Macy’s, Inc. Second Quarter 2023 Earnings Presentation

August 22, 2023

Safe Harbor Statement

All statements in this press release that are not statements of historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Macy's management and are subject to significant risks and uncertainties. Actual results could differ materially from those expressed in or implied by the forward-looking statements contained in this release because of a variety of factors, including Macy's ability to successfully execute against its five growth vectors, including the ability to realize the anticipated benefits associated with the strategy, 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, declines in credit card revenues, 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, inventory shortage, 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.

“In the second quarter, we delivered better-than-expected top and bottom-line results. Our teams surgically implemented clearance markdowns and promotions to effectively clear spring seasonal receipts and ensure fresh assortments for the fall and Holiday seasons. We continue to see uncertainty in the macroeconomic environment. We are leveraging our robust data science tools to refine inventory composition, while reading and reacting to shifting consumer preferences to meet demand. Looking ahead, we are committed to fortifying our core business and improving our customer experience while investing in our five growth vectors. We believe these advancements, enabled by our strong talent, will drive our relevancy and long-term success as a modern department store.”

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

2Q23 Financial Results

In millions, except per share figures and percentages

Net Sales

$5,130

-8.4% from 2Q22

Net sales were slightly above the high-end of outlook. Digital penetration of net sales was 30%, flat vs 2Q22.

Comparable owned sales change

-8.2%

Versus -1.5% in 2Q22

Comparable owned plus licensed (O+L) sales change

-7.3%

Versus -1.6% in 2Q22

Other Revenue

$150

-35.9% from 2Q22

2.9%
of net sales

-130 bps from 2Q22

Credit Card Revenue Net

$120

-41.2% from 2Q22

2.3%
of net sales

-130 bps from 2Q22

During the quarter, the company experienced an increased rate of delinquencies within the credit card portfolio across all stages of aged balances. While the company had expected delinquencies to rise as part of the normalizing credit environment, the speed at which the increase occurred for the company and the broader credit card industry since the company's first quarter earnings call was faster than expected. This negatively impacted 2Q23 results and led to an increase in the portfolio's bad debt outlook. 2Q23 credit card revenues for the quarter include the pro-rata recognition of the updated annual bad debt outlook.

Proprietary card penetration rate of 43.1%, flat vs. 2Q22.

Macy's Media Network Revenue Net

$30

flat to 2Q22

0.6%
of net sales

+10 bps from 2Q22

Campaign counts continue to grow in the double digits, but near-term caution remains in light of broader industry trends.

2Q23 Financial Results *(continued)*

In millions, except per share figures and percentages

Gross Margin (GM)

$1,954
-10.3% from 2Q22

38.1%
of net sales
-80 bps from 2Q22

Merchandise margin declined 130 bps, due to heightened levels of clearance markdowns and promotions needed compared to the prior year to clear through spring seasonal product. Unfavorable category mix shifts and a shift in the timing of shortage recognition were partially offset by better inbound freight charges from cost savings efforts. Shortage in 2Q23 was informed by a June physical inventory count in certain categories.

Delivery expense decreased 50 bps from 2Q22 primarily due to improved carrier rates from contract renegotiations as well as lower fuel costs and lower vendor direct volume.

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

$221
-64.0% from 2Q22

4.2%
of total revenue
-630 bps from 2Q22

Diluted Earnings Per Share (EPS)

$(0.08)
-108.1% from 2Q22

Adjusted EBITDA

$347
-43.7% from 2Q22

6.6%
of total revenue
-400 bps from 2Q22

Adjusted Diluted EPS

$0.26
-74.0% from 2Q22

Adjusted EBITDA and Adjusted diluted EPS benefited primarily from better-than-expected sales, gross margin and SG&A. These factors more than offset lower-than-anticipated credit card revenues and a timing shift in the recognition of shortage. EBITDA and diluted EPS also includes a non-cash settlement charge related to the transfer of pension obligations for certain retirees and beneficiaries under the company's pension plan.

Selling, General & Administrative Expense (SG&A)

$1,980
-1.5% from 2Q22

37.5%
of net sales
+300 bps from 2Q22

Reflective of the decline in sales year-over-year.

Inventory

-10.4%
from 2Q22

Inventory Turnover[1]

Flat
with 2Q22

Reflects ongoing disciplined inventory management and the clearance of excess spring seasonal product. The company continues to focus on ensuring that merchandise inventories are current, contain compelling product, and are at the appropriate receipt levels based on expected sales demand.

[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 $261M

- Cash flow from operating activities of $271M
- Capital expenditures of $564M
  - *Primarily focused on digital & technology investments, data & analytics, supply chain modernization and omni-channel capabilities*

Year-to-date dividend payments of $90M

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, drive sales and benefit gross margin.

- Recently launched On 34th, our first new private brand under the reimagination, with ~80% of product reviews at 4-stars or above.

Small-Format Off-Mall Locations

Play an integral role in supporting omnichannel ecosystem.

- Recently opened a small-format Macy's outside the Chicagoland area in Indiana.
- Will open a small-format Macy's location in Las Vegas and Boston in September, and in San Diego in November.
- Bloomingdale's small-format door, Bloomie’s, will open its first Seattle location in early November.

Digital Marketplace

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

- At Macy's, have approximately 1,350 brands on the platform, up from 500 brands last fiscal year-end, and grew gross merchandise value by over 116% from the 1Q23.
- Recently soft launched Bloomingdale's Marketplace and are pleased with early reads.

Luxury

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

- Remodeled 5 Bloomingdale’s doors with larger concentrations of the luxury brands and products, with opportunity for more.
- Realized 10th consecutive quarter of comparable sales growth at Bluemercury.
- Expanded Macy's beauty luxury offering with additional remodels, pursuing newness in market brands and improving in-store service.

Personalized Offers and Communications

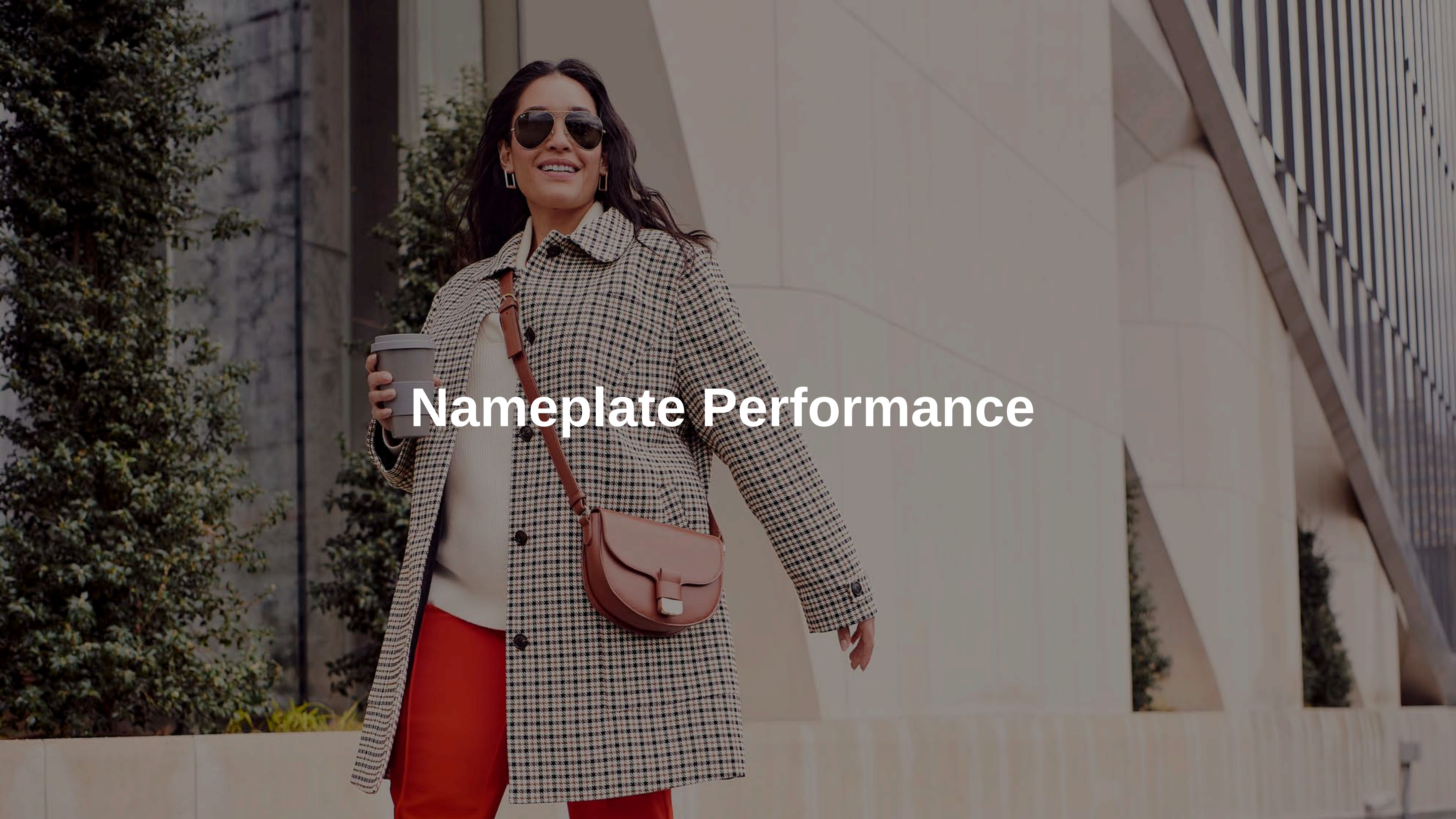
Amplifies strategies across the business to increase customer lifetime value and loyalty by improving relevance of every interaction.

- Digital and technology teams are in the early stages of implementing multi-step and multi-channel tests.

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

* Even in an environment where macro pressures persist. Based on the timing and anticipated impact of several roll-outs. Investments are reflected in FY23 SG&A and CapEx assumptions.


Nameplate Performance

macy's 2Q23 Highlights

Net Sales

-9.3%

Versus 2Q22

Comparable O+L Sales

-8.2%

Versus 2Q22

Top Categories

Beauty

Women's Career Sportswear

Men's Tailored Apparel

Customer Highlights[1]

~41.5M

active customers[1]

~29.8M

Star Rewards active member accounts[1]

~72%

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

Digital Performance

448M digital visits, down 2% versus 2Q22[4]

Conversion rate of **3.9%**, down ~30bps versus 2Q22[4]

1.5M customers downloaded the Macy's app

Toys R Us

~39% Increase in toy sales vs 2Q22[3]

macy's backstage

Store-within-store comparable owned sales performed better than full-line locations in which they operate by **260 bps.**

Visitors who cross-shopped both the full-line and respective store-within-store location accounted for **19%** of the locations' customers[2].

All planned store-within-store openings for FY23 have been completed, with a total of 310 locations now open.

[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] Macys.com visits and conversion metrics may be restated to exclude BOT activity

bloomingdale's 2Q23 Highlights

Net Sales

-3.6%

Versus 2Q22

Comparable O+L Sales

-2.6%

Versus 2Q22

Top Categories

Beauty

Women's Contemporary & Designer Apparel

Shoes

Customer Highlights[1]

~4.0M

Active customers[1]

~2.5M

Loyallist active member accounts[1]

~82%

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

bloomingdale's the outlet store

Outperformed full-line Bloomingdale's by approximately 800 bps.

Opening the 21st outlet later this month in Christina, Delaware.

[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 2Q23 Highlights

Net Sales

+5.6%

Versus 2Q22

Comparable Sales

+5.8%

Versus 2Q22

Top Categories

Skincare

Color

Customer Highlights[1]

~736k

active customers[1]

~954k

Loyalty member accounts[2]

~86%

Of total Bluemercury sales were made up by loyalty customers

Additional Highlights

Realized tenth consecutive quarter of comparable sales growth.

Moved headquarters to New York City - one of the major beauty centers of the world.

[1] An active customer is defined as a customer / member account that had 1+ purchase with Bluemercury, pulled on a trailing twelve-month basis
[2] Represents total number of members within loyalty program

Looking Ahead…

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

	FY23 Guidance (as of 8/22/2023)	FY23 Guidance (as of 6/1/2023)
Net sales	$22.8 billion to $23.2 billion	$22.8 billion to $23.2 billion
Comparable Owned + Licensed sales (on a 52-week basis)	Approximately down 7.5% to down 6% from 2022	Approximately down 7.5% to down 6% from 2022
Digital sales	Approximately one-third of net sales	Approximately one-third of net sales
Other revenues	Approximately 3.2% of net sales (credit card revenues accounting for approximately 80%-81% of other revenues)	Approximately 3.6% of net sales (credit card revenues accounting for approximately 82%-83% of other revenues)
Gross margin rate	Approximately 38.3% to 38.6%	Approximately 38.0% to 38.5%
SG&A expense rate	Approximately 35.2% to 35.6% of total revenue Approximately 36.4% to 36.7% of net sales	Approximately 34.5% to 35.5% of total revenue Approximately 36.7% to 36.8% of net sales
Asset sale gains	Approximately $50 million	Between $60 million and $75 million
Benefit plan income	Approximately $13 million	Approximately $13 million
Depreciation and amortization	Approximately $900 million	Approximately $900 million
Adjusted EBITDA margin	Approximately 8.7% to 9.4% of total revenue Approximately 9.0% to 9.7% of net sales	Approximately 8.8% to 9.4% of total revenue Approximately 9.1% to 9.7% of net sales
Interest expense, net	Approximately $160 million	Approximately $165 million
Adjusted tax rate	Approximately 24.5%	Approximately 24.5%
Diluted shares outstanding*	Approximately 279 million	Approximately 282 million
Adjusted diluted EPS*	$2.70 to $3.20	$2.70 to $3.20
Capital expenditures	Approximately $950 million	Approximately $950 million

- Annual Gross Margin and SG&A guidance continues to include approximately $200 million of cost savings; ~30% savings in Gross Margin, remainder in SG&A. The savings will build as the year progresses.
- The annual shortage assumption has not materially changed from the prior outlook and remains elevated compared to recent historical levels.
- FY23 outlook does not include any potential impact from the CFPB proposed ruling.

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

FY23 Adjusted Diluted EPS Guidance Reconciliation versus 6/1/2023 Guidance

Better-than-expected second quarter gross margin, SG&A and interest expense, and a lower annual share count, are expected to fully offset reduced annual credit card revenue and asset sale gain assumptions.

	Low-end	High-end
FY23 Adj. EPS Guidance (as of 6/1/2023)	$2.70	$3.20
Contributions		
Gross Margin*	+$0.14	+$0.06
SG&A Expense	+$0.06	+$0.19
Share Count	+$0.03	+$0.03
Interest Expense	+$0.01	+$0.01
Total contributions:	+$0.24	+$0.29
Decrements		
Credit card revenue, net	-$0.21	-$0.22
Asset sale gains	-$0.03	-$0.07
Total decrements:	-$0.24	-$0.29
FY23 Adj. EPS Guidance (as of 8/22/2023)	$2.70	$3.20

* Inclusive of volume and mix.

3Q23 and 2H23 Guidance

	3Q23 Guidance (as of 8/22/2023)
Net sales	$4.75 billion to $4.85 billion
Gross margin rate	At least 140 basis points better than 3Q22
Adjusted diluted EPS*	$(0.03) to $0.02
Inventories	Down approximately low to mid-single digits to last year on a percentage basis

- 3Q23 gross margin is lapping elevated promotions and markdowns last year to clear excess receipts in warmer weather seasonal goods and slower moving pandemic-related categories including casual apparel and soft home within the Macy's nameplate.
- 3Q23 adjusted diluted EPS inclusive of the updated credit card revenues outlook and the timing shift in the recognition of shortage.
- Nearly all the remaining asset sale gains for FY23 are anticipated in 4Q23.

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

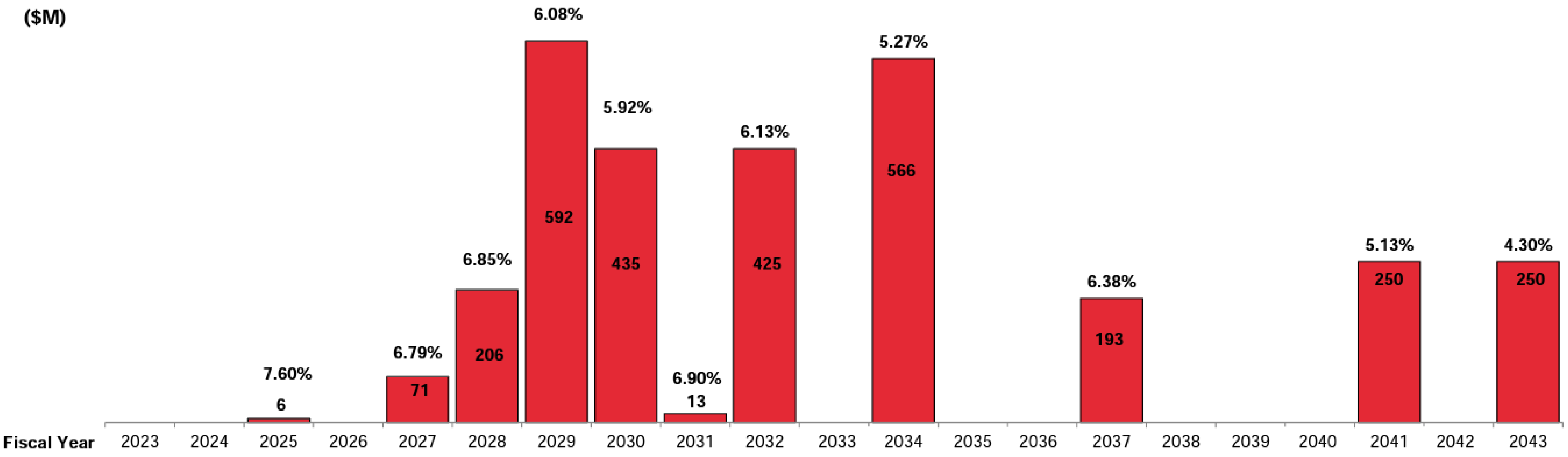
Additional Business Metrics

Store Count – As of July 29, 2023

	End of 2Q23		Change in Locations from FY22
	Boxes	Locations	
Macy's Department Stores	494	440	-1
Macy's Small Format	8	8	—
Macy's Furniture	51	46	—
Macy's Furniture Clearance	1	1	—
Freestanding Backstage	9	9	—
Stores converted to Fulfilment Centers	2	2	—
Total Macy's	565	506	-1
Bloomingdale's Department Stores	34	32	—
Bloomie's	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.	780	719	-3

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 310 Macy's Store Within Store Backstage locations located within Macy's stores

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



*% 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.

The company does not provide reconciliations of the forward-looking non-GAAP measures of comparable owned plus licensed sales change 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. See Important Information Regarding Financial Measures.

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.

Reconciliation of GAAP to Non-GAAP Financial Measures - Changes in Comparable Sales – Macy's, Inc.

Macy's, Inc.	Versus 13 weeks ended July 30, 2022	Versus 13 weeks ended July 31, 2021
Decrease in comparable sales on an owned basis (Note 1)	(8.2%)	(1.5)%
Impact of departments licensed to third parties (Note 2)	0.9%	(0.1)%
Decrease in comparable sales on an owned plus licensed basis	(7.3%)	(1.6)%

Notes:

i. Represents the period-to-period percentage change in net sales from stores in operation for both the entire 13 weeks ended July 29, 2023 and July 30, 2022, as well as the period-to-period percentage change in net sales from stores in operation during the 13 weeks ended July 30, 2022 and the 13 weeks ended July 31, 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.

Reconciliation of GAAP to Non-GAAP Financial Measures - Changes in Comparable Sales- Macy's and Bloomingdale's brands

Macy's	Versus 13 weeks ended July 30, 2022
Decrease in comparable sales on an owned basis (Note 1)	(9.2%)
Impact of departments licensed to third parties (Note 2)	1.0%
Decrease in comparable sales on an owned plus licensed basis	(8.2%)

Bloomingdale's	Versus 13 weeks ended July 30, 2022
Decrease in comparable sales on an owned basis (Note 1)	(2.7%)
Impact of departments licensed to third parties (Note 2)	0.1%
Decrease in comparable sales on an owned plus licensed basis	(2.6%)

Reconciliation of GAAP to Non-GAAP Financial Measures - Earnings Before Interest, Taxes, Depreciation, and Amortization Excluding Certain Items

Millions, except percentages	**13 weeks ended July 29, 2023**	**13 weeks ended July 30, 2022**
Most comparable GAAP measure:		
Net income (loss)	$(22)	$275
Total revenue	$5,280	$5,834
Net income (loss) as a percent to total revenue	(0.4)%	4.7%
Non-GAAP measure:		
Net income (loss)	$(22)	$275
Interest expense, net	36	42
Federal, state and local income tax (benefit) expense	(8)	89
Depreciation and amortization	215	208
Earnings before interest, taxes, depreciation and amortization	$221	$614
Impairment, restructuring and other costs	4	2
Settlement charges	122	—
Adjusted EBITDA	$347	$616
Adjusted EBITDA as a percent to total revenue	6.6%	10.6%

Reconciliation of GAAP to Non-GAAP Financial Measures - Net Income, Excluding Certain Items

Millions	13 weeks ended July 29, 2023	13 weeks ended July 30, 2022
Most comparable GAAP measure:		
Net income (loss)	$(22)	$275
Non-GAAP measure:		
Net income (loss)	$(22)	$275
Impairment, restructuring and other costs	4	2
Settlement charges	122	—
Income tax impact of certain items identified above	(33)	—
As adjusted to exclude certain items above	$71	$277

Reconciliation of GAAP to Non-GAAP Financial Measures - Diluted Earnings Per Share, Excluding Certain Items

	13 weeks ended July 29, 2023	13 weeks ended July 30, 2022
Most comparable GAAP measure:		
Diluted earnings (loss) per share	$(0.08)	$0.99
Non-GAAP measure:		
Diluted earnings (loss) per share	$(0.08)	$0.99
Impairment, restructuring and other costs	0.01	0.01
Settlement charges	0.44	—
Income tax impact of certain items identified above	(0.11)	—
As adjusted to exclude certain items above	$0.26	$1.00

Reconciliation of GAAP to Non-GAAP Financial Measures - Free Cash Flow

Millions	**26 weeks ended July 29, 2023**
Net cash provided by operating activities	$271
Purchase of property and equipment	(390)
Capitalized software	(174)
Disposition of property and equipment	32
Free Cash Flow	$(261)