank you, Kate. Good morning, everyone, and thank you for joining us today. In the first quarter, we delivered sales of \$20.9 billion, with comparable sales down 1.7%, in line with our expectations. Despite ongoing challenges in the housing market, I'm pleased with our team's focus and execution. In the face of significant macro uncertainty, we continue to deliver operational excellence, combined with value and outstanding service to our customers. This dedication drove an increase in our customer satisfaction scores, and we also earned recognition from J.D. Power, which recently named Lowe's number one in customer satisfaction among home improvement retailers. This recognition demonstrates that our investments in technology, in our clean and enjoyable stores, along with our friendly and knowledgeable associates, all reinforce our commitment to being the most helpful brand in home improvement. Although we are pleased with our continued progress in customer service, our financial results also reflect ongoing pressure in DIY, bigger-ticket discretionary demand, and a slower start to spring versus last year, with exceptionally unfavorable weather across much of the country in February. As weather normalized, we were encouraged by our business performance. Customers appreciated our spacious garden centers, great selection of outdoor power equipment, and expansive assortment of grills and patio furniture.

- Speaker 3**
2m 46s
- They also took advantage of our early spring offers, which included special deals for My Lowe's Rewards members. Later in the call, Bill will provide more detail on our approach to spring and the momentum that we're seeing. Before I discuss our Q1 results in more detail, I'd like to spend time discussing our company's commitment to diversify our global sourcing efforts. To provide a better perspective about our global sourcing, roughly 60% of our purchases originate in the U.S., or approximately \$30 billion on an annual basis. Over the past several years, we've been partnering with our private and national brand suppliers to diversify our global sourcing efforts. As a result, approximately 20% of our purchase volume is currently concentrated in China. Although we're pleased with this reduced dependency, we're not satisfied, and we're working to accelerate our diversification efforts. Our global sourcing team has identified exciting diversification opportunities in the U.S. and around the globe that we're actively pursuing. We're also using our best-in-class product cost management and sophisticated pricing capabilities while leveraging the strength of our cross-functional teams across merchandising, assortment planning, supply chain, and finance. We will combine these capabilities and continue to work with our national and private brand suppliers while using a portfolio approach to ensure we continue to bring value and innovation to our customers.
- Speaker 3**
4m 22s
- In the meantime, let me tell you how we're planning to drive sales growth by continuing to strengthen two key pillars of our total home strategy: accelerating our pro and online growth. I'll begin with our mid-single-digit growth in pro sales this quarter. Since 2018, this leadership team has transformed our pro product and service offering with a powerful pro brand lineup, targeted inventory investments, and a competitive loyalty program. Now that we've established an effective playbook and a strong foundation of execution to serve the small to medium pro, we're excited to engage a larger pro with their planned spin in a new distribution channel. To that end, we announced a deal in April to acquire Artisan Design Group, or ADG, which is a leading provider of design, distribution, and installation services for interior surface finishes, including flooring, countertops, and cabinets. ADG serves national, regional, and local home builders, as well as property managers. We expect this acquisition to increase our penetration of pro plan spin and will position us to gain share in a highly fragmented \$50 billion market. With an estimated 18 million homes needed in the U.S. by 2033, new home construction is expected to be a major driver of pro plan spin over the next decade.
- Speaker 3**
5m 54s
- We've been impressed with ADG's strong leadership team and their customer-centric operating model, reflected in the best-in-class customer satisfaction scores that it earned from top builders in the U.S. The transaction is expected to close this quarter, so we'll provide an update on our progress during our next call. Now, let's talk about another key pillar of our total home strategy: accelerating online sales. In the first quarter, online sales were up 6%, driven by increases in both traffic and conversion rates. We're pleased with the technology transformation that's making these gains possible. For example, we're now able to offer an expanded assortment, more value, and an even wider extended aisle with our launch last year of DeepVerse online product marketplace and home improvement. While we're still in the early days of this initiative, we recently partnered with Miracle, a global leader in marketplace technology, to help us scale even faster. Through Miracle, trusted marketplace sellers will be able to easily manage their catalogs on lowes.com. This will add new product categories across the home and offer DIY and pro customers a full spectrum of value and premium products. We can accomplish all of this without having to carry the inventory or invest in new fulfillment centers.

- Speaker 3**
7m 17s
- As we scale our new product marketplace and unlock its potential, I look forward to keeping you updated on our continuing efforts to drive online growth. Now, allow me to transition to how we're leveraging new AI capabilities to better serve our customers. In collaboration with OpenAI, we launched Milo, the first AI-powered home improvement virtual advisor. Since home improvement is inherently complex, Milo provides step-by-step instructions for any project with any level of complexity, from how to fix a leaky faucet to how to build a deck and everything in between. It helps customers find and purchase the right tools and materials for their projects directly on [lowes.com](#) or the Lowe's app. We're encouraged by our progress in leveraging AI to streamline the customer experience, and I commend our technology and digital team for their outstanding contributions. Notably, in Q1, Lowe's mobile app earned the prestigious Webby Award and was recognized as the best mobile app for 2025. This is another reflection that our investments in technology and innovation are paying off. Before I wrap, let me update you on our commitment to be a good neighbor in the communities where we do business. Earlier this month, we celebrated our commitments to supporting our communities by announcing our efforts to measure our impact in a new way through our Here to Help initiative, with a goal to deliver 10 million sq ft of impact nationwide this year.
- Speaker 3**
8m 54s
- This includes our ongoing efforts to create safe, affordable housing, respond to disasters, and revitalize communities, like our five-year, \$100 million commitment to improve hometowns across the country. This new initiative reflects our commitment to improve the communities where our associates live and work, and we look forward to providing you with updates later in the year. In closing, I want to thank our frontline associates for their continued hard work, especially during this key spring selling season. With that, I'll turn it over to Bill.
- Speaker 2**
9m 29s
- Thanks, Marvin, and good morning, everyone. We're pleased that our first quarter sales were in line with our expectations, driven by broad-based strength in pro and online across multiple merchandising categories. Beginning in hard lines, after a slow start to February, our spring season is off and running. As the weather improved, we delivered solid growth in key categories, including patio furniture, fertilizer, grass seed, generators, and irrigation. Customers responded to our innovative products and new affordable designs, even when it came to some discretionary purchases. For example, our private-branded Ashton five-piece patio dining set by Style Selections was a big hit at less than \$400. We're also continuing to earn DIY customers' loyalty through My Lowe's Rewards. We just marked the first anniversary of this program, which has more than 30 million members, who spend nearly 50% more than non-members. We're cultivating their loyalty and using data-driven marketing to engage them with the right message at the right time to convert sales. For example, during our Spring Fest event, we offered members special deals every two weeks on lawn and garden products, patio furniture, outdoor power equipment, and more, plus member-only doorbusters in store and online. New this year, in early April, we launched Mulch Madness.

- Speaker 2**
10m 51s
- During this event, customers saved on five bags of mulch for \$10, and for the first time, members also received five times bonus points and a free gift. We also brought customers industry-leading innovation this spring with products like the new EGO Line IQ attachment-capable string trimmer. This product makes it easy to load the trimmer line with the push of a button, and its attachment capabilities mean it can convert into eight different tools, including an edger, hedge trimmer, and pole saw. This is one of more than 20 new EGO items that we're launching this year. We're also in stock with the industry's best brands to help customers complete all their projects, like Scotts Fertilizer, Miracle-Gro Soils, Toro Lawn Mowers, along with products from Craftsman and Cobalt. Now, turning to building products, we delivered positive comp sales in building materials and rough plumbing, with strength in roofing, drywall, plumbing repair, water heaters, and air circulation categories. In lumber, we delivered growth in siding, treated lumber, and composite decking. In fact, Lowe's has the largest selection of composite decking brands, including the top two, with Trex and TimberTech, along with an improved offering from Decorators. Let's talk about home decor.
- Speaker 2**
12m 10s
- Our continued strength in appliances helped us deliver growth in both transactions and average ticket, and we saw growth across all major categories, including refrigeration, laundry, cooking, and dishwashers. As the industry leader in appliances, we have the widest assortment of top brands. Using our market delivery model, we can deliver these big and bulky products next day to virtually every zip code in the U.S. Of course, our knowledgeable Red Vest associates are always there to help customers choose the right products and highlight new and innovative items that can meet their needs. For example, we're introducing the next step in all-in-one laundry with the new Samsung Bespoke AI-vented all-in-one combo washer and dryer. This one machine washes and dries clothes in just over an hour without having to transfer loads, and it uses the existing 110-volt outlet and dryer venting found in most homes. Our paint department has become the home center color authority, where we instill color confidence in consumers with trusted Sherwin-Williams colors. We are excited to see the new marketing campaign from Sherwin-Williams, which uses their iconic color palette to entice customers to shop Lowe's, including the pro who paints, where we continue to gain traction with our compelling value and expanded assortment.
- Speaker 2**
13m 29s
- While we are energized by new and innovative products, we are also mindful of the current market dynamics. Bigger ticket project spending remains under pressure in interior categories like flooring and kitchens and bath, with many customers still choosing to delay those larger purchases. I would like to spend a few minutes discussing our approach to spring. Our teams have never been more in sync as we prepared for this important season. Our stores, supply chain, inventory, vendor, and merchant teams have worked hard to make sure that we provide the best service, product, value, and innovation to our customers. For this spring season, we are ready with strong in-stocks across our core categories, including our seasonal items, so that we can serve both our DIY and pro customers with great values on items that they are looking for as we head into the upcoming Memorial Day, Father's Day, and 4th of July holidays. Looking ahead, I'm not only pleased with the great deals and innovation that we have for our DIY and pro customers, I'm also excited to see some of the best in-stock positions during my tenure at Lowe's. When you combine that with the outstanding staffing and customer service in our stores, the result was our recognition as number one in customer satisfaction among home improvement retailers from J.D. Power.
- Speaker 2**
14m 46s
- As I wrap up, I want to thank all of these teams, as well as our MST associates, for their support, partnership, and great execution this spring. Now, with that, I'll turn the call over to Joe.

Speaker 4
14m 59s

Thank you, Bill. Good morning, everyone. Let me start by thanking our frontline associates for their hard work and dedication during the spring season. Their efforts are paying off, with customer satisfaction scores up 100 basis points over last year, as we've leveraged better technology and ongoing process improvements to enhance the shopping experience. Turning to pro, in our most recent survey, pros indicated that the project backlogs remain healthy, but they are feeling a little less confident, as might be expected, given the uncertain macro environment. Although pros may be a bit cautious right now, our ability to deliver mid-single-digit growth in pro sales comp in Q1 is a reflection that our strategy is working. One highlight this quarter, we're really pleased with the successful nationwide relaunch of our pro loyalty program. The updated program, now called My Lowe's Pro Rewards, allows pros to earn points from day one and is much more intuitive to use. Just one example, pros only need to provide their phone number at checkout, getting them back to the job site faster. Joining has never been easier with the addition of our new Spanish language enrollment option. With a program that's easier to use and understand, we're expecting greater utilization, driving repeat purchases and higher spend.

Speaker 4
16m 19s

Another way we're driving momentum is through our new technology workbench for our pro sales associates. They can use this digital tracking tool to quickly identify their leads and prioritize the quotes to close. This drives both a better customer experience and greater associate productivity. As discussed earlier, our planned acquisition of ADG represents a natural step in driving pro penetration by extending our reach with a new cohort of pro customers, single and multi-family home builders. Turning now to our perpetual productivity improvement, or PPI initiatives. In conjunction with the rollout of Milo on [lowes.com](#) for customers, we've also released Milo Companion for our store associates built on the same technology. With immediate access to product details and project advice and inventory information, this AI-powered app gives associates the product and project knowledge to sell with confidence, regardless of tenure or experience. Associates across all 1,700-plus stores can access Milo Companion on their mobile devices, marking the first time a retailer has successfully implemented this kind of technology at scale. With this knowledge at their fingertips, our associates can quickly feel confident in answering customers' questions, even if they've just started in the store or been asked to cover a new department.

Speaker 4
17m 44s

We're also driving productivity with our gig delivery network, which has been an important component of our enhanced omnichannel customer experience. We're now using this capability to help us meet spring demand, specifically during the Mulch Madness event that Bill just mentioned. In the past, this high-traffic event would take up valuable flatbed distribution capacity. This spring, we shifted a portion of the volume to gig delivery. This provided an efficient delivery experience for customers buying mulch while freeing up capacity to meet the delivery needs of other pro and DIY customers. We're also pleased to announce that our East Asheville store reopened earlier this month after damage from Hurricane Helene. During the hurricane, the store was submerged in over 18 feet of water, so we are thrilled that we are now able to reopen it to serve our customers and community. We are on track to open 5-10 new stores later this year, in line with what we shared at our analyst and investor conference. Of course, all of this is only possible because of our hardworking associates. As a demonstration of our appreciation, we closed our stores on Easter for the sixth consecutive year, giving associates time on this very special day to rest and recharge with family and friends.

Speaker 4 19m 1s	As I wrap up, I want to take a moment to thank our veterans, including our veteran associates who can be identified by their camouflage vests. Lowe's is ranked among the top military-friendly brands in the U.S., which speaks to our company's commitment to the military community. As a Marine, I couldn't be more proud of Lowe's efforts to honor those who served, especially as we approach Memorial Day. Looking ahead, with excellent spring staffing levels and ongoing innovation across technology and service, I'm confident that we're offering a best-in-class omnichannel shopping experience for our customers this season. To close, I want to congratulate our store associates for being recognized by J.D. Power as the number one customer satisfaction among home improvement retailers. This is a testament to their ongoing commitment to serving our customers. With that, I'll turn it over to Brandon.
Speaker 7 19m 52s	Thank you, Joe, and good morning. Starting with our first quarter results, diluted earnings per share of \$2.92 were in line with our expectations. Q1 sales totaled \$20.9 billion, and comparable sales were down 1.7%, in line with our expectations as we cycled over an earlier start to spring last year. Comparable average ticket was up 2.1%, with continued growth in pro and appliances, somewhat offset by ongoing pressure in DIY discretionary project demand. Comparable transactions declined 3.8%, partly driven by unfavorable weather earlier in the quarter that pressured spring traffic, which makes up a larger portion of our transactions this time of year. Given the poor weather early in Q1, comps were down 5.4% in February, up 1.7% in March, and down 2.6% in April. As our stores are closed on Easter Sunday, we estimate that the later timing of Easter benefited March comps and pressured April comps by a similar amount. Adjusting for the Easter shift, comp sales were down approximately 0.9% in March and up approximately 0.2% in April. Gross margin was 33.4% of sales in the first quarter, up 19 basis points from last year, driven by multiple PPI initiatives, as well as some modest improvement in shrink and credit revenue.
Speaker 7 21m 30s	SG&A of 19.3% of sales delevered 56 basis points, driven by lower sales volumes, the wrap of incremental wage actions for frontline associates, and higher healthcare-related costs. Operating margin rate of 11.9% declined 50 basis points versus prior year, and the effective tax rate was 23.9%, in line with prior year. Inventory ended Q1 at \$18.3 billion, in line with prior year, with strong in-stocks across the store, including key spring seasonal items. Turning now to capital allocation. In the first quarter, we generated \$2.9 billion in free cash flow. Capital expenditures totaled \$518 million as we continue to invest in our strategic growth priorities, including the construction of new stores expected to open later this year. In the quarter, we paid \$645 million in dividends at \$1.15 per share. In April, we repaid \$750 million in debt maturities, helping us deliver adjusted debt to EBITDA of 2.99 times and a return on invested capital of 31% at the end of Q1. Last month, we announced a definitive agreement to acquire Artisan Design Group for \$1.325 billion. We plan to use cash on hand to finance the transaction, suspend share repurchases this year, and repay the remaining \$1.75 billion in bonds maturing in September.

Speaker 7

23m 6s

The transaction is expected to close in Q2, and it's expected to be accretive to diluted earnings per share in the first full fiscal year after closing. Looking forward to the remainder of the year, today, we are affirming our fiscal 2025 outlook. We continue to expect sales ranging from \$83.5 billion-\$84.5 billion, with comparable sales in a range of flat to up 1%. We expect operating margin in a range of 12.3%-12.4%, and full-year diluted earnings per share of approximately \$12.15-\$12.40. We also expect capital expenditures of approximately \$2.5 billion as we invest in our total home strategic priorities and begin to ramp up new store builds. Please note that this outlook does not include any potential impacts related to the acquisition of Artisan Design Group. To assist with your modeling, here are a few items to keep in mind for the second quarter. We continue to expect comp sales in the first half to be roughly flat, with approximately \$400 million in spring demand shifting into Q2, where we are cycling particularly poor weather. As Bill mentioned, we also have strong in-stocks, including in critical seasonal categories, as well as visibility up into our supply chain, so we're confident that we can meet customer demand this spring.

Speaker 7

24m 37s

Taking this into account, we expect second quarter comp sales to be approximately 150 basis points above the bottom end of our full-year guide. We also expect second quarter operating margin rate to be approximately 10 basis points above the prior year adjusted operating margin rate. In closing, we remain confident in our team's ability to execute at a high level and manage through this challenging environment, as well as any team in retail. We continue to invest in our total home strategy and remain focused on delivering value to our customers and our shareholders. With that, we'll open it up for your questions.

Speaker 5

25m 17s

Thank you. We are now ready for questions. If you'd like to ask a question, press Star 1 on your telephone keypad. To withdraw your question, press Star 2. In order to allow questions from as many individuals as possible, please limit yourself to one question and one follow-up. Our first question today comes from the line of Simeon Gutman with Morgan Stanley. Please proceed with your question. Hey, good morning, everyone, and nice job managing the quarter. My first question, it's on the relationship of comp to expense leverage or operating leverage for the rest of the year. I guess we don't know each quarter. You gave us a little bit of help with the second quarter, but it looks like that ratio is a little bit higher for the balance of the year, something like 25 basis points of expansion for whatever is left in comp. Is that right? Are you getting more out of the business, or is it just the timing because we don't know the comp cadence through the year and it's that same? I think it was a 10 basis points of leverage relationship. Thanks.

Speaker 7

26m 16s

Yeah, hey, Simeon, good morning. It's Brandon. As it relates to the specifics on the comp guide, let me kind of break it down in terms of first half and second half. The first half, mainly a weather story. We're expecting roughly flat comps over the course of the first half, and we talked about the shift of the \$400 million from spring to play out Q1 into Q2. Q1 played out as expected. As our reference to expecting roughly 1.5% Q2, we feel like we have strong inventory levels and we're ready. We have a lot of confidence in Q2 expectations. Implied in the second half is roughly a plus one. We expect to continue to see momentum with our total home sales initiatives offsetting hurricane pressure. That's kind of the shape of the top line. As it relates to margin, we're expecting gross margins to hold roughly flat for the full year. The PPI portfolio initiatives continue to offset cost and inflationary pressures. On the SG&A side, the team continues to outperform there, managing a number of lines really well. We got \$500 million roughly in OpEx offsetting there across a number of pressures that we're seeing. So that kind of gets you to the guide of 12.3-12.4%.

- Speaker 7**
27m 34s
- Again, Q1, roughly in line with expectations, and that's how we're thinking about Q2 to Q4. Okay. Then shifting gears maybe for Marvin, I wanted to ask about the larger pro and Artisan Design Group. I guess, is the deal signaling that you're planning to move quicker here if opportunities present themselves? How do we think about that in relation for Lowe's? Then can you talk about how quickly the business is growing organically or whatever that growth rate of the business looks like? Thanks.
- Speaker 3**
28m 2s
- Yeah, we feel really good about the acquisition. We've been really disciplined with how we've managed our capital. Anytime we decide to make any acquisition, it's well thought out, and we have a lot of confidence in it. I think the best way to answer your question is, as we think about capital allocation, it really remains the same philosophy, and that's we're always going to invest in the business. We're going to always think first about how we can get the healthy return that's going to be longstanding and sustainable. Having said that, we also believe that it's important to find ways to grow. As we look at ADG as an example, we think that they are perfectly positioned for the recovery that has to happen over the next decade in housing. To us, we know we're in a repressed period, but as I mentioned in my prepared comments, you got 18 million new homes needed by 2033, and Artisan Design Group is number one in their marketplace from a perspective of service and overall business. We think that we have some really attractive adjacencies that we can add to that portfolio. Also, they're in a very fragmented environment, which means that they have a healthy pipeline themselves of potential targets to continue to grow through acquisition.
- Speaker 3**
29m 29s
- We're going to allow them to continue to follow a really best-in-class process to pursue those potential targets within their pipeline. We're not changing our strategy. We're just being opportunistic. We feel like that we've created a really nice playbook and execution model for the small to medium pro. The data reflects that with mid-single-digit positive comps this quarter, but this gives us an opportunity to kind of broaden our pro portfolio and to now have the ability to be in a separate channel with a \$50 billion TAM that just gives us additional opportunity to grow when the market continues to recover.
- Speaker 7**
30m 8s
- Simeon, this is Brandon. Just specifics on financials. ADG delivered \$1.8 billion in sales in 2024. As I mentioned, we expect EPS to be accretive in the first full fiscal year. That would be fiscal 2026, and we're going to hold off given anything more specific. We expect to close in Q2, and we'll hold off and be prepared to talk more in August. Okay. Thanks. Good luck. Thanks, Simeon.
- Speaker 5**
30m 37s
- Our next question is from the line of Steve Forbes with Guggenheim Securities. Please proceed with your questions. Good morning, everyone. Brandon, I think in your commentary, you mentioned percentage of transactions being sort of spring transactions more elevated in the first half of the year and maybe potentially, right, more elevated in the second quarter this year. Any sort of context to help us better understand sort of how reliant or how relevant spring is in terms of percentage of transactions first quarter versus second quarter?

- Speaker 7**
31m 13s
- don't know that I'll get into the details, Steve, on Q1, Q2. I'll just say Q1 average ticket up just over 2%, continues to be driven by strength in pro, also momentum in appliances. We also saw some benefit from storm recovery projects. As you referenced, comp transactions down 3.9%. It is driven by fewer smaller ticket seasonal transactions and ongoing DIY pressures that we're seeing in the business. Large ticket for us was slightly positive. Again, that's appliances and pro strength, and that's a continuation that we saw from Q4. I would say, as you look out at Q2 and for sure over the balance of the year, we continue to expect average ticket to be the primary driver of comps, and we would expect to see transactions recover specifically in Q2 as the business starts to get momentum. That's helpful. Marvin, just a quick follow-up. I think one of the initiatives that was not mentioned in the prepared remarks is localization discussed during the analyst day and so forth. Any updates on sort of the localization strategy, how that is progressing, how many stores you are touching, how much of the opportunity is still ahead for Lowe's?
- Speaker 3**
32m 29s
- Yeah, Steve, so I'll speak about it more from the standpoint of space productivity because we've taken localization and just made it really part of a broader initiative on just improving productivity both in our physical space and our stores and virtually online. I'll let Bill talk a bit about some of the key initiatives like WorkWare, PET, that we're really excited about and what our plans are to continue to expand that and how we think that's going to give us an opportunity to just continue to have more productive space in our stores.
- Speaker 7**
33m 4s
- Yeah, thanks, Marvin. Steve, we're well underway with all three of those initiatives. We'll have rural completed here kind of end of second quarter, early Q3. WorkWare, we're well down the path of having roughly more than 1,000 stores complete by the end of this year and wrapping up early next year for the remainder of those. We continue on the same track with our PET initiative, and we're excited about that, continuing to learn as we go and continuing to adjust as we go as well as we roll out these stores and as we put these products in, but we're real pleased with the results of all three. Thank you.
- Speaker 5**
33m 46s
- next questions are from the line of Robbie Ohmes with Bank of America. Please proceed with your question. Oh, hey, good morning. Thanks for taking my questions. The first question is just I was wondering if we could get a little more on tariffs in terms of pricing impacts that you guys might be expecting and the impact on the private brand part of your business versus vendor-announced price increases and just color on how you're managing that there. I have a follow-up.
- Speaker 3**
34m 19s
- Robert, I'll take the pricing part, and I'll let Bill just provide a broader perspective on tariffs in general. I think for us, as always, we're going to take a portfolio approach to pricing. We're pleased that we've built best-in-class tools for price management that's going to help us navigate any environment, and we have great elasticity data across products and geographies. I think the key for us is the merchants have been cultivating and developing just wonderful relationships with suppliers for the last six years, and this is when those relationships start to pay off. Before I hand it to Bill, I think the key point for us is that we're going to be really price competitive in the home improvement channel like we always are. We're not in the habit of donating market share to the competition. In this environment, we're going to be as keenly focused on competing on price as we are every single day. We think we can do that and still deliver on the financial commitments that Brandon outlined in his prepared comments. I will let Bill talk a little bit more about the overall global sourcing philosophy that we have here.

- Speaker 7**
35m 27s
- Yeah. Thanks, Marvin. Robbie, I think it's important that everyone understands how we look at global sourcing. We look at it really from two lenses: a direct and indirect perspective. Direct being where we direct import, where Lowe's is the importer of record, and then indirect where we purchase from suppliers, and then they are the importer of record. Currently, as Brandon said in his remarks and Marvin said in his, roughly 60% of our purchases are out of the U.S. The next largest is China, sitting at roughly 20%. You can understand where some of those categories fall. A lot of holiday trimmetry, ceiling fans, small appliances, tools, etc., make up that 20%. We have been working really hard over the last four or five years to diversify, just as everybody has, and partnering closely with both private and national brand suppliers to find different sourcing locations and working to do that. We are also trying to accelerate that as it relates to our private brand portfolio and doing the same with our national brands. As Marvin said, it all comes down to relationships, and we are really pleased with the relationships that we have built over the six-plus years. We feel like we have a strong track record of managing our assortments, managing the cost as it comes to us, and we will continue to run our playbook as it relates to that.
- Speaker 7**
36m 48s
- That's really helpful. Just a quick follow-up for Marvin. Marvin, marketplace, dream the dream for us here. How big could this be, and how important could this be?
- Speaker 3**
37m 1s
- I can tell you that we're excited about it. The partnership with Miracle is important because it's the number one technology platform for large marketplace sellers. It's an easier pivot for them to transition to [lowes.com](#) and an easier pivot for our digital team to load their catalogs in a very, very efficient way in a very time-sensitive way. We have high expectations as we've looked at the entire retail landscape across the globe, and we look at brick-and-mortar retailers that have demonstrated the most effective omnichannel strategies and sustainable growth. One correlating factor is a marketplace existence. We're pleased to be the first product marketplace in home improvement. We have, again, high expectations that not only can we manage core home improvement, which our team does really well now, but we also now, with a marketplace environment, can manage premium and value products. We can do it without adding capital-intensive fulfillment centers and without adding additional inventory to our balance sheet. Early days, but we're excited about the progress, and we're excited about the number of world-class sellers that are eager to join our marketplace. We look forward to updating you all as this becomes a more mature initiative.
- Speaker 3**
38m 33s
- Sounds great. Thank you. You're welcome.
- Speaker 5**
38m 38s
- The next questions are from the line of Scot Ciccarelli with Truist Securities. Please proceed with your questions. Good morning, guys. Given the softer trends you continue to see in bigger ticket projects, first, how much of that mix do you think that generally represents? I know it changes quarter to quarter, but kind of on an annualized basis. Second, what do you think you need to see to unlock greater activity in that segment? Is it improved consumer confidence, or is it lower interest rates because presumably those are opposed scenarios, or is it something else entirely? Thanks.

- Speaker 3**
39m 12s
- Scott, I'll take the first part, then I'll let Brandon and Bill join in and add any additional commentary. I think from an overall consumer perspective, we feel like our overall consumer remains healthy from a balance sheet perspective. As we look at the historic demand drivers of our business, they still remain positive. I've repeated them in the past: home price appreciation, aging housing stock, personal disposable income is now growing faster than inflation. Overall, we see rising real income and lower debt. Our consumer is in great shape, but we still, as we said in the prepared comments, have the DIY customer pulling back on large big-ticket discretionary. That is, in essence, the issue that we're dealing with. We believe that part of that is elevated mortgage rates and mortgage rates not falling as perceived by many in the marketplace. We're just managing that as best we can. I'll let Brandon and Bill provide any additional perspective after just giving you a view of where we see the consumer.
- Speaker 7**
40m 25s
- Yeah. Scott, I would just add, as Marvin mentioned, consumer overall very healthy. For us in home improvement, especially big ticket, the affordability challenge remained the primary concern. Inflation rates, as Marvin mentioned, rates still hovering 30-year mortgage around 7%. We've yet to really see at scale the consumer re-engage in larger discretionary categories, still mainly sitting on the sidelines. I think the good news is the trends aren't getting any worse. You referenced the greater than \$500 ticket. Sentiment has softened a little bit more recently, but we haven't seen that necessarily translate into consumer behavior yet. For us, as we look out, we're looking for sustained increase in discretionary projects and DIY traffic for the inflection point. We don't have that necessarily expected or baked into 2025. It's sort of expected it's going to be more of the same at this point. Brandon, I think the only thing I would add is from a positive or a bright spot perspective, our appliance business continues to be, from a big-ticket perspective, a good news story for us. It is really a trend that has been ongoing since really the back half of last year and has trended into Q1. We saw strength across every single major category, which includes refrigeration, laundry, cooking, dishwashers.
- Speaker 7**
41m 45s
- The team's done a really nice job of introducing new and innovative products. I spoke to some of those in my prepared remarks, whether that is all-in-one laundry, whether that is in cooking, whether that is in refrigeration. You add in what we have done from a delivery perspective and the market leadership position that we have to be able to deliver to really any zip code within two days and same day is something that we are really excited about. Roughly 100,000 appliances break every day, so you've got to be ready for that. Our in-stock position appliances have never been better. Those are all positives when we look at that part of the big-ticket business. Thanks, guys. Good luck.
- Speaker 3**
42m 24s
- Thanks, Scott.
- Speaker 5**
42m 25s
- Thank you. The next question is from the line of Seth Sigman with Barclays. Please proceed with your questions. Great. Hey, good morning, everyone. Sounded like Q1 was limited by weather. Can you give us a little bit more perspective on what you're seeing in the markets where you've had steadier spring weather conditions? How much of those markets outperformed? Just related to that, if you look at the April adjusted comp, the positive 0.2%, do you view that as the run rate of the business? I guess you're kind of guiding to the first half being flat. Is that how you're thinking about it? Thanks.

- Speaker 3**
43m 0s
- The simplest way for me to answer the question is when the sun is shining, our business performs a lot better. When you look at Q1, the variation by geography was driven exclusively by weather. As weather continues to moderate, our business continues to get better, and that's reflected in the adjusted comp number you reflected for April. I mean, we feel good about the trends in May. May is consistent with the guidance that Brandon provided and consistent with our expectations. Brandon, I don't know if you have anything else to add.
- Speaker 7**
43m 32s
- No, I would just add, Seth, just in terms of weather benefit, we did see 50 basis points of impact from Hurricane Selene and Milton from back half of last year that turned into Q1, and those were mostly benefited in our southeast region. Just in addition to the normal weather, I'll reference that. Okay. Great. Very helpful. As I think about the full-year guidance, you talked about first half being flat. It implies the second half could potentially accelerate in that range. If I recall, the initial guidance suggested that it would be more driven by your own initiatives. I'm just curious, is that still the case? Has your view on the macro for the back half changed at all? Just help us bridge that a little bit more. Thank you. Yeah. I think, Seth, no change. The macro assumptions from what we laid out in our guide in February, as I mentioned earlier, we're working through still a number of short-term challenges around rates, cautious consumer, affordability, the lock-in effect. Those are all things that we assumed at the beginning of the year. That's still the expectation as we move through Q2 and second half. You're exactly right.
- Speaker 7**
44m 42s
- The momentum is really around our total home strategy. There is some offset with hurricane pressure in the second half. There was about 100 basis points each in Q3 and Q4. The benefit from our strategy as we look at both the pro with loyalty, job site delivery, momentum with extended aisle. Marvin talked about marketplace momentum and with DIY in the second half, some of our category accelerators, all that. The ramp in the momentum is what's been included in that second half comp expectation. Okay. Great. Thanks very much. Appreciate it. Thank you.
- Speaker 5**
45m 18s
- The next question is from the line of Steven Zaccone with Citi Group. Please proceed with your questions. Great. Good morning. Thanks very much for taking my question. I wanted to focus on DIY. Marvin, curious, do you think the environment has gotten more competitive from retailers outside of the traditional home improvement channel? For example, the e-comm through a place has gotten bigger in your categories, and one is now growing their focus on rural. Do you see this as a threat to your business as you grow your rural framework?
- Speaker 3**
45m 49s
- No, I appreciate the question. I think that retail has always been competitive. With the ease of e-commerce coming into any type of a space with easily parcel-shipped product, it's going to just continue to get more and more competitive. Having said that, we do believe there's a lot to be said about product knowledge, about store environment, about ease of shoppability, both in-store and online. That's one of the reasons why we've invested so much in technology. One of the reasons why we mentioned our prepared comments is reflected in J.D. Power's representation of Lowe's being number one in customer service in the home improvement sector. Yeah, I'll let Joe talk a little bit about some of the things that we're doing to compete with non-traditional competitors based on product knowledge, based on giving our associates tools so that they can help customers solve problems in their homes. We think that's going to be the difference between us growing and maintaining share and also taking share from other competitors that don't have the capital focus or the technology platform to continue to invest in innovation, which we think is going to play a huge role in being competitive. Thanks, Marvin.

- Speaker 3**
47m 15s
- Steve, just to follow up on Marvin's comments, when I think about the Milo app that we rolled out to our associates, and that product project knowledge right at their fingertips, even for brand new associates, the adoption rate is far ahead of schedule. The amount of input that the associates are giving back to the app, and we're really pleased with these tools. In addition, I mentioned our gig delivery network and how we're coming to market for things like multi-matterness for the DIY customer without impacting our pro customer. We have the extended aisle in store. We are really excited about all the different touchpoints that we have across the DIY network as we continue our mode shifting to compete online, whether the product is in the store, whether it is in a warehouse or special order. Our associates are confident, and they have access to it at their fingertips today. Great. Thanks for that detail. The second question I had, also kind of strategic, the acquisition Artisan Design Group. Do you view this as the first of many? Basically, do this acquisition grow some of the capabilities of the business, and maybe we could see some more M&A in the future?
- Speaker 3**
48m 33s
- No, I appreciate the question. I think the short answer is we're just going to be opportunistic. We believe that we've done a really nice job of being disciplined around looking at potential acquisition targets. Whatever we decide to potentially acquire, we want it to tie directly to complementing our total home strategy. We think ADG does exactly that. We still want to get this transaction closed, as Brandon mentioned, and we think that'll get done by the end of this quarter. We're going to just continue to look at all opportunities that we think will allow us to grow, allow us to bring returns to our shareholders, and to continue to just use our capital in a very efficient way. More to come on that, but we look forward to just keeping you updated on ADG and how we believe that they can benefit us and we can benefit them from a category adjacency standpoint that's going to be incredibly complementary. In a marketplace, we currently are generating zero dollars of revenue, and that's new home construction. We think that the potential growth opportunities over the decade is going to be incredibly attractive. Understood. Thanks for the detail.
- Speaker 5**
49m 53s
- Thank you. The next question is from the line of Christopher Horvers with JP Morgan. Please proceed with your questions. Thanks. Good morning, everybody. My first question is, on the pro business, do you think there was any impact to the business related to weather in the first quarter? Missing a ledge is very strong. It did moderate from the pace last year. Was there any impact, and are you seeing improvement in that as the weather has broken?
- Speaker 3**
50m 22s
- This is Marvin. The short answer is weather absolutely impacted the business in Q1. As the season and weather start to moderate on a more seasonally consistent basis, the business improved along those same exact lines. Again, if you do the adjustment for closing in Easter, we had comp improvement each month of the quarter with a comp adjustment of April being positive. We feel great about our pro business. We feel great about the momentum in that business. We also are really pleased with the adoption of our updated pro loyalty program, My Lowe's Pro Rewards, the ease of use, and also the number of new customers that are joining the platform. We feel like our playbook for the small to medium pro continues to work, and we have really no concerns about the trajectory of our pro business. Got it. Then a follow-up question on the tariff side. Historically, the industry has managed to gross margin rate, especially considering the technology that you referenced, Marvin, and the leverage that you have over vendors. Does that remain your expectation given where tariff rates sit? There has never been so much focus on inventory accounting methods. I think you are FIFO.

- Speaker 3**
51m 51s
- Does that portend some benefits maybe earlier that you would ultimately just give back later, but a little bit of a sine curve around the merchandise margin? Thank you. Chris, I'll take the first part, and I'll let Brandon join in. From our perspective, I guess the best way for us to think about this is that we have tools that will allow us to manage this and manage this in a way that we're going to minimize any impacts to our customers. As I said earlier, we're going to be price competitive. It's something that we feel is incredibly important to our business, and it's also important for us to maintain market share. We're not donating share to any competitor by sitting back and not being price competitive across any of the categories that we're selling, whether they're domestic or imported. We believe that through our portfolio approach and some of the work that Bill Boltz and the team would do with line structures, we're going to be in great shape. We've done all the math. Based on the current tariff environment, we feel very comfortable that we'll be able to deliver the financial guidance that Brandon updated. I'll let Brandon talk to you a little bit about the accounting in our world and how we see that primarily impacting us in the back half of the year.
- Speaker 7**
53m 14s
- This is Chris. This is Brandon. On the margin and the inventory piece of this, I referenced earlier our expectations for gross margin roughly flat for the full year. That is inclusive of any impacts from trade policy. As you referenced, our accounting methodology for inventory is first in, first out, so FIFO accounting, which essentially means any incremental costs that we see will flow through our margin as we turn through our inventory layers. I referenced earlier just the strength that we have in our current inventory. Our current inventory layers and visibility up into the supply chain, we do expect any incremental impact that we see to be more concentrated in the second half of our year. That is baked into the expectation. As you think about first half and margin, really minimal impact for many of this activity. As Marvin's referenced, as we look out at the second half, we're going to continue to take a portfolio approach with what we're doing and continue to work through and minimize any impact to our customers. That's what's baked in our expectation. Just to clarify that, meaning really no FIFO impact early, but some headwinds later, or is it the tailwinds later than headwinds as you get into 2026?
- Speaker 7**
54m 32s
- Yeah. Chris, the actual cost will be flowing through in the second half, but all of our mitigation actions and everything that Marvin and Bill have outlined, we expect to manage, and we expect to offset the majority of that. Understood. Thanks very much. Have a great spring. Thanks, Chris.
- Speaker 5**
54m 52s
- Thank you. The next questions are from the line of David Bellinger with Mizuho Securities. Please proceed with your questions. Hey, everyone. Thanks for the questions. The first one on appliances is one of the few categories that outperform the company. Can you talk about the sales pull forward, if any, that you saw in that category? Also, have you seen any pull forward in other large ticket categories: furniture, outdoor patio, grills, anything like that that helped to lift the Q1 comp later in the period or even early into Q2?

- Speaker 7**
55m 23s
- Yeah, David, it's Bill. We really did not see anything that we could hang our hat on as being pulled forward. We are specifically to appliances, as I said in an earlier response, really pleased with just the trajectory of that business and how it has performed really since the back half of last year into the first quarter of this year and how it is performing early in Q2. 100,000 appliances break every day. The efforts that we have put around making that experience easier for our customer and for our associates to sell the product and for our customers to navigate both online and in store are all things that we are really proud of. The work that our supply chain team has done to be able to deliver to virtually anywhere in the United States in two days or less, I think, is one of our big competitive advantages. In addition to all the work that the merchants have done to bring just great product and innovation across every single category. That is what drives this business, and that is what we are excited about.
- Speaker 3**
56m 21s
- Yeah, David, I would just add, as Bill referenced, with appliances specifically, as we look at unit growth and acceleration, we started to see that early in Q3 last year and saw that accelerate the better part of the back half of last year. Obviously, strength as we got in here to Q1. The activity sort of pre-post any change in trade policy is there. At this point, we do not believe we are seeing or any indication of any sort of widespread pull forward, but we are going to continue to monitor as we get into the balance of the year. Rob, with that, we have time for one more question.
- Speaker 5**
56m 55s
- Thank you. Our final question is from the line of Peter Benedict with Baird. Please proceed with your questions.
- Speaker 3**
57m 1s
- Oh, hey, guys. Thanks for sneaking me in. Really, my question too, the first one's around kind of your extended aisle effort and more specifically as it relates to the pro and some of the things that you're doing there. I know you're expecting some scaling of these micro initiatives, I guess, into the business over the back half of the year. Can you maybe give us a little more perspective on what exactly is happening with the extended aisle and how many vendors are starting to kind of take advantage of some of those capabilities? That's my first question. Peter, I do not want to get into that level of specifics, but what I will tell you is, as we did a soft launch of this initiative, all the vendors that we were able to get in our system, their business performance accelerated dramatically. We are excited about this. This also helps us with fulfillment because in many cases, a lot of these pro vendors have their own delivery capabilities, and they are doing job site delivery in addition to providing us with great costs that we could provide great retail onto our customers. I will let Joe add a little bit of color to this because his team, along with Quonta Vance's team, are managing this really closely in the stores.
- Speaker 3**
58m 22s
- Yeah, thanks, Marvin. Peter, just important to remember, early innings ensures we onboard incremental suppliers throughout 2025 and scale. We're going to continue to see this business grow. Here's what it really does for us. It allows immediate visibility to our suppliers' inventory. As well, we have our volume pricing and delivery speed all incorporated. We can now generate quotes within minutes, seven days a week on things that used to take days and four to five days a week. As Marvin said, there's an option for direct deliveries right from the supplier to the customer. Those are just a few of the unlocks that the extended aisle gives, and we're really excited about it.
- Speaker 7**
59m 9s
- No, that's helpful. Thanks. My follow-up would just be beyond the China exposure around 20%. Is there a way to think about where you could potentially take that over time, or are we kind of at levels where the product coming from there is basically going to come from there? Thanks so much.

- Speaker 3** Peter, I'll answer the first part, then I'll let Bill provide some perspective. My request would be for any retailer providing global sourcing % by country of origin, it'd be really good to get a definition of how they calculate that. Because as Bill articulated, we look at it from a direct and indirect, and we combine that together. In a lot of cases, companies look at it only as direct where they are the importer of record, and we try to have a really more holistic view of how we view it. Based on indirect and direct, we estimate it's roughly 20%. As we noted, we're working aggressively with our global sourcing team and a combination of Bill's team and Margrethe Vagell's supply chain team to reduce that exposure. We feel like we're in a great position to do that. I'll let Bill provide a little bit more perspective on that.
- Speaker 7** Yeah. Peter, I covered some of this earlier, but again, we're looking at, in partnership with both private brand and national brand suppliers, to find different countries in order to produce this, in producing this product. In addition, as Brandon touched on, looking at SKU by SKU, product category by product category, looking at line structures, looking at assortments, and looking at what makes sense going forward. In some cases, some of those items may not make sense going forward. We want to make sure that we do the right thing, sourcing it from the right location. Just because we found another country to produce it, it may not end up short-term being the right country to do right out of the gate. We're taking a very disciplined approach, and the team's working really hard at it, looking at it across all the categories. You can just imagine the level and magnitude of work that's required when you have to go do this SKU by SKU, vendor by vendor.
- Speaker 3** That's helpful. Thanks so much, guys.
- Speaker 5** Thank you all for joining us today. We look forward to speaking with you on our second quarter earnings call in August. This concludes the Lowe's first quarter 2025 earnings call. You may now disconnect.