Macy's Inc.
Return on Invested Capital (ROIC)
($ in millions)

Management believes that return on invested capital (ROIC) is a useful supplemental measure in evaluating how efficiently the Company employs its capital. The Company defines ROIC as adjusted EBITDA, excluding net lease expense, as a percent to average invested capital. Average invested capital is comprised of an annual two-point (i.e., end of the year presented and the immediately preceding year) average of gross property and equipment, total lease right of use ("ROU") assets, excluding variable rent which is still multiplied by a factor of eight, and a four-point (i.e., end of each quarter within the period presented) average of other selected assets and liabilities. The calculation of the capitalized value of non-capitalized leases is consistent with industry and credit rating agency practice and the specified assets are subject to a four-point average to compensate for seasonal fluctuations.

	2023	2022
	(millions, except percentages)	
Net income	$ 105	$ 1,177
Property and equipment - net	$ 5,308	$ 5,913
Net income as a percent to property and equipment - net	2.0 %	19.9 %
Net income	$ 105	$ 1,177
Add back interest expense, net	135	162
Add back losses on early retirement of debt	—	31
Add back federal, state and local tax expense	19	341
Add back impairment, restructuring and other costs	1,027	41
Add back settlement charges	134	39
Add back depreciation and amortization	897	857
Deduct benefit plan income, net	(11)	(20)
Add back rent expense		
Real estate	342	335
Personal property	6	7
Adjusted EBITDA, excluding benefit plan income, net and lease expense	$ 2,654	$ 2,970
Property and equipment - net	$ 5,610	$ 5,789
Add back accumulated depreciation and amortization	4,455	4,591
Add back capitalized value of variable rent	98	133
Add back lease right of use assets	2,147	2,371
Add (deduct) other selected assets and liabilities:		
Receivables	247	239
Merchandise inventories	4,781	5,059
Prepaid expenses and other current assets	360	365
Other assets	762	655
Merchandise accounts payable	(2,443)	(2,766)
Accounts payable and accrued liabilities	(1,932)	(2,203)
Other long-term liabilities	(292)	(295)
Total average invested capital	$ 13,793	$ 13,938
ROIC	19.2 %	21.3 %