

Second Quarter 2019 Earnings Presentation

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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 certain financial statement items. 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.



2Q19 Highlights

- Delivered another quarter of comparable sales growth
- Quarter had slow start driven by:
 - A miss on fashion in our key women's sportswear private brands
 - Slow sell-through of warm weather apparel
 - Accelerated decline in international tourism business
- Took necessary markdowns to clear inventory, impacting gross margin for 2Q by almost one full point
- Entering Fall with the right inventory level and mix to meet anticipated customer demand
- Areas of the business are doing well, notably our Destination Businesses
- Brick & mortar sales getting healthier, led by Growth50 stores and Backstage expansion
- Digital business delivered its 40th consecutive quarter of double-digit growth
- Confident in annual comparable sales guidance
- Lowering adjusted earnings per share guidance by 20 cents for the year



2Q EARNINGS SNAPSHOT

<i>in millions except per share figures and percentages</i>	2Q19
Net Sales	\$5,546
Comp sales - owned	0.2%
Comp sales - owned + licensed	0.3%
Credit card revenues, net	\$176
Gross margin	\$2,151
<i>Gross margin rate</i>	<i>38.8%</i>
SG&A	\$2,177
<i>SG&A rate</i>	<i>39.3%</i>
Gains on sale of real estate	\$7
GAAP Diluted EPS	\$0.28
Adjusted Diluted EPS	\$0.28
Adjusted Diluted EPS Ex Asset Sale Gains	\$0.27



BALANCED INVESTMENT TO SUPPORT 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



Growth 150 Overview

- **Growth investment model:** upgrades to facilities, fixtures, staffing, assortment and customer service to build a scalable model for brick & mortar growth
- **Scaling to another 100 locations in 2019:** implementing the growth investment model to another 100 stores in 2019 to continue growth trend
- Will comprise approximately **50% of Macy's brick & mortar sales**

Q2 Update

- **Work on next 100 stores is well underway and will be complete by holiday, ahead of last year's Growth50 rollout**
- **Strong performance from the original 50 stores, and we expect a similar lift in sales on the next 100 once work is complete**



Backstage Overview

- **Macy's on-mall, off-price business:** 212 locations within Macy's stores nationwide and 7 freestanding locations at the end of Q2 2019
- **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 in 2018:** ~15% of our customers are shopping Backstage and the main store; Backstage driving ~2 more trips with cross-shopping customers spending ~25% more

Q2 Update

- **Opened 47 locations year to date and have more than 200 Backstage locations in Macy's stores**
- **Backstage locations within Macy's stores opened for more than 12 months continue to comp mid-single digits**
- **Dedicated Backstage distribution center up and running**



Vendor Direct Overview

- **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
- **Vendor direct only has upside:** It adds sales and profit, and increases both customer satisfaction and traffic to the site
- **It's high ROIC:** there is no capital or inventory investment

Q2 Update

- **Halfway to our goal of adding 1 million SKUs this year**



Mobile Overview

- **Delivered more than \$1 billion** in sales through mobile apps in 2018
- **Fastest growing channel**
- **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”

Q2 Update

- **Continue to see significant increases in traffic and conversion**
- **Introduced quick barcode pickups of online orders, localized product recommendations and rewards that improve in-store experience**



Destination Businesses Overview

- **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	Environment	Staffing	Marketing
Best brands Exclusive content, Higher AUR	Improved online and in-store experience, including new shops, fixtures and technology	Top managers and selling colleagues are being put in these departments	Focus on special events and online personalization

Q2 Update

- **All six Destination Businesses outperformed the balance of the business on market share, ROI and profitability**
- **Particular strong performance in Fine Jewelry, Men's Tailored and Women's Shoes**



Innovation



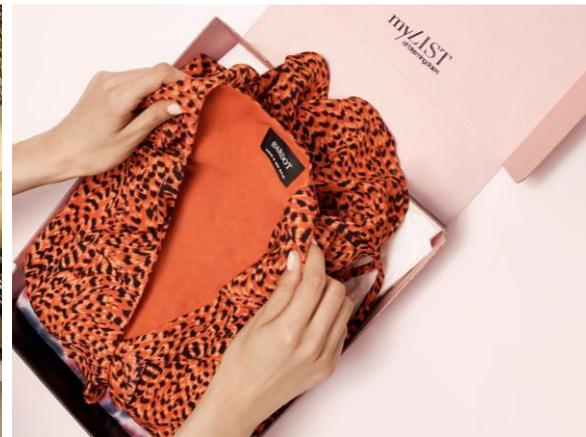
STORY

- Launched second iteration of STORY – Outdoor STORY
- Pleased with customer response to STORY
- Attracts new customers and gives current customers a reason to come back



thredUP

- Partnership with fashion resale marketplace
- Piloting in 40 stores across the country
- Reach Millennials and Gen Z who are passionate about sustainable fashion and shopping resale



My List @ Bloomingdale's

- Bloomingdale's will launch a subscription rental service next month
- Learnings will inform a similar strategy at Macy's in the near future



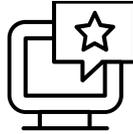
FUNDING OUR FUTURE



Supply
Chain



Merchandising
Mix & Pricing



Marketing



Store
Labor



Private Label
Sourcing



Indirect Spend
Procurement

Q2 Update

- **Successful test of Hold and Flow gives us confidence in operating the program at scale during the Fall, and expect to see significant EBIT benefits**
- **Using more data analytics to get a granular understanding of pricing decisions and optimizing our markdowns, which will enhance margins**
- **Rolling out new pricing capabilities at scale following successful Spring test**



Confidence in 2H19 Margin

- **Inventory is well positioned**
 - Entering Fall season with the right inventory level and mix to meet anticipated customer demand
 - Improved freshness and liquidity to respond to in-season trends
- **Merchandising updates**
 - Majority of unanticipated markdowns were related to Women's Sportswear in Private Brands, which is now in an improved inventory position
 - New leadership in place
 - Inventory is being managed with greater discipline
- **Marketing strategy**
 - Driving effectiveness and efficiency in our media
 - Taken several actions to simplify or eliminate less effective marketing promotions
- **Good progress on productivity initiatives**
 - Hold and Flow will be operated at scale during the Fall
 - Expect to see significant EBIT benefits as a result



Guidance

in millions except per share figures and percentages

	Updated FY19 Guidance	Original FY19 Guidance
Net Sales	Approximately flat	Approximately flat
Comp sales - owned	Flat to +1.0%	Flat to +1.0%
Comp sales - owned + licensed	Flat to +1.0%	Flat to +1.0%
Credit card revenues, net	\$740 to \$765	\$740 to \$765
Gross margin rate	Down slightly in second half	Down slightly in second half
SG&A rate	Up slightly	Up slightly
Gains on sale of real estate	Approximately \$100	Approximately \$100
Depreciation and amortization	Approximately \$975	Approximately \$975
Interest expense, net	Approximately \$190	Approximately \$190
Benefit plan income, net	Approximately \$25	Approximately \$25
Adjusted Diluted EPS	\$2.85 to \$3.05	\$3.05 to \$3.25
Adjusted Diluted EPS excluding gains on sale of real estate	\$2.60 to \$2.80	\$2.80 to \$3.00
Capital Expenditures	Approximately \$1,000	Approximately \$1,000



Tariffs Update

- Currently assessing the details that the US Trade Representative's office released on August 13th related to the fourth tranche of tariffs on goods imported from China
- Confident our scale gives us the leverage to find mitigation strategies that work for us, our vendor partners and our suppliers in China
- We know from the earlier round of tariffs, that today's customer doesn't have much appetite for price increases



Additional Information

Macy's, Inc. is scheduled to present at the Goldman Sachs Annual Global Retailing Conference at 8:05 a.m. ET on Thursday, September 5, 2019, in New York City.

Macy's, Inc. will report results for the third quarter 2019 on Thursday, November 21, 2019. Moving forward, the company will hold its call with analysts and investors at 8:00 a.m. ET.

