

Fourth Quarter and Full-Year 2019 Earnings

Jeff Gennette, Chairman & CEO | Paula Price, CFO

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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 non-GAAP financial measures 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 at the back of this presentation and on the Investors section of our website.



Fourth Quarter and Full-Year Snapshot

| <i>in millions except per share figures and percentages</i> | 4Q19 | FY19 |
|---|-------------|-------------|
| Net Sales | \$8,337 | \$24,560 |
| Comp sales - owned | (0.6)% | (0.8)% |
| Comp sales - owned + licensed | (0.5)% | (0.7)% |
| Credit card revenues, net | \$239 | \$771 |
| Gross margin | \$3,071 | \$9,389 |
| <i>Gross margin rate</i> | 36.8% | 38.2% |
| SG&A | \$2,509 | \$8,998 |
| <i>SG&A rate</i> | 30.1% | 36.6% |
| Gains on sale of real estate (ASG) | \$95 | \$162 |
| GAAP Diluted EPS | \$1.09 | \$1.81 |
| Adjusted Diluted EPS | \$2.12 | \$2.91 |
| Adjusted Diluted EPS (ex-ASG) | \$1.89 | \$2.53 |



Fourth Quarter and Full-Year Highlights

- Solid Holiday 2019 performance driven by:
 - Sales uptick in the 10 days before Christmas
 - Gifting strategy, with *Gifts Under* strategy resonating well
 - Strong execution, specifically in preparing stores, improving seasonal recruitment and enhancing digital properties
 - Robust operational plan in distribution centers and customer contact centers
 - Enhanced customer facing initiatives, including precise marketing calendar and clear product values
- Exited the year with a clean inventory position
- Total company digital sales up high single-digits in 4Q and FY19
 - Digital represents ~25% of Macy's, Inc. net sales
 - Store pickup sales increased more than 62% for the year
- Entering 2020 with solid plan for transition year



2019 Strategic Initiatives: Fourth Quarter and Full-Year Update

1

GROWTH 150

- Growth150 stores comprise approximately 50% of Macy's 2019 store sales
- Growth150 stores outperformed balance of fleet by ~3 points in Q4
- Original Growth50 stores comparable sales outperformed Macy's store fleet by ~3.5 points in FY19

2

BACKSTAGE

- Expanded Backstage to another 50 locations within existing Macy's stores
- Backstage locations open for more than 12 months continued to achieve mid-single digit comparable sales growth and have improved gross margin and inventory turn

3

VENDOR DIRECT

- Ended 2019 with more than 1 million SKUs and more than 1,000 new vendors
- Saw a nearly 60% increase in vendor direct sales, which now comprises more than 13% of Macy's brand digital sales

4

MOBILE

- Improved mobile experience through the enhancement of app features such as: My Wallet, My Store and My Stylist.
- Mobile sales made up ~55% of total digital sales in the Q4 and FY19
- Macy's mobile app now contributing ~20% of Macy's brand digital sales

5

DESTINATION BUSINESSES

- Invested in areas that account for nearly 40% of Macy's brand sales: dresses, fine jewelry, big ticket, men's tailored, women's shoes and beauty
- High-AUR and high-margin areas continue to outperform the balance of the business on market share, ROI and profitability
- Destination businesses grew +4.3% from last year in Q4 and +2.9% for FY19



Fourth Quarter and Full-Year Highlights

| | 4Q19 | FY19 | Notes |
|-----------------------|-------------------------------|--------------------------|--|
| Transactions | (0.5)% | 2.2% | |
| Items per transaction | (1.0)% | (1.6)% | |
| AUR | 1.1% | (1.2)% | |
| Credit Revenue | \$239M (nearly flat to LY) | \$771M (+\$3M to LY) | FY19 improvement driven by strong cobrand sales growth from card transactions outside of Macy's brands; offset by sales decline, uptick in delinquency and bad debt trends to more normal levels over 2018 |
| Credit Penetration | 46.4% (-60bps to LY) | 46.9% (flat to LY) | |
| Gross Margin | 36.8% (-70 bps to LY) | 38.2% (-90 bps to LY) | ~50 bps of decline due to higher delivery expense |
| SG&A Expense | \$2.5B (-\$29M to LY) | \$9.0B (-\$41M to LY) | 4Q19 reflects lower variable expenses due to lower sales, as well as some benefits from various miscellaneous items, many of which won't carry forward into 2020 |
| SG&A Rate | 30.1% (+10 bps to LY) | 36.6% (+40 bps to LY) | |



Consistent Capital Allocation Strategy

VALUE-ENHANCING INVESTMENTS

- Investing in the business to support growth initiatives

CAPITAL STRUCTURE

- Return to **2.5x to 2.8x** debt-to-EBITDA leverage ratio
- Consistent with maintaining investment grade credit rating

CAPITAL RETURNED TO SHAREHOLDERS

- Maintain dividend
- Consider return to stock buyback once targeted leverage ratio is achieved



Aligns capital with business priorities, maximizes flexibility, optimizes use of excess cash



Cash Flows: Full-Year Highlights

- Cash flow from operating activities of **\$1.6 billion**, down from **\$1.7 billion** LY
 - Variance driven primarily by lower earnings and a decrease in accounts payable and accruals, partially offset by lower tax payments and a net improvement in merchandise inventories and payables
- Capital expenditures of **\$1.16 billion**, up from **\$932 million** LY, due primarily to timing of certain projects
- Cash used by financing activities of **\$1.1 billion**, down from **\$1.5 billion** LY
 - Debt Repaid of **\$597 million** in 2019 versus **\$1.15 billion** in 2018
 - Executed very well against capital allocation strategy through:
 - continued investment in the business,
 - continued debt reduction, and
 - continued payment of a dividend

POLARIS

WILL



Strengthen Customer Relationships



Curate Quality Fashion



Accelerate Digital Growth



Optimize Store Portfolio



Reset our Cost Base



Factors Impacting 2020

- **While the consumer environment remains healthy, we expect slower economic growth overall versus prior years, in addition to the following:**
 - The trajectory of our business over the last year
 - Continued challenged performance in mall-based retail
 - Some disruption from the structural changes we are making through Polaris
- **Anticipated Coronavirus Impact**
 - Closely monitoring situation to assess implications to both tourism sales and supply chain
 - While still too early, we anticipate that there could be a small impact on first quarter sales from declining tourism
 - Monitoring supply chain and working with vendor partners to minimize possible disruption
 - Fewer than 50% of our private brand goods come out of China
 - Too early to size any possible impact on supply chain
- **Quarterly cadence**
 - Expect growth to be most challenged in 1Q from a top- and bottom-line perspective due to:
 - Anticipated disruption from corporate restructuring and campus consolidations
 - Expectation for Polaris savings within both gross margin and SG&A to not immediately impact 1Q
 - Those benefits will develop more fully in the second quarter and build from there
 - Cycling off a relatively strong 1Q19
 - Overall, 2020 comparable sales guidance is for a negative comp, with strongest comp coming in the back half of the year



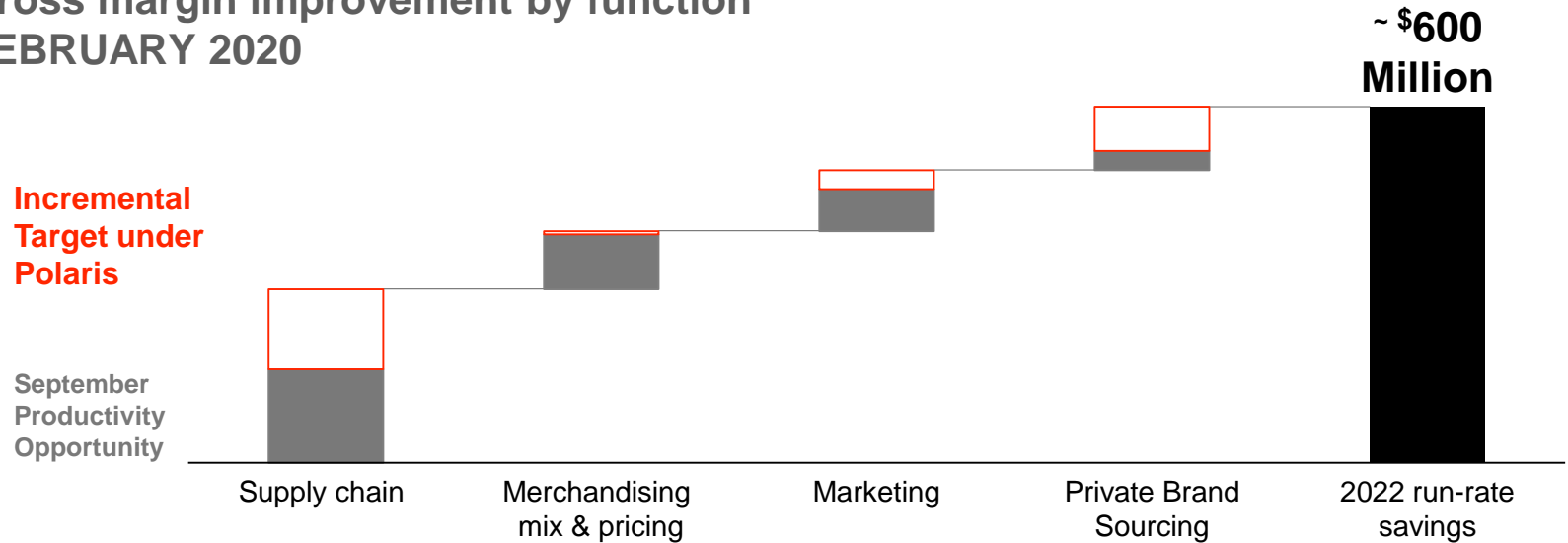
2020 Full-Year Guidance

| | 2020 FULL-YEAR GUIDANCE |
|------------------------------------|------------------------------------|
| Net Sales | \$23.6B to \$23.9B |
| Comp sales - owned | Approximately 40BPS better than OL |
| Comp sales - owned + licensed (OL) | (2.5)% to (1.5)% |
| Credit card revenues, net | \$700M to \$715M |
| Gross margin rate | Approximately flat to FY19 |
| SG&A expense rate | Approximately flat to FY19 |
| Gains on sale of real estate (ASG) | Approximately \$100M |
| Benefit plan income, net | Approximately \$30M |
| Depreciation and amortization | Approximately \$1B |
| Interest expense, net | Approximately \$190M |
| Tax rate | 23.25% |
| Adjusted Diluted EPS | \$2.45 to \$2.65 |
| Adjusted Diluted EPS (ex-ASG) | \$2.20 to \$2.40 |
| Capital Expenditures | Approximately \$1B |



Polaris Will Stabilize and Grow Gross Margins

Gross margin improvement by function
FEBRUARY 2020



Plans broadened to stem margin compression now and expand margin through 2022



Polaris Will Right-size Our Cost Base

SG&A improvement by expense category
FEBRUARY 2020

~ \$900
Million



More resilient and flexible cost structure accelerates timeline to profitability stabilization



Macy's, Inc. Store Count

Using store locations combines multi-box stores into a single location, providing a more accurate count of the store fleet

| | End of 3Q19 | | End of 4Q19 | | Change in Store Locations |
|--------------------------------|-------------|-----------------|-------------|-----------------|---------------------------|
| | Boxes | Store Locations | Boxes | Store Locations | |
| Macy's Flagships | 16 | 11 | 16 | 11 | |
| Macy's Magnets | 432 | 386 | 431 | 385 | -1 |
| Macy's Core | 448 | 397 | 447 | 396 | |
| Macy's Neighborhood | 130 | 123 | 102 | 96 | -27 |
| Macy's Furniture | 54 | 49 | 54 | 49 | |
| Macy's Furniture Clearance | 4 | 4 | 4 | 4 | |
| Freestanding Backstage | 7 | 7 | 6 | 6 | -1 |
| Total Macy's | 643 | 580 | 613 | 551 | -29 |
| Bloomingdale's Dept. Stores | 35 | 33 | 35 | 33 | |
| Bloomingdale's Furniture/Other | 3 | 3 | 1 | 1 | -2 |
| Bloomingdale's The Outlet | 19 | 19 | 19 | 19 | |
| Total Bloomingdale's | 57 | 55 | 55 | 53 | -2 |
| Bluemercury | 171 | 171 | 172 | 172 | 1 |
| Total Macy's, Inc. | 871 | 806 | 840 | 776 | -30 |



Reconciliation of GAAP to non-GAAP Financial Measures

(All amounts in millions except for percentages)

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. Management 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, and in evaluating the impact of changes in the manner in which certain departments are operated. In addition, management believes that excluding certain items from diluted earnings per share attributable to Macy's, Inc. shareholders that are not associated with the company's core operations and that may vary substantially in frequency and magnitude from period-to-period provides useful supplemental measures that assist in evaluating the company's ability to generate earnings and to more readily compare these metrics between past and future periods.

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 within. 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, 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 non-GAAP financial measures may be significant items that could impact the company's financial position, results of operations or 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 account of 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 1, 2020 | 52 Weeks Ended February 1, 2020 |
|--|------------------------------------|------------------------------------|
| Decrease in comparable sales on an owned basis (Note 1) | (0.6)% | (0.8)% |
| Impact of growth in comparable sales of departments licensed to third parties (Note 2) | 0.1% | 0.1% |
| Decrease in comparable sales on an owned plus licensed basis | (0.5)% | (0.7)% |

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 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.



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

| | 13 Weeks Ended February 1, 2020 | 13 Weeks Ended February 2, 2019 |
|---|------------------------------------|------------------------------------|
| Most comparable GAAP measure: Diluted earnings per share attributable to Macy's, Inc. shareholders | <u>\$1.09</u> | <u>\$2.37</u> |
| Non-GAAP measure: Diluted earnings per share attributable to Macy's, Inc. shareholders | \$1.09 | \$2.37 |
| Restructuring, impairment, store closings and other costs | 1.08 | 0.31 |
| Settlement charges | 0.15 | 0.05 |
| Losses on early retirement of debt | 0.10 | 0.09 |
| Income tax impact of certain items identified above | <u>(0.30)</u> | <u>(0.09)</u> |
| As adjusted to exclude certain item above | <u>\$2.12</u> | <u>\$2.73</u> |
| Gains on sale of real estate | (0.31) | (0.89) |
| Income tax impact of gains on sale of real estate | <u>0.08</u> | <u>0.24</u> |
| As adjusted to exclude gains on sale of real estate and other certain items identified above | <u>\$1.89</u> | <u>\$2.08</u> |



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

| | 52 Weeks Ended February 1, 2020 | 52 Weeks Ended February 2, 2019 |
|--|------------------------------------|------------------------------------|
| Most comparable GAAP measure: | | |
| Diluted earnings per share attributable to Macy's, Inc. shareholders | \$1.81 | \$3.56 |
| Non-GAAP measure: | | |
| Diluted earnings per share attributable to Macy's, Inc. shareholders | \$1.81 | \$3.56 |
| Restructuring, impairment, store closings and other costs (Note 1) | 1.13 | 0.41 |
| Settlement charges | 0.19 | 0.28 |
| Losses on early retirement of debt | 0.10 | 0.11 |
| Income tax impact of certain items identified above | (0.32) | (0.18) |
| As adjusted to exclude certain items above | \$2.91 | \$4.18 |
| Gains on sale of real estate | (0.52) | (1.25) |
| Income tax impact of gains on sale of real estate | 0.14 | 0.33 |
| As adjusted to exclude gains on sale of real estate and other certain items identified above | \$2.53 | \$3.26 |

Note

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