MACY'S, INC.

Credit Ratios and Other Financial Information

(All amounts in millions except ratios)

The Company considers the leverage ratio a key credit ratio to measure our liquidity and the strength of our balance sheet. In order to assess the degree of leverage, we look at debt relative to earnings before interest, taxes, depreciation and amortization (EBITDA). We adjust debt and EBITDA to take into account the impact of operating leases and retirement obligations and certain non-recurring items. This methodology is similar to those used by credit rating agencies to assess a company's capital structure.

The credit ratio is a non-GAAP financial measure. 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. These 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 these 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 financial condition and performance. In particular, these financial measures have material limitations because they exclude cash and non-cash expenses that are necessary to operate the Company's business or that may be otherwise incurred or experienced in connection with the operation of its business. 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.

The values of short-term debt, long-term debt, and lease liabilities are from the balance sheet for the identified date and the value of the underfunded status of postemployment and postretirement benefits is based on the year-end funded status of the relevant retirement plans and benefit obligations.

The following financial information, including non-GAAP financial measures, should be read in conjunction with the audited financial statements, including the related notes, and other financial information contained in the company's Securities and Exchange Commission filings.

Ratio Summary

	Target	52 Weeks Ended January 28, 2023
Leverage ratio	≤ 2.0	2.0

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Adjusted EBITDAR

As computed below, Adjusted EBITDAR represents earnings before interest, taxes and depreciation and amortization, adjusted to exclude the effects of restructuring, impairment, store closing and other costs, settlement charges, gross rent expense, and the excess of the net periodic benefit costs of the Company's postretirement benefit obligations over the related service cost components of such benefit costs. This methodology is similar to those used by credit rating agencies to assess a company's capital structure. Management believes that Adjusted EBITDAR is a useful measure in evaluating the Company's ability to generate cash flow from its operations.

	52 Weeks Ended January 28, 2023
Net income	$ 1,177
Interest expense, net	162
Losses on early retirement of debt	31
Federal, state and local income tax expense	341
Depreciation and amortization	857
Impairment, restructuring and other costs	41
Settlement charges	39
Gross rent expense (Note 1)	342
Net periodic benefit costs of the postemployment and postretirement benefit obligations in excess of the service cost components (Note 2)	(20)
Adjusted EBITDAR	$ 2,970

Notes:

(1) The add back of gross rent expense in calculating Adjusted EBITDAR treats the Company's periodic rent expense under the relevant lease agreements in a manner consistent with the company’s owned properties.

	52 Weeks Ended January 28, 2023
Real Estate	$ 335
Personal Property	7
	$ 342

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(2) The add back of the excess net periodic benefit cost of the Company's postemployment and postretirement benefit obligations over the service cost component of such benefit costs in calculating Adjusted EBITDAR recognizes the fact that the service cost components of the net periodic benefit costs are primarily operating type costs and should be included in Adjusted EBITDAR, while all other components of the net periodic benefit costs are primarily financing type costs and should be excluded from Adjusted EBITDAR. Net periodic benefit costs include, where applicable, service cost, interest cost, expected return on assets, amortization of net actuarial gains and losses and the amortization of prior service costs or credits.

	52 Weeks Ended January 28, 2023
Net periodic benefit costs:	
Pension plan	$ (42)
Supplementary retirement plan	26
Postretirement benefit obligations	(4)
Less service cost component of net periodic benefit costs:	
Pension plan	—
Supplementary retirement plan	—
Postretirement benefit obligations	—
	$ (20)

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Leverage Ratio

The leverage ratio, as computed below, is defined as Adjusted debt divided by Adjusted EBITDAR. As computed below, Adjusted debt represents the Company's short-term and long-term debt, adjusted to include (exclude) certain items as identified below. As computed above, Adjusted EBITDAR represents earnings before interest, taxes and depreciation and amortization, adjusted to exclude the effects of restructuring, impairment, store closing and other costs, settlement charges, gross rent expense, and the excess of the net periodic benefit costs of the Company's postemployment and postretirement benefit obligations over the related service cost components of such benefit costs. These methodologies are similar to those used by credit rating agencies to assess a company's capital structure. Management believes that the leverage ratio is a useful measure in evaluating the Company's ability to cover its debt-like obligations.

	52 Weeks Ended January 28, 2023
Most comparable GAAP Ratio:	
Short-term debt	$ —
Long-term debt	2,996
Total debt	$ 2,996
Net income	$ 1,177
	2.5
Non-GAAP Ratio:	
Short-term debt	$ —
Long-term debt	2,996
Underfunded status of postemployment and postretirement benefits (Note 3)	135
Total lease liabilities	2,876
Adjusted debt	$ 6,007
Adjusted EBITDAR	$ 2,970
Adjusted debt to Adjusted EBITDAR leverage ratio	2.0

Note:

(3) The inclusion of the underfunded status (the amount by which the projected benefit obligation or accumulated postretirement benefit obligation exceeds the fair value of plan assets) of the Company's postemployment and postretirement obligations in Adjusted debt treats the Company's net liability under the relevant benefit plans as debt equivalents. For the 52 weeks ended January 28, 2023 the assumed tax benefit of 25% represents the tax deductibility of contributions which impact the funded status of the plans.

	52 Weeks Ended January 28, 2023
Underfunded (overfunded) status:	
Pension plan	$ (410)
Supplementary retirement plan	508
Postretirement benefit obligations	83
Income tax effect of net underfunded status of the pension and supplementary retirement plans and postretirement benefit obligations	(46)
	$ 135