

Second Quarter 2020 Earnings

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September 2, 2020



SAFE HARBOR STATEMENT

All statements in this press release that are not statements of historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Macy's management and are subject to significant risks and uncertainties. Actual results could differ materially from those expressed in or implied by the forward-looking statements contained in this release because of a variety of factors, including the effects of the novel coronavirus (COVID-19) on Macy's customer demand and supply chain, as well as its consolidated results of operation, financial position and cash flows, Macy's ability to successfully implement its Polaris strategy and restructuring, including the ability to realize the anticipated benefits within the expected time frame or at all, conditions to, or changes in the timing of proposed real estate and other transactions, prevailing interest rates and non-recurring charges, the effect of potential changes to trade policies, store closings, competitive pressures from specialty stores, general merchandise stores, off-price and discount stores, manufacturers' outlets, the Internet, catalogs and television shopping and general consumer spending levels, including the impact of the availability and level of consumer debt, possible systems failures and/or security breaches, the potential for the incurrence of charges in connection with the impairment of intangible assets, including goodwill, Macy's reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes, regional or global health pandemics, and regional political and economic conditions, the effect of weather and other factors identified in documents filed by the company with the Securities and Exchange Commission, including under the captions "Forward-Looking Statements" and "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended February 1, 2020 and Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2020. Macy's disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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 on the Investors section of our website.

SECOND QUARTER SNAPSHOT

<i>millions, except per share figures and percentages</i>	2Q20	Spring 20
Net Sales	\$ 3,559	\$ 6,576
Comp sales - owned	(34.7)%	(40.0)%
Comp sales - owned + licensed	(35.1)%	(40.2)%
Credit card revenues, net	\$ 168	\$ 299
Gross margin	\$ 841	\$ 1,357
<i>Gross margin rate</i>	23.6%	20.6%
Selling, general & administrative expense (SG&A)	\$ 1,398	\$ 2,995
<i>SG&A rate</i>	39.2%	45.4%
Gains on sale of real estate (ASG)	-	\$16
GAAP Diluted EPS	\$ (1.39)	\$ (12.91)
Adjusted Diluted EPS	\$ (0.81)	\$ (2.83)
Adjusted Diluted EPS (ex-ASG)	\$ (0.81)	\$ (2.87)

SECOND QUARTER HIGHLIGHTS

- Better-than-expected second quarter performance across all three brands – Macy's, Bloomingdale's, Bluemercury
 - Stores reopened stronger than anticipated, digital remained strong throughout quarter, Luxury outpaced our expectations
 - Star Rewards loyalty program members' recovery slower than expected, but August performed above expectations
- Reopened nearly all stores by end of June
- Stores sales **declined 61%** versus LY
 - Monthly sales trend in the quarter closely correlated with pace of re-openings
 - Exited Q2 with store sales trend of **down 40%**
- Strong digital year-over-year growth of **53%**
 - Penetration rate of **54%**, **up 10 percentage points** over Q1
- Gross margin rate of **23.6%**, up significantly from first quarter due to good sell-through of clearance merchandise and improved mix
- Inventory down **29%** year-over-year; entering third quarter in a clean inventory position.
- SG&A expenses of **\$1.4 billion, down 36%** from second quarter last year
 - SG&A rate improved by **10 basis points** year-over-year, to **39.2%**, driven by strict expense management and very disciplined utilization of variable costs

SECOND QUARTER HIGHLIGHTS

	2Q20	Spring 20	Notes
Credit Revenue	\$168 million (-\$8 million to LY)	\$299 million (-\$49 million to LY)	<ul style="list-style-type: none"> Year-over-year decline largely due to recent shift by consumers to debit cards and cash New accounts were down significantly due to store closures (we derive about 85% of our new accounts from customers' face-to-face engagement with our store colleagues)
Credit Penetration	40.8%	43.3%	
Gross Margin Rate	23.6% (-15 pps to LY)	20.6% (-18 pps to LY)	<ul style="list-style-type: none"> Year-over-year decline due to COVID-19 Improvement from first quarter due to: <ul style="list-style-type: none"> Clearance merchandise sold through much faster than in first quarter Higher sell-through of regular-priced merchandise.
SG&A Expense	\$1.4 billion (-\$779 million to LY)	\$3.0 billion (-\$1.3 billion to LY)	<ul style="list-style-type: none"> Strict with expense management and very disciplined with variable costs February restructuring, short-term furloughs, and July restructuring all contributed to overall reduction year-over-year
SG&A Rate	39.2% (-10 bps to LY)	45.4% (+660 bps to LY)	

MAINTAINING FINANCIAL FLEXIBILITY

- Completed approximately **\$4.5 billion** of new financing during the quarter.
 - This included **\$1.3 billion** of senior secured notes, as well as a new **\$3.2 billion** asset-based credit facility. We used the proceeds of the notes offering, along with cash on hand, to repay the outstanding borrowings under our previously existing **\$1.5 billion** unsecured credit facility.
 - Additionally, we successfully executed an exchange offer and consent solicitation for **\$465 million** of notes issued under our 1996 indenture.
 - We expect to have more than enough liquidity to address the needs of the business over the next few years as well as the repayment of upcoming debt maturities in fiscal 2020 and fiscal 2021.
- Notably, we finished the quarter in a strong liquidity position with approximately **\$1.4 billion** in cash and approximately **\$3 billion** of untapped capacity in the new asset-based credit facility.

2020 EXPECTATIONS

	2020 EXPECTATIONS
Comp sales - owned + licensed	Down low- to mid-20's for the Fall season
Digital	Annual digital sales penetration of mid-40%. High-teens digital increase in the Fall season. Low- to mid-teens increase for full year digital sales.
Stores	Q2 exit rate holds through Fall season
Credit card revenues, net	Fall credit revenue as a percent of sales roughly in line with last year's back half
Gross margin rate	Fall gross margin expected to be mid-single-digit percentage points lower than Fall last year. Quarterly margins might peak in the third quarter.
SG&A expense rate	Elevated levels of SG&A as percentage of sales. For Fall 2020, low- to mid-single-digit percentage points higher than last year for Fall.
Gains on sale of real estate (ASG)	Approximately \$50 million for the year
Adjusted Earnings before Interest, Taxes and Depreciation & Amortization (EBITDA)	Q2 will have the lowest EBITDA, improving sequentially in Q3 and Q4. Q4 is expected to have positive EBITDA.
Interest expense, net	Approximately \$300 million for the year
Adjusted tax rate	Between 35% and 38% for the year
Capital Expenditures	Approximately \$450 million for the year

OUR VISION IS TO BE THE LEADING MULTI-BRANDED FASHION RETAILER

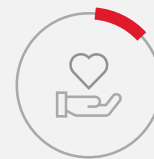
FROM OFF-PRICE TO LUXURY, FROM ONLINE TO OFFLINE, FROM ON-MALL TO OFF-MALL
WE WILL OFFER CONVENIENT ACCESS TO THE FULLNESS OF OUR BRANDS.



Our customers want great fashion and brands.



Our customers are omni-shoppers.

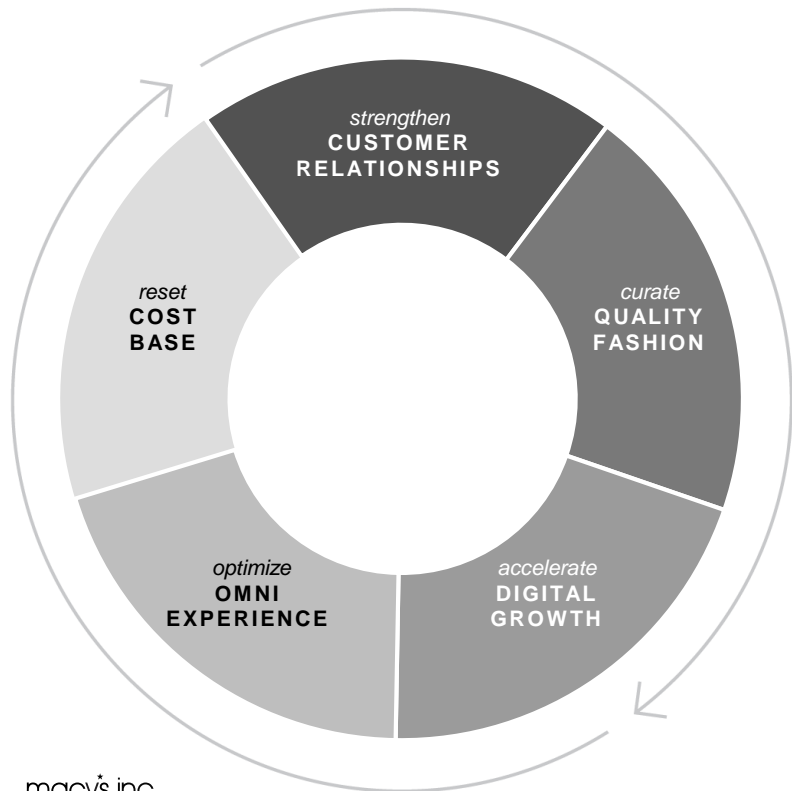


Our customers come to us for the special moments of life.



We are committed to ensuring that Macy's, Inc. will be a great place to work, shop, and invest.

WE HAVE REFINED OUR POLARIS STRATEGIES WITH A FOCUS ON HOW EACH WILL STRENGTHEN & REINFORCE EACH OTHER



CUSTOMER

We will develop a high engagement **customer ecosystem** that is designed to build strong **profitable lifetime relationships** one customer at a time.

FASHION

We will build on our fashion authority by **curating** the best national and private **brands** to support our customer's **self-expression** from off-price to luxury.

DIGITAL

We will strategically invest across the enterprise to **improve** the digital **experience** building customer lifetime value and driving **profitable digital growth**.

OMNI EXPERIENCE

We will **innovate** and **optimize** our **stores, supply chain**, and **call centers** to ensure every customer can shop when, where and how they choose.

COST BASE

We will show **discipline** on **cost management** and create a culture of continuous assessment to derive the **greatest ROI** on every dollar spent.

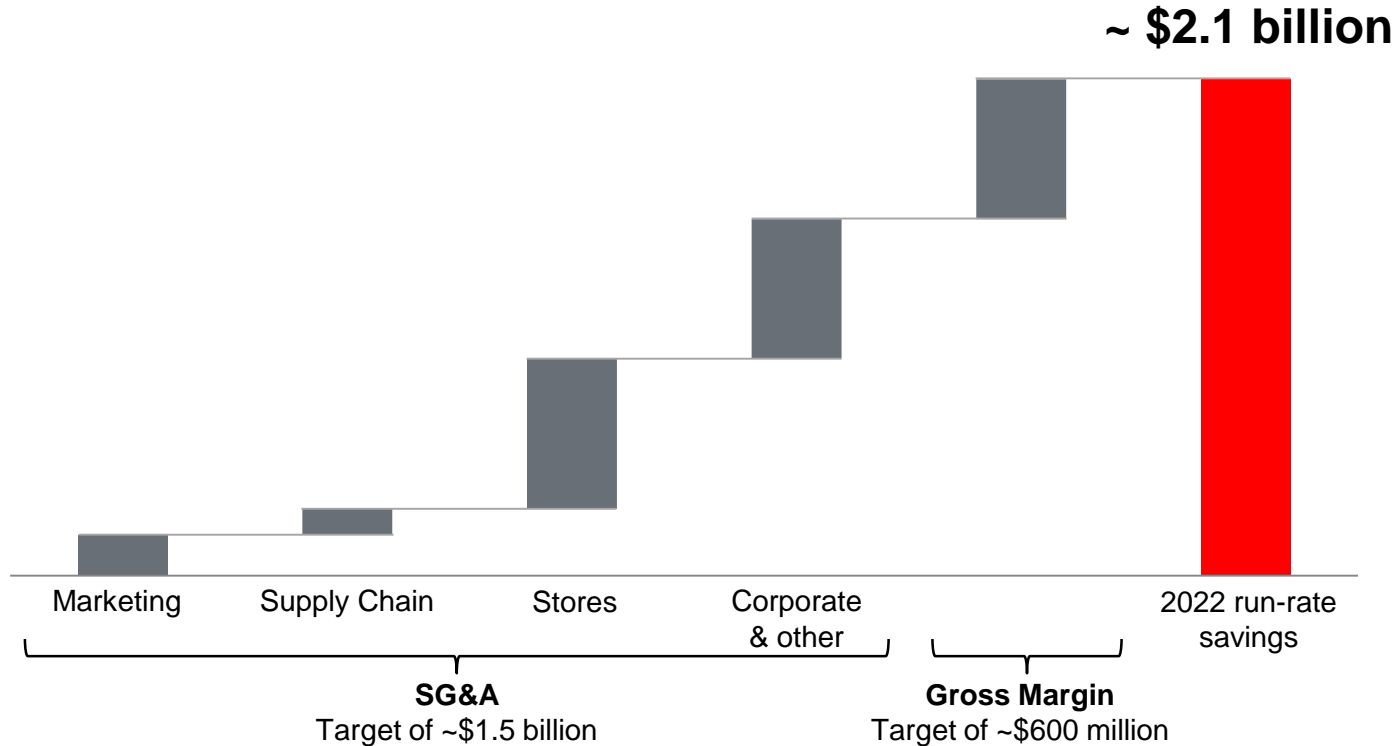
POLARIS STRATEGIES DRIVE COMPETITIVE ADVANTAGE & DIFFERENTIATION

TO FIRST RECOVER THE BUSINESS THEN DRIVE BOTH TOP- AND BOTTOM-LINE GROWTH

<i>strengthen</i> CUSTOMER RELATIONSHIPS	<i>curate</i> QUALITY FASHION	<i>accelerate</i> DIGITAL GROWTH	<i>optimize</i> OMNI NETWORK	<i>reset</i> COST BASE
<ul style="list-style-type: none"> ✓ Maximize customer lifetime value (CLV) ✓ Continue to grow Star Rewards loyalty program ✓ Increase conversion thru personalized recommendation on site and off site tactics ✓ Pursue on-site and off-site monetization as a future growth driver. 	<ul style="list-style-type: none"> ✓ Curate national & private brands from off-price to luxury ✓ Grow Backstage while reducing cost base ✓ Create ideal experience in Fine Jewelry and Beauty ✓ Maximize the return to home trend and amplify Bloomingdale's status as the destination for textiles from private brand to luxury 	<ul style="list-style-type: none"> ✓ Improve end-to-end Digital experience ✓ Deliver profitable omnichannel growth ✓ Provide an intuitive, engaging, and inspiring product discovery experience by improving search, browse, and product detail pages on macys.com and bloomingdales.com ✓ Deliver a user-friendly mobile app that optimizes the omnichannel shopping experience at Macy's and Bloomingdale's 	<ul style="list-style-type: none"> ✓ Evolve role of the store ✓ Market ecosystem/ small-format, off-mall store test ✓ Supply chain redesign with an early emphasis on capacity planning and centralized fulfillment. ✓ Strengthen Bloomingdale's Outlet sales and margin by better leveraging Bloomingdale's Department Store merchandise and opportunities in the market while also driving operating efficiencies 	<ul style="list-style-type: none"> ✓ Rewire organization cost base to support profitable growth ✓ Maximize sales flex dollars through identification and reset of variable cost drivers ✓ Increase negotiated contract savings with a focus on rate ✓ Continuously prioritize and allocate payroll dollars as turnover occurs

POLARIS WILL STABILIZE AND GROW GROSS MARGIN AND RIGHT-SIZE COST BASE

GROSS MARGIN AND SG&A IMPROVEMENT TARGETS



MACY'S, INC. STORE COUNT

	End of 4Q19		End of 1Q20		End of 2Q20		Change in Store Locations from 4Q19
	Boxes	Store Locations	Boxes	Store Locations	Boxes	Store Locations	
Macy's Flagships	16	11	16	11	16	11	
Macy's Magnets	431	385	430	384	429	384	-1
Macy's Core	447	396	446	395	445	395	-1
Macy's Neighborhood	102	96	103	97	100	94	-2
Macy's Furniture	54	49	55	50	53	48	-1
Macy's Furniture Clearance	4	4	3	3	2	2	-2
Freestanding Backstage	6	6	6	6	6	6	
Macy's Small Format	-	-	1	1	1	1	+1
Total Macy's	613	551	614	552	607	546	-5
Bloomingdale's Dept. Stores	35	33	36	34	36	34	+1
Bloomingdale's Furniture/Other	1	1	1	1	1	1	
Bloomingdale's The Outlet	19	19	19	19	19	19	
Total Bloomingdale's	55	53	56	54	56	54	1
Bluemercury	171	171	171	171	171	171	
Total Macy's, Inc.	839	775	841	777	834	771	-4

FULL LINE MACY'S BRAND AND BLOOMINGDALE'S DEPARTMENT STORES

Quintile	Location Count ³	Owned Sales ² (\$ million)	Owned Sales per Location (\$ million)	Owned Sales per Square Foot (\$)	Neighborhood Location Count ⁴
2019 – FULL YEAR					
Fifth	105	7,260	69.1	294	0
Fourth	105	3,717	35.4	197	0
Third	105	2,448	23.3	152	6
Second	105	1,984	18.9	144	20
First	106	1,582	14.9	128	71
Total	526	16,991	32.3	198	97
2018 – FULL YEAR					
Fifth	111	7,895	71.1	299	0
Fourth	111	3,870	34.9	198	0
Third	111	2,770	25.0	158	6
Second	111	1,991	17.9	144	30
First	111	1,511	13.6	122	89
Total	555	18,037	32.5	201	125

- Locations are ranked by incremental, 4-wall EBITDA¹, from high to low, and divided into equal groups of five.
- On average, those stores that contribute more EBITDA also generate higher sales per location and higher sales per square foot
- Neighborhood stores are typically the majority of those stores that, on average, contribute the least amount of EBITDA, generate the lowest sales per location and generate the lowest sales per square foot

1) 4-Wall EBITDA: Gross margin net of payroll and non-payroll expenses specific to the store location and net of certain incremental central expense including marketing, logistics, and medical benefits.

2) Owned sales represent by location sales for full line comparable Macy's and Bloomingdale's department stores only. Sales for MCOM, BCOM, Freestanding Backstage, Bloomingdale's the Outlets, Bluemercury, Furniture and other clearance locations are excluded from the population of stores presented on this slide. Additionally, components of net sales not directly related to a specific store location are excluded from the above summary but are included in the Company's net sales.

3) 2019 locations exclude one Bloomingdale's department store that opened in 2019 and includes two Macy's Furniture Galleries whose assortment expands beyond furniture.

4) Neighborhood location counts represent Macy's store classification as of September 2, 2020.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(ALL AMOUNTS IN MILLIONS EXCEPT FOR PERCENTAGES AND PER SHARE FIGURES)

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 and 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. Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP financial measure which the company believes provides meaningful information about its operational efficiency by excluding the impact of changes in tax law and structure, debt levels and capital investment. In addition, management believes that excluding certain items from EBITDA, net income (loss) and diluted earnings (loss) per share 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 EBITDA 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 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 August 1, 2020	26 Weeks Ended August 1, 2020
Decrease in comparable sales on an owned basis (Note 1)	(34.7)%	(40.0)%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	(0.4)%	(0.2)%
Decrease in comparable sales on an owned plus licensed basis	(35.1)%	(40.2)%

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.

NET INCOME (LOSS), EXCLUDING CERTAIN ITEMS AND GAINS ON SALE OF REAL ESTATE

	13 Weeks Ended August 1, 2020	13 Weeks Ended August 3, 2019
Most comparable GAAP measure:		
Net income (loss)	\$(431)	\$86
Non-GAAP measure:		
Net income (loss)	\$(431)	\$86
Restructuring, impairment and other costs	242	2
Settlement charges	38	-
Financing costs	3	-
Income tax impact of certain items identified above	(103)	-
As adjusted to exclude certain item above	\$(251)	\$88
Gains on sale of real estate	-	(7)
Income tax impact of gains on sale of real estate	-	2
As adjusted to exclude gains on sale of real estate and other certain items identified above	\$(251)	\$83

DILUTED EARNINGS (LOSS) PER SHARE, EXCLUDING CERTAIN ITEMS AND GAINS ON SALE OF REAL ESTATE

	13 Weeks Ended August 1, 2020	13 Weeks Ended August 3, 2019
Most comparable GAAP measure:		
Diluted earnings (loss) per share	<u>\$(1.39)</u>	<u>\$0.28</u>
Non-GAAP measure:		
Diluted earnings (loss) per share	\$(1.39)	\$0.28
Restructuring, impairment and other costs (Note 1)	0.78	-
Settlement charges	0.12	-
Financing costs	0.01	-
Income tax impact of certain items identified above	<u>(0.33)</u>	<u>-</u>
As adjusted to exclude certain item above	<u>\$(0.81)</u>	<u>\$0.28</u>
Gains on sale of real estate	-	(0.02)
Income tax impact of gains on sale of real estate	<u>-</u>	<u>0.01</u>
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$(0.81)</u>	<u>\$0.27</u>

NET INCOME (LOSS), EXCLUDING CERTAIN ITEMS AND GAINS ON SALE OF REAL ESTATE

	26 Weeks Ended August 1, 2020	26 Weeks Ended August 3, 2019
Most comparable GAAP measure:		
Net income (loss)	<u>\$(4,012)</u>	<u>\$223</u>
Non-GAAP measure:		
Net income (loss)	\$ (4,012)	\$ 223
Impairment, restructuring and other costs	3,426	3
Settlement charges	38	-
Financing costs	3	-
Income tax impact of certain items identified above	<u>(336)</u>	<u>(1)</u>
As adjusted to exclude certain item above	<u>\$(881)</u>	<u>\$225</u>
Gains on sale of real estate	(16)	(49)
Income tax impact of gains on sale of real estate	<u>4</u>	<u>13</u>
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$(893)</u>	<u>\$189</u>

DILUTED EARNINGS (LOSS) PER SHARE, EXCLUDING CERTAIN ITEMS AND GAINS ON SALE OF REAL ESTATE

	26 Weeks Ended August 1, 2020	26 Weeks Ended August 3, 2019
Most comparable GAAP measure:		
Diluted earnings (loss) per share	<u>\$(12.91)</u>	<u>\$0.71</u>
Non-GAAP measure:		
Diluted earnings (loss) per share	\$ (12.91)	\$ 0.71
Impairment, restructuring, and other costs	11.02	0.01
Settlement charges	0.12	-
Financing costs	0.01	-
Income tax impact of certain items identified above (Note 1)	<u>(1.07)</u>	<u>-</u>
As adjusted to exclude certain item above	<u>\$(2.83)</u>	<u>\$0.72</u>
Gains on sale of real estate	(0.05)	(0.15)
Income tax impact of gains on sale of real estate	<u>0.01</u>	<u>0.04</u>
As adjusted to exclude gains on sale of real estate and other certain items identified above	<u>\$(2.87)</u>	<u>\$0.61</u>