

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 23, 2021 to discuss the company's financial condition, results of operations and cash flows as of and for the 13 and 52 weeks ended January 30, 2021. 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 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 measures of earnings before interest, taxes, depreciation and amortization and the effective tax rate, earnings per share and diluted earnings per share, 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 January 30, 2021	26 Weeks Ended January 30, 2021	52 Weeks Ended January 30, 2021
Decrease in comparable sales on an owned basis (Note 1)	(17.0%)	(18.4%)	(27.9%)
Comparable sales impact of departments licensed to third parties (Note 2)	(0.1%)	0.3%	0.0%
Decrease in comparable sales on an owned plus licensed basis	<u>(17.1%)</u>	<u>(18.1%)</u>	<u>(27.9%)</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 the impact of 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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Earnings before interest, taxes, depreciation and amortization, excluding certain items

	13 Weeks Ended January 30, 2021	13 Weeks Ended February 1, 2020	Decrease
Most Comparable GAAP measure:			
Net income	\$ 160	\$ 340	
Non-GAAP measure:			
Net income	\$ 160	\$ 340	
Interest expense, net	84	42	
Losses on early retirement of debt	—	30	
Financing costs	1	—	
Federal, state and local income tax expense	154	109	
Depreciation and amortization	237	256	
EBITDA	636	777	
Restructuring, impairment, store closings and other costs	134	337	
Settlement charges	19	46	
Adjusted EBITDA	\$ 789	\$ 1,160	\$ (371)
	52 Weeks Ended January 30, 2021	52 Weeks Ended February 1, 2020	Decrease
Most Comparable GAAP measure:			
Net income (loss)	\$ (3,944)	\$ 564	
Non-GAAP measure:			
Net income (loss)	\$ (3,944)	\$ 564	
Interest expense, net	280	185	
Losses on early retirement of debt	—	30	
Financing costs	5	—	
Federal, state and local income tax (benefit) expense	(846)	164	
Depreciation and amortization	959	981	
EBITDA	(3,546)	1,924	
Restructuring, impairment, store closings and other costs	3,579	354	
Settlement charges	84	58	
Adjusted EBITDA	\$ 117	\$ 2,336	\$ (2,219)

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 (loss), excluding certain items

	<u>13 Weeks Ended January 30, 2021</u>	<u>13 Weeks Ended February 1, 2020</u>
Most Comparable GAAP measure:		
Net income	\$ 160	\$ 340
Non-GAAP measure:		
Net income	\$ 160	\$ 340
Restructuring, impairment, store closings and other costs	134	337
Settlement charges	19	46
Losses on early retirement of debt	—	30
Financing costs	1	—
Income tax impact of certain items identified above	(61)	(92)
As adjusted to exclude certain items above	<u>\$ 253</u>	<u>\$ 661</u>
	<u>52 Weeks Ended January 30, 2021</u>	<u>52 Weeks Ended February 1, 2020</u>
Most Comparable GAAP measure:		
Net income (loss)	\$ (3,944)	\$ 564
Non-GAAP measure:		
Net income (loss)	\$ (3,944)	\$ 564
Restructuring, impairment, store closings and other costs	3,579	354
Settlement charges	84	58
Losses on early retirement of debt	—	30
Financing costs	5	—
Income tax impact of certain items identified above	(412)	(100)
As adjusted to exclude certain items above	<u>\$ (688)</u>	<u>\$ 906</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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(All amounts in millions except for percentages and per share figures)

Diluted earnings (loss) per share, excluding certain items

	<u>13 Weeks Ended January 30, 2021</u>	<u>13 Weeks Ended February 1, 2020</u>
Most Comparable GAAP measure:		
Diluted earnings per share	\$ 0.50	\$ 1.09
Non-GAAP measure:		
Diluted earnings per share	\$ 0.50	\$ 1.09
Restructuring, impairment, store closings and other costs	0.42	1.08
Settlement charges	0.06	0.15
Losses on early retirement of debt	—	0.10
Financing costs	0.01	—
Income tax impact of certain items identified above	<u>(0.19)</u>	<u>(0.30)</u>
As adjusted to exclude certain items above	<u>\$ 0.80</u>	<u>\$ 2.12</u>

	<u>52 Weeks Ended January 30, 2021</u>	<u>52 Weeks Ended February 1, 2020</u>
Most Comparable GAAP measure:		
Diluted earnings (loss) per share	\$ (12.68)	\$ 1.81
Non-GAAP measure:		
Diluted earnings (loss) per share	\$ (12.68)	\$ 1.81
Restructuring, impairment, store closings and other costs	11.50	1.13
Settlement charges	0.27	0.19
Losses on early retirement of debt	—	0.10
Financing costs	0.02	—
Income tax impact of certain items identified above	<u>(1.32)</u>	<u>(0.32)</u>
As adjusted to exclude certain items above	<u>\$ (2.21)</u>	<u>\$ 2.91</u>

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.

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Free Cash Flow

	<u>52 Weeks Ended January 30, 2021</u>	<u>52 Weeks Ended February 1, 2020</u>
Most Comparable GAAP measure:		
Net cash provided by operating activities	<u>\$ 649</u>	<u>\$ 1,608</u>
Non-GAAP measure:		
Net cash provided by operating activities	\$ 649	\$ 1,608
Purchase of property and equipment	(338)	(902)
Capitalized software	(128)	(255)
Disposition of property and equipment	<u>113</u>	<u>185</u>
Free cash flow	<u>\$ 296</u>	<u>\$ 636</u>

Management believes free cash flow provides a better indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Unlike cash flow provided by operating activities, free cash flow includes the impact of capital expenditures, providing a more complete picture of cash generation. Free cash flow has certain limitations, including that it does not reflect adjustment for certain non-discretionary cash flows such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.