

# 1962



# ANNUAL REPORT

# Lowe's

COMPANIES, INC.

## GENERAL OFFICES

North Wilkesboro, N. C.

## TRANSFER AGENTS

Wachovia Bank & Trust Co.  
Raleigh, N.C.

Morgan Guaranty Trust Company  
of New York  
140 Broadway • New York, N. Y.

## REGISTRAR

The Northwestern Bank  
North Wilkesboro, N. C.

## GENERAL COUNSEL

McElwee & Hall  
North Wilkesboro, N. C.

## AUDITORS

Smith & Grisette, CPA's  
Lenoir, N.C.

## RETAIL STORES

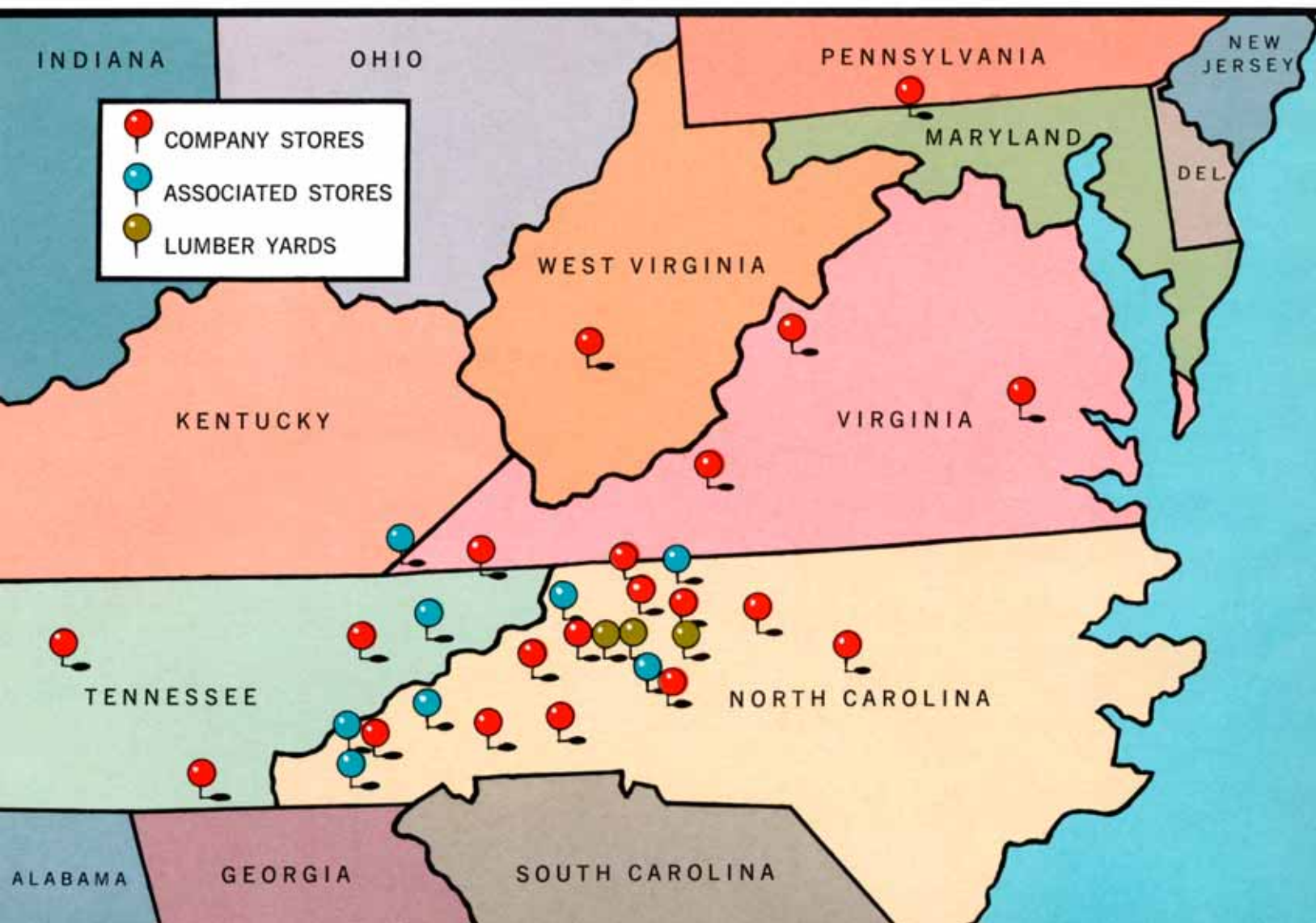
Asheboro, N. C.  
Asheville, N. C.  
Bristol, Tenn.  
Charlotte, N. C.  
Chattanooga, Tenn.  
Durham, N. C.  
Greensboro, N. C.  
Hagerstown, Md.  
Hickory, N. C.  
Knoxville, Tenn.  
Nashville, Tenn.  
North Wilkesboro, N. C.  
Oak Hill, W. Va.  
Raleigh, N. C.  
Richmond, Va.  
Roanoke, Va.  
Shelby, N. C.  
Sparta, N. C.  
Staunton, Va.  
Winston-Salem, N. C.

## ASSOCIATES

Boone, N. C.  
Brevard, N. C.  
Gibson Station, Va.  
Greeneville, Tenn.  
Lexington, N. C.  
Marion, N. C.  
Mayodan, N. C.  
Waynesville, N. C.

## LUMBER YARDS

Randleman, N. C.  
Lumber Yard & Planing Mill  
  
N. Wilkesboro, N. C.  
Lumber Yard & Planing Mill  
  
N. Wilkesboro, N. C.  
Dry Kiln Yard



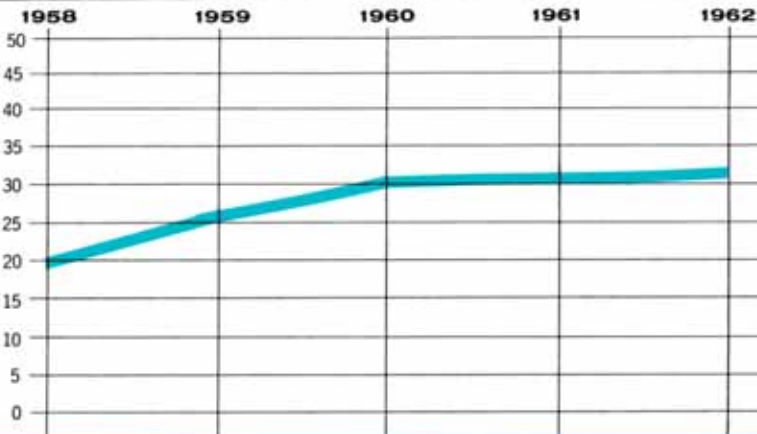


## HIGHLIGHTS OF THE YEAR

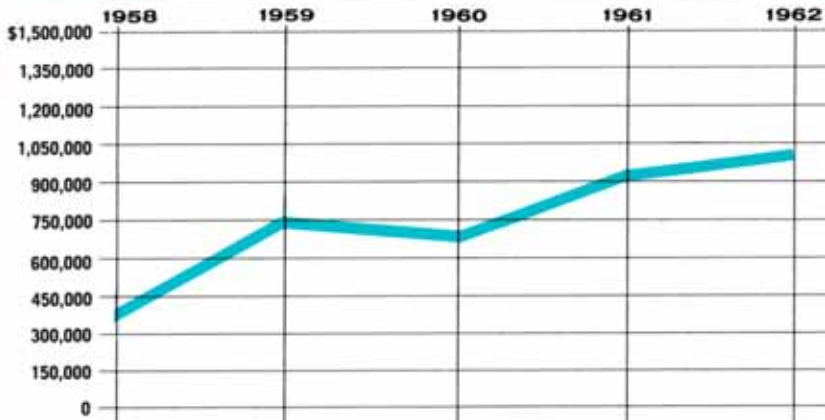
	1962	1961	% OF INCREASE
Net Sales .....	\$32,660,899	\$31,109,876	5.0
Earnings Before Taxes .....	2,054,177	1,890,426	8.7
Earnings After Taxes .....	1,020,565	934,426	9.2
Working Capital .....	6,036,730	4,383,599	37.7
Total Assets .....	13,096,562	11,834,941	10.7
Shareholders Equity .....	5,661,332	5,043,017	12.3
Per Common Share:			
Earnings .....	\$ 1.02	\$ 0.93	
Dividends .....	.40	.10	
Working Capital .....	6.04	4.38	
Shareholders Equity .....	5.66	5.04	
Number of Employees .....	491	399	
Shareholders .....	2,047	—	

**LOWE'S COMPANIES, INC., AND SUBSIDIARY COMPANIES**

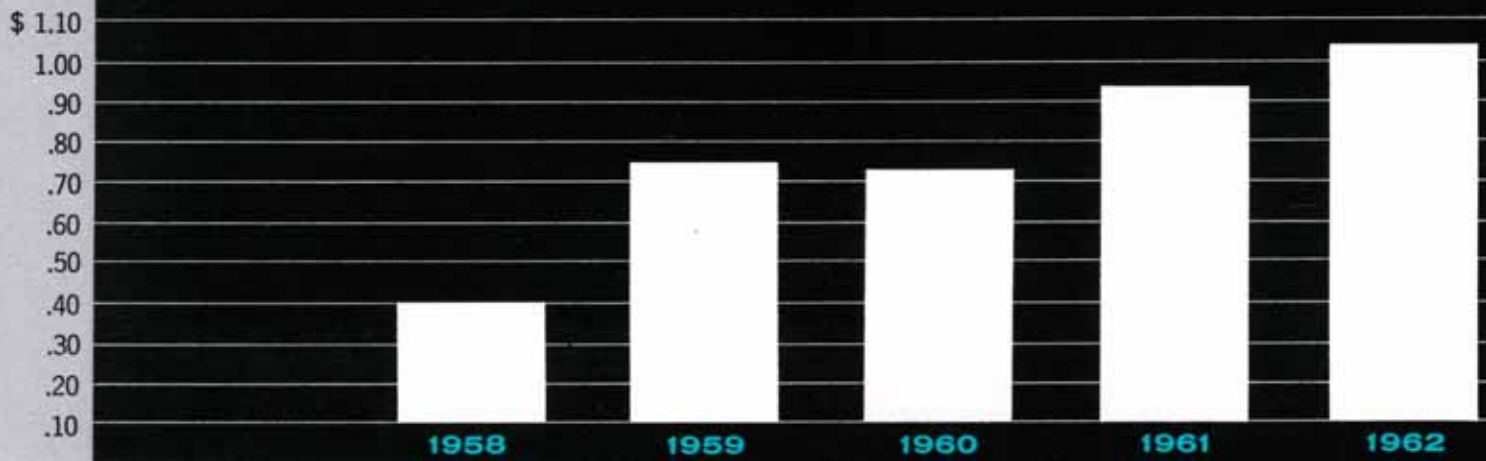
**NET SALES** (Millions of Dollars)



**NET EARNINGS**



**EARNINGS PER COMMON SHARE**





## TO OUR STOCKHOLDERS:

We are pleased to report another good year for Lowe's Companies, Inc. During this fiscal year ending July 31, 1962, new highs were attained in sales, earnings, financial strength, and market penetration.

No greater tribute can be given the late Carl Buchan than that he built an organization of young men, working as a team, able not only to continue the operation of Lowe's, but to expand its influence and service to the public.

The fact that the Metropolitan Life Insurance Company has increased its loan, giving Lowe's adequate capital to continue to expand, is proof of the high regard and esteem that the present management of Lowe's enjoys throughout the business and financial community.

## President's Letter

In this connection I would like to call your attention to the results of the past five years as depicted graphically on page two. It is noteworthy that the expansion and growth which has characterized Lowe's

1962

since its incorporation is continuing.

Our objective for the future is to continue this growth and increase your equity. In the coming fiscal year, we expect to bring our stores to a higher level of sales and to expand into additional market areas, resulting in profit improvement.

The Board of Directors takes this opportunity to express its great appreciation to our exceptionally loyal employees, to our suppliers, and friends. With their continued support, plus the friendship and help of our fine new family of stockholders, we expect the fiscal year of 1963 to be the best year in the history of Lowe's.

  
Chairman of the Board and President



## EMPLOYEE RELATIONS

One of the most important intangible assets of your Company is the way in which the major portion of employees have a direct interest in the Company's success through participation in the Profit Sharing Plan. Since the Plan owns approximately 48% of the outstanding common stock, the employees are in effect substantial partners in the business. In addition to the incentive provided by this ownership participation, an important portion of the direct compensation of most of our employees and all of our executives is based on their contribution to Lowe's success through various incentive compensation programs.

## INSTITUTIONAL LOAN

In June, 1962, your Company concluded an agreement with the Metropolitan Life Insurance Company which should provide a sound and adequate base for the Company's planned expansion program over the next two years. This agreement included an amendment to a previous loan which released to the Company \$1,209,000 of U. S. Treasury Bills formerly held as collateral by the lender. The agreement also provides for an additional amount of \$700,000 to be available to the Company on a stand-by basis through July 31, 1963, repayment to start June 1, 1968. In addition, certain restrictive provisions re-

lating to additional long-term debt were amended to provide for future growth under terms which in the opinion of management are most favorable to your Company.

## LIFE INSURANCE CLAIMS

Shortly before the death of the former Company President, Mr. H. C. Buchan, Jr., the Company purchased several insurance contracts on his life. Upon his death the Company presented these contracts for payment.

The Security Life and Trust Company and The Life Insurance Company of North America honored the terms of their insurance contracts in a manner satisfactory to the Company. However, eight of the companies, to wit: Jefferson Standard Life Insurance Company, Pilot Life Insurance Company, Liberty Life Insurance Company, National Life Insurance Company, Canada Life Assurance Company, Fidelity Mutual Life Insurance Company, Northwestern Mutual Life Insurance Company, and Connecticut Mutual Life Insurance Company, failed to so honor their insurance contracts in a satisfactory manner and litigation ensued.

The cases covering these claims are now in the pre-trial stage. Your Company has no way of estimating the amount which may be received in final settlement. Therefore, no part of the contested claims has been included as an actual or contingent asset of your Company.



## PURCHASING:

*Lowe's purchasing is centralized for quantity buying power, efficient distribution and control of inventory, and maximum turnover. Each buyer is a specialist in his product field.*



## CENTRAL OFFICE OPERATIONS

*COMMUNICATIONS: The Central office, all stores, and lumber yards are connected by closed circuit teletypes providing instantaneous communication.*



*DATA PROCESSING: A 1401 electronic computer which was installed in 1961 furnishes for 3,000 items a perpetual inventory, sales forecasts by item, and gross profit costing of each sale. The Sales and Purchasing Departments' utilization of this information provides tight day to day control of the business, and maximum return on investment.*



*WAREHOUSING: Mechanization, and modern material handling equipment, helps to keep warehousing costs low.*



## LOWE'S EXPANSION PLANS & OUTLOOK

Lowe's is a leader in a distinct and specialized segment of the discount retail revolution — lumber, residential building materials, and hard goods — which so far is not characterized by oversaturation and destructive price competition. In fact, opportunities exist throughout America for profitable new Lowe's stores.

Aggressive but balanced expansion is the foundation of our policy of perpetuating and increasing profits. It is our objective to make a contribution in the market place, by providing trained personnel in modern low cost distribution facilities to offer quality products at Lowe's low prices.

By balanced expansion we mean the establishment of various sizes and types of stores based on the area's requirements. We mean the proper inventory quantities and selection available for sale. And we mean the maintenance of a satisfactory net return on sales.

During fiscal 1962 we established three new stores: Shelby, North Carolina; Hagerstown, Maryland; and Nashville, Tennessee. Stores were opened in Chattanooga, Ten-

nessee, and Hickory, North Carolina, in August, and plans are being laid to open at least three more stores in the coming year.

Your Company has a reservoir of trained manager potential for these new stores. These men are dedicated to Lowe's philosophy of business, and understand that as a manager they will have the authority to act, the responsibility for achieving goals, and the accountability for balanced performance.

Our outlook for fiscal 1963 indicates a substantial increase in sales volume, and a satisfactory net return on sales and investment, even after providing for the opening expenses of the projected new stores.

Our goal is to make Lowe's the greatest company of its type in the world. We have the intellectual capacity, the moral integrity, the business knowhow, the courage and the zest required to take the risks that must be faced in a program of this caliber. We expect to be held accountable for the successful accomplishment of our goals, and are striving to make you proud of your company.

## LUMBER COMPANIES

*The Buchan Lumber Companies are wholly-owned subsidiaries of Lowe's Companies, Inc. They provide about one-third of our lumber requirements for store inventory, and deliver orders sold by the stores directly to the job site for the buyer. In addition to the two plants pictured, we have recently acquired a third plant. This is a Southern Pine Association planing mill and dry kiln, and can produce moldings, framing, siding, and flooring. We have 38 sawmills under contract to provide us with rough lumber, and leases on hundreds of acres of standing timber to support our lumber operations.*



#1, North Wilkesboro, N. C.

*Produced 6,200,000 board feet of dressed dimension lumber.*



#2, Randleman, N. C.

*Produced 7,300,000 board feet of dressed dimension lumber.*



## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year Ended July 31	
	1962	1961
<b>Earnings:</b>		
Net Sales	\$32,660,899	\$31,109,876
Other Income	55,437	17,900
Total	<u>\$32,716,336</u>	<u>\$31,127,776</u>
<b>Costs and Expenses:</b>		
Cost of Merchandise Sold, Including Buying, Operating, Selling, and Administrative Expenses Other Than Itemized Herein	\$29,973,862	\$28,572,055
Rents	181,337	179,325
Depreciation and Amortization	124,570	133,219
Contributions to Employees' Profit Sharing Plan	254,122	190,542
Interest and Loan Expense	128,274	162,209
Total Costs and Expenses	<u>\$30,662,165</u>	<u>\$29,237,350</u>
Earnings Before Income Taxes	\$ 2,054,171	\$ 1,890,426
Provisions for Income Taxes	<u>1,033,606</u>	<u>956,000</u>
Net Earnings	<u>\$ 1,020,565</u>	<u>\$ 934,426</u>
<b>Retained Earnings:</b>		
Balance at Beginning of Year	\$ 3,998,017	\$ 3,309,574
Net Earnings	<u>1,020,565</u>	<u>934,426</u>
Totals	\$ 5,018,582	\$ 4,244,000
Less: Dividends Paid	402,250	102,250
Other Adjustments		<u>143,733</u>
Balance at End of Year	<u>\$ 4,616,332</u>	<u>\$ 3,998,017</u>

Explanatory notes on page 11 are an integral part of the financial statements.



## CONSOLIDATED BALANCE SHEET

### ASSETS

	July 31	
	1962	1961
<b>Current Assets:</b>		
Cash .....	\$ 1,955,691	\$ 1,299,603
Accounts Receivable .....	3,768,654	3,107,550
Notes Receivable .....	33,906	22,489
Marketable Securities— At Cost .....	31,339	6,339
Inventories — At the Lower of Cost or Market .....	5,867,733	4,800,834
Prepaid Expenses .....	75,512	68,320
Total Current Assets .....	\$11,732,835	\$ 9,305,135
<b>Investments:</b>		
U. S. Treasury Bills .....		1,184,696
<b>Property, Improvements and Equipment:</b>		
At Cost Less Accumulated Depreciation (1962 — \$508,951; 1961 — \$443,009) .....	1,261,329	1,228,542
<b>Other Assets and Deferred Charges:</b>		
Unamortized Loan Expense .....	51,297	65,467
Cash Value of Life Insurance .....	51,101	51,101
Total Assets .....	\$13,096,562	\$11,834,941

Explanatory notes on page 11 are an integral part of the financial statements.



## LIABILITIES AND SHAREHOLDERS' EQUITY

July 31

	1962	1961
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Expenses .....	\$ 4,446,869	\$ 3,394,450
Long-Term Debt Due Within One Year .....	90,046	495,964
Dividends Payable .....		102,250
Provisions for Employees' Profit Sharing Plan .....	189,639	113,415
Provisions for Income Taxes .....	854,774	716,120
Customers' Deposits .....	114,777	99,337
Total Current Liabilities .....	\$ 5,696,105	\$ 4,921,536
<b>Long-term Debt:</b>		
Notes Payable and Debenture Bonds .....	1,679,864	1,791,652
<b>Deferred Credits:</b>		
Unamortized Premium on Debenture Bonds .....	59,261	78,736
Total Liabilities .....	\$ 7,435,230	\$ 6,791,924
<b>Shareholders' Equity:</b>		
5% Preferred Stock of \$100 Par Value Authorized, 500 Shares; Issued and Outstanding, 450 Shares .....	\$ 45,000	\$ 45,000
Common Stock of \$1 Par Value Authorized, 1,150,000 Shares; Issued and Outstanding, 1,000,000 Shares .....	1,000,000	1,000,000
Retained Earnings .....	4,616,332	3,998,017
Total Shareholders' Equity .....	\$ 5,661,332	\$ 5,043,017
Total Liabilities and Shareholders' Equity .....	\$13,096,562	\$11,834,941



## FIVE YEAR REVIEW

	1962	1961	1960	1959	1958
<b>Net Sales</b>	<b>\$32,660,899</b>	<b>\$31,109,876</b>	<b>\$30,679,449</b>	<b>\$27,005,459</b>	<b>\$20,443,908</b>
Other Income	55,437	17,900			
<b>Total</b>	<b>\$32,716,336</b>	<b>\$31,127,776</b>	<b>\$30,679,449</b>	<b>\$27,005,459</b>	<b>\$20,443,908</b>
<b>Costs and Expenses:</b>					
Cost of Merchandise Sold, Including Buying, Operating, Selling and Administrative Expenses Other Than Itemized Herein	\$29,973,862	\$28,572,055	\$28,783,545	\$25,086,245	\$19,292,783
Rents	181,337	179,325	173,521	137,359	101,785
Depreciation and Amortization	124,570	133,219	136,712	105,560	72,945
Contributions to Employees' Profit Sharing Plan	254,122	190,542	174,790	138,680	126,660
Interest and Loan Expense	128,274	162,209	51,633	21,834	16,857
<b>Total Costs and Expenses</b>	<b>\$30,662,165</b>	<b>\$29,237,350</b>	<b>\$29,320,201</b>	<b>\$25,489,678</b>	<b>\$19,611,030</b>
<b>Net Earnings Before Income Taxes</b>	<b>\$ 2,054,171</b>	<b>\$ 1,890,426</b>	<b>\$ 1,359,248</b>	<b>\$ 1,515,781</b>	<b>\$ 832,878</b>
Provisions for Income Taxes	1,033,606	956,000	641,037	759,702	428,593
<b>Net Earnings</b>	<b>\$ 1,020,565</b>	<b>\$ 934,426</b>	<b>\$ 718,211</b>	<b>\$ 756,079</b>	<b>\$ 404,285</b>
<b>Net Earnings per Common Share</b>	<b>\$ 1.02</b>	<b>\$ .93</b>	<b>\$ .72</b>	<b>\$ .75</b>	<b>\$ .40</b>



## NOTES TO FINANCIAL STATEMENTS

### Note 1 — Data on Subsidiaries:

The consolidated financial statements include the accounts of all subsidiaries, all of which are wholly-owned. During the year the Company organized five new subsidiaries. Three of the subsidiaries, located at Shelby, North Carolina; Hagerstown, Maryland; and Nashville, Tennessee, were operating stores at the end of the fiscal year. Two of the subsidiaries, located at Chattanooga, Tennessee; and Hickory, North Carolina, were scheduled to begin operations in August 1962.

### Note 2 — Cash Value of Life Insurance:

The \$51,101 shown on the balance sheet as cash value of life insurance represents premiums paid on policies covering the life of Mr. H. C. Buchan, Jr., former president. The policies had been in effect for less than two years prior to the death of Mr. Buchan on October 22, 1960, and the insurance companies have withheld payment. Action has been instituted by Lowe's for recovery of \$1,617,202, the face amount of the policies.

### Note 3 — Long Term Debt:

The Company's long-term debt is summarized as follows:

Unsecured 6% notes payable to a life insurance company in the amount of \$1,170,000 representing the balance due under an agreement entered into on October 13, 1960 when a loan of \$1,500,000 was effected. The loan is payable in annual installments of \$150,000 beginning September 1, 1963. Among other conditions the loan agreement places certain requirements on net current assets to be maintained, limits other borrowings and places certain restrictions on payment of cash dividends.

4½% debenture bonds in the aggregate amount of \$228,394 maturing annually to 1967 at the rate of \$34,773.

Various notes in the aggregate amount of \$371,516 incurred in the purchase of and secured by real estate. All notes mature in monthly installments. The final payments are due in 1969.

### Note 4 — Commitments and Contingent Liabilities:

On June 16, 1961 the Company purchased from the estate of H. C. Buchan, Jr. 50,000 shares of its common stock and issued in pay-

ment for this stock a non-interest bearing note in the amount of \$700,000. This note was not recorded in the accounts of the Company since it is payable only out of the proceeds of certain life insurance policies referred to in Note 2 on the life of Mr. Buchan. The balance due on this note at July 31, 1962 and payable only upon the collection of such insurance policies is \$378,082.

Lowe's Companies, Inc. and its subsidiary companies have seven rental leases expiring more than three years after July 31, 1962, with aggregate minimum annual rentals of approximately \$72,000. None of the leases extend beyond 1969 except by option of the Company.

The Company and subsidiaries have sundry claims and litigations pending against them. In the opinion of counsel and management these items will not result in consequences materially adverse to the Company.

### Note 5 — Employees' Stock Option Plan:

Under the stock option plan approved by the stockholders in July 1961, 65,000 shares of the Company's common stock are reserved for the granting of options at 95% of market value at date of grant. Options were granted during this fiscal year to 23 officers and key employees for 60,750 shares. The options are exercisable at the rate of 20% per year beginning January 1, 1963.

### Note 6 — Employees' Profit Sharing Plan:

There is in effect a qualified non-contributory profit sharing plan established in June 1957. The Company generally contributes to the plan the maximum amount allowed under the Internal Revenue Code, that is, 15% of the aggregate annual compensation paid to participating employees. The trust created by the plan is the Company's largest stockholder.

### Note 7 — Reclassifications:

Certain items on the earnings statement have been reclassified from previously published statements for the purposes of comparison with no effect on the net results.

The Board of Directors

Lowe's Companies, Inc.

We have examined the consolidated balance sheet of Lowe's Companies, Inc., and subsidiary companies at July 31, 1962 and the related statements of consolidated earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of earnings and retained earnings present fairly the consolidated financial position of Lowe's Companies, Inc., and subsidiary companies at July 31, 1962 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SMITH & GRISETTE  
Certified Public Accountants

Lenoir, North Carolina  
September 7, 1962



Warehouse: 40,000 sq. ft.  
Sales Area: 6,000 sq. ft.  
Parking Area: 50,000 sq. ft.  
Lumber Storage: 150,000 bd. ft.  
Rail Siding Length: 7 cars  
**Total Area: 3½ acres**





*Vice Mayor George McInturff cuts the ribbon at Lowe's Grand Opening in Chattanooga, Tennessee on August 2, 1962.*

*One hour later, and for three solid days, your new store was thronged with people, in an enthusiastic response and welcome to Lowe's Low Prices.*



*Charles Jennings, manager of the Chattanooga store, gives personal attention to a home freezer prospect. Lowe's volume is in millions, but sales are made one at a time.*

**WE WILL NEVER SURRENDER OUR LOWE LOW PRICES**

**COOLERATOR "POWERETTE" ROOM AIR CONDITIONER**

*check these features!*

- Automatic defrosting, maintaining a uniform temperature, 24 hours a day.
- Controls operate on one electrical line (220 volt) and require no special wiring.
- Economical.
- Durable.

**\$129.00**



## LOWE'S IN ACTION . . .

### *Sales Promotion*



*Lowe's Plumbing Trade Show . . . products & people*



### ENTHUSIASM

*Pictured here is a group of Lowe's cracker-jack sales force at a recent sales meeting showing the enthusiasm which builds a company.*



*Executive Vice-President Petro Kulynych talks on Teamwork at a Sales Rally of Lowe's store managers and salesmen.*



*Sales V.P. Johnny Walker tells of opportunities in the home building business at a series of "Builder's Barbecues", sponsored by Lowe's in each area we serve.*



**OFFICERS AND DIRECTORS  
LOWE'S COMPANIES INC.**



**Edwin Duncan, Sr.**  
President  
Chairman of the Board  
President, Northwestern Bank,  
North Wilkesboro, N. C.



**Petro Kulynych**  
Executive Vice President  
Chairman, Executive Committee  
Director



**John A. Walker**  
Vice President, Sales  
Member, Executive Committee  
Director



**William H. McElwee**  
Vice President  
General Counsel  
Director  
President, Forest Furniture Co.,  
North Wilkesboro, N. C.



**Leonard G. Herring**  
Secretary-Treasurer  
Member, Executive Committee  
Director



**J. V. Reinhardt**  
Director of Operations  
Member, Executive Committee  
Director

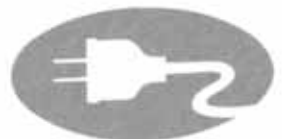


**Robert L. Strickland**  
Director of Marketing  
Member, Executive Committee  
Director



**Gordon E. Cadwgan**  
Director  
Partner, G. H. Walker & Company,  
Providence, R. I.





LOWE'S COMPANIES, INC. / BOX 1111, NORTH WILKESBORO, NORTH CAROLINA

