

Macy's, Inc.**Reconciliation of GAAP to non-GAAP Financial Measures**

(All amounts in millions except for percentages and per share figures)

The following information relates to, and should be read in conjunction with, a conference call hosted by the management of Macy's, Inc. on February 26, 2019 to discuss the company's financial condition, results of operations and cash flows as of and for the 13 and 52 weeks ended February 2, 2019. An audio archive of the conference call and the text of the related press release can be accessed at www.macysinc.com/ir/.

The company adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, on February 4, 2018. This standard was retrospectively adopted and the financial information below has been recast to reflect the requirements of the new standard. Further information on the impact of the new standard can be found on the company's investor relations page at www.macysinc.com.

The company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures provide users of the company's financial information with additional useful information in evaluating operating performance. See the tables below for supplemental financial data and corresponding reconciliations to the most directly comparable GAAP financial measures. The reconciliation of the forward-looking non-GAAP financial measure of changes in comparable sales on an owned plus licensed basis to GAAP comparable sales (i.e., on an owned basis) is in the same manner as illustrated below, except that the impact of growth in comparable sales of departments licensed to third parties is the only reconciling item. In addition, the company does not provide the most directly comparable forward-looking GAAP measure of diluted earnings per share attributable to Macy's, Inc. shareholders because the timing and amount of excluded items are unreasonably difficult to fully and accurately estimate.

Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the company's financial results prepared in accordance with GAAP. Certain of the items that may be excluded or included in this non-GAAP financial measure may be significant items that could impact the company's financial position, results of operations and cash flows and should therefore be considered in assessing the company's actual and future financial condition and performance. Additionally, the amounts received by the company on sales of departments licensed to third parties are limited to commissions received on such sales. The methods used by the company to calculate its non-GAAP financial measures may differ significantly from methods used by other companies to compute similar measures. As a result, any non-GAAP financial measures presented herein may not be comparable to similar measures provided by other companies.

Changes in Comparable Sales

	13 Weeks Ended February 2, 2019	52 Weeks Ended February 2, 2019
Increase in comparable sales on an owned basis (Note 1)	0.4%	1.7%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.3%	0.3%
Increase in comparable sales on an owned plus licensed basis	<u>0.7%</u>	<u>2.0%</u>

Notes:

(1) Represents the period-to-period percentage change in net sales from stores in operation throughout the year presented and the immediately preceding year and all online sales, excluding commissions from departments licensed to third parties. Stores impacted by a natural disaster or undergoing significant expansion or shrinkage remain in the comparable sales calculation unless the store, or material portion of the store, is closed for a significant period of time. Definitions and calculations of comparable sales differ among companies in the retail industry.

(2) Represents the impact of including the sales of departments licensed to third parties occurring in stores in operation throughout the year presented and the immediately preceding year and all online sales in the calculation of comparable sales. The company licenses third parties to operate certain departments in its stores and online and receives commissions from these third parties based on a percentage of their net sales. In its financial statements prepared in conformity with GAAP, the company includes these commissions (rather than sales of the departments licensed to third parties) in its net sales. The company does not, however, include any amounts in respect of licensed department sales (or any commissions earned on such sales) in its comparable sales in accordance with GAAP (i.e., on an owned basis). The amounts of commissions earned on sales of departments licensed to third parties are not material to its net sales for the periods presented.

Macy's, Inc. believes that providing supplemental changes in comparable sales on an owned plus licensed basis, which includes adjusting for growth in comparable sales of departments licensed to third parties, assists in evaluating the company's ability to generate sales growth, whether through owned businesses or departments licensed to third parties, on a comparable basis, and in evaluating the impact of changes in the manner in which certain departments are operated.

Macy's, Inc.

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(All amounts in millions except for percentages and per share figures)

Earnings before interest, taxes, depreciation and amortization, excluding certain items and gains on sale of real estate

	13 Weeks Ended February 2, 2019	14 Weeks Ended February 3, 2018	Increase (decrease)
Most Comparable GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	<u>\$ 740</u>	<u>\$ 1,347</u>	
Non-GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	\$ 740	\$ 1,347	
Interest expense, net	49	73	
Losses (gains) on early retirement of debt	28	(11)	
Federal, state and local income tax expense (benefit)	226	(176)	
Depreciation and amortization	<u>244</u>	<u>250</u>	
Earnings before interest, taxes, depreciation and amortization	<u>\$ 1,287</u>	<u>\$ 1,483</u>	
Settlement charges	\$ 15	\$ 32	
Restructuring, impairment, store closing and other costs	<u>97</u>	<u>152</u>	
As adjusted to exclude certain items above	<u>\$ 1,399</u>	<u>\$ 1,667</u>	
Gains on sale of real estate	<u>(278)</u>	<u>(368)</u>	
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ 1,121</u>	<u>\$ 1,299</u>	<u>\$ (178)</u>
	52 Weeks Ended February 2, 2019	53 Weeks Ended February 3, 2018	Increase (decrease)
Most Comparable GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	<u>\$ 1,108</u>	<u>\$ 1,566</u>	
Non-GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	\$ 1,108	\$ 1,566	
Interest expense, net	236	310	
Losses (gains) on early retirement of debt	33	(10)	
Federal, state and local income tax expense (benefit)	322	(39)	
Depreciation and amortization	<u>962</u>	<u>991</u>	
Earnings before interest, taxes, depreciation and amortization	<u>\$ 2,661</u>	<u>\$ 2,818</u>	
Settlement charges	88	105	
Restructuring, impairment, store closing and other costs (Note 1)	<u>128</u>	<u>186</u>	
As adjusted to exclude certain items above	<u>\$ 2,877</u>	<u>\$ 3,109</u>	
Gains on sale of real estate	<u>(389)</u>	<u>(544)</u>	
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ 2,488</u>	<u>\$ 2,565</u>	<u>\$ (77)</u>

Note:

(1) For the 52 weeks ended February 2, 2019, the above pre-tax adjustment excludes impairment, restructuring and other costs attributable to the noncontrolling interest shareholder of \$8 million.

Management believes that earnings before interest, taxes, depreciation and amortization (EBITDA) provides meaningful information about the company's operational efficiency by excluding the impact of changes in tax law and structure, debt levels and capital investment. Excluding the impact of certain items from EBITDA, as disclosed above, is particularly useful where the amounts of such items may vary substantially in frequency and magnitude period-to-period.

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(All amounts in millions except for percentages and per share figures)

Net income attributable to Macy's, Inc. shareholders, excluding certain items and gains on sale of real estate

	13 Weeks Ended February 2, 2019	14 Weeks Ended February 3, 2018	Increase (decrease)
Most comparable GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	<u>\$ 740</u>	<u>\$ 1,347</u>	
Non-GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	\$ 740	\$ 1,347	
Restructuring, impairment, store closing and other costs	97	152	
Settlement charges	15	32	
Losses (gains) on early retirement of debt	28	(11)	
Income tax impact of certain items identified above	(30)	(60)	
Deferred tax effects of federal tax reform	<u>—</u>	<u>(584)</u>	
As adjusted to exclude certain items above	<u>\$ 850</u>	<u>\$ 876</u>	
Gains on sale of real estate	(278)	(368)	
Income tax impact of gains on sale of real estate	<u>74</u>	<u>138</u>	
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ 646</u>	<u>\$ 646</u>	<u>\$ —</u>
	52 Weeks Ended February 2, 2019	53 Weeks Ended February 3, 2018	Increase (decrease)
Most comparable GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	<u>\$ 1,108</u>	<u>\$ 1,566</u>	
Non-GAAP measure:			
Net income attributable to Macy's, Inc. shareholders	\$ 1,108	\$ 1,566	
Restructuring, impairment, store closing and other costs (Note 1)	128	186	
Settlement charges	88	105	
Losses (gains) on early retirement of debt	33	(10)	
Income tax impact of certain items identified above	(56)	(101)	
Deferred tax effects of federal tax reform	<u>—</u>	<u>(584)</u>	
As adjusted to exclude certain items above	<u>\$ 1,301</u>	<u>\$ 1,162</u>	
Gains on sale of real estate	(389)	(544)	
Income tax impact of gains on sale of real estate	<u>102</u>	<u>206</u>	
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ 1,014</u>	<u>\$ 824</u>	<u>\$ 190</u>

Note:

(1) For the 52 weeks ended February 2, 2019, the above pre-tax adjustment excludes impairment, restructuring and other costs attributable to the noncontrolling interest shareholder of \$8 million.

Management believes that net income attributable to Macy's, Inc. shareholders excluding the impact of certain items, as disclosed above, is a useful measure to assist the investor in evaluating the company's ability to generate earnings and that providing such a measure will allow investors to more readily compare the earnings referred to in the press release to the earnings reported by the company in past and future periods. Management believes that excluding the impact of the items is particularly useful where the amounts of such items may vary substantially in frequency and magnitude period-to-period.

Macy's, Inc.**Reconciliation of GAAP to non-GAAP Financial Measures**

(All amounts in millions except for percentages and per share figures)

Diluted earnings per share attributable to Macy's, Inc. shareholders, excluding certain items and gains on sale of real estate

	13 Weeks Ended February 2, 2019	14 Weeks Ended February 3, 2018
Most comparable GAAP measure:		
Diluted earnings per share attributable to Macy's, Inc. shareholders	<u>\$ 2.37</u>	<u>\$ 4.38</u>
Non-GAAP measure:		
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 2.37	\$ 4.38
Restructuring, impairment, store closing and other costs	0.31	0.50
Settlement charges	0.05	0.10
Losses (gains) on early retirement of debt	0.09	(0.03)
Income tax impact of certain items identified above	(0.09)	(0.20)
Deferred tax effects of federal tax reform	—	(1.90)
As adjusted to exclude certain items above	<u>\$ 2.73</u>	<u>\$ 2.85</u>
Gains on sale of real estate	(0.89)	(1.20)
Income tax impact of gains on sale of real estate	<u>0.24</u>	<u>0.45</u>
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ 2.08</u>	<u>\$ 2.10</u>
	52 Weeks Ended February 2, 2019	53 Weeks Ended February 3, 2018
Most comparable GAAP measure:		
Diluted earnings per share attributable to Macy's, Inc. shareholders	<u>\$ 3.56</u>	<u>\$ 5.10</u>
Non-GAAP measure:		
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 3.56	\$ 5.10
Restructuring, impairment, store closing and other costs	0.41	0.61
Settlement charges	0.28	0.34
Losses (gains) on early retirement of debt	0.11	(0.03)
Income tax impact of certain items identified above	(0.18)	(0.33)
Deferred tax effects of federal tax reform	—	(1.90)
As adjusted to exclude certain items above	<u>\$ 4.18</u>	<u>\$ 3.79</u>
Gains on sale of real estate	(1.25)	(1.77)
Income tax impact of gains on sale of real estate	<u>0.33</u>	<u>0.67</u>
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ 3.26</u>	<u>\$ 2.69</u>

Management believes that diluted earnings per share attributable to Macy's, Inc. shareholders excluding the impact of certain items, as disclosed above, is a useful measure to assist the investor in evaluating the company's ability to generate earnings and that providing such a measure will allow investors to more readily compare the earnings referred to in the press release to the earnings reported by the company in past and future periods. Management believes that excluding the impact of these items from the calculation of this measure is particularly useful where the amounts of such items may vary substantially in frequency and magnitude period-to-period.