OPTIMIZE STORE PORTFOLIO
MACY’S, INC. INVESTOR DAY 2020

Polaris

1. Invest in best stores
2. Expand off-mall profitably
3. Test & prove market ecosystem
EVERYONE IS COMPETING FOR THE SAME DOLLAR

Big Box | Luxury | Rental | Re-Commerce

Off Price | Digital Native | Subscription
Class A malls are here for the long term and have an ongoing place in U.S. retail. They represent ~66% of sales and ~49% of stores moving forward. Significantly better growth than neighborhood stores.

### Macy’s Core Portfolio

<table>
<thead>
<tr>
<th>GSA RATING</th>
<th>% PORTFOLIO</th>
<th>% SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>45.8%</td>
<td>56.4%</td>
</tr>
<tr>
<td>FREESTANDING off-mall in urban setting</td>
<td>2.7%</td>
<td>9.3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>~49%</td>
<td>~66%</td>
</tr>
</tbody>
</table>

Note: excludes neighborhood stores
GROWTH TREATMENT IS WORKING

By 2021, top 250 stores will represent **78%** of sales

These stores will be brand right and driving improved profit

Working on labor models to find optimal mix and drive productivity
GROWTH TREATMENT IS WORKING

- ~50% of 2019 total stores’ sales
- ~2% Total store comparable sales improvement when a Backstage is added
- +4 pts Original 50 stores are outperforming the balance of the fleet
- ~400 Stores will receive Growth treatment by the end of 2022

Note: excludes neighborhood stores
<table>
<thead>
<tr>
<th>NEIGHBORHOOD STORES</th>
<th>CLOSING ~125 OF LEAST PRODUCTIVE STORES OVER NEXT THREE YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>Of fleet</td>
</tr>
<tr>
<td>&lt;10%</td>
<td>Of sales</td>
</tr>
<tr>
<td>3pts</td>
<td>Below fleet</td>
</tr>
</tbody>
</table>

Leaner store portfolio will improve fleet profitability, working capital and inventory
Neighborhood stores form a region with dedicated management and focused strategy.

Annual store review process

Customer retention strategies
REAL ESTATE STRATEGY

Doug Sesler
Head of Real Estate
Broad footprint across US
Market coverage in 49 of top 50 markets

Low occupancy cost
Average occupancy cost less than $5.00 / SF
Typically limited escalations

High quality
Locations in “A” Malls or unrated locations represent ~49% of stores and ~66% of sales

Monetizable assets
Sustained value creation opportunities
78% owned or ground leased

OUR FLEET
~400
Core Stores (Magnets / Flagships)

~125
Neighborhood Stores (includes ~30 currently closing)

1 “A” Malls as a percentage of malls categorized by Green Street Advisors; undated stores are off-mall
THREE COMPONENTS OF OUR REAL ESTATE STRATEGY

MARKET AND FLEET ANALYSIS

• Identifies underperforming stores / sales candidates
• Pinpoints opportunistic monetizations
  - Real estate value > Operating value
  - Development adjacent to store

REAL ESTATE DEVELOPMENT

• Outparcel program
• Major development program
• Pre-Development / Development enhances value
• Interim step to monetization

ASSET MONETIZATION

• Spans three primary types of sales:
  - Underperforming stores
  - Opportunistic sales
  - Adjacent land
MAXIMIZE VALUE THROUGH STRATEGIC TIMING AND POSITIONING

CANDIDATES FOR MONETIZATION

Underperforming stores

Opportunistic monetizations

Land adjacent to stores (typically excess parking):
  • Outparcels
  • Large developments

GUIDING PRINCIPLES

Think like the buyer / developer

Understand “highest and best use”

Analyze development pro forma and asset value

Be informed sellers and capable negotiators

RESULTS

LAST 4 YEARS

$1.6B 135
Proceeds Assets

2020 ESTIMATED PROCEEDS

~$130M
PRE-DEVELOPMENT OR DEVELOPMENT CAN ENHANCE PROCEEDS

1. **Outparcels**
   Small pads in parking areas; e.g., quick-service restaurants, banks

2. **Large Scale Development**
   Multi-acre developments; Typically mixed use

3. **Special Projects**
   Herald Square Office Tower, San Francisco Union Square, Geary Street Shops
OUTPARCEL DEVELOPMENT

Program To Develop Parcels

Three regional development partners:

- Develop
- Lease
- Sell

GAINS

$1-3M

Gains to Macy’s per pad on average

PIPELINE

16

Pads in progress

40+

Pads on drawing board
LARGE-SCALE DEVELOPMENT PROGRAM

Leveraging in-house and local JV partner expertise to densify excess land with mixed-use projects

**JV Structure Benefits**
- Create JV with local developer
- Invest in project and participate in development profits OR take cash at closing
- Does not require out-of-pocket capital

**AVERAGE DEVELOPMENT SIZE**

$100-300M

Development cost

10-15%

Land value share of development

**PIPELINE (SITES)**

16

Negotiation / Pre-development

30

Under consideration
Burlington Mall Overview

Carve out 8 of 19 owned acres for mixed-use development

$250M project value
LARGE-SCALE DEVELOPMENT PROGRAM

Burlington Mall Overview

Carve out 8 of 19 owned acres for mixed-use development

$250M project value
LARGE-SCALE DEVELOPMENT PROGRAM

Burlington Mall Overview

Carve out 8 of 19 owned acres for mixed-use development

$250M project value
SPECIAL PROJECTS: HERALD SQUARE
Pre-development Planning Underway

- **1.5 million SF** office tower above the store: Sky Lobby

- Working to **up-zone property** for project

- **Superior location**
  - Penn Station District
  - 14 transit lines near building

- **Retains the store and historic character of building**

- **Herald Square area public improvements**
SPECIAL PROJECTS: HERALD SQUARE
Pre-development Planning Underway

1.5 million SF office tower above the store: Sky Lobby

Working to up-zone property for project

Superior location
Penn Station District
14 transit lines near building

Retains the store and historic character of building

Herald Square area public improvements
HIGH-QUALITY REAL ESTATE IS AN ENDURING COMPETITIVE ADVANTAGE

MARKET AND FLEET ANALYSIS
Rigorous, regional fleet review
- Identify candidates for monetization
- Improve fleet quality while retaining critical locations

ASSET MONETIZATION
Sustained value creation and harvesting
- Maximize asset value at exit
- 2020 Guidance: ~$130M proceeds

REAL ESTATE DEVELOPMENT
In-house / JV partnerships to maximize land use
- Enhance long-term value of property at exit
- Increase utilization of excess land with limited risk exposure
### Off-Mall Market Share Growth Potential

<table>
<thead>
<tr>
<th>Category</th>
<th>On-Mall</th>
<th>Off-Mall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housewares</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>Handbags</td>
<td>43%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: NPD data
Significant opportunity with customers that know our brand

Leverage omni, non-mall based, retail experience

Innovate to serve this customer in two ways
CREATING A RETAIL ECOSYSTEM
Growth opportunity through strategic placement of new stores off-mall

Department store through off-price and lifestyle lens
~5% 2019 comparable sales for SWS locations opened for more than one year

274 Number of SWS (261) and Freestanding (13) locations by the end of 2020

22% Freestanding customers are new to the Macy’s brand
Testing in 2020

Smaller than the average Macy’s store

Located in lifestyle centers

Curated Macy’s merchandise, local goods, community-oriented events
CREATING A RETAIL ECOSYSTEM
Growth opportunity through strategic placement of new stores off-mall

Department store through off-price and lifestyle lens
Three growing metropolitan test markets with store base but gaps in coverage

Opportunity to build model that improves profit with ability to scale

Significant digital business in each city

Testing in Washington DC, Dallas, Atlanta markets
Evidence that we are building Customer Lifetime Value

Profitable growth for the total market including all stores and .com

Customer satisfaction in individual stores and experience
CONSUMER-DRIVEN SUPPLY CHAIN

Dennis Mullahy
Chief Supply Chain Officer
MACY'S, INC. INVESTOR DAY 2020

CREATED NEW SUPPLY CHAIN ORGANIZATION

Sourcing

Inventory Management & Analytics

Transportation

Distribution & Operations

Procurement

Sustainability
Lacked optimization throughout the Supply Chain

Limited in flexibility and speed

Higher costs to serve
# THE CASE FOR CHANGE

Macy’s is Modernizing Its Supply Chain Strategy By...

| Creating a best-in-class **sourcing** capability | **1** Drive profitable growth |
| Redesigning **inventory movement** using analytics, advanced algorithms, improved operations and optimized transportation | **2** Lower costs and improve speed and agility |
| Enhancing our **procurement capabilities** to leverage strategy and analytics | **3** Improve inventory productivity to drive higher return |
| Emphasizing the importance of **sustainability** | **4** Profitably support omni-customers shopping trends and behaviors |
UPDATED SOURCING STRATEGY

Enhanced Costing

Agility & Speed

Innovation & Newness
Enhanced Costing

- Leverage data and analytics
- Optimize supplier strategy
- Leverage raw materials consolidation and management
MACY'S, INC. INVESTOR DAY 2020

- Improved demand signals and trend intelligence
- Selective fabric platforming
- Streamlining organization structure
INNOVATION AND NEWNESS

- Leverage supplier capabilities to inform new product innovations
- Expanding on new fabrics
## SUPPLY CHAIN STRATEGY – SOURCING

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>ORIGINAL COST</th>
<th>NEGOTIATED COST</th>
<th>SAVINGS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cut &amp; Sew</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legging Program</td>
<td>6.76</td>
<td>5.16</td>
<td>24%</td>
</tr>
<tr>
<td>Mockneck Program</td>
<td>5.61</td>
<td>5.01</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Shirts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printed Dress Shirts</td>
<td>9.91</td>
<td>9.07</td>
<td>9%</td>
</tr>
<tr>
<td>Rayon Casual Shirts</td>
<td>13.81</td>
<td>11.92</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Materials Management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Fabric for Basic Knits</td>
<td>1.80</td>
<td>1.60</td>
<td>12%</td>
</tr>
</tbody>
</table>
SUPPLY CHAIN STRATEGY – SOURCING

### 2019

**DESIGN AND PILOT**
Achieved significant reduction in COGS

<table>
<thead>
<tr>
<th>Product</th>
<th>Savings (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut &amp; Sew Knits</td>
<td>$6.4M</td>
</tr>
<tr>
<td>Bedding and Bath</td>
<td>$4.0M</td>
</tr>
<tr>
<td>Sweaters</td>
<td>$6.3M</td>
</tr>
<tr>
<td>Shirts</td>
<td>$2.3M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19.0M</strong></td>
</tr>
</tbody>
</table>

* Savings based on addressable spend targeted

### 2020-2022

**SCALE AND OPTIMIZE**

- **$120** Reduction in COGS
- At least **30 day** improvement in lead time

macys inc
Changing and building new capabilities across several supply chain competencies
SUPPLY CHAIN STRATEGY — CENTRALIZED FULFILLMENT

- Store Delivery Centers
- Direct to Consumer Centers
CURRENT STATE

VENDORS

DISTRIBUTION

CUSTOMERS

STORE DELIVERY CENTERS

DIRECT TO CUSTOMER CENTERS

Stores

Customer
CURRENT STATE

VENDORS

DISTRIBUTION

CUSTOMERS

Stores

Customer
CURRENT STATE

VENDORS

DISTRIBUTION

STORE DELIVERY CENTERS

DIRECT TO CUSTOMER CENTERS

CUSTOMERS

RESULTS

Stores

Customer

THIS STORE HAS HIGH SELLING

THIS STORE HAS LOW SELLING
CURRENT STATE

VENDORS

DISTRIBUTION

STORE DELIVERY CENTERS

DIRECT TO CUSTOMER CENTERS

CUSTOMERS

RESULTS

Stores

OUT OF STOCK

HIGHER MARKDOWNS

Customer
IMPLEMENTING CENTRALIZED FULFILLMENT

- Flexibility
- Speed
- Cost Management
FUTURE STATE

VENDORS

DISTRIBUTION

CUSTOMERS

Centralized Fulfillment

Stores

Customer
FUTURE STATE

VENDORS

DISTRIBUTION

CUSTOMERS

CENTRALIZED FULFILLMENT

SMALLER INITIAL STORE SHIPMENT, LESS WORK AND BACK STOCK AT STORE

STORES

CUSTOMER

FLEXIBLE INVENTORY

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FUTURE STATE

VENDORS

DISTRIBUTION

CUSTOMERS

Centralized Fulfillment

Flexible Inventory

Stores

- This store has high selling
- This store sells to plan
- Customer orders online

Stores

- This store has low selling

Customer
FUTURE STATE

VENDORS  DISTRIBUTION  CUSTOMERS  RESULTS

CENTRALIZED FULFILLMENT

FLEXIBLE INVENTORY

Stores

Customer

Improved Sell through
Reduced markdowns

Improved Sell through
Reduced markdowns
SUPPLY CHAIN STRATEGY – CENTRALIZED FULFILLMENT

Store Delivery Centers
Centralized Fulfillment Centers
### Supply Chain Strategy – Centralized Fulfillment

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>Sell-Through</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spring Dress Capsules</td>
<td>22% improvement</td>
<td>6% lower</td>
</tr>
<tr>
<td>Missy Top</td>
<td>13% improvement</td>
<td>8% lower</td>
</tr>
</tbody>
</table>
SUPPLY CHAIN STRATEGY – CENTRALIZED FULFILLMENT

2019

01 Improved sell through by 5%
02 Lowered effective markdown rate by 2.5%
03 Improved ecommerce fulfillment
  • Increased speed
  • Reduced costs

2020-2022

01 2-3% improvement in effective markdown rate ~ $180 M
02 3.5% reduction in average inventory ~ $200M
03 Support the new store ecosystem
04 Further improve ecommerce fulfillment

* Savings based on addressable spend targeted
PROCUREMENT TRANSFORMATION

- Spend analytics
- Benchmarking and deep category analytics
- Category planning and procurement strategies
- Leveraging third-party experts

Procurement Targets

$200M in capital and expense savings opportunities
SUSTAINABILITY

- 2019 report published in accordance with SASB guidelines
- Organized new sustainability team under one leader
- Improvements in sustainability over last 10 years
- Focused on driving sustainable solutions while reducing costs
THE CASE FOR CHANGE

Macy’s is Reshaping Its Supply Chain Strategy By…

Creating a best-in-class **sourcing** capability

Redesigning **inventory movement** using analytics, advanced algorithms, improved operations and optimized transportation

Enhancing our **procurement capabilities** to leverage strategy and analytics

Emphasizing the importance of **sustainability**

To Deliver…

1. **$120M** in COGS improvement
2. **$180M** in markdown reduction
3. **$200M** in inventory reduction
4. **$200M** in expense and capital savings
STABILIZING PROFITABILITY, POSITIONING FOR GROWTH

Paula Price
Chief Financial Officer
AGENDA

1. RESET THE COST BASE
   Right sizing the organization and expense base

2. 2019 REVIEW
   FY19 operating performance and capital allocation highlights

3. LONG-TERM OUTLOOK
   Plan to stabilize sales, profitability and cash flows
   Introduction of three-year financial targets

4. 2020 GUIDANCE REVIEW
   FY20 guidance and expectations
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RESET COST BASE

POLARIS

5

Right-size organization & expense base

Balance sales & profit

Improve productivity of working capital
SUBSTANTIVE RESET OF FIXED COST BASE IN 2020

**ACTIONS**

- Closing San Francisco, Lorain, and downtown Cincinnati offices
- Relocating Macy’s digital headquarters to NYC
- Expanding Atlanta technology hub
- Moving NYC corporate team to Long Island City
- Consolidating NYC offices into Herald Square office for merchants

**BENEFITS**

- Teams working closer together in fewer locations
- Asset monetization or facilities sub-lease
- Better coordination across all aspects of digital, merchandising, marketing, infrastructure, and mobile

Right-sizing of the organization expected to deliver ~$250 million in SG&A savings in 2020
AGENDA

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## 2019 PERFORMANCE: NARROWING EARNINGS GUIDANCE

### OPERATING PERFORMANCE

<table>
<thead>
<tr>
<th>FY19 PRELIMINARY SALES RESULTS</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Net sales</td>
<td>~$24.5B</td>
</tr>
<tr>
<td>Owned + licensed comp sales</td>
<td>~(0.7)%</td>
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<table>
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<tr>
<th>FY19 ADJUSTED DILUTED EPS GUIDANCE</th>
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<tr>
<td>With asset sales gains</td>
<td>$2.72 to $2.77</td>
</tr>
<tr>
<td>Without asset sales gains</td>
<td>$2.35 to $2.40</td>
</tr>
</tbody>
</table>

### HOLIDAY 2019

- Strategic initiatives – Growth 150, Backstage, Vendor Direct and Destination Businesses – were strong vs. expectations
- Accelerating comp trend from Q3 in flagships and magnets, and digital
- Store Pickup results were strong
- Planned improvements in promotional calendar were successful

Commitment to delivering Holiday 2019 showed up in execution and results
# 2019 PERFORMANCE: NARROWING EARNINGS GUIDANCE

## OPERATING PERFORMANCE

### FY19 PRELIMINARY SALES RESULTS

<table>
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<tr>
<th>Description</th>
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### FY19 ADJUSTED DILUTED EPS GUIDANCE

<table>
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<tr>
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<th>Range</th>
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<td>$2.35 to $2.40</td>
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</tbody>
</table>

## CAPITAL ALLOCATION (estimated)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>~ $1B</td>
</tr>
<tr>
<td>Debt repayment</td>
<td>~ $565M</td>
</tr>
<tr>
<td>Adj. EBITDA leverage</td>
<td>~ 2.9x</td>
</tr>
<tr>
<td>Adj. EBITDA leverage excluding ASG</td>
<td>~ 3.0x</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>~ $465M</td>
</tr>
</tbody>
</table>

- Consistent execution against capital allocation strategy
AGENDA

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   Right sizing the organization and expense base

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   FY19 operating performance and capital allocation highlights

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4. 2020 GUIDANCE REVIEW
   FY20 guidance and expectations
# POSITIVE GROWTH TARGETED BY 2022

## FY22 SALES
- Net sales: ~ $23.2B to $23.9B
- 2019-2022 O+L comp sales CAGR: ~ (1.0)% to flat

## FY22 EARNINGS
- Adjusted diluted EPS: $2.50 to $3.00
- Adjusted diluted EPS (excluding asset sale gains): $2.25 to $2.75

## FY22 CASH
- Free cash flow\(^1\): ~ $1.0B

---

1. Free Cash Flow (FCF) is defined as cash from operations less capital expenditures

---

Execution on the Polaris strategy will be a critical enabler of delivering targets.
INVESTING IN WAYS CUSTOMERS SHOP TODAY AND IN THE FUTURE

Expand Growth treatment strategy
to stabilize sales in the face of secular headwinds

Sustain healthy growth in digital channels
and continue to improve our website capabilities

Develop further in off-price
drive Backstage Store-within-Store and test Freestanding concepts

Test new concepts
tie the omni-channel format together through new store formats

Investing to stabilize and drive topline growth
## COMMITTED TO SALES STABILIZATION

<table>
<thead>
<tr>
<th></th>
<th>2019 Preliminary</th>
<th>2020 Guidance</th>
<th>2022 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>~$24.5B</td>
<td>$23.6B to $23.9B</td>
<td>$23.2B to $23.9B</td>
</tr>
<tr>
<td>Neighborhood stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on net sales</td>
<td></td>
<td>(~$240M)</td>
<td>(~$960M)</td>
</tr>
<tr>
<td>O+L comp sales</td>
<td>~0.7%</td>
<td>(2.5)% to (1.5)%</td>
<td>(0.5)% to 0.5%</td>
</tr>
</tbody>
</table>

Planned strategies will stabilize comp sales trajectory after declining to grow topline sales.

---

1) Figures represent estimated net sales for fiscal year 2019 of those aggregate neighborhood stores closed as of the beginning of each year, and are net of estimates for retained sales and impact on digital sales.
SEPTEMBER 2019: MULTI-YEAR PRODUCTIVITY PROGRAM

By …
• Improving gross margin
• Improving SG&A productivity
• Improving working capital

We will …
• Counter macro headwinds
• Fund strategic initiatives
• Drive profitability

Targeted reduction of annual costs by $400 million to $550 million and improvement in working capital of approximately $100 million over two to four years
BROADENED SCOPE OF PRODUCTIVITY IMPROVEMENT GOALS

Stabilize and then expand gross margin
- proactively mitigate headwinds through profitable merchandising strategies and implementation of productivity initiatives

Improve average profitability of fleet
- redeploy capital as we exit lowest performing stores

Right-size SG&A cost base
- optimize to more sustainable levels that mirror the needs of streamlined retail platform

We will stabilize profitability and fund strategies

2022: Generate productivity of ~$1.5 billion; improve working capital by ~$200 million
EARNINGS: POLARIS WILL STABILIZE AND GROW GROSS MARGINS

Gross margin improvement by function

FEBRUARY 2020

- Supply chain
- Merchandising mix & pricing
- Marketing
- Private Brand Sourcing
- 2022 run-rate savings

~ $600 Million

Plans broadened to stem margin compression now, and expand margin through 2022
EARNINGS: POLARIS WILL RIGHT-SIZE OUR COST BASE

SG&A improvement by expense category
FEBRUARY 2020

More resilient and flexible cost structure accelerates timeline to profitability stabilization
EXPANDING ADJUSTED EBITDA RATE THROUGH STABILIZATION

Adjusted EBITDA
% margin

2019 Guidance
9.4%

~ $2.3B

2022 Target
9.3% to 9.9%

~ $2.2B to $2.4B

Adjusted diluted EPS
$2.72 to $2.77
$2.50 to $3.00

Adjusted diluted EPS
excluding asset sale gains
$2.35 to $2.40
$2.25 to $2.75 wider range

Polaris will stabilize profitability and reposition business to deliver top-line growth
GENERATING SUFFICIENT CASH TO SUPPORT STRATEGY

CUMULATIVE CASH FROM OPERATIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>5.2</td>
</tr>
<tr>
<td>2021</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Target Range for Future Three Years (2020 through 2022 Target)

KEY DRIVERS OF CASH FLOW IMPROVEMENT

01. **Stabilizing profitability** by investing in merchandising and supply chain capabilities to mitigate margin headwinds and optimize SG&A spend.

02. **Revitalizing sales** by strategically closing doors, driving digital sales, leveraging proven concepts (e.g., Backstage SwS), and testing new retail concepts.

03. **Implementing disciplined working capital management** by reducing receipts, driving turns improvements and optimizing payables terms to yield approximately $200M improvement over next three years.

Reversing profitability trend, optimizing working capital leads to cash flow stabilization.
REFOCUS CAPITAL TO PRIORITIZE HIGH POTENTIAL BUSINESSES

CUMULATIVE CAPITAL EXPENDITURES

<table>
<thead>
<tr>
<th>Past 3 Years (2017-2019 Preliminary)</th>
<th>Next 3 years (2020-2022 Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>17%</td>
<td>28%</td>
</tr>
<tr>
<td>34%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Targeting ~$1 billion annually 2020-2022

- Investing in assets that can be our future
  - Investing for sustainable digital growth
  - Testing and scaling new retail concepts

- Reinvigorating our retail platform
  - Upgrading the highest potential areas of our store fleet

- Modernizing our foundation
  - Developing merch and supply chain to bolster operating performance

- Making brand right improvements
  - Improving our customer touch points and upgrading our infrastructure

Reallocating resources to drivers/capabilities critical to delivering growth and profitability
**IMPROVING EARNINGS AND CASH FLOW TRAJECTORY**

<table>
<thead>
<tr>
<th>ADJUSTED EBITDA MARGIN</th>
<th>2019 Estimate</th>
<th>2022 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ 9.4%</td>
<td>~ 9.3%</td>
<td>~ 9.9%</td>
</tr>
</tbody>
</table>

- Deliver balanced margin improvements

<table>
<thead>
<tr>
<th>FREE CASH FLOW</th>
<th>2019 Estimate</th>
<th>2022 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ $0.5B</td>
<td>~ $1.0B</td>
<td></td>
</tr>
</tbody>
</table>

- Stabilize and grow free cash flow

<table>
<thead>
<tr>
<th>NET SALES</th>
<th>2019 Estimate</th>
<th>2022 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ $24.5B</td>
<td>~ $(1.0B) due to store closures</td>
<td>~ $23.2B to $23.9B</td>
</tr>
</tbody>
</table>

- Grow comp sales after right sizing store base

Stabilization of profitability and cash flows in 2020 ... positioning Macy's for future growth
## CASHFLOW: 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
CASHFLOW: EXPECT TO ACHIEVE TARGET LEVERAGE BY 2022

Cumulative 3-Year Targets

Expect an excess of $200 million to $800 million by 2022 to allocate to further value creation.
AGENDA

1. **RESET THE COST BASE**
   - Right sizing the organization and expense base

2. **2019 REVIEW**
   - FY19 operating performance and capital allocation highlights

3. **LONG-TERM OUTLOOK**
   - Plan to stabilize sales, profitability and cash flows
   - Introduction of three-year financial targets

4. **2020 GUIDANCE REVIEW**
   - FY20 guidance and expectations
2020 GUIDANCE

Sales
Net sales: $23.6B to $23.9B
O+L comp: (2.5)% to (1.5)%

Comp sales decline driven by:
• Trajectory of our business over the last year
• Continued challenged performance in mall-based retail
• Disruption from significant structural changes to reset cost base
• Economic environment still healthy, but slower growth than prior years

Earnings
Adjusted diluted EPS: $2.45 to $2.65
Adjusted diluted EPS excluding asset sale gains: $2.20 to $2.40

2020 will be a transition year: stabilize profitability and prepare for future long-term growth

Note: Full 2020 guidance can be found in the appendix.
STABILIZING MARGINS AND RIGHT SIZING SG&A COST BASE

**FY20 Gross Margin Rate:** Approximately flat
- Greatest pressure in Q1; sequential improvement throughout the year
- Polaris to contribute ~$100 million of savings
- Headwinds:
  - Working hard to mitigate impact of Tranche 3 tariffs introduced during 2019
  - Growth of lower-margin businesses

**FY20 comp inventory:** down significantly

**FY20 SG&A rate:** approximately flat, despite lower sales
- Polaris to generate at least $500 million of savings.

Polaris expected to contribute at least $600 million of savings in 2020
STABILIZING PROFITABILITY, POSITIONING FOR GROWTH

1. Stabilizing profitability and cash flows in transition year of 2020

2. Right sizing cost base and expanding future gross margins

3. Capital allocation strategy enhances long-term financial stability and value creation
CLOSING REMARKS
Strengthen Customer Relationships

Curate Quality Fashion

Accelerate Digital Growth

Optimize Store Portfolio

Reset our Cost Base
AMERICA’S DEPARTMENT STORE
MACY’S, INC. INVESTOR DAY 2020

AMERICA LOVES TO SHOP

FASHION VALUE CELEBRATION
Q&A
Macy's, Inc.
Forward-Looking Statements

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 presentation because of a variety of factors, including the possible invalidity of the underlying beliefs and assumptions; Macy’s ability to successfully implement its Polaris strategy, including the ability to realize the anticipated benefits within the expected timeframe or at all; the success of Macy’s operational decisions, such as product sourcing, merchandise mix and pricing, and marketing, and strategic initiatives, such as Growth stores, Backstage on-mall off-price business, and vendor direct expansion; general consumer-spending levels, including the impact of general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of the weather or natural disasters; competitive pressures from department and specialty stores, general merchandise stores, manufacturers’ outlets, off-price and discount stores, and all other retail channels, including the Internet, catalogs and television; Macy’s ability to remain competitive and relevant as consumers’ shopping behaviors migrate to other shopping channels and to maintain its brand and reputation; possible systems failures and/or security breaches, including any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to Macy’s in the event of such a breach; the cost of employee benefits as well as attracting and retaining quality employees; transactions and strategy involving Macy’s real estate portfolio; the seasonal nature of Macy’s business; conditions to, or changes in the timing of, proposed transactions, and changes in expected synergies, cost savings and non-recurring charges; the potential for the incurrence of charges in connection with the impairment of intangible assets, including goodwill; possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions; possible actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials; changes in relationships with vendors and other product and service providers; currency, interest and exchange rates and other capital market, economic and geo-political conditions; unstable political conditions, civil unrest, terrorist activities and armed conflicts; the possible inability of Macy’s manufacturers or transporters to deliver products in a timely manner or meet Macy’s quality standards; Macy’s reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes, regional health pandemics, and regional political and economic conditions; duties, taxes, other charges and quotas on imports; and other factors identified in documents filed by Macy’s with the Securities and Exchange Commission. 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.
Macy's, Inc.
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. Earnings before interest, taxes, depreciation and amortization (EBITDA) and EBITDA as a percent of net sales are non-GAAP financial measures 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 restructuring, impairment and other costs, settlement charges and losses on the early retirement of debt from EBITDA and 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.

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.

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) and free cash flow is in the same manner as illustrated within. In addition, the company does not provide the most directly comparable estimated and forward-looking GAAP measure of EBITDA, EBITDA as a percent of net sales, and 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.
Macy's, Inc.
Reconciliation of GAAP to non-GAAP Financial Measures
(All amounts in millions except for percentages)

Estimated changes in comparable sales

<table>
<thead>
<tr>
<th>Description</th>
<th>52 Weeks Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>decrease in comparable sales on an owned basis (Note 1)</td>
<td>(0.8)%</td>
</tr>
<tr>
<td>impact of growth in comparable sales of departments licensed to third parties (Note 2)</td>
<td>0.1%</td>
</tr>
<tr>
<td>decrease in comparable sales on an owned plus licensed basis</td>
<td>(0.7)%</td>
</tr>
</tbody>
</table>

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.
## Macy’s, Inc.
### Reconciliation of GAAP to non-GAAP Financial Measures
(All amounts in millions except for percentages)

<table>
<thead>
<tr>
<th></th>
<th>52 Weeks Ended</th>
<th>53 Weeks Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>February 2, 2019</td>
<td>February 3, 2018</td>
</tr>
<tr>
<td>Adjusted EBITDA as a percent to Net Sales</td>
<td>11.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Most Comparable GAAP measure:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to Macy’s, Inc. shareholders</td>
<td>$1,108</td>
<td>$1,566</td>
</tr>
<tr>
<td>Net sales</td>
<td>24,971</td>
<td>24,939</td>
</tr>
<tr>
<td>Net income attributable to Macy’s, Inc. shareholders as a percent to net sales</td>
<td>4.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Non-GAAP measure:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to Macy’s, Inc. shareholders</td>
<td>$1,108</td>
<td>$1,566</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>236</td>
<td>310</td>
</tr>
<tr>
<td>Losses (gains) on early retirement of debt</td>
<td>33 (10)</td>
<td></td>
</tr>
<tr>
<td>Federal, state and local income tax expense (benefit)</td>
<td>322 (39)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>962</td>
<td>991</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,661</td>
<td>2,818</td>
</tr>
<tr>
<td>Settlement charges</td>
<td>88</td>
<td>105</td>
</tr>
<tr>
<td>Restructuring, impairment, store closing and other costs (Note 1)</td>
<td>128</td>
<td>186</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$2,877</td>
<td>$3,109</td>
</tr>
<tr>
<td>Adjusted EBITDA as a percent to net sales</td>
<td>11.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

**Note:**
(1) For the 52 weeks ended February 2, 2019, the above pre-tax adjustment excludes impairment, restructuring and other costs attributable to the noncontrolling interest shareholder of $8 million.
Macy's, Inc.
Reconciliation of GAAP to non-GAAP Financial Measures
(All amounts in millions except for percentages)

<table>
<thead>
<tr>
<th></th>
<th>Free Cash Flow</th>
<th>52 Weeks Ended</th>
<th>53 Weeks Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>February 2, 2019</td>
<td>February 3, 2018</td>
</tr>
<tr>
<td>Most comparable GAAP measure:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,735</td>
<td>$1,976</td>
<td></td>
</tr>
<tr>
<td>Non-GAAP measure:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,735</td>
<td>$1,976</td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(932)</td>
<td>(760)</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$803</td>
<td>$1,216</td>
<td></td>
</tr>
</tbody>
</table>
# FY GUIDANCE

<table>
<thead>
<tr>
<th>FY20 GUIDANCE</th>
<th>FY GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>$23.6B to $23.9B</td>
</tr>
<tr>
<td><strong>Comp sales - owned</strong></td>
<td>Approximately 40 BPS better than OL</td>
</tr>
<tr>
<td><strong>Comp sales - owned + licensed (OL)</strong></td>
<td>(2.5)% to (1.5)%</td>
</tr>
<tr>
<td><strong>Credit card revenues, net</strong></td>
<td>$700M to $715M</td>
</tr>
<tr>
<td><strong>Gross margin rate</strong></td>
<td>Approximately flat to FY19</td>
</tr>
<tr>
<td><strong>SG&amp;A expense rate</strong></td>
<td>Approximately flat to FY19</td>
</tr>
<tr>
<td><strong>Gains on sale of real estate</strong></td>
<td>Approximately $100M</td>
</tr>
<tr>
<td><strong>Benefit plan income, net</strong></td>
<td>Approximately $30M</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>Approximately $1B</td>
</tr>
<tr>
<td><strong>Interest expense, net</strong></td>
<td>Approximately $190M</td>
</tr>
<tr>
<td><strong>Tax rate</strong></td>
<td>23.25%</td>
</tr>
<tr>
<td><strong>Adjusted Diluted EPS</strong></td>
<td>$2.45 to $2.65</td>
</tr>
<tr>
<td><strong>Adjusted Diluted EPS excluding gains on sale of real estate</strong></td>
<td>$2.20 to $2.40</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong></td>
<td>Approximately $1B</td>
</tr>
<tr>
<td><strong>Comp Inventory</strong></td>
<td>Down significantly to FY19</td>
</tr>
</tbody>
</table>
The location-based approach to store segmentation combines multi-boxes stores into a single location, providing a more accurate count of the store fleet. At the end of 3Q19, Macy’s Inc. had a total of 871 boxes in 806 locations nationwide.

### STORE COUNT RECONCILIATION

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Boxes</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macy’s Flagships</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Macy’s Magnets</td>
<td>432</td>
<td>386</td>
</tr>
<tr>
<td>Macy’s Core</td>
<td>448</td>
<td>397</td>
</tr>
<tr>
<td>Macy’s Neighborhood</td>
<td>130</td>
<td>123</td>
</tr>
<tr>
<td>Macy’s Furniture</td>
<td>54</td>
<td>49</td>
</tr>
<tr>
<td>Macy’s Other</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Freestanding Backstage</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Bloomingdale’s Dept. Stores</td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td>Bloomingdale’s Furniture/Other</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Bloomingdale’s The Outlet</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Bluemercury</td>
<td>171</td>
<td>171</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>871</strong></td>
<td><strong>806</strong></td>
</tr>
</tbody>
</table>