

First Quarter 2021 Earnings



macy's inc

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Safe Harbor Statement

All statements in this presentation 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 and catalogs 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 January 30, 2021. 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.

First Quarter Results

First Quarter Snapshot

millions, except per share figures and percentages

	1Q21	1Q20	1Q19
Net Sales	\$4,706	\$3,017	\$5,504
Comp sales - owned	62.5%	(45.3%)	0.6%
Comp sales - owned + licensed	63.9%	(45.4%)	0.7%
Credit card revenues, net	\$159	\$131	\$172
Gross margin	\$1,817	\$516	\$2,101
Gross margin rate	38.6%	17.1%	38.2%
Selling, general & administrative expense (SG&A)	\$1,748	\$1,598	\$2,112
SG&A rate	37.1%	52.9%	38.4%
Asset sale gains	\$6	\$16	\$43
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$454	\$ (3,873)	\$446
Adjusted EBITDA	\$473	\$ (689)	\$447
GAAP Diluted EPS	\$ 0.32	\$ (11.53)	\$ 0.44
Adjusted Diluted EPS	\$ 0.39	\$ (2.03)	\$ 0.44

First Quarter Highlights

- Net income of \$103 million, with diluted EPS of \$0.32
 - Adjusted net income of \$126 million and adjusted diluted EPS of \$0.39
 - Adjusted diluted EPS, excluding asset sale gains, up \$0.04 compared to 1Q19
 - Results exceeded expectations for the quarter
- Adjusted EBITDA margins are healthier than 2019, exceeding 1Q19 Adjusted EBITDA margin by 200 basis points
- Net sales of \$4.7 billion
 - Comparable sales, on an owned-plus-licensed basis, down 10.0% to 1Q19
 - Digital sales grew 32% over 1Q19, with digital penetration at 37% of net sales
 - Platinum, Gold and Silver Star Rewards members are re-engaging, with the average customer spend up 10% compared to 1Q19, which is an 11-percentage point trend improvement from the 4Q20
 - The Bronze tier added 1.7 million members during the quarter
- Gross margin rate of 38.6%, up 40 basis points from 1Q19
 - Merchandise margin up approximately 325 basis points from 1Q19
 - Delivery expense partially offset the merchandise margin increase, with an increase of approximately 230 basis points from 1Q19
- SG&A of \$1.7 billion in 1Q21, down \$364 million from 1Q19
 - As a percent of sales, SG&A of 37.1% in 1Q21, an improvement of 130 basis points versus 1Q19
- Ended quarter with approximately \$1.8 billion in cash, driven by strong performance and more efficient use of capital

Q1 2021 Polaris Update

Win with Fashion & Style

Improved mix drove success across spectrum of value: luxury to off-price

Saw success across three buckets:

1. Pandemic-driven products and categories remained strong
2. Dormant categories showing renewed life
3. Emerging opportunities: customers signaled interest to expand assortment

Deliver Clear Value

Improving and expanding location-level pricing and strategically shifting markdown cadence

Achieved higher full-price sell through

Advancing data-led capabilities in merchandising, pricing, allocation, and personalization; early wins contributed meaningfully to AUR and margin performance

Excel in Digital Shopping

Improved fundamentals of digital offerings

Launched Contemporary sitelet, a style source for customers under 40

Macy's brand digital platforms saw double-digit increases in site visits and higher conversion rates from 1Q19

Enhance Store Experience

Improved sales trend from 4Q20 and throughout the quarter

Customer experience scores (NPS) improved 4 points compared to 1Q19

Backstage stores within stores comparable sales outperformed full-price stores by approximately 35 points compared to 1Q19

Modernize Supply Chain

Continuing to update infrastructure and network, while leveraging improved data and analytics capabilities in fulfillment strategies to meet customers' desire for speed and convenience

Navigating disruptions by adjusting freight strategies, working closely with brand partners and pushing for more product

Enable Transformation

Welcomed new Chief Information Officer

Continuing to modernize technology foundations; ensuring agility to react to customers and the market regardless of channel

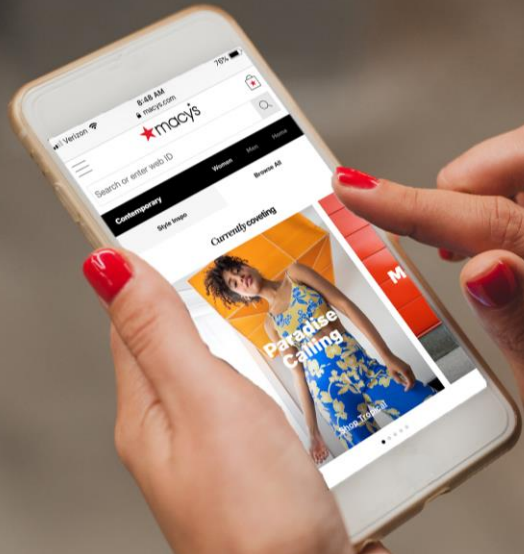
Building out data science and analytics capabilities with a focus on areas of competitive differentiation

First Quarter Earnings Highlights

(Comparison to 1Q19 included below to more appropriately benchmark our performance)

<i>millions, except percentages</i>	1Q21	Notes
Credit Revenue	\$159	<ul style="list-style-type: none"> • Good credit health in our customers continuing • Decline to 1Q19 due to lower net sales and lower profit share from lower outstanding credit balances
Change to 1Q19	-\$13	
Gross Margin	\$1,817	<ul style="list-style-type: none"> • Driven by improvement in merchandise margin as a result of inventory productivity, higher full price sell throughs, higher full price AURs and lower markdowns • Also driven by enhancements in pricing strategies through data and analytics, clear communication of promotions to customers • Delivery expense accounted for about 480 basis points of a degradation on gross margin, compared to 250 basis points in 1Q19
Change to 1Q19	-\$284	
Gross Margin Rate	38.6%	
Change to 1Q19	+40 bps	
SG&A Expense	\$1,748	<ul style="list-style-type: none"> • Reflects disciplined expense control, even as sales exceeded expectations, and savings achieved as part of the Polaris initiatives
Change to 1Q19	-\$364	
SG&A Rate	37.1%	
Change to 1Q19	-130 bps	
Adjusted EBITDA margin	10.1%	<ul style="list-style-type: none"> • Driven by strong performance in key value creation metrics: sales, gross margin, inventory productivity, and expense management
Change to 1Q19	+200 bps	
Adjusted Diluted EPS excluding Asset Sale Gains	\$0.38	
Change to 1Q19	+\$0.04	

Digital Channel: 1Q21 Highlights



Performance Metrics

	1Q21 (unless otherwise noted)
Sales	Up 32% to 1Q19
Penetration	37% of net sales
Sales from Mobile Devices*	60% of digital demand sales
Average Number of Unique Visits*	505 million, up 22% to LY
Conversion Rate*	4.0%, up 9% to LY
Vendor Direct % of Digital Sales*	17% of Macy's digital sales

*: Figures above reflect macys.com only.

1Q21 Customer Profile



Star Rewards Loyalty Members

	Platinum	Gold	Silver	Bronze
Sales	\$1.2B	\$570M	\$418M	\$582M
1Q21 Active Customers	2.4M	2.4M	2.9M	3.2M
Average Spend per Customer	\$496	\$233	\$143	\$184
Average Visits	4.3	2.5	1.6	1.8
Average Spend per Visit	\$114	\$93	\$87	\$102
Under 40	18%	20%	19%	27%
Diverse	50%	48%	41%	57%

- Platinum, Gold and Silver Star Rewards members re-engaged, with the average customer spend up 10% compared to 1Q19 and an 11-percentage point trend improvement from the 4Q20
- Youngest and most diverse Bronze tier continued to grow, having 3.2 million active members, 27% of whom are under 40
- 4.6 million new customers came into the brand
- 47% of new customers came through the digital channel in 1Q21

Credit Card Revenue



Performance Metrics	1Q21
New accounts	500K, Down 33% to 1Q19
Proprietary card penetration rate	42.0%, Down 430 bps to 1Q19

- Net credit card revenue of \$159 million
 - Up \$28 million from 1Q20
 - Down \$13 million from 1Q19
- Represented 3.4% of sales
 - 90 bps lower than 1Q20
 - 30 bps better than 1Q19
- Digital new accounts up 30% vs. 1Q19
 - Driven by stronger approval rates, consistent with the healthier credit customer

Brand First Quarter Highlights



	1Q21
Comparable sales - owned + licensed	Down 10.4% compared to 1Q19; 6.5pt improvement to 4Q20
Digital Penetration	37%



	1Q21
Comparable sales - owned + licensed	Down 7.1% compared to 1Q19; 11pt improvement to 4Q20
Digital Penetration	40%



	1Q21
Comparable sales - owned + licensed	Down 15.4% compared to 1Q19; 6pt improvement to 4Q20
Digital Penetration	21%

Macy's Backstage Highlights

	End of Q1 2021	End of Q4 2020
Stores Opened in 1Q21	33	-
Total Store Count	256	223
Stores within Stores	250	217
Freestanding	6	6
FY2021 Store Count Goal	270	-

- Backstage store-within-store comparable sales were approximately 35 points higher than Macy's stores overall compared to 1Q19
- Customers under-40 made up about 26% of Backstage store-within-store customers, slightly higher than Macy's full-price customers
- Significant cross-shopping
 - Customers who shopped both Backstage store-within-a-store and Macy's full-price departments visited an average of 5 times a year and spent approximately \$82 per visit
 - Macy's full-price customers visited 2.5 times a year and spent \$107 per visit during the same period
- Continuing to aggressively grow Backstage
 - Expanding in strategic locations that advance the Macy's strategy and optimizes its brand



Capital Allocation: First Quarter Highlights

Finished the quarter without drawing from the asset-backed credit facility



Free cash flow* of \$403 million in 1Q21

- ✓ Cash flow from operating activities of **\$494 million, up from \$(38) million in 1Q19**; variance due to EBITDA growth as well as lower payables, driven by longer payment terms, lower spending levels and an extended timing of payments
- ✓ Capital expenditures of **\$99 million, down from \$264 million in 1Q19**, due primarily to a reduction in capital projects and spend as result of COVID-19
- ✓ Proceeds from the disposition of property and equipment of **\$8 million, down from \$34 million in 1Q19**, due to a reduction in asset sales driven by COVID-19



Repaid \$503 million in debt in 1Q21 versus \$3 million in 1Q19

- ✓ Executed issuance of \$500 million in eight-year, senior unsecured notes, and \$500 million tender for portions of our maturities in 2022-to-2025 to de-lever the balance sheet



\$1.8 billion in cash at the end of 1Q21 due to strong performance and the more efficient use of capital

*Free cash flow is defined as cash from operating activities plus proceeds from the disposition of property, plant and equipment net of capital expenditures.

2021 Expectations

	2021 EXPECTATIONS <i>Revised</i>	2021 EXPECTATIONS <i>as of 2/23/2021</i>
Net sales	\$21,725 million to \$22,225 million Increase between 25% and 28% compared to 2020	\$19.75 billion to \$20.75 billion Increase between 14% and 20% compared to 2020
Digital	Approximately \$8 billion	Annual penetration of approximately 35% of net sales
Credit card revenues, net	Approximately 3% of net sales	Approximately 3% of net sales
Gross margin rate	Increase by up to 8 percentage points from 2020	Increase by high-single digit percentage points, up to 37%
SG&A expense rate	Improve approximately 135 basis points compared to 2019 levels	Increase approximately 75 basis points to 100 basis points compared to 2019 levels
Gains on sale of real estate (ASG)	Between \$60 million and \$90 million	Between \$60 million and \$90 million
Benefit plan income	Approximately \$60 million	Approximately \$60 million
Depreciation and amortization	Approximately \$900 million	Approximately \$900 million
Adjusted EBITDA	Approximately 9% to 9.5%	Between 7% and 7.5%
Interest expense, net	Approximately \$320 million	Approximately \$325 million
Adjusted tax rate	Approximately 25%	Approximately 23.25%
Diluted shares outstanding	Approximately 320 million	Approximately 318 million
Adjusted diluted EPS	Between \$1.71 and \$2.12	Between \$0.40 and \$0.90
Capital Expenditures	Approximately \$650 million	Approximately \$650 million

2021 Expectations – Seasonal/Q2

From a seasonal standpoint

- **60%** of Adjusted EBITDA excluding asset sales gains will be generated in the second half, with the majority of that coming in the fourth quarter
- Asset sale gains for the remainder of the year are not expected until the fourth quarter

2Q21 EXPECTATIONS

Net sales

\$4.9 billion to \$5.0 billion

Adjusted diluted EPS

Approximately \$0.03 to \$0.12

Macy's, Inc. Store Count – As of May 1, 2021

	End of 4Q20		End of 1Q21		Change in Store Locations from 4Q20
	Boxes	Store Locations	Boxes	Store Locations	
Macy's Flagships *	16	11	16	11	
Macy's Magnets*	429	384	429	384	
Macy's Core *	445	395	445	395	
Macy's Neighborhood*	63	58	63	58	
Macy's Furniture	52	47	52	47	
Macy's Furniture Clearance	2	2	2	2	
Freestanding Backstage	6	6	6	6	
Macy's Small Format	2	2	2	2	
Stores converted to Fullfilment Centers	2	2	2	2	
Total Macy's	572	512	572	512	0
Bloomingdale's Dept. Stores	35	33	35	33	
Bloomingdale's Furniture/Other	1	1	1	1	
Bloomingdale's The Outlet	19	19	19	19	
Total Bloomingdale's	55	53	55	53	0
Bluemercury	162	162	160	160	-2
Total Macy's, Inc.	789	727	787	725	-2

Notes:

* A and B malls included in the above store types are flagship of 11, magnets of 347, core of 358 and Neighborhood of 30.

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

Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

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 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, 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 company does not provide reconciliations of the forward-looking non-GAAP measures of adjusted EBITDA and diluted earnings per share to the most directly comparable forward-looking GAAP measures because the timing and amount of excluded items are unreasonably difficult to fully and accurately estimate. For the same reasons, the company is unable to address the probable significance of the unavailable information, which could be material to future results.

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 – Macy's Inc.

Macy's, Inc.	May 1, 2021 versus 13 weeks ended May 2, 2020	May 1, 2021 versus 13 weeks ended May 4, 2019
Increase (decrease) in comparable sales on an owned basis (Note 1)	62.5%	(10.5%)
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	1.4%	0.5%
Increase (decrease) in comparable sales on an owned plus licensed basis	63.9%	(10.0%)
Macy's, Inc.	13 weeks ended May 2, 2020	13 weeks ended May 4, 2019
Increase (decrease) in comparable sales on an owned basis (Note 1)	(45.3)%	0.6%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	(0.1)%	0.1%
Increase (decrease) in comparable sales on an owned plus licensed basis	(45.4)%	0.7%

Notes:

1. Represents the period-to-period percentage change in net sales from stores in operation during the 13 weeks ended May 1, 2021 and the 13 weeks ended May 2, 2020 and May 4, 2019, respectively. Such calculation includes all digital sales and excludes 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.

Changes in Comparable Sales- Macy's brand, Bloomingdale's brand and Bluemercury brand

Macy's	Versus 13 weeks ended May 4, 2019
Decrease in comparable sales on an owned basis (Note 1)	(10.7%)
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.3%
Decrease in comparable sales on an owned plus licensed basis	(10.4%)

Bloomingdale's	Versus 13 weeks ended May 4, 2019
Decrease in comparable sales on an owned basis (Note 1)	(9.2%)
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	2.1%
Decrease in comparable sales on an owned plus licensed basis	(7.1%)

Bluemercury	Versus 13 weeks ended May 4, 2019
Decrease in comparable sales on an owned basis (Note 1)	(15.4%)
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.0%
Decrease in comparable sales on an owned plus licensed basis	(15.4%)

Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization Excluding Certain Items and Asset Sale Gains

In millions	13 weeks ended May 1, 2021	13 weeks ended May 2, 2020	13 weeks ended May 4, 2019
Most comparable GAAP measure: Net income (loss)	\$103	\$(3,581)	\$136
Net sales	4,706	3,017	5,504
Net income (loss) as a percent to net sales	2.2%	(118.7%)	2.5%
Non-GAAP measure: Net income (loss)	103	(3,581)	136
Interest expense, net	79	47	47
Losses on early retirement of debt	11	-	-
Federal, state and local income tax expense (benefit)	37	(576)	27
Depreciation and amortization	224	237	236
Earnings (loss) before interest, taxes, depreciation and amortization	454	(3,873)	446
Impairment, restructuring and other costs	19	3,184	1
Adjusted EBITDA	473	(689)	447
Adjusted EBITDA as a percent to net sales	10.1%	(22.8%)	8.1%
Asset sale gains	6	16	43
Adjusted EBITDA excluding asset sales gains	\$467	\$(673)	\$404
Adjusted EBITDA excluding asset sales gains as a percent to net sales	9.9%	(22.3%)	7.3%

Net Income (Loss), Excluding Certain Items and Asset Sale Gains

In millions	13 weeks ended May 1, 2021	13 weeks ended May 2, 2020	13 weeks ended May 4, 2019
Most comparable GAAP measure: Net income (loss)	\$103	\$(3,581)	\$136
Non-GAAP measure: Net income (loss)	\$103	\$(3,581)	\$136
Impairment, restructuring and other costs	19	3,184	1
Losses on early retirement of debt	11	-	-
Income tax impact of certain items identified above	(7)	(233)	-
As adjusted to exclude certain item above	126	(630)	137
Gains on sale of real estate	(6)	(16)	(43)
Income tax impact of gains on sale of real estate	1	4	12
As adjusted to exclude gains on sale of real estate and other certain items identified above	\$121	\$(642)	\$106

Diluted Earnings (Loss) Per Share, Excluding Certain Items and Asset Sale Gains

	13 weeks ended May 1, 2021	13 weeks ended May 2, 2020	13 weeks ended May 4, 2019
Most comparable GAAP measure: Diluted earnings (loss) per share	\$0.32	\$(11.53)	\$0.44
Non-GAAP measure: Diluted earnings (loss) per share	\$0.32	\$(11.53)	\$0.44
Impairment, restructuring other costs	0.06	10.25	-
Losses on early retirement of debt	0.03	-	-
Income tax impact of certain items identified above	(0.02)	(0.75)	-
As adjusted to exclude certain item above	0.39	(2.03)	0.44
Gains on sale of real estate	(0.02)	(0.05)	(0.14)
Income tax impact of gains on sale of real estate	0.01	0.01	0.04
As adjusted to exclude gains on sale of real estate and other certain items identified above	\$0.38	\$(2.07)	\$0.34

Free Cash Flow

In millions	13 weeks ended May 1, 2021	13 weeks ended May 2, 2020	13 weeks ended May 4, 2019
Net cash provided (used) by operating activities	\$494	\$(164)	\$(38)
Purchase of property and equipment	(61)	(122)	(204)
Capitalized software	(38)	(38)	(60)
Disposition of property and equipment	8	21	34
Free Cash Flow	\$403	\$(303)	\$(268)