



Lowe's Companies (LOW)

Updated February 27th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$247	5 Year CAGR Estimate:	10.6%	Market Cap:	\$138 B
Fair Value Price:	\$246	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	04/23/2025
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	-0.1%	Payment Date¹:	05/08/2025
Dividend Yield:	1.9%	5 Year Price Target	\$378	Years of Dividend Growth:	61
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Lowe's Companies is the second-largest home improvement retailer in the US (after Home Depot). The company, which has a current market capitalization of \$138 billion, was founded in 1946 and is headquartered in Mooresville, NC. Lowe's operates or services more than 1,700 home improvement and hardware stores in the U.S. Lowe's trades under the ticker symbol LOW on the NYSE.

Lowe's reported fourth quarter 2024 results on February 26th, 2025. Total sales came in at \$18.60 billion compared to \$18.55 billion in the same quarter a year ago. Comparable sales increased by 0.2%, while net earnings-per-share of \$1.99 compared to \$1.77 in fourth quarter 2023. Adjusted EPS was lower at \$1.93. Lowe's continues to be negatively impacted from a reduction in DIY discretionary spending.

The company repurchased 5.5 million shares in the quarter for \$1.4 billion. Additionally, it paid out \$650 million in dividends.

Lowe's initiated its fiscal 2025 outlook and expects to earn diluted EPS of \$12.15 to \$12.40 on total sales of \$83.5 to \$84.5 billion. Capex will likely come in at \$2.5 billion, and Lowe's expects an operating margin of 12.3% to 12.4%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.29	\$3.99	\$4.39	\$5.11	\$5.74	\$8.86	\$12.04	\$10.17	\$13.20	\$12.23	\$12.28	\$18.89
DPS	\$1.07	\$1.33	\$1.58	\$1.85	\$2.13	\$2.36	\$2.80	\$3.70	\$4.30	\$4.50	\$4.60	\$7.08
Shares¹	910	866	830	801	763	735	676	605	575	563	552	450

Lowe's has increased its earnings-per-share at an attractive pace in recent years. Between 2015 and 2024, Lowe's grew its earnings-per-share at a 15.7% CAGR. And In the recent 5-year period, Lowe's grew this rate to 16.3% per year.

Earnings-per-share have been driven by comparable store sales growth, increasing margins, and the company's share repurchases, which have lowered the share count meaningfully. Significant buybacks mean that the company's net earnings are split over a lower number of shares, which accelerates growth in per-share net income. Especially when Lowe's valuation is lower, these share repurchases are highly accretive. Lowe's would likely ramp up its buybacks if its valuation declined meaningfully, and in the past, they have made good profits by buying back shares at a lower price.

Lowe's should be able to increase its sales over the coming years, but its earnings-per-share growth will be somewhat lower going forward compared to the last couple of years. We expect Lowe's to increase earnings-per-share at a 9% annual growth rate in the next five years.

Lowe's is a Dividend King - the company has raised the dividend annually for 61 years in a row - and its dividend growth rate was remarkably high in recent years. Lowe's has raised its dividend by 14% per year over the last 5 years. We expect this dividend growth to moderate in the coming years but still remain near double-digit territory.

¹ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.8	18.6	18.7	18.7	18.9	21.4	20.0	17.3	19.9	20.2	20.1	20.0
Avg. Yld.	1.5%	1.8%	1.9%	1.9%	2.0%	1.7%	1.2%	1.6%	1.9%	1.8%	1.9%	1.9%

Lowe's trades at 20.1 times this year's expected earnings-per-share right now, which is higher than the 10-year average of 19.5. The current valuation is in line with our fair value estimate of 20 times expected earnings. As a result, we see the potential for a miniscule valuation headwind due to valuation contraction over the intermediate term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	33%	33%	36%	36%	37%	27%	23%	36%	33%	37%	37%	37%

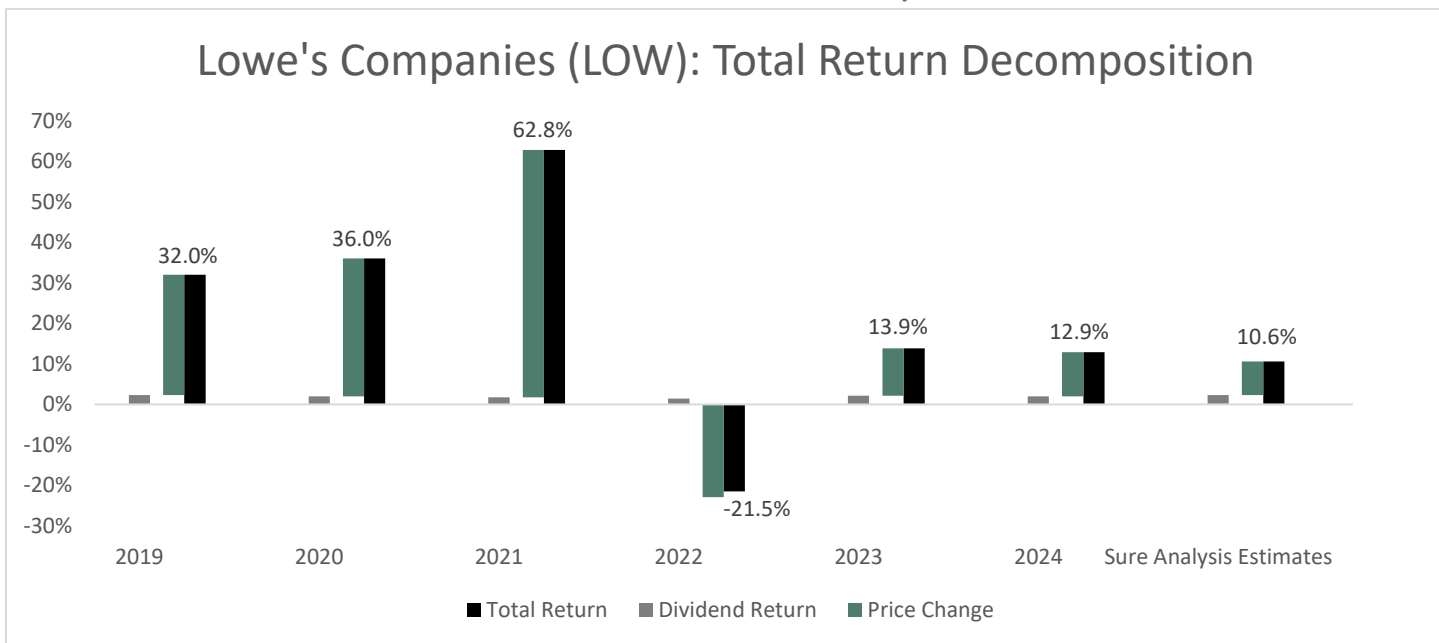
Lowe's is a Dividend King, the company has raised its dividend annually for 61 years in a row, even during recessions, the great financial crisis, and the covid pandemic. This extraordinarily strong track record, coupled with the fact that Lowe's dividend payout ratio is fairly low, shows that Lowe's is a reliable and low-risk dividend stock where investors do not have to worry about a dividend cut. In addition, many years of dividend growth should be in front of the company.

Lowe's business is somewhat cyclical, but the company performed relatively well during the great financial crisis, nevertheless. Earnings-per-share declined by less than 20%, despite the housing market hit. Lowe's enjoys competitive advantages from scale and brand power as it operates in a duopoly with Home Depot. Neither of the two are expanding their store count significantly, and neither is interested in a price war. Both should remain highly profitable, as the home improvement market in the US is large enough for two companies to make great profits.

Final Thoughts & Recommendation

Lowe's offers 10.6% annualized total return potential thanks to its strong expected growth performance. Shares are trading in line with our estimate of fair value and offer compelling growth potential for both earnings and the dividend. We expect that continued share buybacks will prove fruitful in the long term. We are upgrading LOW to a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	56,223	59,074	65,017	68,619	71,309	72,148	89,597	96,250	86380	83670
Gross Profit	19,558	20,570	21,674	22,434	22,908	22,943	29,572	32,056	28840	27880
Gross Margin	34.8%	34.8%	33.3%	32.7%	32.1%	31.8%	33.0%	33.3%	33.4%	33.3%
SG&A Exp.	13,272	14,105	14,375	14,444	17,413	15,367	18,526	18,301	15570	15680
D&A Exp.	1,586	1,587	1,590	1,540	1,607	1,410	1,594	1,882	1923	1972
Operating Profit	4,792	4,971	5,846	6,586	4,018	6,314	9,647	12,093	11560	10470
Op. Margin	8.5%	8.4%	9.0%	9.6%	5.6%	8.8%	10.8%	12.6%	13.4%	12.5%
Net Profit	2,698	2,546	3,091	3,447	2,314	4,281	5,835	8,442	7726	6957
Net Margin	4.8%	4.3%	4.8%	5.0%	3.2%	5.9%	6.5%	8.8%	8.9%	8.3%
Free Cash Flow	4,049	3,587	4,450	3,942	5,019	2,812	9,258	8,260	6176	7698
Income Tax	1,578	1,873	2,108	2,042	1,080	1,342	1,904	2,766	2449	2196

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	31,721	31,266	34,408	35,291	34,508	39,471	46,735	44,640	41800	43100
Cash & Equivalents	466	405	558	588	511	716	4,690	1,133	921	1761
Inventories	8,911	9,458	10,458	11,393	12,561	13,179	16,193	17,605	16890	17410
Goodwill & Int.		154	1,082	1,307	303					
Total Liabilities	21,753	23,612	27,974	29,418	30,864	37,499	45,298	49,456	56840	57330
Accounts Payable	5,124	5,633	6,651	6,590	8,279	7,659	10,884	11,354	8704	9290
Long-Term Debt	11,358	12,649	15,699	16,995	16,223	19,306	21,780	24,727	35920	35490
Total Equity	9,968	7,654	6,434	5,873	3,644	1,972	1,437	-4,816	-15050	-14230
LTD/E Ratio	1.14	1.65	2.44	2.89	4.45	9.79	15.16	-5.13	-2.39	-2.49

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.4%	8.1%	9.4%	9.9%	6.6%	11.6%	13.5%	18.5%	18.1%	16.4%
Return on Equity	24.7%	28.9%	43.9%	56.0%	48.6%	152.5%	342.3%			
ROIC	12.3%	12.2%	14.6%	15.3%	10.8%	20.8%	26.2%	39.1%	38.1%	33.0%
Shares Out.	990	927	881	840	812	778	750	699	584	568
Revenue/Share	56.79	63.73	73.80	81.69	87.82	92.74	119.46	137.70	147.91	147.31
FCF/Share	4.09	3.87	5.05	4.69	6.18	3.61	12.34	11.82	10.58	13.55

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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