MACY'S, INC.

Return on Invested Capital (ROIC) (Unaudited)

(All amounts in millions except percentages)

Management believes that 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.

	2024	2023
	(millions, except percentages)	
Net income	$ 582	$ 45
Property and equipment - net	$ 5,070	$ 5,308
Net income as a percent to property and equipment - net	11.5 %	0.8 %
Net income	$ 582	$ 45
Add back interest expense, net	115	135
Add back losses on early retirement of debt	1	—
Add back federal, state and local tax expense	181	(2)
Add back impairment, restructuring and other costs	171	1,027
Add back settlement charges	46	134
Add back depreciation and amortization	881	897
Deduct benefit plan income, net	(16)	(11)
Add back rent expense		
Real estate	350	342
Personal property	5	6
Adjusted EBITDA, excluding benefit plan income, net and lease expense	$ 2,316	$ 2,573
Property and equipment - net	$ 5,189	$ 5,610
Add back accumulated depreciation and amortization	4,227	4,455
Add back capitalized value of variable rent	108	98
Add back lease right of use assets	1,954	2,147
Add (deduct) other selected assets and liabilities:		
Receivables	263	247
Merchandise inventories	4,947	4,781
Prepaid expenses and other current assets	372	360
Other assets	812	762
Merchandise accounts payable	(2,364)	(2,443)
Accounts payable and accrued liabilities	(1,925)	(1,932)
Other long-term liabilities	(291)	(292)
Total average invested capital	$ 13,292	$ 13,793
ROIC	17.4 %	18.7 %