



macys inc

★ macys

bloomingdales

BLUEMERCURY

A Bold New Chapter

Q4 2023 Earnings

February 27, 2024



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 implement A Bold New Chapter 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, 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, and labor shortages, the amount and timing of future dividends and share repurchases, our ability to execute on our strategies or 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.

AU REVOIR WINTER
HELLO SPRING!

**We must up our game and have
an even stronger call to action.**

A Bold New Chapter

Challenging the status quo to fundamentally reposition the company, enhance the customer experience, deliver growth and unlock shareholder value.



Strengthen

Macy's Nameplate



Accelerate

Luxury Growth



Simplify & Modernize

End-to-End Operations

A Bold New Chapter

FY24 will be a transition and investment year.

FY24 - FY26 Actions

Close ~150 Underperforming Macy's Locations

Reprioritize investments in remaining ~350 locations¹

Grow Luxury² Store Locations by ~20%

Asset Monetization \$600M to \$750M³

Primarily related to stores & distribution center closures

Beginning in FY25

Annual Low-Single-Digit Comp Sales⁴ Growth

Annual Mid-Single-Digit Adj. EBITDA Dollar Growth

Pre-Pandemic Levels of Annual Free Cash Flow

¹ Go-forward Macy's locations inclusive of full line, furniture & current small formats.

² Luxury inclusive of Bloomingdale's & Bluemercury nameplates.

³ From FY24 – FY26, expect associated asset sale gains of \$250M to \$365M for non-go-forward stores and distribution centers. Within this, expect asset sale proceeds of \$500M to \$650M and asset sale gains of \$250M to \$350M for non-go-forward stores. Additionally, the company has generated over \$2.4B of real estate monetization proceeds from FY15-FY23.

⁴ Defined as comparable owned-plus-licensed-plus-marketplace sales.



A Bold New Chapter serves as a strong call to action.

It challenges the status quo to create a more modern Macy's, Inc. We are making the necessary moves to **reinvigorate relationships with our customers** through improved shopping experiences, relevant assortments and compelling value.

Our teams are **energized by the work ahead** as we accelerate our path to **market share gains, sustainable, profitable growth and value creation** for our shareholders.

Tony Spring

Macy's, Inc. Chief Executive Officer & Chairman-Elect



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ON 34TH

On 34th is designed for and with women like you. Made for your body, your style, and your truth.

As your wardrobe's BFF, these mix-and-match pieces work seamlessly with everything in your closet.

ON 34TH

ON 34TH



A Bold New Chapter

Strengthen

Macy's Nameplate

Strengthen Macy's Nameplate

Return to topline growth, enhance the customer experience and regain market share

**Rationalize
Store Base**



**Rollout
Small Format**



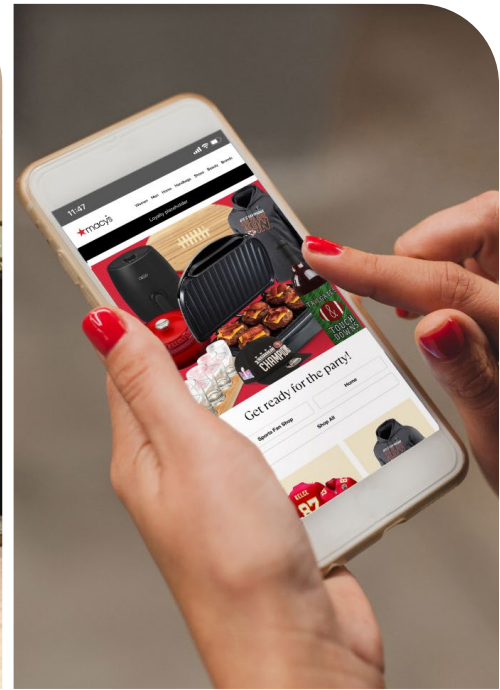
**Revitalize
Assortment**



**Launch First
50 Program**



**Grow
Digital**



Strengthen Macy's Nameplate

Rationalize Store Base & Rollout Small Format

Store Highlights

~150

non-go-forward, underproductive locations to close through FY26

~350

enhance, high potential go-forward locations through FY26¹

up to 30

new small formats through FY25

- ~150 non-go-forward locations represented about 25% of Macy's, Inc. FY23 gross square footage but less than 10% of sales.
- In FY23, go-forward locations outperformed non-go-forward locations by ~500 bps for comparable sales and ~950 bps for 4-wall Adj EBITDA rate.
- Expect to close ~50 non-go-forward locations by the end of FY24.
- Prioritize investments in the ~350 go-forward locations where the company has the most opportunity to improve square footage productivity.
- Anticipate \$500M to \$650M sales proceeds from closures and asset sale gains of about \$250M to \$350M.





Strengthen Macy's Nameplate

Revitalize Assortment

Full Category Approach to Merchandising

- Ability to better focus on nuances that make each category thrive.
- Increased visibility and awareness across entire categories.
- Strengthen relationships with partners, diversify product across price points and grow market share.

Ongoing Private Brand Reimagination

- Capitalize on white space opportunities that complement market brands and provide customers more reasons to shop Macy's.
- Generate higher merchandise margins and profit contribution relative to market brands.
- Expect longer-term private brand sales to grow as Macy's reimagines existing brands and introduces new ones.

Improve the Omni-channel Experience – First 50

First 50 Plans

- In FY23, small number of incubator stores comps outperformed the broader Macy's fleet by over 350 bps.
- Recently expanded test to 50 stores, referred to as the First 50.
- Learnings from the First 50 will be applied to a broader set of locations beginning in FY25.

First 50 Criteria

- Representative of go-forward geographic footprint,
- Balanced across volume tiers,
- In stores with strong vendor engagement,
- Supported by more associates on the floor to serve customers, and
- Focused on stronger merchandising and visual presentation.



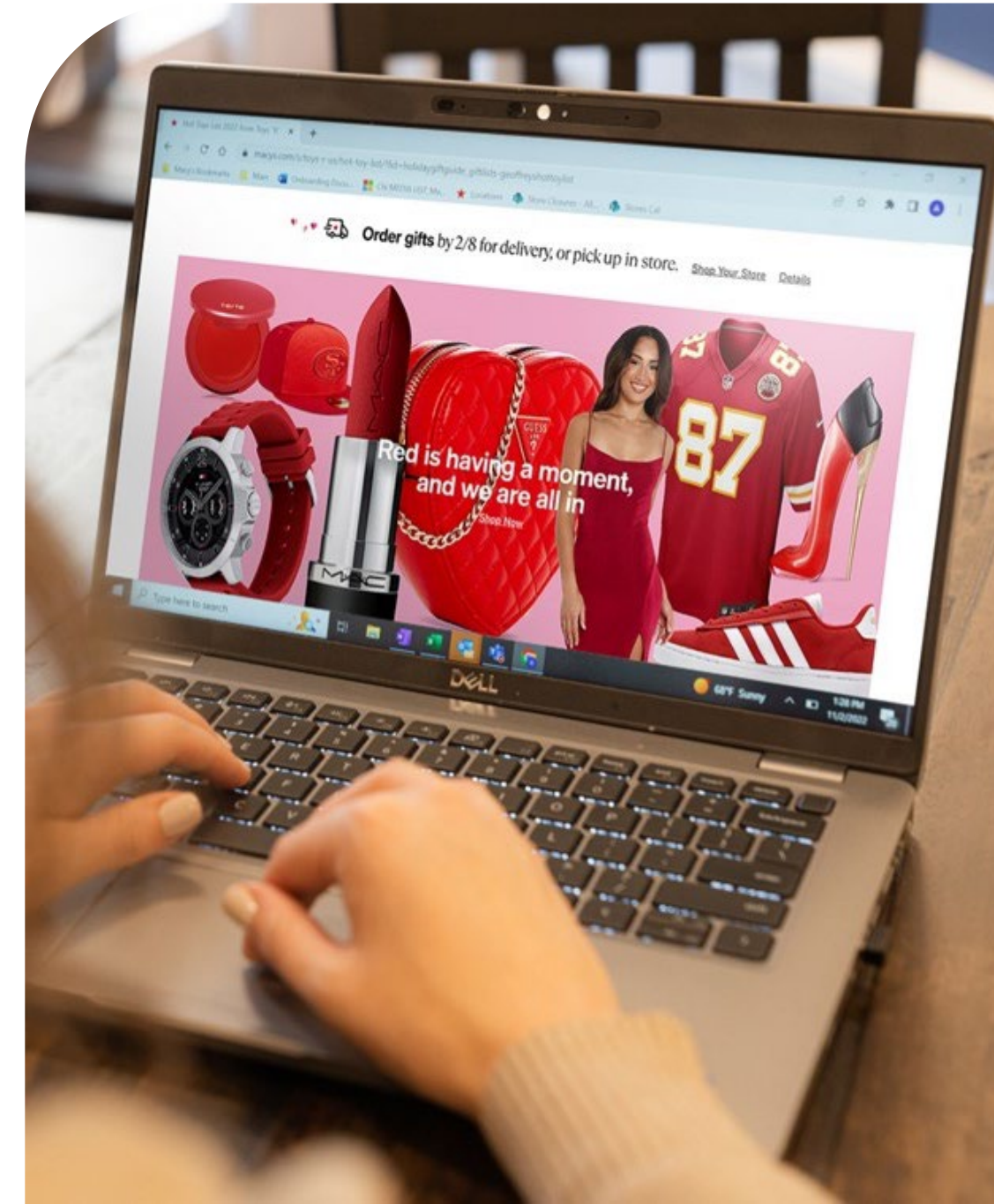
Improve the Omni-channel Experience – Digital

Digital Opportunities

- Gateway for customers to research, discover, connect and transact with Macy's.
- Imperative to show up with inspiring content at the right time, place and value.

Key Initiatives

- Re-evaluated foundation to improve search and navigation tools.
- Customers can expect to be offered personalized communications and recommendations that have a definitive Macy's point of view – culminating in an efficient and speedy checkout.
- Expand Marketplace and Macy's Media Network to improve profitability and increase customer engagement.





ON 34TH

On 34th is designed for and with women like you. Made for your body, your style, and your truth. As your wardrobe's BFF, these mix-and-match pieces work seamlessly with everything in your closet.

ON 34TH

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A Bold New Chapter

Strengthen

Macy's Nameplate



A Bold New
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Accelerate

Luxury Growth

Accelerate Luxury Growth

Take advantage of leadership position to more aggressively grow luxury nameplates

Accelerate Bloomingdale's Growth



Accelerate Bluemercury Growth



Accelerate Luxury Growth

Accelerate Bloomingdale's Growth

Business Highlights

~15

new Bloomie's and
The Outlet locations
opening through
FY26¹

~80%

Bloomingdale's digital
sales in markets with
stores

Go-forward Priorities

- Expand Bloomingdale's footprint in new markets beyond current 14/50 top designated market areas (DMAs).
- Leverage new markets to expand digital presence, including Bloomingdale's highly curated Marketplace.





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Accelerate Luxury Growth

Accelerate Bluemercury's Growth

Business Highlights

at least 30

new locations to open
through FY26

roughly 30

remodels to be completed
through FY26

Go-forward Priorities

- Launching “The New Blue,” Bluemercury’s total omni-channel evolution inclusive of updated branding and store models.
- Opening and remodeling locations with an expanded assortment, elevated aesthetics, centralized customer service hubs, integrated spa facilities and technology to support relationship building.

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Accelerate

Luxury Growth



The image shows the exterior of a building with a large sign. The sign features the Macy's logo, a red five-pointed star, followed by the text 'macy's bloomingdale's' in a grey, lowercase, sans-serif font. Below this, the words 'FULFILLMENT CENTER' are written in a larger, grey, uppercase, sans-serif font. The background of the sign is a light-colored, horizontally-ribbed material.

 macy's bloomingdale's
FULFILLMENT CENTER

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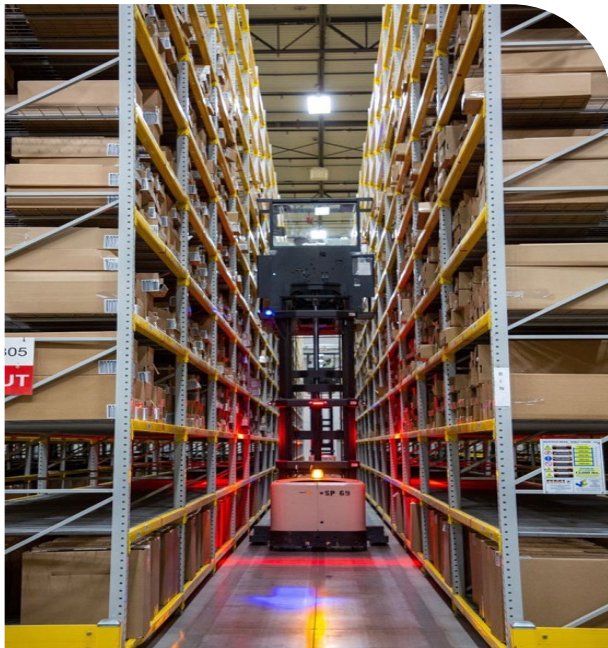
Simplify & Modernize

End-to-End Operations

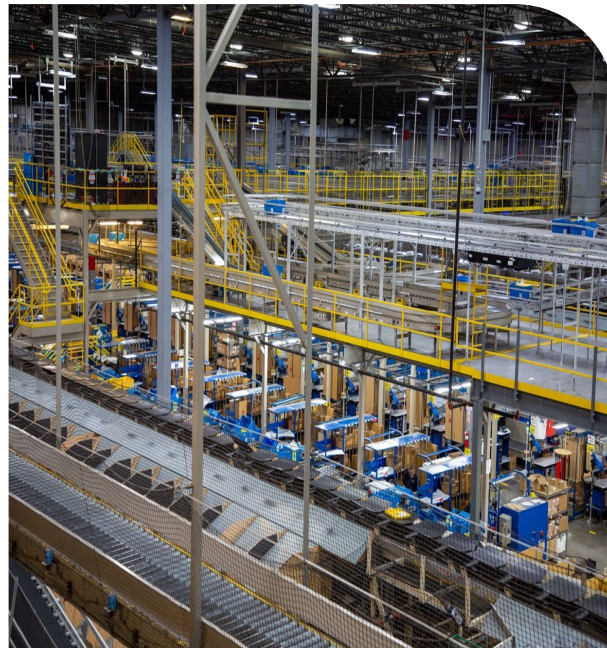
Simplify & Modernize End-to-End Operations

Align end-to-end operations to anticipated future omni-demand

Rationalize & Monetize Our Supply Chain Asset Portfolio



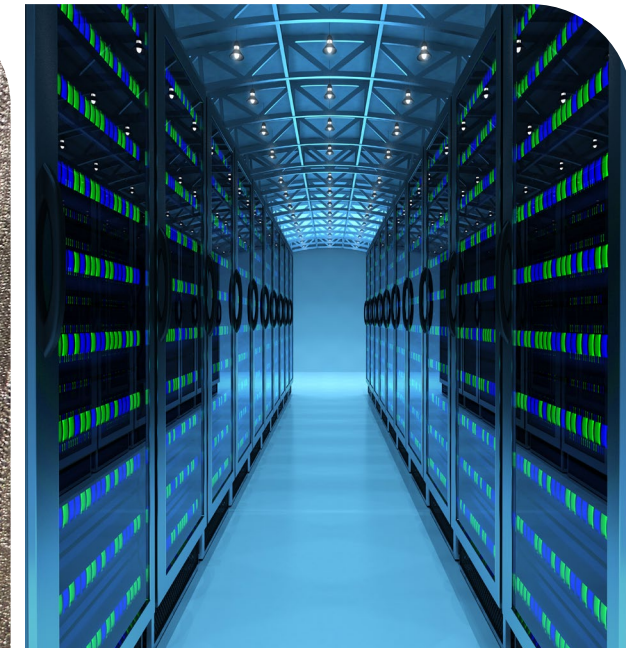
Streamline Fulfillment



Improve Inventory Planning & Allocation



Deliver a Scalable Technology Platform



Simplify & Modernize End-to-End Operations

Supply Chain, Fulfillment, Inventory & Technology

\$100M

Cost savings in FY24¹

\$235M

Annual run-rate savings by FY26¹

Cost Savings

- Savings will be used to fund the investments necessary to support the company's strategy, offset inflationary cost pressures, and constrain fulfillment expense and SG&A dollar growth.
- Cost savings are factored in the company's near and long-term outlook.



The image shows the exterior of a building with a large sign. The sign features a red star on the left, followed by the text 'macy's bloomingdale's' in a lowercase, rounded font. Below this, the words 'FULFILLMENT CENTER' are written in a larger, uppercase, sans-serif font. The background of the sign is white, and the building behind it has a light-colored brick facade.

★ macy's bloomingdale's
FULFILLMENT CENTER

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Simplify & Modernize

End-to-End Operations



A Bold New Chapter

4Q23

Financial Results

MACY'S
CELEBRATES
2024
YEAR OF THE
DRAGON



Revenue Highlights¹

\$8.1B

Net sales -1.7% vs 4Q22

\$255M

Other revenue -20% vs 4Q22

-5.4%

Comparable owned sales² vs 4Q22

\$195M

Credit card revenue net -26% vs 4Q22

-4.2%

Comparable owned-plus-licensed (O+L) sales² vs 4Q22

\$60M

Macy's Media Network revenue net +5% vs 4Q22





4Q23 Financial Results

Nameplate Highlights¹

★macy's

-2.5%

net sales vs 4Q22

-4.7%

comparable O+L sales²
vs 4Q22

bloomingdale's

+3.5%

net sales vs 4Q22

-1.6%

comparable O+L sales²
vs 4Q22

BLUEMERCURY

+7.8%

net sales vs 4Q22

+2.3%

comparable owned
sales² vs 4Q22

¹ 4Q23 is on a 14-week basis & 4Q22 is on a 13-week basis unless otherwise noted.
² Comparable sales are on a 13-week basis.

Profitability & Productivity Highlights

	Actuals ¹	Change ¹ vs 4Q22
Total Revenue	\$8,375	-2%
Gross Margin	\$3,044	+8%
Gross Margin Rate²	37.5%	+340 bps
SG&A Expense	\$2,405	-2%
SG&A Expense Rate³	28.7%	+10 bps
EBIT	\$(76)	-111%
Adjusted EBIT	\$936	+35%
Adjusted EBIT Margin Rate³	11.2%	+310 bps
EBITDA	\$156	-82%
Adjusted EBITDA	\$1,168	+28%
Adjusted EBITDA Margin Rate³	13.9%	+330 bps
Diluted EPS	\$(0.26)	-114%
Adjusted Diluted EPS	\$2.45	+30%
Inventory	\$4,361	+2%





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Capital Allocation

Capital Allocation Overview

Highlights & Targets

\$1B+ **2.0x** or below

Ending FY23 cash

Long-term leverage ratio¹ target

Our Priorities Remain

- A healthy capital structure,
- Investing in long-term profitable growth, and
- Returning capital to shareholders.





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Capital Allocation

FY23 Highlights

\$1,305M

Operating Cash Flow

\$993M

Capital Expenditures

\$398M

Free Cash Flow

\$181M

Dividend Payments

\$25M

Stock Buybacks¹

¹ Under the company's current open-ended share repurchase authorization.



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FY24

Guidance

FY24 Guidance

\$22.2B to \$22.9B

Net Sales

**-1.5% to +1.5%
vs FY23**

Comparable
O+L+M Sales¹

**-1.0% to +2.5%
vs FY23**

Macy's Go-Forward²
Comparable O+L+M Sales

**~Flat to +2.5%
vs FY23**

Luxury Nameplates²
Comparable O+L+M Sales

\$22.9B to \$23.6B

Total Revenue

~39.2% to 39.5%

Gross Margin
Rate³

8.5% to 8.9%

Adjusted
EBITDA Rate⁴

\$2.45 to \$2.85

Adjusted
Diluted EPS⁵

1Q24 Guidance

\$4.72B to \$4.87B

Net Sales

\$4.85B to \$5.0B

Total Revenue¹

**Down no more than
40bps vs 1Q23**

Gross Margin Rate²

\$0.10 to \$0.16

Adjusted Diluted EPS³

~Flat vs 1Q23

Inventory

A Bold New Chapter Targets **2025 & Beyond**

Low-Single-Digit

Annual Comparable O+L+M Sales Growth¹

Mid-Single-Digit

Annual Adjusted EBITDA Dollar Growth

Below Historic Rate of Inflation of 2% to 3%

Annual SG&A Dollar Growth

Below FY24 Levels

Annual Capital Expenditures

Return to Pre-Pandemic Levels

Annual Free Cash Flow

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Beginning in FY25

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Pre-Pandemic Levels of Annual Free Cash Flow

¹Go-forward Macy's locations inclusive of full line, furniture & current small formats.

²Luxury inclusive of Bloomingdale's & Bluemercury nameplates.

³From FY24 – FY26, expect associated asset sale gains of \$250M to \$365M for non-go-forward stores and distribution centers. Within this, expect asset sale proceeds of \$500M to \$650M and asset sale gains of \$250M to \$350M for non-go-forward stores. Additionally, the company has generated over \$2.4B of real estate monetization proceeds from FY15-FY23.

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Strengthen

Macy's Nameplate



Accelerate

Luxury Growth



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End-to-End Operations

A Bold New Chapter

Leadership team, emblematic of the vision for a **new, modern Macy's, Inc.**



Tony Spring
Chief Executive Officer and
Chairman-Elect, 1987



Adrian V. Mitchell
Chief Operating and Financial
Officer, 2020



Danielle Kirgan
Chief Human Resources and
Communications Officer, 2017



Tracy Preston,
Chief Legal Officer and
Corporate Secretary, 2024



Laura Miller
Chief Information
Officer, 2021



Max Magni
Chief Customer and Digital
Officer, 2023



Nata Dvir
Chief Merchandising
Officer, 2005



Marc Mastronardi
Chief Stores
Officer, 2006



Sharon Otterman
Chief Marketing
Officer, 2023



Olivier Bron
Chief Executive Officer,
Bloomingdale's, 2023



Maly Bernstein
Chief Executive Officer,
Bluemercury, 2021

A Bold New Chapter

Building a **stronger, more vibrant** Macy's, Inc. that is well positioned to thrive and **create meaningful value for all stakeholders.**





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Q&A



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Additional Information

Additional Information

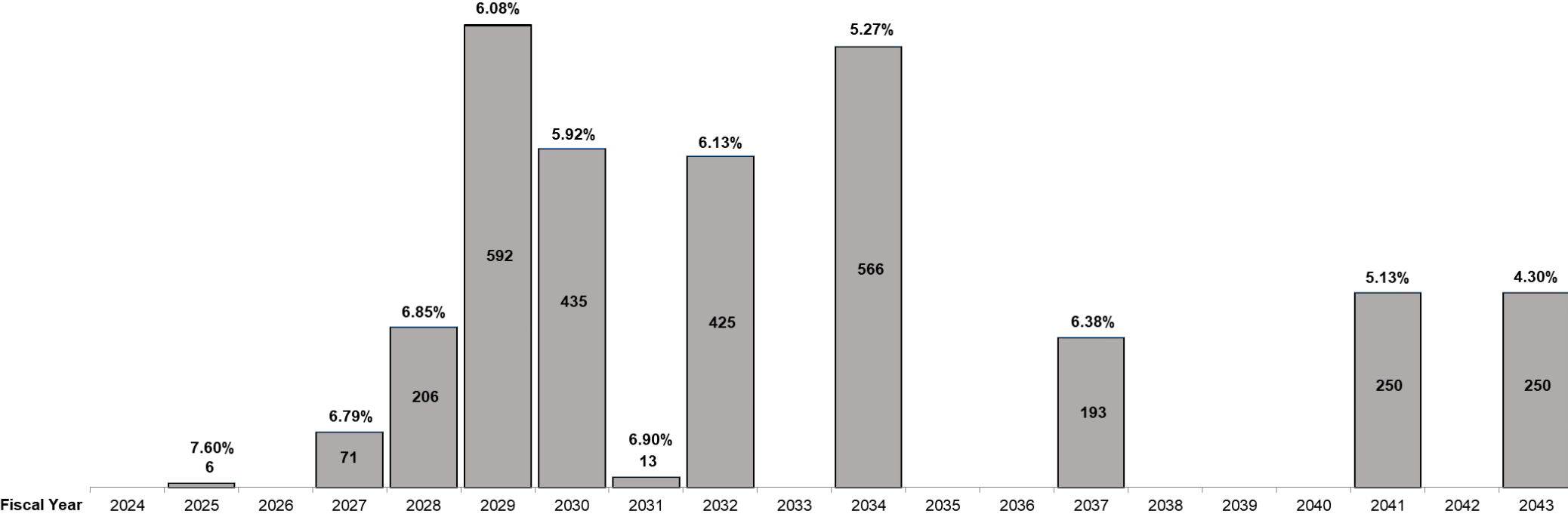
Store Count as of February 3, 2024

	End of 4Q23	Change In Locations from FY22
	Locations	
Macy's Department Stores	435	-6
Macy's Small Format	12	+4
Macy's Furniture	45	-1
Macy's Furniture Clearance	1	—
Freestanding Backstage	9	—
Stores converted to Fulfillment Centers	0	-2
Total Macy's	502	-5
Bloomingdale's Department Stores	32	—
Bloomies	3	+1
Bloomingdale's Furniture/Other	1	—
Bloomingdale's The Outlet	21	+1
Total Bloomingdale's	57	+2
Bluemercury	159	-1
Total Macy's, Inc.	718	-4

Additional Information

Long-term Debt Maturities as of February 3, 2024

(\$M)



% represents weighted average interest rate. All outstanding long-term debt is unsecured.

Additional Information

4Q23 Additional Nameplate Highlights

	Actuals	Change
		vs 4Q22
Macy's Digital¹		
Digital visits	739M	-4%
Conversion rate	4.1%	-20 bps
Customers that downloaded the Macy's app	2M	-7%
Luxury Nameplates Digital		
Digital visits	92M	-3%
Conversion rate	2.9%	Flat

4Q23 Additional Nameplate Highlights, cont.

Performance

vs 4Q22

Macy's Backstage¹

Store-within-store comparable owned sales versus Macy's full-line in which they operate

+920 bps

Bloomingdale's the Outlet

Comparable owned-plus-licensed versus Bloomingdale's full-line

+540 bps

Additional Information

4Q23 Financial Highlights & Commentary¹

	Actuals	Change	Commentary
		vs 4Q22	
Net Sales	\$8,120	-2%	Digital sales decreased 4% versus 4Q22, brick-and-mortar sales were roughly flat versus 4Q22. Digital penetration of net sales was 36%.
Comparable owned sales ²		-5.4%	
Comparable O+L sales ²		-4.2%	
Other Revenue	\$255	-20%	Net credit card revenue declined 26% from 2022 to \$195 million. As expected, the decline was driven by the impact of higher credit losses in the portfolio. This was partially offset by better-than-expected contractual profit-share. Proprietary card penetration rate of 41.6% was flat versus 4Q22.
Credit card revenues, net	\$195	-26%	
Macy's Media Network revenues, net	\$60	+5%	
Gross Margin	\$3,044	+8%	Merchandise margin improved 260 bps versus 4Q22, primarily due to lower clearance markdowns. Shortage was roughly flat versus 4Q22, consistent with company expectations. Delivery expenses as a percent of net sales improved 80 bps versus 4Q22, reflecting better inventory allocation and ongoing efforts to improve the supply chain.
Gross Margin Rate ³	37.5%	+340 bps	
SG&A Expense	\$2,405	-2%	SG&A expense dollars benefited from the company's commitment to ongoing expense discipline, partially offset by investments in the business.
SG&A Expense Rate ⁴	28.7%	+10 bps	

In millions, except per share figures and percentages.

¹ 4Q23 is on a 14-week basis and 4Q22 is on a 13-week basis unless otherwise noted.

² Comparable sales are on a 13-week basis.

³ % of net sales. ⁴ % of total revenue.

Additional Information

4Q23 Financial Highlights & Commentary¹

	Actuals	Change	Commentary
		vs 4Q22	
EBIT	\$(76)	-111%	EBIT, EBITDA and Diluted loss per share in 4Q23 included \$1.0 billion of impairment, restructuring and other costs primarily related to actions that support profitable growth and market share gains, and align with A Bold New Chapter. Included within this is a roughly \$950 million non-cash asset impairment charge, primarily related to the ~150 planned for closures over the next three years and the remaining associated with corporate assets.
Adjusted EBIT	\$936	+35%	
Adjusted EBIT Margin ²	11.2%	+310 bps	
EBITDA	\$156	-82%	
Adjusted EBITDA	\$1,168	+28%	
Adjusted EBITDA Margin ²	13.9%	+330 bps	
Diluted EPS	\$(0.26)	-114%	
Adjusted Diluted EPS	\$2.45	+30%	
Inventory	\$4,361	+2%	Inventory was down ~16% versus 2019.
Inventory Turnover³		-2%	Inventory turnover increased ~12% versus 2019.

In millions, except per share figures and percentages.

¹ 4Q23 is on a 14-week basis and 4Q22 is on a 13-week basis unless otherwise noted.

² % of total revenue.

³ Inventory turnover is defined as trailing four-quarter cost of goods sold divided by trailing four-quarter average inventory.

Additional Information

FY23 Nameplate Customer¹ Highlights

Actuals

Macy's

Active customers	41.2M
Star Rewards active member accounts	30.1M
Star Rewards program members % of Macy's comparable owned-plus-licensed sales	73%

Bloomingdale's

Active customers	4.0M
Loyallist program active member accounts	2.4M
Loyallist program members % of Bloomingdale's comparable owned-plus-licensed sales	81%

Bluemercury

Active Customers	711K
Loyalty program member accounts ²	1.0M
Loyalty program members % of Bluemercury sales	85%

Additional Information

FY23 Financial Highlights¹

	Actuals	Change
		vs FY22
Net Sales	\$23,092	-6%
Comparable owned sales²		-6.9%
Comparable O+L sales²		-6.0%
Other Revenue	\$774	-23%
Credit card revenues, net	\$619	-28%
Macy's Media Network revenues, net	\$155	+8%
Gross Margin	\$8,949	-2%
Gross Margin Rate³	38.8%	+140 bps
SG&A Expense	\$8,375	-1%
SG&A Expense Rate⁴	35.1%	+190 bps

	Actuals	Change
		vs FY22
EBIT	\$259	-85%
Adjusted EBIT	\$1,420	-21%
Adjusted EBIT Margin Rate⁴	5.9%	-110 bps
EBITDA	\$1,156	-55%
Adjusted EBITDA	\$2,317	-13%
Adjusted EBITDA Margin Rate⁴	9.7%	-70 bps
Diluted EPS	\$0.38	-91%
Adjusted Diluted EPS	\$3.50	-22%

¹ FY23 is on a 53-week basis and FY22 is on a 52-week basis unless otherwise noted.

² Comparable sales are on a 52-week basis.

³ % of net sales. ⁴ % of total revenue.

Additional Information

FY24 Guidance

as of 2/27/2024 | Reflects a 52-week year

Net sales	\$22.2 billion to \$22.9 billion <i>-4% to -1% vs FY23</i>	Asset sale gains/Monetization proceeds³	\$90 million to \$115 million/\$130 million to \$150 million
Comparable O+L+M sales	Down ~1.5% to up ~1.5% vs FY23	Benefit plan income	~ \$13 million
Go-forward Macy's nameplate comparable O+L+M sales	Down ~1.0% to up ~2.5% vs FY23	Depreciation & amortization	~ \$895 million
Luxury nameplates comparable O+L+M sales	~ flat to up ~ 2.5% vs FY23	Adjusted EBITDA margin²	~ 8.5% to 8.9%
Digital sales	~33% of net sales	Interest expense, net	~ \$135 million
Total revenue	\$22.9 billion to \$23.6 billion	Adjusted tax rate	~ 24.5%
Other revenues	~2.9% of net sales (credit card revenues accounting for ~74% of other revenues or \$475 million to \$490 million)	Diluted shares outstanding⁴	~284 million
Gross margin rate¹	~ 39.2% to 39.5%	Adjusted diluted EPS⁴	\$2.45 to \$2.85
SG&A expense rate²	~ 36.6% to 36.8%	Capital expenditures	~\$875 million

¹ % of net sales. ² % of total revenue.

³ Reflects planned closure of approximately 50 locations by the end of the fiscal year.

⁴ The impact of any potential future share repurchase associated with the company's current share repurchase authorization is not considered.

Additional Information

FY24 Guidance Assumptions as of 2/27/2024

Housekeeping Items

- FY24 is a 52-week period while FY23 was a 53-week period. The FY24 outlook for all metrics is provided on a 52-week basis, with the exception of comparable sales, which is provided on a 52-week basis for both periods.
- The Macy's nameplate has converted to cost accounting. No material financial impact is expected as a result of this transition.
- FY24 guidance assumes that the heightened level of clearance markdowns that incurred in 2Q23 to clear seasonal product, which pressured sales and gross margin, is not repeated.
- The company is renaming owned plus licensed sales comp (O+L) to owned plus licensed plus marketplace (O+L+M). Marketplace has been included within prior O+L results since its introduction, therefore a historical restatement is not needed.

1Q24 & 2Q24 Considerations

- 1Q24 net sales is lapping a reduction in its return policy to 30-days, which benefited 1Q23 net sales by ~\$80M and Adjusted EPS by \$0.07, relative to 1Q24.
- 1Q24 gross margin reflects a normalized clearance and promotional cycle compared to 1Q23, when the company sold through spring transitional product early.

Credit Card Revenue

- FY24 guidance does not include any impact for the proposed credit card late fee ruling in its 2024 outlook or beyond. The company will incorporate the impact when the ruling and timing of implementation is finalized.
- FY24 credit card revenue outlook includes an assumption for an increase in net credit losses in 2024.

Asset Sale Gains

- FY24 guidance assumes all asset sale gains occur in 4Q24.

Cost Savings

- The company achieved the previously disclosed \$200 million of cost savings in FY23. All future savings the company anticipates to achieve are contemplated in its outlook.

Supply Chain

- The company continues to closely monitor the Red Sea disruptions and potential China tariff regulations and implement its mitigation strategies. At this time, material impacts from supply chain disruptions are not anticipated.



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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 and proceeds from the disposition of property and equipment, 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 plus marketplace 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.

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 January 28, 2023
Decrease in comparable sales on an owned basis (Note 1)	(5.4)%
Impact of departments licensed to third parties (Note 2)	1.2%
Decrease in comparable sales on an owned plus licensed basis	(4.2)%

Notes:

1. Represents the period-to-period percentage change in net sales from stores in operation for one full fiscal year during the 14 and 53 weeks ended February 3, 2024, and the 13 and 52 weeks ended January 28, 2023, respectively, adjusting for the 53rd week in fiscal 2023. 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, adjusting for the 53rd week in fiscal 2023, in the calculation of comparable sales. Macy's and Bloomingdale's license third parties to operate certain departments in its 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 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, Inc.

Macy's, Inc.	Versus 52 weeks ended January 28, 2023
Decrease in comparable sales on an owned basis (Note 1)	(6.9)%
Impact of departments licensed to third parties (Note 2)	0.9%
Decrease in comparable sales on an owned plus licensed basis	(6.0)%

Changes in Comparable Sales- Macy's and Bloomingdale's Nameplates

Macy's	Versus 13 weeks ended January 28, 2023
Decrease in comparable sales on an owned basis (Note 1)	(6.0)%
Impact of departments licensed to third parties (Note 2)	1.3%
Decrease in comparable sales on an owned plus licensed basis	(4.7)%

Bloomingdale's	Versus 13 weeks ended January 28, 2023
Decrease in comparable sales on an owned basis (Note 1)	(1.5)%
Impact of departments licensed to third parties (Note 2)	(0.1)%
Decrease in comparable sales on an owned plus licensed basis	(1.6)%

Earnings Before Interest and Taxes, Excluding Certain Items

<i>Millions, except percentages</i>	14 weeks ended February 3, 2024	13 weeks ended January 28, 2023
Most comparable GAAP measure:		
Net income (loss)	\$(71)	\$508
Total revenue	\$8,375	\$8,583
Net income (loss) as a percent to total revenue	(0.8)%	5.9%
Non-GAAP measure:		
Net income (loss)	\$(71)	\$508
Interest expense, net	27	31
Federal, state and local income tax expense (benefit)	(32)	129
Earnings (loss) before interest and taxes	\$(76)	\$668
Impairment, restructuring and other costs	1,007	16
Settlement charges	5	7
Adjusted EBIT	\$936	\$691
Adjusted EBIT as a percent to total revenue	11.2%	8.1%

Earnings Before Interest and Taxes, Excluding Certain Items

<i>Millions, except percentages</i>	53 weeks ended February 3, 2024	52 weeks ended January 28, 2023
Most comparable GAAP measure:		
Net income	\$105	\$1,177
Total revenue	\$23,866	\$25,449
Net income as a percent to total revenue	0.4%	4.6%
Non-GAAP measure:		
Net income	\$105	\$1,177
Interest expense, net	135	162
Losses on early retirement of debt	-	31
Federal, state and local income tax expense	19	341
Earnings before interest and taxes	\$259	\$1,711
Impairment, restructuring and other costs	1,027	41
Settlement charges	134	39
Adjusted EBIT	\$1,420	\$1,791
Adjusted EBIT as a percent to total revenue	5.9%	7.0%

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

<i>Millions, except percentages</i>	14 weeks ended February 3, 2024	13 weeks ended January 28, 2023
Most comparable GAAP measure:		
Net income (loss)	\$(71)	\$508
Total revenue	\$8,375	\$8,583
Net income as a percent to total revenue	(0.8)%	5.9%
Non-GAAP measure:		
Net income (loss)	\$(71)	\$508
Interest expense, net	27	31
Federal, state and local income tax expense (benefit)	(32)	129
Depreciation and amortization	232	219
Earnings before interest, taxes, depreciation and amortization	\$156	\$887
Impairment, restructuring and other costs	1,007	16
Settlement charges	5	7
Adjusted EBITDA	\$1,168	\$910
Adjusted EBITDA as a percent to total revenue	13.9%	10.6%

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

<i>Millions, except percentages</i>	53 weeks ended February 3, 2024	52 weeks ended January 28, 2023
Most comparable GAAP measure:		
Net income	\$105	\$1,177
Total revenue	\$23,866	\$25,449
Net income as a percent to total revenue	0.4%	4.6%
Non-GAAP measure:		
Net income	\$105	\$1,177
Interest expense, net	135	162
Losses on early retirement of debt	—	31
Federal, state and local income tax expense	19	341
Depreciation and amortization	897	857
Earnings before interest, taxes, depreciation and amortization	\$1,156	\$2,568
Impairment, restructuring and other costs	1,027	41
Settlement charges	134	39
Adjusted EBITDA	\$2,317	\$2,648
Adjusted EBITDA as a percent to total revenue	9.7%	10.4%

Net Income and Diluted Earnings Per Share, Excluding Certain Items

<i>Millions</i>	14 weeks ended February 3, 2024		13 weeks ended January 28, 2023	
	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income	Diluted Earnings Per Share
As reported	\$(71)	\$(0.26)	\$508	\$1.83
Impairment, restructuring and other costs	1,007	3.60	16	0.06
Settlement charges	5	0.02	7	0.02
Income tax impact of certain items identified above	(256)	(0.91)	(7)	(0.03)
As adjusted to exclude certain items above	\$685	\$2.45	\$524	\$1.88

Net Income and Diluted Earnings Per Share, Excluding Certain Items

<i>Millions</i>	53 weeks ended February 3, 2024		52 weeks ended January 28, 2023	
	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share
As reported	\$105	\$0.38	\$1,177	\$4.19
Impairment, restructuring and other costs	1,027	3.69	41	0.15
Settlement charges	134	0.48	39	0.14
Losses on early retirement of debt	—	—	31	0.11
Income tax impact of certain items identified above	(293)	(1.05)	(29)	(0.11)
As adjusted to exclude certain items above	\$973	\$3.50	\$1,259	\$4.48

Free Cash Flow

<i>Millions</i>	53 weeks ended February 3, 2024
Net cash provided by operating activities	\$1,305
Purchase of property and equipment	(631)
Capitalized software	(362)
Disposition of property and equipment	86
Free Cash Flow	<u>\$398</u>