

Third 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.



3Q19 Highlights

- Third quarter sales decline driven by:
 - Soft international tourism
 - Weaker than anticipated performance in lower tier malls
 - Late arrival of cold weather
 - Temporary impact on e-commerce due to site improvements in preparation for holiday
- Cleared excess inventory we faced earlier in the year; Comp inventory flat in the quarter
- Improved margin compression in the third quarter vs. Q2 due to more balanced approach to sales and profit
- Strategic initiatives all complete in time for holiday
- Confident in holiday strategies
- Lowering full year sales and earnings guidance to:
 - Owned plus licensed comparable sales: down 1.5% to down 1.0%
 - Adjusted diluted EPS: \$2.57 to \$2.77
 - Adjusted diluted EPS excluding Asset Sale Gains: \$2.20 to \$2.40



Third Quarter Snapshot

<i>in millions except per share figures and percentages</i>	3Q19
Net Sales	\$5,173
Comp sales - owned	(3.9)%
Comp sales - owned + licensed	(3.5)%
Credit card revenues, net	\$183
Gross margin	\$2,067
<i>Gross margin rate</i>	40.0%
SG&A	\$2,202
<i>SG&A rate</i>	42.6%
Gains on sale of real estate	\$17
GAAP Diluted EPS	\$0.01
Adjusted Diluted EPS	\$0.07
Adjusted Diluted EPS Ex Asset Sale Gains	\$0.03
Comp Inventory	Flat



Growth 150 Overview

- **Growth investment model:** upgrades to facilities, fixtures, staffing, assortment and customer service to build a scalable model for brick & mortar growth
- **Scaled to another 100 locations in 2019:** implemented the growth investment model to next 100 stores
- Comprises approximately **50% of Macy's brick & mortar sales**

Q3 Update

- **Work on the Growth150 stores is complete**
- **Growth stores continue to outperform the rest of the fleet, validating our investments in this initiative and giving us greater confidence in our outlook for this important segment of our store fleet**



Backstage Overview

- **Macy's on-mall, off-price business:** 215 locations within Macy's stores nationwide and 7 freestanding locations at the end of Q3 2019
- Dedicated Backstage distribution center up and running
- **Average total store lift more than 5% in 2018:** for all locations with Backstage store within a store
- **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

Q3 Update

- **Opened 50 locations year-to-date**
- **Backstage sales exceeded expectations in the quarter**
- **Backstage locations open for more than 12 months continue to comp mid-single digits and have improved margin and turn**
- **Strong performance in Ready-to-Wear, Active, Intimate categories**
- **Kid's category has been a standout, with customers responding to a mix of brand and classifications in apparel and toys**
- **Strong improvements in Shoe business**



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 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

Q3 Update

- **Particular strong performance in Mattresses, Fine Jewelry, Fragrances, Dresses, and Men's Active and Tailored**



Mobile Overview

- **Delivered more than \$1 billion** in sales through mobile apps in 2018
- **Fastest growing channel**; Expect outsized growth in 2019

Q3 Update

- **Triple digit growth in app downloads year-to-date and significant growth in our mobile active users as we continue to improve the experience**
- **Improved our app and redesigned front-end experience to a more elevated design**
- **Introduced new features: updated store maps to help navigate local store, quick barcode pickups of online orders, and quick pay using in- app wallet**
- **On track to exceed our goal of delivering \$1.5 billion in sales through app**



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
- **Vendor direct only has upside:** It adds sales and profit, and increases both customer satisfaction and traffic to the site
 - Vendor direct sales run through the P&L the same as every other owned sale does; there is no license fee or 'take rate'
- **It's high ROIC:** there is no capital or inventory investment

Q3 Update

- **Added nearly 1,000 new vendors and one million new SKUS year-to-date**
- **Expanded into new categories, including Home, Men's and Kids and Center Core**



MULTI-YEAR PRODUCTIVITY PROGRAM: CHANGING THE WAY WE WORK



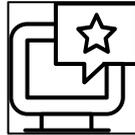
Supply Chain

- Build a best-in-class Supply Chain with greater flexibility, lower cost and improved speed



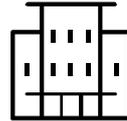
Merchandising Mix & Pricing

- Optimize pricing: targeted markdowns based on local demand



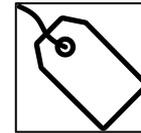
Marketing

- Optimize promotions through enhanced systems and calendars
- Monetize website
- Manage media and production spend



Stores

- Offset wage increases through productivity and self-service initiatives



Private Brand Sourcing

- Reduce costs through global sourcing strategies, materials management and enhanced negotiations



Indirect Spend Procurement

- Negotiating favorable rates and terms

Transformative program will add to ongoing disciplined expense management



Bloomingdale's and Bluemercury Q3 Highlights



- Bloomingdale's saw strongest performance in stores year-to-date
- Business was led by Luxury Fragrances, Salon Shoes and Contemporary Ready-to-Wear
- Opened 39th Bloomingdale's store in Norwalk, CT



- Bluemercury had a strong quarter with double-digit sales growth
- Opened four stores in the quarter
- Launched its first loyalty program, Bluerewards; 30% of customer base has already enrolled



Guidance

in millions except per share figures and percentages

	Updated FY19 Guidance	Prior FY19 Guidance
Net Sales	Down 2.5% to down 2.0%	Approximately flat
Comp sales - owned	~20bps below owned + licensed	Flat to +1.0%
Comp sales - owned + licensed	Down 1.5% to down 1.0%	Flat to +1.0%
Credit card revenues, net	Approximately \$750	\$740 to \$765
Gross margin rate	Down moderately for the year	Down slightly in second half
SG&A expense	Dollars slightly below last year	Rate up slightly
Gains on sale of real estate	Approximately \$150	Approximately \$100
Depreciation and amortization	Approximately \$975	Approximately \$975
Interest expense, net	Approximately \$190	Approximately \$190
Benefit plan income, net	Approximately \$30	Approximately \$25
Adjusted Diluted EPS	\$2.57 to \$2.77	\$2.85 to \$3.05
Adjusted Diluted EPS excluding gains on sale of real estate	\$2.20 to \$2.40	\$2.60 to \$2.80
Capital Expenditures	Approximately \$1,000	Approximately \$1,000



Confidence in Holiday

Expanded gifting assortment with a “gifts under” strategy that ensures we reach all of our customers with great products at all price points across categories

Powerful marketing calendar that addresses the cadence of a shorter holiday season and engaging with both our best and our occasional customers with targeted events

Stores are set for the holidays

Enhanced our **digital properties**, including mobile, to both promote online sales and drive in-store activity

On track with our seasonal **recruitment**

Our distribution centers and stores are **ready to deliver flexible, convenient and secure fulfillment options**, wherever our customers are shopping





Investor Day

On February 5th, 2020, we will provide:

- A view of the Macy's customer franchise and actions we are taking to drive further engagement with our existing customers, while we also bring new customers into the brand
- A detailed view of our omni-channel growth strategies, including an update on our approach to store segmentation and steps we are taking to further build on the success of our digital business
- An update on the productivity program that we shared in September – we've seen positive early results and have a roadmap to significantly accelerate these savings. This will include detail on our supply chain transformation
- Other actions we are taking to build a playbook to compete effectively in today's retail environment