Macy's, Inc. Third Quarter 2023 Earnings Presentation

November 16, 2023

Safe Harbor Statement

All statements in this presentation that are not statements of historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Macy's management and are subject to significant risks and uncertainties. Actual results could differ materially from those expressed in or implied by the forward-looking statements contained in this release because of a variety of factors, including 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 tangible and 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.

"I'd like to thank our teams for executing well during the quarter. We delivered better-than-expected top and bottom line third quarter results and are entering the holiday period in a healthy inventory position. Our portfolio of nameplates are leading gift-giving destinations across the value spectrum offering exclusive products. We have refined our gift assortment, simplified our promotions and improved our shopping experience. Looking forward we have strong continuity with Tony Spring transitioning to CEO in February and I am confident he and our leadership team will guide Macy’s, Inc. to sustainable long-term profitable sales growth in the future."

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

3Q23 Financial Results

In millions, except per share figures and percentages

Net Sales

$4,860

-7.1% from 3Q22

Net sales were slightly above the high-end of outlook. Digital penetration of net sales was 31%, flat versus 3Q22.

Comparable owned sales change

-7.0%

Versus -3.1% in 3Q22

Comparable owned plus licensed (O+L) sales change

-6.3%

Versus -2.7% in 3Q22

Other Revenue

$178

-24.9% from 3Q22

3.7%
of net sales
-80 bps from 3Q22

Credit Card Revenue Net

$142

-31.1% from 3Q22

2.9%
of net sales
-100 bps from 3Q22

The decline was primarily due to higher bad debt assumptions within the portfolio, as expected. Overall credit card revenues, as well as delinquency rates and bad debt levels within the portfolio, were in line with expectations.

Proprietary card penetration rate of 44.2%, -30bps versus 3Q22.

Macy's Media Network Revenue Net

$36

+16.1% to 3Q22

0.7%
of net sales
+10 bps from 3Q22

Performance was better than expected driven by increases in sponsored products advertising.

3Q23 Financial Results *(continued)*

In millions, except per share figures and percentages

Gross Margin (GM)

$1,958
-3.4% from 3Q22

40.3%
of net sales
+160 bps from 3Q22

Merchandise margin improved 110 basis points, due to lower permanent markdowns within the Macy's brand, as well as improved freight expense, partially offset by planned changes in Macy's category mix. As disclosed in the second quarter, merchandise margin also reflects the shift in timing of the company's shortage recognition informed by a June physical inventory count in certain categories.[2]

Delivery expense improved 50 bps reflecting improvements in merchandise allocation resulting in reductions in packages per order and distance traveled.

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

$312
-20.4% from 3Q22

6.2%
of total revenue
-100 bps from 3Q22

Diluted Earnings Per Share (EPS)

$0.15
-61.5% from 3Q22

Adjusted EBITDA

$334
-23.9% from 3Q22

6.6%
of total revenue
-140 bps from 3Q22

Adjusted Diluted EPS

$0.21
-59.6% from 3Q22

Adjusted EBITDA and Adjusted diluted EPS benefited from better-than-expected sales, gross margin and SG&A rates. Adjusted EPS also benefited from improved interest expense and a lower tax rate. The shift in timing of $10 million of SG&A expenses from 3Q23 to 4Q23, combined with lower interest expense and tax rate contributed approximately $0.10 to EPS versus prior expectations.

Selling, General & Administrative Expense (SG&A)

$2,040
-2.3% from 3Q22

40.5%
of total revenue
+230 bps from 3Q22

SG&A expense dollars benefited from the company's commitment to ongoing expense discipline. SG&A expense dollars were also favorable due to a roughly $10 million timing shift of certain previously estimates expenses from 3Q23 to 4Q23.

SG&A as a percent of total revenue increased as a result of the year-over-year decline in sales.

Inventory

-6%
from 3Q22

-17%
from 3Q19

Inventory Turnover[1]

+1.1%
from 3Q22

End-of-quarter inventories reflect the company's ongoing disciplined inventory management.

[1] Inventory turnover is defined as trailing four-quarter cost of goods sold divided by trailing four-quarter average inventory
[2] The company's third quarter shortage impact and its annual shortage assumption remain materially unchanged from prior expectations

Capital Allocation Highlights

Year-to-date free cash flow outflow of $555M

- Cash flow from operating activities of $158M
- Capital expenditures of $749M
  - *Primarily focused on digital & technology investments, data & analytics, supply chain modernization and omni-channel capabilities*

Year-to-date dividend payments of $135M

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 national brands matrix and benefit gross margin.

- Pleased with performance of both I.N.C. and On 34th.
- In September 2023, Macy's rolled out the next phase of I.N.C.'s reimagination, further elevating the design strategy and fashion offering.
- Taking learnings from On 34th and I.N.C. to fuel Macy's comprehensive private brand strategy.

Small-Format Off-Mall Locations

Play an integral role in supporting omnichannel ecosystem.

- Portfolio of small-format stores continues to generate year-over-year comparable owned plus licensed sales growth.
- Today, there is a total of 15 small format locations, 12 Macy's and 3 Bloomie's. In 3Q23, opened small-format Macy's in Las Vegas, Chicagoland and Boston, and in November opened a small-format Macy's in San Diego and a Bloomie's in Seattle.
- As announced in October, Macy's, Inc. expects to open up to 30 additional small-format Macy's locations through Fall 2025 and is committed to expanding Bloomie's as well.

Digital Marketplace

Extending Macy's and Bloomingdale's category offerings with no inventory risk to deliver the best experience for customers and sellers.

- Macy's digital marketplace continues to scale, with over 1,500 brands on the platform at the end of 3Q23 and gross merchandise value growth of ~22% on a consecutive quarterly basis.
- Bloomingdale's launched its marketplace in July 2023, with 55 curated brands available at the end of 3Q23.
- Across both marketplaces, experiencing healthy cross-shopping, which results in higher average order value and increased units per order.

Luxury

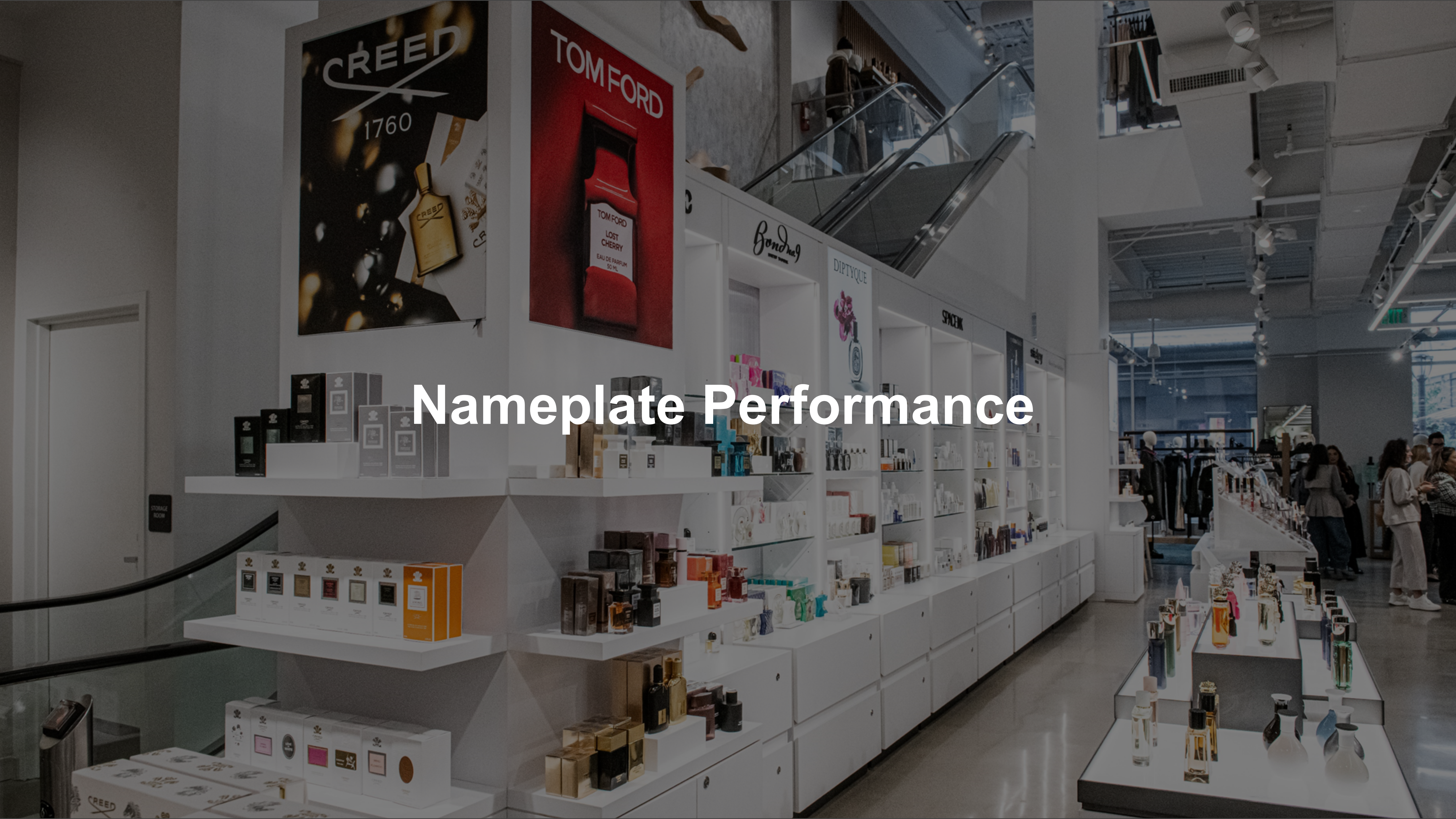
Attracting and retaining luxury customer at Bloomingdale’s, Bluemercury, and high-end beauty customer at Macy’s.

- View Bloomingdale's as a winning option for multi-branded, upscale retail; Bluemercury as the premium skincare authority with a leading assortment of cutting-edge dermatological products and services; and Macy's Beauty as an accessible luxury beauty destination with the power to scale elevated brands.

Personalized Offers and Communications

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

- Team has been testing and learning throughout the year, including the recent launch of several new multi-touchpoint journeys.
- The company is seeing positive signals and is excited to move from testing to scaling in 2024.



Nameplate Performance

macy's 3Q23 Highlights

Net Sales

-7.9%

Versus 3Q22

Comparable O+L Sales

-6.7%

Versus 3Q22

Top Categories

Beauty

Women's Career Sportswear

Men's Tailored Apparel

Customer Highlights[1]

~41.3M

active customers[1]

~30.0M

Star Rewards active member accounts[1]

~72%

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

Digital Performance

415M digital visits, down 5% versus 3Q22[3]

Conversion rate of **3.97%**, down ~10bps versus 3Q22[3]

1.4M customers downloaded the Macy's app

macy's backstage

Store-within-store comparable O+L sales performed better than full-line locations in which they operate by **720 bps.**

Visitors who cross-shopped both the full-line and respective store-within-store location accounted for **33%** of the locations' customers[2].

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

bloomingdale's **3Q23 Highlights**

Net Sales

-2.6%

Versus 3Q22

Comparable O+L Sales

-4.4%

Versus 3Q22

Top Categories

Beauty

Women's Contemporary Apparel

Shoes

Customer Highlights[1]

~4.0M

active customers[1]

~2.6M

Loyallist active member accounts[1]

~84%

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

Additional Highlights

Added several exciting new brands including Veronica Beard, Hatch and Alex Mill and launching an Aqua collaboration with Kerri Rosenthal in honor of Breast Cancer Awareness Month.

Embracing retail as theater through "Best Holiday Ever" campaign featuring engaging in-store and digital activations.

bloomingdale's the outlet store

Outperformed full-line Bloomingdale's stores by approximately **860 bps**.

[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® 3Q23 Highlights

Net Sales	Comparable Sales	Top Categories
+2.5% Versus 3Q22	+2.5% Versus 3Q22	Skincare Color

Customer Highlights[1]

~683k
active customers[1]

~995k
Loyalty member accounts[2]

~86%
of total Bluemercury sales were made up by loyalty customers

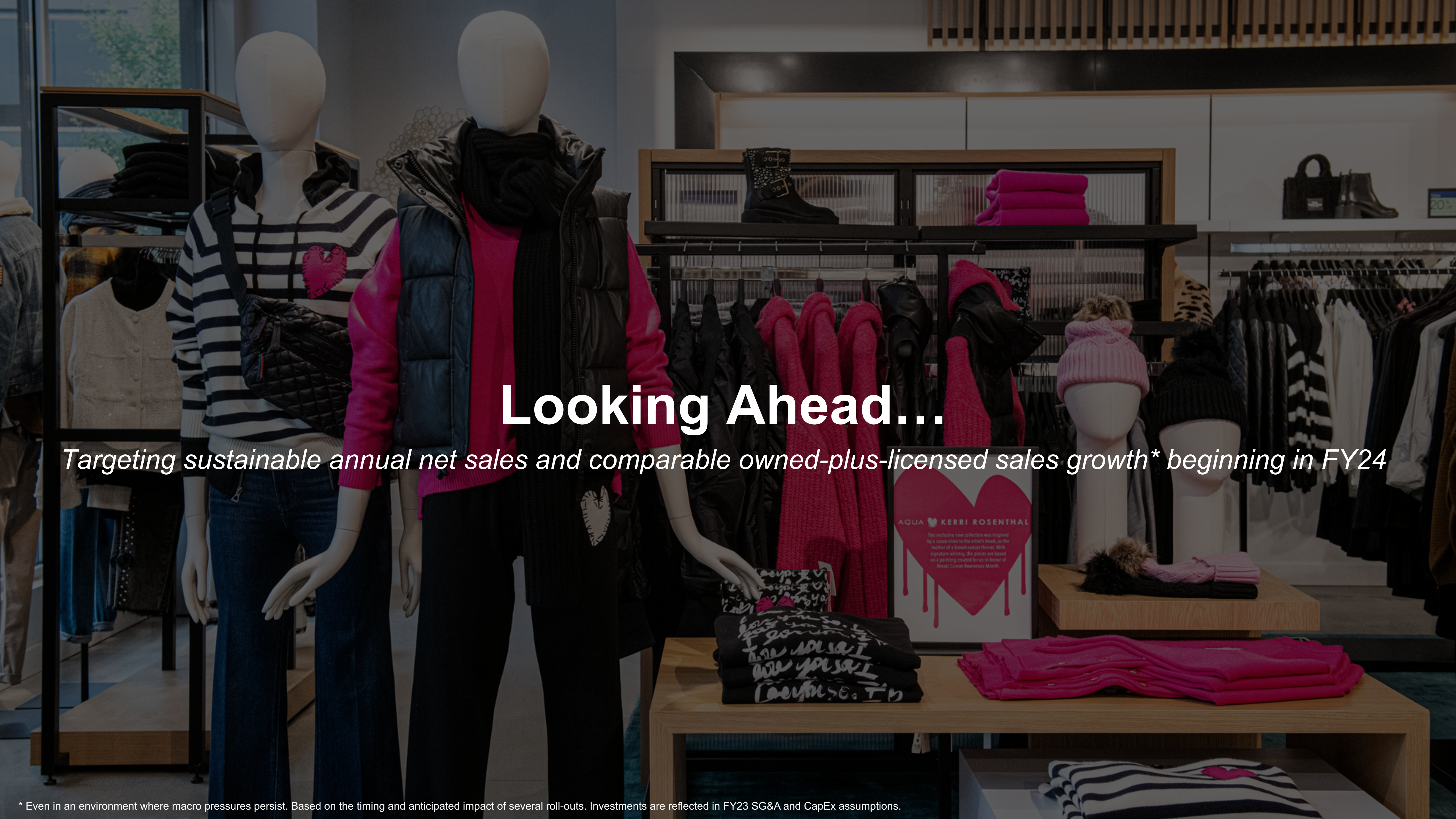
Additional Highlights

Realized 11th consecutive quarter of comparable sales growth.

Feedback has been positive on Cerulean 6, Bluemercury's recently launched proprietary bath and body brand.

Bluemercury unveiled a redesigned luxury store and spa experience in New Canaan, Connecticut, which will serve as a prototype for future locations.

[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…

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

* 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.

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

	FY23 Guidance (as of 11/16/2023)	FY23 Guidance (as of 8/22/2023)
Net sales	$22.9 billion to $23.2 billion	$22.8 billion to $23.2 billion
Comparable Owned + Licensed sales (on a 52-week basis)	Approximately down 7% 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 81% of other revenues)	Approximately 3.2% of net sales (credit card revenues accounting for approximately 80%-81% of other revenues)
Gross margin rate	Approximately 38.4% to 38.5%	Approximately 38.3% to 38.6%
SG&A expense rate	Approximately 35.2% to 35.5% of total revenue Approximately 36.4% to 36.6% of net sales	Approximately 35.2% to 35.6% of total revenue Approximately 36.4% to 36.7% of net sales
Asset sale gains	Approximately $45 million	Approximately $50 million
Benefit plan income	Approximately $11 million	Approximately $13 million
Depreciation and amortization	Approximately $895 million	Approximately $900 million
Adjusted EBITDA margin	Approximately 8.9% to 9.1% of total revenue Approximately 9.1% to 9.4% of net sales	Approximately 8.7% to 9.4% of total revenue Approximately 9.0% to 9.7% of net sales
Interest expense, net	Approximately $140 million	Approximately $160 million
Adjusted tax rate	Approximately 24.5%	Approximately 24.5%
Diluted shares outstanding *	Approximately 278 million	Approximately 279 million
Adjusted diluted EPS*	$2.88 to $3.13	$2.70 to $3.20
Capital expenditures	Approximately $950 million	Approximately $950 million

- Updated annual sales and earnings outlook reflects 3Q23 results as well as the risks associated with an uncertain macro-economic climate and the related pressures on consumers, and provides flexibility to respond to intra-quarter demand trends.
- 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.

4Q23 Guidance

	4Q23 Guidance (as of 11/16/2023) *Reflects a 14 week period*
Net sales	$7.95 billion to $8.25 billion
Gross margin rate	At least 220 basis points better than 4Q22
Adjusted diluted EPS*	$1.85 to $2.10
Inventories	Roughly flat relative to last year on a percentage basis and down approximately 18% to 2019

- 4Q23 gross margin is lapping elevated promotions and markdowns in 4Q22, as the company took actions to respond to the heightened competitive environment. The company's gross margin outlook gives the latitude to respond to changes in the promotional landscape.

- 4Q23 adjusted diluted EPS takes into account the previously discussed $10 million shift in timing of certain SG&A expenses from 3Q23 into 4Q23 as well as an incremental $15 million of combined investments in marketing and the company's growth vectors. Together, these items are anticipated to impact 4Q23 adjusted diluted EPS by $0.07.

- 4Q23 inventories reflect a higher penetration of transitional and seasonal merchandise relative to last year and a build in Macy's reimagined private brand portfolio.

- Expect to announce less than 10 locations for closure in early 2024.

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

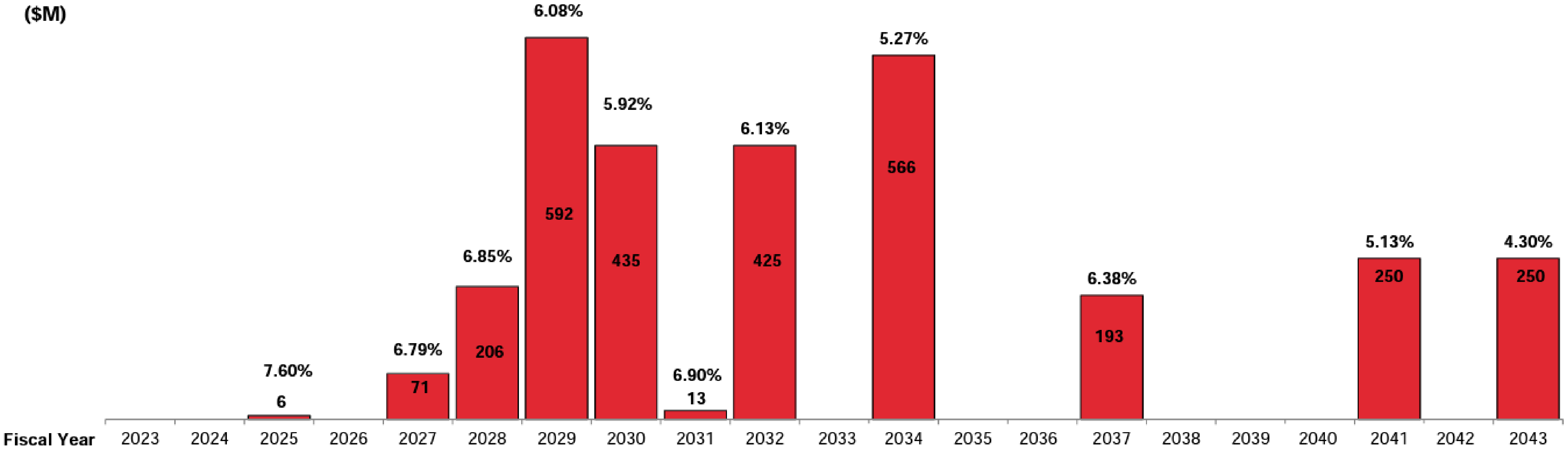
Additional Business Metrics

Store Count – As of October 28, 2023

	End of 3Q23		Change in Locations from FY22
	Boxes	Locations	
Macy's Department Stores	494	440	-1
Macy's Small Format	11	11	3
Macy's Furniture	51	46	—
Macy's Furniture Clearance	1	1	—
Freestanding Backstage	9	9	—
Stores converted to Fullfilment Centers	2	2	—
Total Macy's	568	509	2
Bloomingdale's Department Stores	34	32	—
Bloomies	2	2	—
Bloomingdale's Furniture/Other	1	1	—
Bloomingdale's The Outlet	21	21	1
Total Bloomingdale's	58	56	1
Bluemercury	158	158	-2
Total Macy's, Inc.	784	723	1

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 October 28, 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.

Changes in Comparable Sales – Macy's, Inc.

Macy’s, Inc.	Versus 13 weeks ended October 29, 2022	Versus 13 weeks ended October 30, 2021
Decrease in comparable sales on an owned basis (Note 1)	(7.0%)	(3.1%)
Impact of departments licensed to third parties (Note 2)	0.7%	0.4%
Decrease in comparable sales on an owned plus licensed basis	(6.3%)	(2.7%)

Notes:

1. Represents the period-to-period percentage change in net sales from stores in operation for one full fiscal year for the 13 and 39 weeks ended October 28, 2023 and October 29, 2022, as well as the period-to-period percentage change in net sales from stores in operation for one full fiscal year for the 13 and 39 weeks ended October 29, 2022 and October 30, 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.

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, including Marketplace sales, in the calculation of comparable sales. Macy’s and Bloomingdale’s license third parties to operate certain departments in their stores and online, including Macy’s and Bloomingdale’s digital Marketplace, and receive commissions from these third parties based on a percentage of their net sales, while Bluemercury does not participate in licensed or Marketplace 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 and Marketplace) in its net sales. The company does not, however, include any amounts in respect of licensed department or Marketplace 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 and from the digital Marketplace 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 October 29, 2022
Decrease in comparable sales on an owned basis (Note 1)	(7.6%)
Impact of departments licensed to third parties (Note 2)	0.9%
Decrease in comparable sales on an owned plus licensed basis	(6.7%)

Bloomingdale's	Versus 13 weeks ended October 29, 2022
Decrease in comparable sales on an owned basis (Note 1)	(3.2%)
Impact of departments licensed to third parties (Note 2)	(1.2%)
Decrease in comparable sales on an owned plus licensed basis	(4.4%)

Refer to slide 22 for corresponding notes

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

Millions, except percentages	13 weeks ended October 28, 2023	13 weeks ended October 29, 2022
Most comparable GAAP measure:		
Net income	$43	$108
Total revenue	$5,038	$5,467
Net income as a percent to total revenue	0.9%	2.0%
Non-GAAP measure:		
Net income	$43	$108
Interest expense, net	35	42
Federal, state and local income tax expense	3	17
Depreciation and amortization	231	225
Earnings before interest, taxes, depreciation and amortization	$312	$392
Impairment, restructuring and other costs	15	15
Settlement charges	7	32
Adjusted EBITDA	$334	$439
Adjusted EBITDA as a percent to total revenue	6.6%	8.0%

Net Income, Excluding Certain Items

Millions	**13 weeks ended October 28, 2023**	**13 weeks ended October 29, 2022**
Most comparable GAAP measure:		
Net income	$43	$108
Non-GAAP measure:		
Net income	$43	$108
Impairment, restructuring and other costs	15	15
Settlement charges	7	32
Income tax impact of certain items identified above	(6)	(12)
As adjusted to exclude certain items above	$59	$143

Diluted Earnings Per Share, Excluding Certain Items

	13 weeks ended October 28, 2023	13 weeks ended October 29, 2022
Most comparable GAAP measure:		
Diluted earnings per share	$0.15	$0.39
Non-GAAP measure:		
Diluted earnings per share	$0.15	$0.39
Impairment, restructuring and other costs	0.05	0.05
Settlement charges	0.03	0.12
Income tax impact of certain items identified above	(0.02)	(0.04)
As adjusted to exclude certain items above	$0.21	$0.52

Free Cash Flow

Millions	**39 weeks ended October 28, 2023**
Net cash provided by operating activities	$158
Purchase of property and equipment	(485)
Capitalized software	(264)
Disposition of property and equipment	36
Free Cash Flow	$(555)