



# Fourth Quarter and Fiscal 2018 Earnings Call Presentation

February 26, 2019



# Safe Harbor Statement

All forward-looking statements are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and assumptions mentioned today. A detailed discussion of these factors and uncertainties is contained in the company's filings with the Securities and Exchange Commission.

Adjusted earnings before interest, taxes, depreciation and amortization and diluted earnings per share amounts exclude the impact of restructuring and other costs, settlement charges associated with our defined benefit plans and losses on the early retirement of debt. For full financial data, reconciliation of non-GAAP financial measures and cautionary language regarding forward-looking statements, please refer to Macy's fourth quarter 2018 earnings release issued on February 26, 2019 and other financial information available on the investor relations page at [www.macysinc.com](http://www.macysinc.com).

Jeff Gennette,  
Chairman & Chief Executive Officer

# 4Q and Fiscal 2018 Highlights

- Macy's, Inc. returned to comparable sales growth
  - Fifth consecutive quarter of positive comparable sales
- 4Q positive against strong holiday 2017
  - O+L comparable sales: +0.7%
  - EPS: \$2.73
- 2018 was the first full year of comparable sales growth since 2014
  - O+L comparable sales: +2.0%
  - EPS: \$4.18



# bloomingdale's



- Double digit sales growth online
- Renovated 59<sup>th</sup> Street flagship
- Flagship's best year since 2013
- Enhanced customer experience

# bluemercury

- Total sales up double digits
- 26 new standalone stores
- Online sales increased >50%
- Private brands >10% total sales



# Balanced Investment to Support Our Winning Formula



# ★ 2018 Strategic Initiative Scorecard

Loyalty	Store Pickup	Backstage SWS	Vendor Direct	Growth 50
<ul style="list-style-type: none"><li>✓ Platinum customer spend +~10%</li><li>✓ More than 3 million Bronze members</li></ul>	<ul style="list-style-type: none"><li>✓ ~7% of online sales</li><li>✓ ~25% associated sales</li></ul>	<ul style="list-style-type: none"><li>✓ Opened 120+ locations</li><li>✓ +5% average lift to total box</li></ul>	<ul style="list-style-type: none"><li>✓ Nearly doubled online SKUs</li><li>✓ ~10% of online sales</li></ul>	<ul style="list-style-type: none"><li>✓ Outperformed fleet</li><li>✓ Higher customer retention rates &amp; satisfaction scores</li></ul>



# Balanced Investment to Support Our Winning Formula



- Improved health across fleet
- Trend led by Growth50 stores



- 38 consecutive quarters of double-digit growth
- Improved site experience, enhanced delivery options & vendor direct



- Fastest growing channel
- More than \$1B sales on apps



# 2018 Innovation



- Launched in 2018, expanding in 2019
- Powered by b8ta platform



- Stay tuned



- 100+ VR furniture galleries
- Return rates lower by 25%; basket size greater by 44%

# Real Estate Update



## Union Square

- I. Magnin building sale generated cash proceeds of **\$250 million**
- An asset sale gain of **\$178 million**



## Herald Square

- Beginning preliminary meetings
- Will continue to invest in retail experience

# Paula Price, Chief Financial Officer



# Fiscal 2018 Highlights

- Macy's, Inc. has returned to growth
  - Delivered annual comparable sales growth in FY18
  - Achieved second consecutive 4Q positive comparable sales
- Increased financial flexibility to fund growth initiatives
- We are managing all aspects of our business for growth, rooting out unproductive costs

# Important Earnings Drivers

## **Credit Card Revenue: A Competitive Advantage**

- Integrated role in customer offering
- Drives sales – proprietary card members represent roughly half of total sales
- Enhanced by Loyalty program and helps offset associated expenses

## **Asset Sales: Help Drive Growth and Strengthen Balance Sheet**

- Asset sales have generated more than \$1.7 billion in cash proceeds over the past 4 years
- Redeploy cash to:
  - Fund investments to drive profitable sales growth
  - Pay down debt: \$2.5 billion in past 4 years
- Expect asset sale gains to moderate

# 4Q and FY2018 Earnings Snapshot

<i>(in millions)</i>	4Q18	FY2018
<b>Net Sales</b>	\$8,455	\$24,971
<b>Comp Sales - Owned</b>	0.4%	1.7%
<b>Comp Sales - Owned + Licensed</b>	0.7%	2.0%
<b>Gross Margin</b>	37.5%	39.1%
<b>Credit Card Revenue</b>	\$240	\$768
<b>Asset Sale Gains</b>	\$278	\$389
<b>Adjusted EBITDA</b>	\$1,399	\$2,877
<b>Net income attributable to Macy's, Inc. shareholders</b>	\$740	\$1,108
<b>Diluted EPS</b>	\$2.37	\$3.56
<b>Adjusted Diluted EPS</b>	\$2.73	\$4.18
<b>Adjusted Diluted EPS Ex Asset Sale Gains</b>	\$2.08	\$3.26

# Healthy Balance Sheet

- Repurchased \$1.1 billion of debt in fiscal 2018
  - \$750 million tender in 4Q 2018
- Leverage ratio of 2.5x, including asset sale gains
- Leverage ratio of 2.9x, excluding asset sale gains
  - Will use excess cash to further reduce debt to within target ratio, excluding asset sale gains

COMMITTED TO MAINTAINING A FLEXIBLE, DURABLE BALANCE SHEET

# Funding Our Future



**Supply  
Chain**



**Merchandising  
Mix & Pricing**



**Marketing**



**Store  
Labor**



**Private  
Label  
Sourcing**



**Indirect Spend  
Procurement**

- Disciplined, multi-year productivity program
- Validation of impact of 3-5 year plan underway

# FY 2019 Guidance

<b>Adjusted Diluted EPS</b>	\$3.05 - \$3.25
<b>Asset Sale Gains</b>	~\$100 Million
<b>Adjusted Diluted EPS Ex Asset Sale Gains</b>	\$2.80 - \$3.00
<b>Comp Sales - Owned</b>	Flat To +1%
<b>Comp Sales - Owned + Licensed</b>	Flat To +1%
<b>Net Sales</b>	~Flat
<b>Credit Card Revenue</b>	\$740-765 Million
<b>Gross Margin</b>	Rate Down Moderately in 1H, Down Slightly in 2H
<b>SG&amp;A</b>	Rate Up Slightly
<b>Interest Expense</b>	~\$190 Million
<b>Tax Rate</b>	~23%
<b>Capital Expenditures</b>	~\$1.0 Billion

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Chairman & Chief Executive Officer



# 2019 Strategic Initiatives

1

## **GROWTH 150**

Add 100 doors and keep the original 50 growing ahead of the total stores fleet

2

## **BACKSTAGE**

Expand to 45 Macy's stores and deliver positive comps for locations previously opened

3

## **VENDOR DIRECT**

Aggressive expansion of vendors and SKUs

4

## **MOBILE**

Continue "mobile first" strategy and deliver outsized growth in mobile sales

5

## **DESTINATION BUSINESSES**

Dresses  
Fine Jewelry  
Big Ticket  
Men's Tailored  
Women's Shoes  
Beauty

# Q&A



Thank You

