

Macy's, Inc. First Quarter 2023 Earnings Presentation

June 1, 2023

macys inc

★ macys bloomingdales bluemercury

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 presentation because of a variety of factors, including Macy's ability to successfully implement its Polaris strategy, 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, inflation, labor shortages, the amount and timing of future dividends and share repurchases, our ability to execute on our strategies and achieve expectations related to environmental, social, and governance matters, 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 28, 2023. 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 and in the appendix of this presentation.

“During the first quarter, we delivered a solid beat on our gross margin rate and bottom line expectations enabled by our disciplined teams, strength of our inventory management and operational efficiencies. We planned the year assuming that the economic health of the consumer would be challenged, but starting in late March, demand trends weakened further in our discretionary categories.

We have moved quickly to take the appropriate actions to meet current consumer demand and manage our expenses. Our revised guidance reflects incremental clearance markdowns to address excess spring seasonal merchandise in the second quarter, along with adjustments to the category composition and inventory levels in the back half of the year. Supported by our solid foundation of financial health, we remain focused on strengthening our core business and advancing our five growth vectors – which we believe will drive sustainable and profitable sales growth in the future.”

Jeff Gennette | Chairman and CEO of Macy’s, Inc.

1Q23 Financial Results

In millions, except per share figures and percentages



Net Sales

\$4,982

↓ 6.8% from 1Q22

Net sales were below expectations driven by macroeconomic pressures that had a more pronounced impact on discretionary spending than anticipated.

Digital penetration of net sales was 32%, down 1 ppt vs 1Q22.

Comparable owned sales change

-7.9%

Versus +12.8% from 1Q22

Comparable owned plus licensed (O+L) sales change

-7.2%

Versus +12.4% from 1Q22

Other Revenue

\$191

↓ 12.0% from 1Q22

3.8%
of net sales

↓ 30 bps from 1Q22

Beginning in the first quarter, the company is reclassifying Credit Card Revenue Net and Macy's Media Network Net Revenue to Other Revenue.

Credit Card Revenue Net

\$162

↓ 15.2% from 1Q22

3.3%
of net sales

↓ 30 bps from 1Q22

Decline driven by the impact of higher bad debt within the portfolio. Proprietary Card penetration rate of 43.6%, +50bps vs 1Q22.

Macy's Media Network Revenue Net

\$29

↑ 11.5% from 1Q22

0.6%
of net sales

↑ 10 bps from 1Q22

Growth driven by double-digit increase in campaign count vs 1Q22.

1Q23 Financial Results (continued)

In millions, except per share figures and percentages

Gross Margin (GM)

\$1,994

↓ 5.8% from 1Q22

GM Rate

40.0%

of net sales

↑ 40 bps from 1Q22

Merchandise margin was flat, benefiting from lean beginning-of-year inventory levels and lower clearance, offset by promotions and category mix shifts. Delivery expense improved 40 bps compared to the prior year, benefiting from improvements in contracted rates, reductions in packages per order and lower digital penetration.

Selling, General & Administrative Expense (SG&A)

\$1,950

↑ 2.4% from 1Q22

SG&A Rate

37.7%

of total revenue

↑ 350 bps from 1Q22

SG&A expense was primarily driven by the lapping of minimum wage increases and continued investments in colleagues across competitive pay, incentives and benefits.

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

\$466

↓ 31.1% from 1Q22

EBITDA Rate

9.0%

of total revenue

↓ 310 bps from 1Q22

Adjusted EBITDA

\$468

↓ 31.6% from 1Q22

Adjusted EBITDA Rate

9.0%

of total revenue

↓ 330 bps from 1Q22

Impacted by flow-through of changes in other revenue, gross margin and SG&A expense.

Inventory

-7%

from 1Q22

Reflects improved discipline around inventory management.

Diluted Earnings Per Share (EPS)

\$0.56

↓ 42.9% from 1Q22

Adjusted Diluted EPS

\$0.56

↓ 48.1% from 1Q22

Inventory Turnover¹

-2%

from 1Q22

Reflects the decline in sales versus the comparable period.

¹ Inventory turnover is defined as trailing four-quarter cost of goods sold divided by trailing four-quarter average inventory

Capital Allocation Highlights

Year-to-date free cash flow outflow of **\$166M** & trailing twelve months free cash flow inflow of **\$231M**

- Cash flow from operating activities of **\$105M**
- Capital expenditures of **\$296M**
 - *Primarily focused on digital & technology investments, data & analytics, supply chain modernization and omni-channel capabilities*

Year-to-date dividend payments of **\$45M**

Year-to-date stock buybacks under open-ended share repurchase authorization of **\$25M**



Five Growth Vectors

Macy's Private Brand Reimagination

Designed to drive customer loyalty, be a differentiator for the business, complement our national brands matrix and benefit gross margin.

- In 1Q23, reimagined INC women's and Club Room men's outperformed respective broader apparel segments at Macy's.

Small-Format Off-Mall Locations

Play an integral role in supporting omnichannel ecosystem. Testing and learning in 2023, potentially accelerating openings in 2024.

- In 1Q23, stores opened more than one full fiscal year achieved positive comparable O+L sales.
- 4 Macy's small format locations planned to open in 2023, with 8 locations currently open.
- 1 Bloomie's location planned to open in 2023, with 2 locations currently open.

Digital Marketplace

Extending our category offering with no inventory risk to deliver the best experience for customers and sellers.

- In 1Q23, Macy's added 450 brands, bringing total to ~950.
- 90% of marketplace customers cross-shopped other categories in 1Q23.
- GMV increased ~50% compared to 4Q22.
- Launching Bloomingdale's Marketplace in early Fall 2023.

Luxury

Attracting and retaining luxury customer at Bloomingdale's, Bluemercury, and luxury beauty customer at Macy's.

- To further satisfy customers, teams across nameplates attract sought-after brands by leveraging distinctive marketing.

Personalized Offers and Communications

Opportunity to build loyalty, grow customer lifetime value and protect margins by creating tailored and intimate customer experiences.

- Leaned into personalization of customer offer within typical event structure. Tests, based on predictive behavioral models, allow the company to show different customers various value propositions by level of discount and category of offer.

Targeting sustainable annual net sales and comparable owned-plus-licensed sales growth* beginning in FY24

Growth vectors were contemplated in long-term low-single-digit annual sales CAGR goal provided in 4Q21

A photograph of four women in floral dresses laughing and holding drinks at an outdoor event. The scene is set in a lush, green environment with trees and a building in the background. The women are dressed in vibrant, patterned dresses: one in pink, one in white with blue and green floral patterns, one in blue, and one in yellow. They are all smiling and appear to be in a joyful conversation. The text "Nameplate Performance" is overlaid in white on the image.

Nameplate Performance

★ macy's 1Q23 Highlights

Net Sales

-7.7%

Versus 1Q22

Comparable O+L Sales

-7.9%

Versus 1Q22

Top Categories

Beauty

Men's Tailored
Apparel

Women's Career &
Sportswear

Customer Highlights¹

~42.2M

active customers¹

~29.8M

Star Rewards active member
accounts¹

~70%

of Macy's comp O+L sales were made up by Star Rewards
members

Digital Performance

467M digital visits, down 2% versus 1Q22⁴

Conversion rate of **3.73%**, down ~30bps versus 1Q22⁴

1.4M customer downloaded the Macy's app

★ macy's backstage

Store-within-store comparable O+L sales performed better than full-line locations by **150 bps**

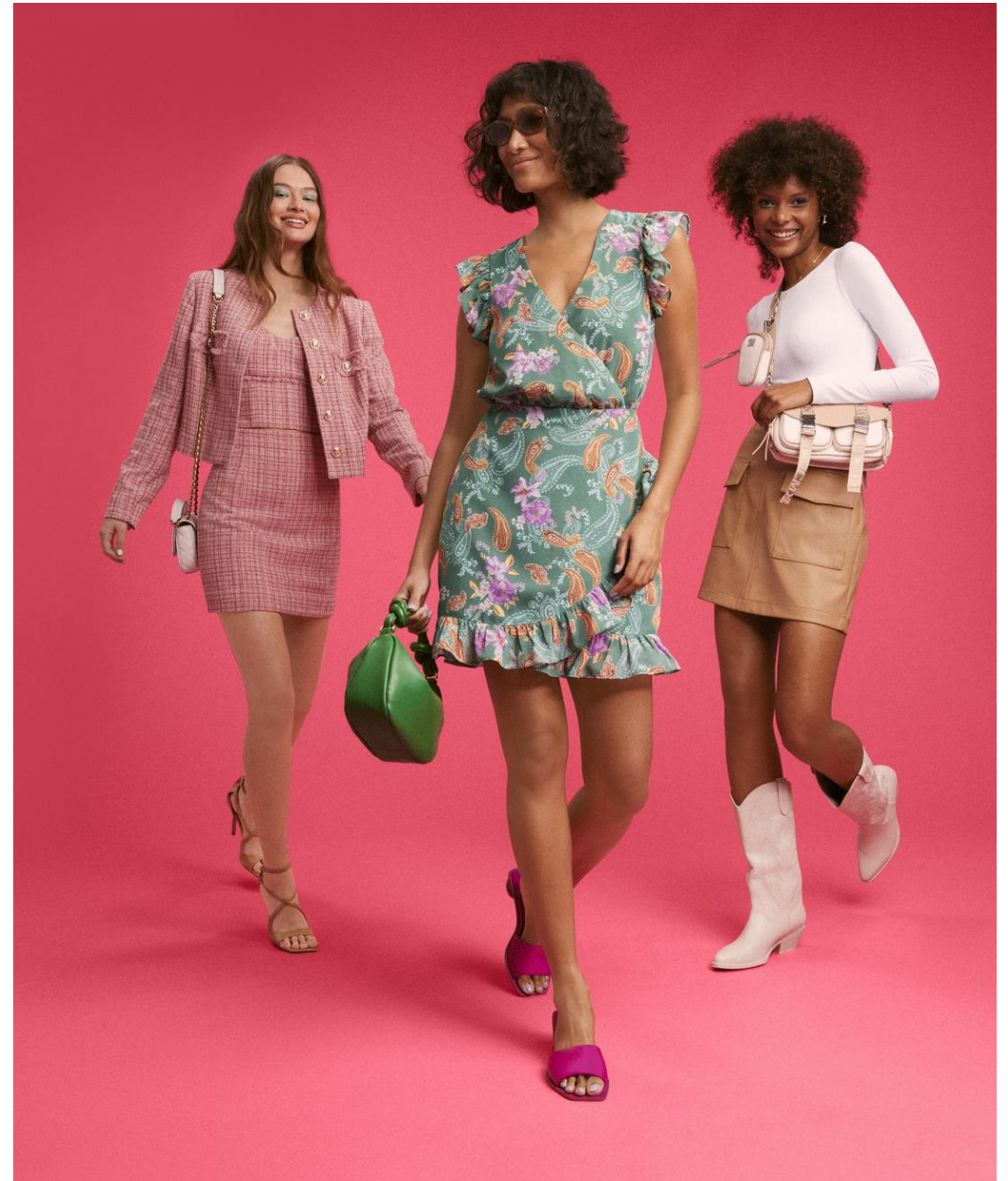
Visitors who cross-shopped both the full-line and respective store-within-store location account for **18%** of the locations' customers²

Expect to open **9** more stores-within-stores in 2023 in addition to **301** existing store-within-store locations



~60% Increase in toy sales vs
1Q22³

Was fully penetrated in every Macy's
store and online by end of 3Q22



¹ An active customer / Star Rewards member is defined as a customer / member account that had 1+ purchase with Macy's, pulled on a trailing twelve-month basis

² Data represents a trailing twelve-month basis

³ Entered our partnership with TRU in Q3, 2021

⁴ Prior year macy's.com visits and conversion metrics have been restated to exclude BOT activity

bloomingdale's 1Q23 Highlights

Net Sales

-2.3%

Versus 1Q22

Comparable O+L Sales

-4.3%

Versus 1Q22

Top Categories

Beauty

Men's and Women's
Contemporary Apparel

Housewares

Customer Highlights¹

~4.1M

Active customers¹

~2.5M

Loyallist active member
accounts¹

~82%

Of total Bloomingdale's O+L sales were
made up by Loyallist members

bloomingdale's
the outlet store

Appeals to a more **value-conscious luxury customer**

Comparable O+L sales **continued to outperform** in 1Q23



¹ An active customer / Loyallist member is defined as a customer / member account that had 1+ purchase with Bloomingdale's, pulled on a trailing twelve-month basis

bluemercury® 1Q23 Highlights

Net Sales

+4.4%
Versus 1Q22

Comparable Sales

+4.3%
Versus 1Q22

Top Categories

Skincare

Color

Customer Highlights¹

~676k
active customers¹

~912k
Loyalty active member
accounts¹

~83%

Of total Bluemercury sales were made up by
loyalty customers

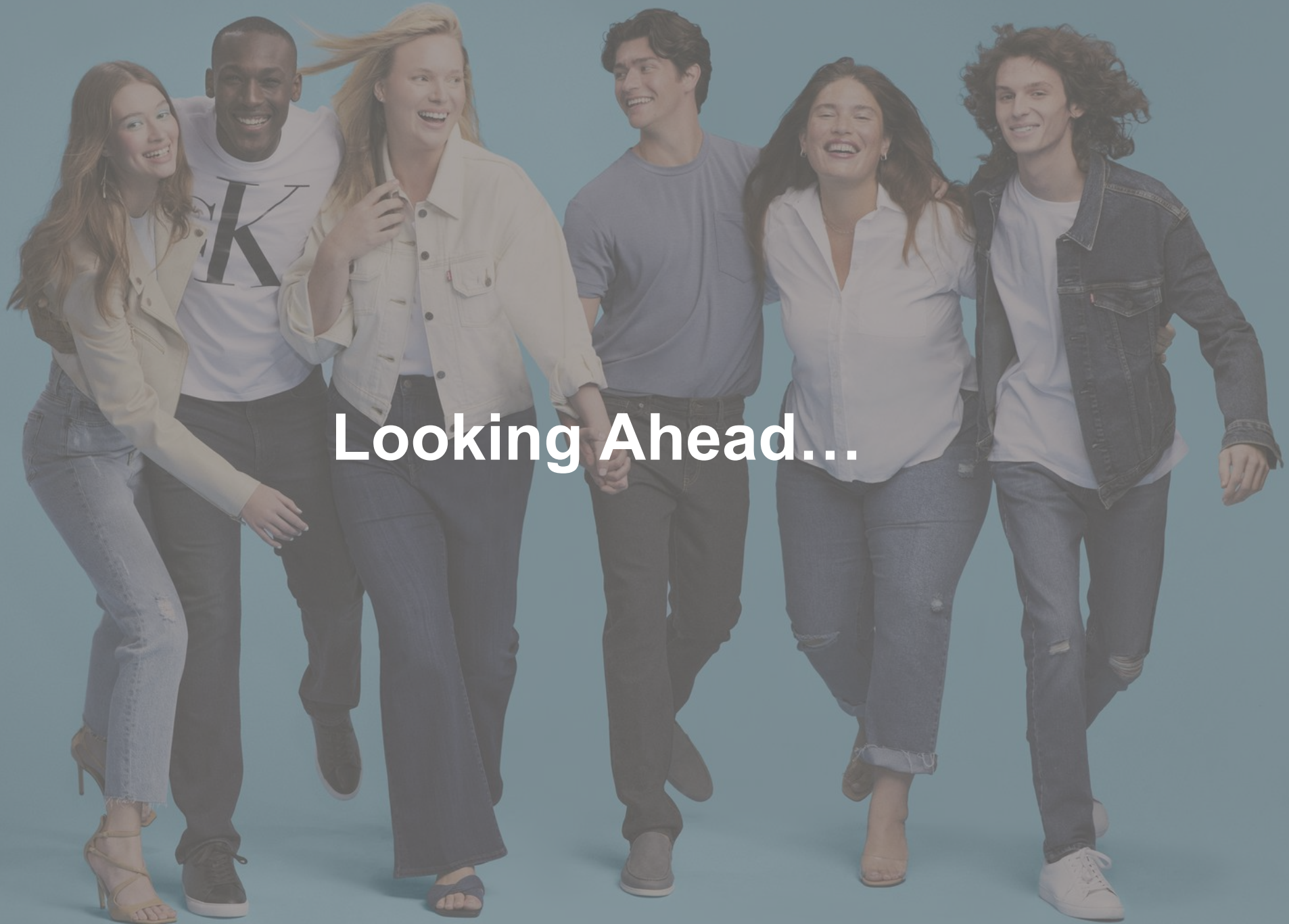
Additional Highlights

Launching **The Cache Volume II**, the latest iteration of its incubator platform that curates the latest undiscovered, emerging and cutting-edge brands.

Growing assortment in High-Tech Beauty through partnerships with Higher Dose, Nood and Solawave.



¹ An active customer / Loyalty member is defined as a customer / member account that had 1+ purchase with Bluemercury, pulled on a trailing twelve-month basis



Looking Ahead...

FY23 Guidance (on a 53-week basis unless otherwise noted)

	FY23 Guidance (as of 6/1/2023)	FY23 Guidance (as of 3/2/2023)
Net sales	\$22.8 billion to \$23.2 billion	\$23.7 billion to \$24.2 billion
Comparable Owned + Licensed sales (on a 52-week basis)	Approximately down 7.5% to down 6% from 2022	Approximately down 4% to down 2% from 2022
Digital sales	Approximately one-third of net sales	Approximately 32% to 34% of net sales
Other revenues	Approximately 3.6% of net sales (credit card revenues accounting for approximately 82%-83% of other revenues)	Approximately 3.7% of net sales (credit card revenues accounting for approximately 84% of other revenues)
Gross margin rate	Approximately 38.0% to 38.5%	Approximately 38.7% to 39.2%
SG&A expense rate	Approximately 34.5% to 35.5% of total revenue Approximately 36.7% to 36.8% of net sales	Approximately 35% of total revenue Approximately 36.3% of net sales
Asset sale gains	Between \$60 million and \$75 million	Between \$60 million and \$75 million
Benefit plan income	Approximately \$13 million	Approximately \$12 million
Depreciation and amortization	Approximately \$900 million	Approximately \$910 million
Adjusted EBITDA margin	Approximately 8.8% to 9.4% of total revenue Approximately 9.1% to 9.7% of net sales	Approximately 10.0% to 10.4% of total revenue Approximately 10.3% to 10.8% of net sales
Interest expense, net	Approximately \$165 million	Approximately \$165 million
Adjusted tax rate	Approximately 24.5%	Approximately 24.5%
Diluted shares outstanding *	Approximately 282 million	Approximately 282 million
Adjusted diluted EPS*	\$2.70 to \$3.20	\$3.67 to \$4.11
Capital expenditures	Approximately \$950 million	Approximately \$1 billion

- Gross Margin and SG&A guidance includes an incremental \$200 million of cost savings; ~30% savings in Gross Margin, remainder in SG&A. The savings will build as the year progresses with a small portion already recognized in 1Q23. Estimated 2024 savings are to be between \$300 million and \$350 million.
- Adjusted EPS guidance includes ~\$0.12 impact due to a higher annual shortage rate than previously anticipated.

* Diluted shares outstanding and Adjusted diluted EPS does not account for any future share repurchases in 2023.

Bold indicates a change from prior guidance

2Q23 Guidance

	2Q23 Guidance (as of 6/1/2023)
Net sales	\$5.0 billion to \$5.1 billion
Gross margin rate	Down no more than 100 basis points vs 2Q22
Adjusted diluted EPS*	\$0.10 to \$0.15
Inventories	Approximately down low to mid-single digits to last year on a percentage basis

- The second quarter includes clearance markdowns to address remaining first-quarter seasonal inventory and May receipts that were unable to be adjusted in time to align with the company's updated sales expectations.
- These markdown actions are to ensure a clean inventory position entering the third quarter.
- The second quarter is expected to be the only year-over-year quarterly gross margin rate deterioration in 2023.

* Adjusted diluted EPS does not account for any future share repurchases in 2023.

A collection of Dior beauty products is displayed against a soft, light pink background. On the left is a tall, white, cylindrical tube of 'LA MOUSSE OFF / ON AU NYMPHÉA PURIFIANT'. To its right are several Dior lipsticks in various shades, including nude, pink, and orange. The lipsticks have silver and black packaging with the Dior logo. The products are arranged on a reflective surface, creating subtle reflections. The overall aesthetic is clean and elegant.

Additional Business Metrics

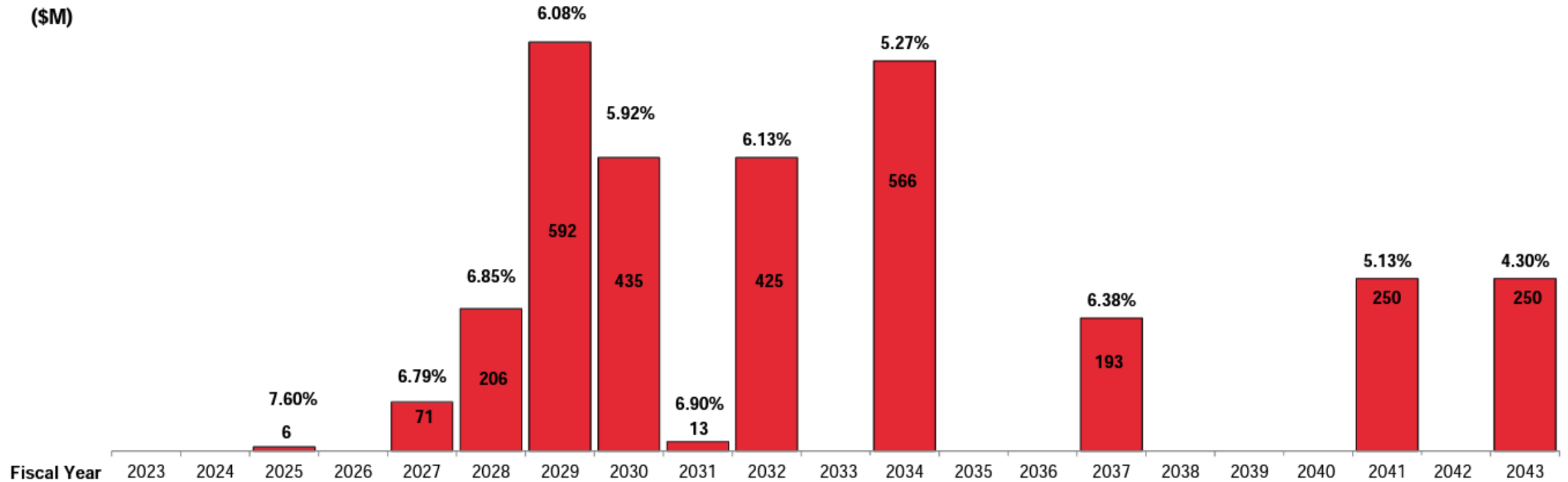
Store Count – As of April 29, 2023

	End of 1Q23		Change in Locations from FY22
	Boxes	Locations	
Macy's Department Stores	495	441	—
Macy's Furniture	51	46	—
Macy's Furniture Clearance	1	1	—
Freestanding Backstage	9	9	—
Macy's Small Format	8	8	—
Stores converted to Fullfilment Centers	2	2	—
Total Macy's	566	507	—
Bloomingdale's Department Stores	34	32	—
Bloomies	2	2	—
Bloomingdale's Furniture/Other	1	1	—
Bloomingdale's The Outlet	20	20	—
Total Bloomingdale's	57	55	—
Bluemercury	158	158	-2
Total Macy's, Inc.	781	720	-2

Notes:

1. Using store locations combines multi-box stores into a single location provides a more accurate count of the store fleet
2. Excluded in the count above is 301 Macy's Store Within Store Backstage locations located within Macy's stores

Remaining Long-term Debt Maturities, as of April 29, 2023



Notes:

*% represents weighted average interest rate

** All outstanding long-term debt is unsecured



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 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 and diluted earnings 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. Management also 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.

The Company does not provide reconciliations of the forward-looking non-GAAP measures of comparable owned plus licensed sales change, adjusted EBITDA and adjusted 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.	Versus 13 weeks ended April 30, 2022	Versus 13 weeks ended May 1, 2021
Increase (decrease) in comparable sales on an owned basis (Note 1)	(7.9%)	12.8%
Impact of departments licensed to third parties (Note 2)	0.7%	(0.4%)
Increase (decrease) in comparable sales on an owned plus licensed basis	(7.2%)	12.4%

Notes:

- i. Represents the period-to-period percentage change in net sales from stores in operation for both the entire 13 weeks ended April 29, 2023 and April 30, 2022, as well as the period-to-period percentage change in net sales from stores in operation during the 13 weeks ended April 30, 2022 and the 13 weeks ended May 1, 2021. 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. Definitions and calculations of comparable sales may differ among companies in the retail industry.
- ii. 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. Macy's and Bloomingdale's license third parties to operate certain departments in their stores and online and receive commissions from these third parties based on a percentage of their net sales, while Bluemercury does not participate in licensed businesses. 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 and Bloomingdale's brands

Macy's	Versus 13 weeks ended April 30, 2022
Decrease in comparable sales on an owned basis (Note 1)	(8.7%)
Impact of departments licensed to third parties (Note 2)	0.8%
Decrease in comparable sales on an owned plus licensed basis	(7.9%)

Bloomingdale's	Versus 13 weeks ended April 30, 2022
Decrease in comparable sales on an owned basis (Note 1)	(3.9%)
Impact of departments licensed to third parties (Note 2)	(0.4%)
Decrease in comparable sales on an owned plus licensed basis	(4.3%)

Earnings Before Interest, Taxes, Depreciation, and Amortization Excluding Certain Items

<i>Millions, except percentages</i>	13 weeks ended April 29, 2023	13 weeks ended April 30, 2022
Most comparable GAAP measure:		
Net income	\$155	\$286
Total revenue	\$5,173	\$5,565
Net income as a percent to total revenue	3.0%	5.1%
Non-GAAP measure:		
Net income	155	286
Interest expense, net	37	47
Losses on early retirement of debt	—	31
Federal, state and local income tax expense	56	106
Depreciation and amortization	218	206
Earnings before interest, taxes, depreciation and amortization	466	676
Impairment, restructuring and other costs	2	8
Adjusted EBITDA	\$468	\$684
Adjusted EBITDA as a percent to total revenue	9.0%	12.3%

Net Income, Excluding Certain Items

<i>Millions</i>	13 weeks ended April 29, 2023	13 weeks ended April 30, 2022
Most comparable GAAP measure:		
Net income	\$155	\$286
Non-GAAP measure:		
Net income	\$155	\$286
Impairment, restructuring and other costs	2	8
Losses on early retirement of debt	—	31
Income tax impact of certain items identified above	—	(10)
As adjusted to exclude certain items above	<u>\$157</u>	<u>\$315</u>

Diluted Earnings Per Share, Excluding Certain Items

	13 weeks ended April 29, 2023	13 weeks ended April 30, 2022
Most comparable GAAP measure: Diluted earnings per share	\$0.56	\$0.98
Non-GAAP measure: Diluted earnings per share	\$0.56	\$0.98
Impairment, restructuring and other costs	—	0.03
Losses on early retirement of debt	—	0.11
Income tax impact of certain items identified above	—	(0.04)
As adjusted to exclude certain items above	\$0.56	\$1.08

Free Cash Flow

<i>Millions</i>	13 weeks ended April 29, 2023	Trailing Twelve Months ended April 29, 2023
Net cash provided by operating activities	\$105	\$1,472
Purchase of property and equipment	(215)	(932)
Capitalized software	(81)	(398)
Disposition of property and equipment	25	89
Free Cash Flow	\$(166)	\$231