Additional Consolidated Results

Income Tax Expense

Income tax expense decreased in fiscal 2023, primarily due to the impact of decreased pre-tax earnings, partially offset by reduced benefits from the resolution of tax matters. Our effective tax rate increased in fiscal 2023, primarily due to reduced tax benefits from the resolution of tax matters, stock-based compensation and federal tax credits, partially offset by the impact of lower pre-tax earnings.

Non-GAAP Financial Measures

Reconciliations of operating income, effective tax rate and diluted EPS (GAAP financial measures) to non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS (non-GAAP financial measures), respectively, were as follows ($ in millions, except per share amounts):

	2023	2022	2021
Operating income	$ 1,795	$ 3,039	$ 2,391
% of revenue	*3.9 %*	*5.9 %*	*5.1 %*
Restructuring - inventory markdowns(1)	-	(6)	23
Price-fixing settlement(2)	-	-	(21)
Intangible asset amortization(3)	86	82	80
Restructuring charges(4)	147	(34)	254
Acquisition-related transaction costs(3)	-	11	-
Non-GAAP operating income	$ 2,028	$ 3,092	$ 2,727
% of revenue	*4.4 %*	*6.0 %*	*5.8 %*
Effective tax rate	20.7 %	19.0 %	24.3 %
Price-fixing settlement(2)	-%	-%	0.2 %
Intangible asset amortization(3)	0.1 %	0.1 %	(0.6)%
Restructuring charges(4)	0.2 %	(0.1)%	(1.0)%
Gain on investments, net(5)	-%	-%	0.1 %
Non-GAAP effective tax rate	21.0 %	19.0 %	23.0 %
Diluted EPS	$ 6.29	$ 9.84	$ 6.84
Restructuring - inventory markdowns(1)	-	(0.02)	0.09
Price-fixing settlement(2)	-	-	(0.08)
Intangible asset amortization(3)	0.38	0.33	0.30
Restructuring charges(4)	0.65	(0.14)	0.97
Acquisition-related transaction costs(3)	-	0.04	-
Gain on investments, net(5)	-	-	(0.05)
Income tax impact of non-GAAP adjustments(6)	(0.24)	(0.04)	(0.16)
Non-GAAP diluted EPS	$ 7.08	$ 10.01	$ 7.91

For additional information regarding the nature of charges discussed below, refer to Note 2, *Acquisitions*; Note 3, *Restructuring*; Note 4, *Goodwill and Intangible Assets*; and Note 11, *Income Taxes*, of the Notes to Consolidated Financial Statements, included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

(1) Represents inventory markdowns and subsequent adjustments recorded within cost of sales associated with the exit from operations in Mexico.
(2) Represents a price-fixing litigation settlement received in relation to products purchased and sold in prior fiscal years.
(3) Represents charges associated with acquisitions, including: (1) the non-cash amortization of definite-lived intangible assets, including customer relationships, tradenames and developed technology; and (2) acquisition-related transaction and due diligence costs, primarily comprised of professional fees.
(4) Represents restructuring charges, including: (1) charges in fiscal 2023 associated with an enterprise-wide initiative to better align our spending with critical strategies and operations, as well as to optimize our cost structure; and (2) charges in fiscal 2021 and subsequent adjustments in fiscal 2022 associated with actions taken in the Domestic segment to better align the company's organizational structure with its strategic focus and the exit from operations in Mexico in the International segment.
(5) Represents an increase in the fair value of a minority equity investment in fiscal 2021.
(6) The non-GAAP adjustments primarily relate to the U.S., Canada and Mexico. As such, the income tax charge is calculated using the statutory tax rate of 24.5% for the U.S. and 26.4% for Canada applied to the non-GAAP adjustments of each country. There is no income tax charge for Mexico non-GAAP items and a minimal amount of U.S. non-GAAP items, as there was no tax benefit recognized on these expenses in the calculation of GAAP income tax expense.

Our non-GAAP operating income rate decreased in fiscal 2023, primarily driven by our Domestic segment's lower gross profit rate and decreased leverage from lower sales volume on our fixed expenses, which resulted in an unfavorable SG&A rate.

Our non-GAAP effective tax rate increased in fiscal 2023, primarily due to reduced tax benefits from the resolution of tax matters, stock-based compensation and federal tax credits, partially offset by the impact of lower pre-tax earnings.

Our non-GAAP diluted EPS decreased in fiscal 2023, primarily driven by the decrease in non-GAAP operating income, partially offset by lower diluted weighted-average common shares outstanding from share repurchases.