



# First Quarter 2019 Earnings Presentation

Jeff Gennette, Chairman & CEO

Paula Price, CFO

May 15, 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. A detailed discussion of these factors and uncertainties is contained in the company's filings with the Securities and Exchange Commission.

This presentation includes diluted earnings per share amounts that exclude the impact of impairments and other costs and asset sale gains. Additional important information regarding these non-GAAP financial measures as well as others used in the earnings release can be found on the Investors section of our website.

# 1Q19 Highlights

- Delivered sixth consecutive quarter of positive comparable sales
- Macy's, Bloomingdale's and Bluemercury all performed to expectations
- Strategic initiatives are driving comparable sales growth
  - Brick & mortar sales trend improved sequentially in the first quarter, supported by the Growth50 stores and Backstage
  - 2019 initiatives on track, making progress
- On track to deliver annual top and bottom-line guidance

# 1Q19 Earnings Snapshot

	<u><b>Q1 2019</b></u>
<b>Total Sales</b>	\$5,504mm
<b>Comp Sales - (Owned)</b>	0.6%
<b>Comp Sales - (Owned + Licensed)</b>	0.7%
<b>Credit Card Revenue</b>	\$172mm
<b>Gross Margin Rate</b>	38.2%
<b>SG&amp;A Rate</b>	38.4%
<b>Asset Sale Gains (ASG)</b>	\$43mm
<b>GAAP Diluted EPS</b>	\$0.44
<b>Adjusted Diluted EPS</b>	\$0.44
<b>Adjusted Diluted EPS (ex. ASG)</b>	\$0.34

# Our Winning Formula



HEALTHY  
STORES



ROBUST  
.COM



GREAT  
**MOBILE**  
EXPERIENCE

# 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 50 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

# Growth150

*Confirms our investment thesis for our flagship and magnet stores*

- **Growth investment model:** upgrades to facilities, fixtures, staffing, assortment and customer service to build a scalable model for brick & mortar growth
- **Growth50 outperformance in 2018:** Growth50 stores outperformed the fleet in sales growth in fiscal 2018 and achieved higher customer retention and brand attachment scores
  - Expect these stores to carry sales momentum into 2019
- **Scaling to another 100 locations in 2019:** implementing the growth investment model to another 100 stores in 2019 to continue growth trend
  - Will comprise 50% of brick & mortar sales

## Q1 Update

- Growth50 locations continue to lead brick & mortar performance, outperforming the next 100 growth locations by 4.5ppts.
- Growth100 implementation is underway, updates on performance to come

# Macy's Backstage

*We're getting better at off price everyday*

- **Macy's on-mall, off-price business:** 174 locations within Macy's stores nationwide and 7 freestanding locations at the end of Q1 2019; 121 locations opened in 2018
- **Average total store lift more than 5% in 2018:** for all locations with Backstage store within a store
- **Driving comp growth:** continued comp growth in the Backstage portion of the stores that have been opened for more than one year
- **Cross-shopping:** ~15% of our customers are shopping Backstage and the main store; Backstage driving ~2 more trips with cross-shopping customers spending ~25% more

## Q1 Update

- Opened 9 stores in Q1; remaining balance of the 50 to open by the end of Q3
- Supported brick and mortar trend improvement



# Vendor Direct

*Customers love the expanded assortment and brands*

- **Expansion of online assortment**
  - Nearly doubled SKUs online since the expansion in early 2018
  - Includes products from our existing national brands and the addition of new brands and categories
- **Digital growth**
  - Approximately 10% of online sales now come from Vendor Direct
  - Increases customer consideration and site traffic
- **2019 expansion:** expect to add 1 million new SKUs and 1,000+ vendors

## Q1 Update

- 142 new vendors and 334,000 new SKUs added
- Brand additions: include Lacoste, Cotton On, Happy Socks, Urban Originals, Britax

# Mobile

## *Fastest growing sales channel*

- **Delivered more than \$1 billion** in sales through mobile apps in 2018
- **Expect outsized growth in 2019**
- **App Feature Enhancements:**
  - My Wallet: customers can quickly pick up online orders using their phones as identification, or securely pay with Mobile Pay; easier access to offers and loyalty rewards
  - My Store: easier access to in-store offers and recommendations; provide features such as product locator and in-store wayfinding
  - My Stylist: will help digitally connect our best customers to our in-store fashion authorities, using the personal shoppers at “My Stylist”

### **Q1 Update**

- Mobile app enhancements in progress
- Testing quick pick up in-stores, and scaled AR furniture capabilities with ability to check out and purchase big ticket on the app

# Destination Businesses

## *Taking market share business by business*

- **Competitive advantage:** drive cross-shopping to take advantage of department store model
- **Six categories represented ~37% of total 2018 sales**
- **Allocating additional resources to gain market share:**
  - Macy's is in the top 3 market share within each of these 6 areas
  - Deliver higher ROI and profitability than the balance of the business
  - Opportunity to increase cross-shopping and grow share of wallet

### Product

- Best brands
- Exclusive content,
- Higher AUR

### Staffing

Top managers and selling colleagues are being put in these departments

### Environment

Improved online and in-store experience, including new shops, fixtures and technology

### Marketing

Focus on special events and online personalization

### Q1 Update

- We saw strength in our destination businesses in the quarter

# STORY at Macy's

*A store to explore inside Macy's*

- **A store to explore:** launched in 36 locations in 15 states in one day
- **Driving traffic:** gives new customers a reason to visit our stores, and gives our current customers a reason to come back in and see what's new
- **Experiential retail:** improves customer engagement through narrative-driven merchandising statements and community-driven event programming.
- **New concept every 10-15 weeks:** signature blend of unique collaborations, differentiated value and dynamic event programming



# Funding Our Future



**Supply  
Chain**



**Private  
Label  
Sourcing**



**Merchandising  
Mix & Pricing**



**Store  
Labor**



**Marketing**



**Indirect Spend  
Procurement**

- Productivity initiative will aid in Macy's return to profit growth when combined with Macy's strategic sales initiatives
- Cross-functional teams working together on multi-year strategy
- 3-5 year plan underway

## Q1 Update

- Supply chain: "hold and flow" will be fully rolled out by end of Q2
- Fulfillment, pricing and supply chain initiatives underway

# Reaffirming FY 2019 Guidance

	<b><u>FY19</u></b>
<b>Total Sales</b>	Approx. Flat
<b>Comp Sales - (Owned)</b>	Flat to +1.0%
<b>Comp Sales - (Owned + Licensed)</b>	Flat to +1.0%
<b>Credit Card Revenue</b>	\$740 - \$765 million
<b>Gross Margin</b>	Rate down moderately in the 1H; Down slightly in the 2H
<b>SG&amp;A</b>	Rate up slightly
<b>Asset Sale Gains (ASG)</b>	Approx. \$100 million
<b>Adjusted Diluted EPS</b>	\$3.05 - \$3.25
<b>Adjusted Diluted EPS (ex. ASG)</b>	\$2.80 - \$3.00
<b>CAPEX</b>	Approx. \$1 billion
<b>Interest Expense</b>	Approx. \$190 million
<b>Retirement Income</b>	Approx. \$25 million
<b>DA</b>	Approx. \$975 million

