

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 November 19, 2020 to discuss the company's financial condition, results of operations and cash flows as of and for the 13 and 39 weeks ended October 31, 2020. An audio archive of the conference call and the text of the related press release can be accessed at www.macysinc.com/investors.

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 earnings before interest, taxes, depreciation and amortization and the effective tax rate, excluding certain items, 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 October 31, 2020	39 Weeks Ended October 31, 2020
Decrease in comparable sales on an owned basis (Note 1)	(21.0)%	(33.9)%
Comparable sales growth impact of departments licensed to third parties (Note 2)	0.8%	0.1%
Decrease in comparable sales on an owned plus licensed basis	<u>(20.2)%</u>	<u>(33.8)%</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. No stores have been excluded as a result of the COVID-19 pandemic. Definitions and calculations of comparable sales may 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.

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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

	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019	Increase (decrease)
Most Comparable GAAP measure:			
Net income (loss)	\$ (91)	\$ 2	
Non-GAAP measure:			
Net income (loss)	\$ (91)	\$ 2	
Interest expense, net	80	48	
Federal, state and local income tax benefit	(126)	(2)	
Depreciation and amortization	250	252	
Earnings before interest, taxes, depreciation and amortization	<u>\$ 113</u>	<u>\$ 300</u>	
Settlement charges	26	12	
Restructuring, impairment and other costs	20	13	
Adjusted EBITDA	<u>\$ 159</u>	<u>\$ 325</u>	<u>\$ (166)</u>
	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019	Increase (decrease)
Most Comparable GAAP measure:			
Net income (loss)	\$ (4,104)	\$ 224	
Non-GAAP measure:			
Net income (loss)	\$ (4,104)	\$ 224	
Interest expense, net	196	143	
Financing costs	4	—	
Federal, state and local income tax expense (benefit)	(1,000)	55	
Depreciation and amortization	722	725	
EBITDA	<u>\$ (4,182)</u>	<u>\$ 1,147</u>	
Settlement charges	65	12	
Impairment, restructuring and other costs	3,445	16	
Adjusted EBITDA	<u>\$ (672)</u>	<u>\$ 1,175</u>	<u>\$ (1,847)</u>

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.

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

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

Net income (loss), excluding certain items and gains on sale of real estate

	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019
Most comparable GAAP measure:		
Net income (loss)	\$ (91)	\$ 2
Non-GAAP measure:		
Net income (loss)	\$ (91)	\$ 2
Restructuring, impairments and other costs	20	13
Settlement charges	26	12
Income tax impact of certain items identified above	(15)	(6)
As adjusted to exclude certain items above	<u>\$ (60)</u>	<u>\$ 21</u>
Gains on sale of real estate	(3)	(17)
Income tax impact of gains on sale of real estate	1	4
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ (62)</u>	<u>\$ 8</u>
	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Most comparable GAAP measure:		
Net income (loss)	\$ (4,104)	\$ 224
Non-GAAP measure:		
Net income (loss)	\$ (4,104)	\$ 224
Impairment, restructuring and other costs	3,445	16
Settlement charges	65	12
Financing costs	4	—
Income tax impact of certain items identified above	(351)	(6)
As adjusted to exclude certain items above	<u>\$ (941)</u>	<u>\$ 246</u>
Gains on sale of real estate	(20)	(67)
Income tax impact of gains on sale of real estate	5	18
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$ (956)</u>	<u>\$ 197</u>

Management believes that net income (loss) 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.

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Reconciliation of GAAP to non-GAAP Financial Measures

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

Diluted earnings (loss) per share, excluding certain items and gains on sale of real estate

	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019
Most comparable GAAP measure:		
Diluted earnings (loss) per share	\$ (0.29)	\$ 0.01
Non-GAAP measure:		
Diluted earnings (loss) per share	\$ (0.29)	\$ 0.01
Restructuring, impairments and other costs	0.06	0.04
Settlement charges	0.09	0.04
Income tax impact of certain items identified above	(0.05)	(0.02)
As adjusted to exclude certain items above	\$ (0.19)	\$ 0.07
Gains on sale of real estate	(0.01)	(0.06)
Income tax impact of gains on sale of real estate (Note 1)	—	0.02
As adjusted to exclude gains on sale of real estate and other certain items identified above	\$ (0.20)	\$ 0.03
	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Most comparable GAAP measure:		
Diluted earnings (loss) per share	\$ (13.20)	\$ 0.72
Non-GAAP measure:		
Diluted earnings (loss) per share	\$ (13.20)	\$ 0.72
Impairment, restructuring and other costs	11.08	0.05
Settlement charges	0.21	0.04
Financing costs	0.01	—
Income tax impact of certain items identified above	(1.13)	(0.02)
As adjusted to exclude certain items above	\$ (3.03)	\$ 0.79
Gains on sale of real estate	(0.06)	(0.21)
Income tax impact of gains on sale of real estate	0.02	0.05
As adjusted to exclude gains on sale of real estate and other certain items identified above	\$ (3.07)	\$ 0.63

Note: (1) The impact during the 13 weeks ended October 31, 2020 represents a value less than \$0.01 per diluted share.

Management believes that diluted earnings (loss) per share 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.