Second Quarter 2021 Earnings







macy's inc

Jeff Gennette, Chairman & CEO
Adrian Mitchell, CFO

19 August 2021 (Revised)

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 the effects of the novel coronavirus (COVID-19) on Macy's customer demand and supply chain, as well as its consolidated results of operation, financial position and cash flows, Macy's ability to successfully implement its Polaris strategy and restructuring, 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, the potential for the incurrence of charges in connection with the impairment of 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 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 30, 2021 and the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 2021. 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.

Second Quarter and First Half Results

Second Quarter Snapshot

millions, except per share figures and percentages	2Q21	2Q20	2Q19
Net Sales	$5,647	$3,559	$5,546
Comp sales - owned	61.2%	(34.7%)	0.2%
Comp sales - owned + licensed	62.2%	(35.1%)	0.3%
Credit card revenues, net	$197	$168	$176
Gross margin ***Gross margin rate***	$2,294 *40.6%*	$841 *23.6%*	$2,151 *38.8%*
Selling, general & administrative expense (SG&A) ***SG&A rate***	$1,898 *33.6%*	$1,398 *39.2%*	$2,177 *39.3%*
Asset sale gains	$6	-	$7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$753	$ (422)	$400
Adjusted EBITDA	$836	$ (142)	$402
Diluted earnings per share (EPS)	$ 1.08	$ (1.39)	$ 0.28
Adjusted Diluted EPS	$ 1.29	$ (0.81)	$ 0.28

Spring Season Snapshot

millions, except per share figures and percentages	1H21	1H20	1H19
Net Sales	$10,353	$6,576	$11,050
Comp sales - owned	61.8%	(40.0%)	0.4%
Comp sales - owned + licensed	63.0%	(40.2%)	0.5%
Credit card revenues, net	$356	$299	$348
Gross margin	$4,111	$1,357	$4,252
Gross margin rate	*39.7%*	*20.6%*	*38.5%*
SG&A	$3,646	$2,995	$4,287
SG&A rate	*35.2%*	*45.4%*	*38.8%*
Asset sale gains	$12	$16	$49
EBITDA	$1,207	$ (4,294)	$846
Adjusted EBITDA	$1,309	$ (830)	$849
Diluted EPS	$ 1.41	$ (12.91)	$ 0.71
Adjusted Diluted EPS	$ 1.68	$ (2.83)	$ 0.72

Second Quarter Highlights

- Diluted EPS of $1.08 and Adjusted diluted EPS of $1.29 exceeding expectations, with Adjusted diluted EPS up $1.01 to 2Q19
- Adjusted EBITDA margin of 14.8% exceeded the margin in 2Q19 by 760 basis points
- Comparable sales up 5.8% on an owned basis and up 5.9% on an owned plus licensed basis versus 2019
  - Trend improvement of 16 percentage points compared to 1Q21
  - May and July posted mid-single digit comparable sales; June posted high-single digit comparable sales
- Digital sales grew 45% over 2Q19
  - Digital penetration was 32% of net sales and a 10-percentage point increase over 2Q19
- The company brought approximately 5 million new customers into the Macy's brand, a 30% increase compared to 2Q19
  - 41% of new customers came through the digital channel in 2Q21
- The company saw Platinum, Gold and Silver customers in its Star Rewards Loyalty program re-engage, with the average customer spend up 15% compared to 2Q19, a 5-percentage point trend improvement from 1Q21
  - The company’s Bronze segment, its youngest and most diverse loyalty tier, continued to grow, adding approximately 2 million members.
- Gross margin was 40.6%, up 180 basis points from 2Q19
  - Merchandise margin improved 350 basis points from 2Q19 to 44.9%
  - Delivery expense accounted for 4.3% of sales during 2Q21, 170 basis points higher than 2Q19
- Inventory was down 14.5% from 2Q19
  - Driven by market dynamics and the company’s execution of its Polaris strategy.
  - Inventory turn for the trailing twelve months was 3.2 times, improving by 15% to 2Q19, while the trailing six months inventory turn was 1.5 times, improving by 18% to 2Q19
- SG&A expense of $1.9 billion, a $279 million improvement from 2Q19
  - SG&A as a percent of sales was 33.6%, an improvement of 570 basis points from 2Q19

Second Quarter Earnings Highlights

(Comparison to 2Q19 included below to more appropriately benchmark our performance)

millions, except per share figures and percentages	2Q21	Notes
Credit Revenue	$197	• Good credit health in our customers continuing and resulting in lower bad debt levels
Change to 2Q19	+$21	
Gross Margin	$2,294	• Driven by both tighter inventories and the accelerated momentum of our Polaris pricing, promotion, and inventory initiatives • Merchandise margin improved 350 basis points due to leaner inventories and $110 million due to pricing and promotion initiatives driven by the Polaris plan • Delivery expense accounted for a degradation of about 170 basis points on gross margin rate due to increased digital penetration
Change to 2Q19	+$143	
Gross Margin Rate	40.6%	
Change to 2Q19	+180 bps	
SG&A Expense	$1,898	• Permanent Polaris SG&A cost expense savings derived in 2020, disciplined expense management and improved productivity, along with a tight labor market, contributed to the second quarter SG&A performance
Change to 2Q19	-$279	
SG&A Rate	33.6%	
Change to 2Q19	-570 bps	
Adjusted EBITDA margin	14.8%	• Driven by strong performance in key value creation metrics: sales, gross margin, inventory productivity, and expense management
Change to 2Q19	+760 bps	
Adjusted Diluted EPS	$1.29	
Change to 2Q19	+$1.01	

Q2 2021 Polaris Update

Win with Fashion & Style

Wide assortment of brands and categories able to flex with customer demand

Pandemic-impacted categories improving – dressy, luggage, denim

Launched U40 brand: *And Now This*

Announced partnership with *Toys 'R' Us* to expand toy offering

Deliver Clear Value

Leveraging data and analytics tools to most efficiently plan, place and price inventory

Higher full-price sell through and lower clearance at Macy's, Backstage and Bloomingdale's

Improved inventory planning and better merchant execution supported ability to chase inventory to achieve higher sell-throughs, turnover and AUR

Excel in Digital Shopping

Upgraded search function to Google Cloud, utilizing AI and machine learning to improve customer experience

Improved customer account experience and advanced product recommendations to be real-time, data-driven and to help customers discover what they need or inspire them to expand shopping

Enhance Store Experience

Improved trend in stores sales, 18 percentage point sequential improvement from 1Q21

Applying Contemporary sitelet U40 strategy to a physical format to launch in 160 stores

Comparable sales for Backstage store-within-store locations open more than one year continue to outperform full line Macy's stores by 28 points

Modernize Supply Chain

Continuing to update infrastructure and network, while leveraging improved data and analytics capabilities in fulfillment strategies to meet customers' desire for speed and convenience

Supported ability to stay agile and navigate disruptions by adjusting freight strategies, working closely with brand partners and pushing for more product

Enable Transformation

Continuing to modernize technology foundations; ensuring agility to react to customers and the market regardless of channel

Building out data science and analytics capabilities with a focus on areas of competitive differentiation

Credit Card Revenue



Performance Metrics	2Q21
New accounts	618K, Down 17% to 2Q19
Proprietary card penetration rate	41.4%, Down 530 bps to 2Q19

- Net credit card revenue of $197 million
  - Up $21 million from 2Q19
- Represented 3.5% of sales
  - 30 bps higher than 2Q19
- Digital new accounts up 60% vs. 2Q19
  - Driven by stronger approval rates, consistent with a healthier online credit customer and stronger application flow

- Evaluating options for our Credit Card program to make the best choice that aligns to our overall business strategies, including a potential transfer to another financial services entity or a modified arrangement with Citi

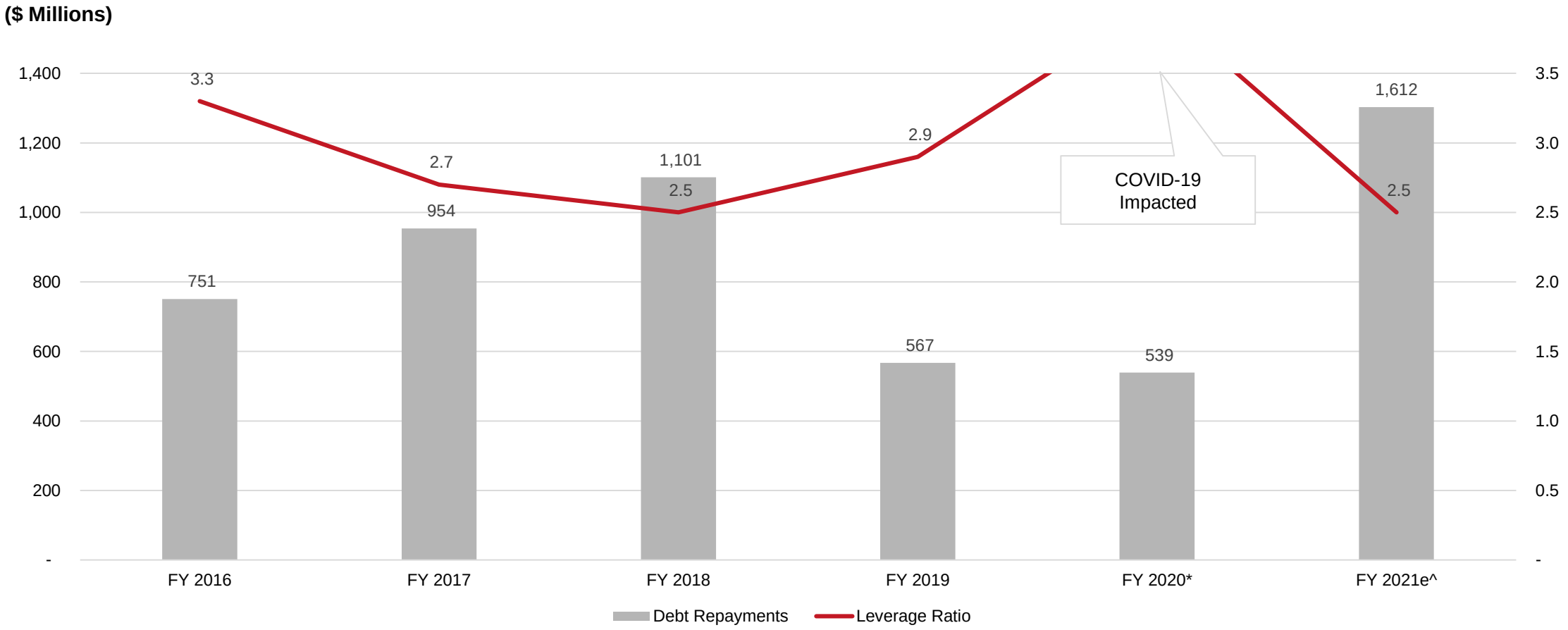
Capital Allocation Highlights: 1H2021

Strengthening Balance Sheet, Optimizing Capital Allocation and Returning Capital to Shareholders

- **Free cash flow of $769 million**
  - Cash flow from operating activities of **$965 million**, **up from $350 million in 2019**; variance due to EBITDA growth as well as improved working capital
    - **Working Capital outflow of $36 million in 2021, improved from an outflow of $360 million in 2019** benefiting from inflows related to payables driven by longer payment terms, lower spending levels and timing of payments partially offset by an increase in merchandise inventories resulting from sales demand
  - Capital expenditures of **$230 million**, **down from $501 million in 2019**, due primarily to a reduction in capital projects and spend as result of COVID-19
- **$2.1 billion in cash at the end of 2Q21** due to strong performance and strong cash generation from Polaris cost-saving initiatives, giving us the confidence to execute on our capital allocation strategy
  - **Repaid $1.3 billion in Senior Secured Notes** in 3Q21
    - Planned repayment of $294 million unsecured debt due in January 2022
    - Expected to result in a leverage ratio **no more than 2.5x by year-end**
  - **Reinstatement of dividend**, allows return of up to **$95 million** of cash to investors in 2021; nearly **$200 million** annually
    - Starting with 15¢ a quarter, expected to grow over time with appropriate approvals from Board of Directors
  - **Share repurchase program**
    - $500 million authorization

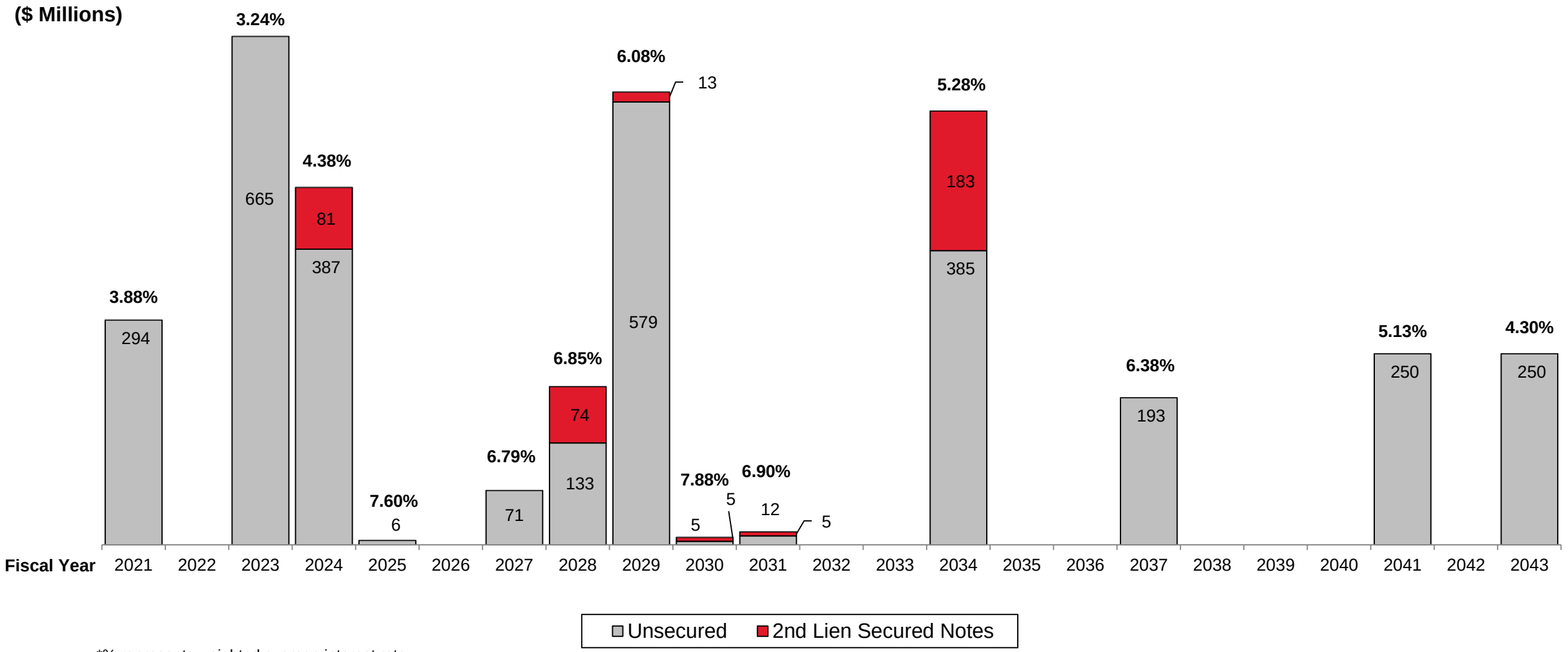
Prudent De-levering of the Balance Sheet

Expect to achieve leverage ratio of no more than 2.5x by year-end 2021



*Excludes $1.5 billion revolving credit facility repayment.
^FY 2021 estimate; proforma as of January 29, 2022. Excludes $500 million debt refinance during 1Q21.

Remaining Debt Maturities, Post $1.3 Billion Senior Secured Debt Paydown



*% represents weighted average interest rate

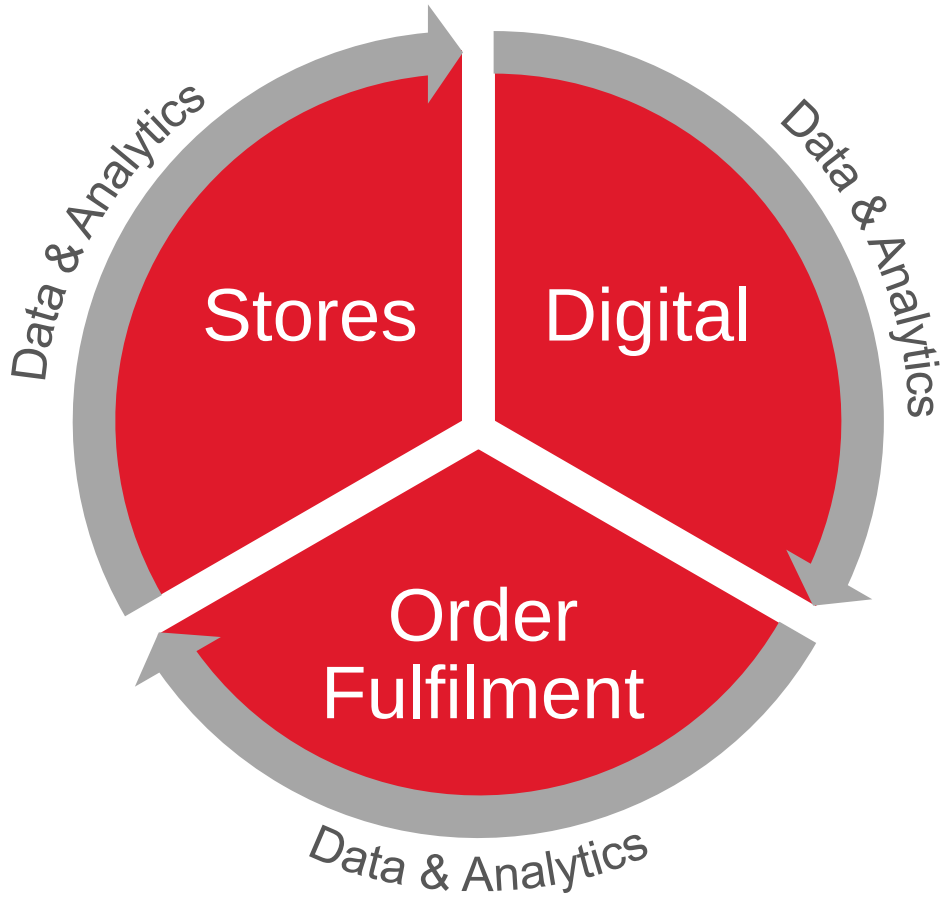
Brand and Channel Performance

Digitally Led Omnichannel Model

Committed to delivering a dynamic, seamless integration between physical stores and digital shopping – the most effective way to meet the needs of an omnichannel customer

- The Macy's, Inc. Omnichannel ecosystem includes a strong fleet of stores in the best mall and off-mall locations that are fully integrated with online and mobile platforms
  - Well-integrated strategy built on a strong brand leveraging every advantage of brick & mortar and every opportunity of digital
  - Later this year, Macy's, Inc. will open three new off-mall Market by Macy's locations in the Atlanta and Dallas areas and its first small format Bloomie's location in the D.C. metro area

- The Macy's, Inc. Omnichannel customer
  - **Shops frequently,** 3 times more than single-channel customer
  - **Purchases across categories,** 2 to 3 times more than single-channel customer
  - **Spends more,** 2.5 to 3.5 times more than single-channel customer



Brand Second Quarter Highlights

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	2Q21
Comparable sales - owned + licensed	Up 5.2% compared to 2Q19; 15.6pt improvement to 1Q21
Digital Penetration	31%

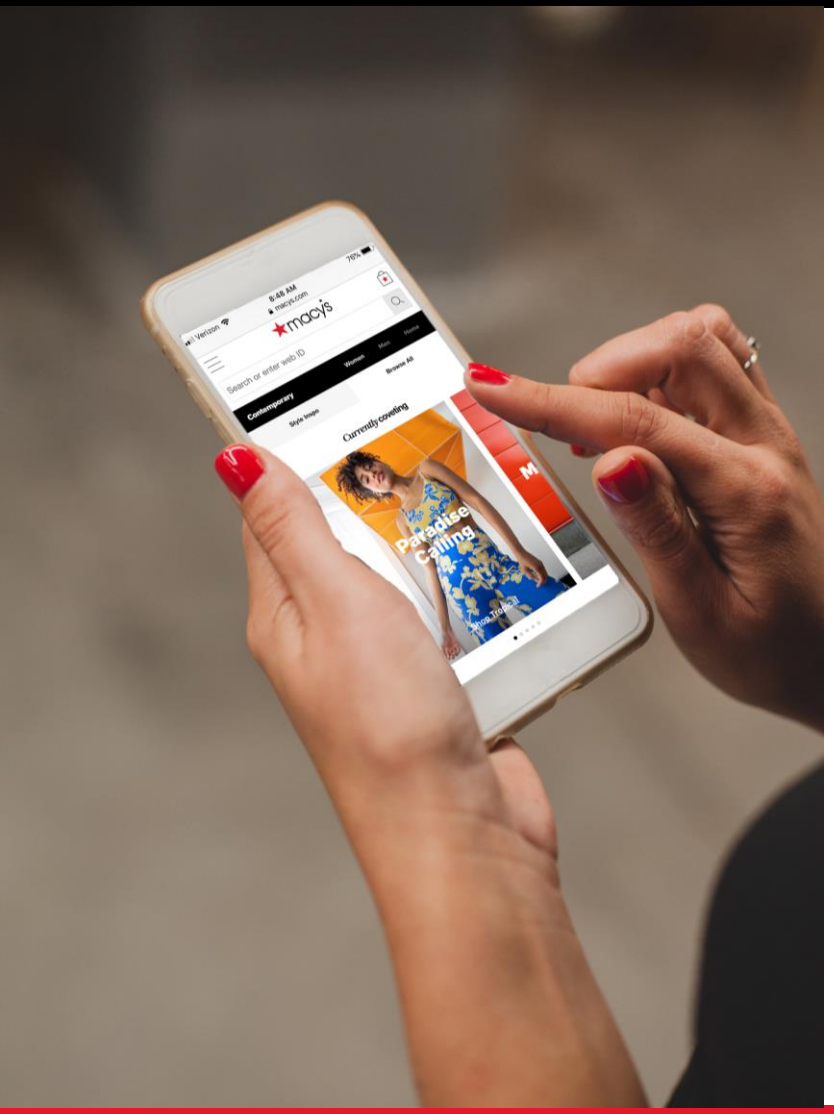
bloomingdale's

	2Q21
Comparable sales - owned + licensed	Up 11.5% compared to 2Q19; 18.6pt improvement to 1Q21
Digital Penetration	32%

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	2Q21
Comparable sales - owned + licensed	Up 2.2% compared to 2Q19; 17.6pt improvement to 1Q21
Digital Penetration	20%

Digital Channel: 2Q21 Highlights



Performance Metrics

	2Q21 (unless otherwise noted)
Sales	Up 45% to 2Q19
Penetration	32% of net sales
Sales from Mobile Devices*	61% of digital demand sales
Average Number of Visits*	519 million, up 22% to LLY
Conversion Rate*	4.0%, up 10% to LLY
Vendor Direct % of Digital Sales*	17%
Digital Sales Fulfilled by Stores*	24%

*: Figures above reflect macys.com only.

Macy's Merchandising Update

Met and flexed with customer demand supported by wide assortment of categories, products and brands at price points ranging from value to luxury



Top Performing Categories

- Continued strength in pandemic-driven products and categories
  - Loungewear, fragrances, fine jewelry, textiles, housewares
- Dormant categories showing renewed life
  - Dresses, denim, luggage

Attracting Under-40 Customer

- New brands and categories
  - *And Now This*
    - Customer responding well; seeing full-price sell-throughs
- Connecting with millennial parents
  - One stop shop for parenting needs
    - Back-to-school, back-to-work, holiday and gifting through the year
  - *Toys 'R' Us*
    - Exclusive partnership designed to help fully realize the opportunity in the toy category



Toys"R"Us @ macy's



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Macy's 2Q21 and 1H21 Customer Profile



Star Rewards Loyalty Members

	Platinum	Gold	Silver	Bronze
Sales*	$1.4B	$707M	$476M	$671M
Active Customers	2.6M	2.9M	3.4M	3.7M
Average Spend per Customer	$532	$247	$141	$177
Average Visits	4.7	2.7	1.7	1.8
Average Spend per Visit	$113	$92	$85	$99
Under 40**	19%	20%	19%	26%
Diverse	50%	49%	42%	56%

- Platinum, Gold and Silver Star Rewards members re-engage, with the average customer spend up 15% compared to second quarter 2019 and a 5-percentage point trend improvement from first quarter 2021.
  - Bronze segment, youngest and most diverse loyalty tier continued to grow, adding approximately 2 million members.

- Approximately 5 million new customers came into the brand, a robust 30% improvement compared to 2Q19
  - 41% of new customers came through the digital channel in 2Q21

*Comparable owned-plus-licensed total sales
**Represents a year-to-date basis

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Macy's Backstage Highlights



	End of Q2 2021	End of Q1 2021
Stores Opened in 2Q21	6	-
Total Store Count	262	256
Stores within Stores	255	250
Freestanding	7	6
FY2021 Store Count Goal = 270		

- Comparable sales for Backstage store-within-store locations open more than one year continue to outperform full line Macy's stores by 28 points
  - Freestanding Backstage locations delivered positive comparable sales
  - 7 Stores within stores and one freestanding to open in 2H21
- Customers under-40 made up about 26% of Backstage store-within-store customers, slightly higher than Macy's full-price customers
- Significant cross-shopping*
  - 18% of cross shoppers represent 33% of sales in SWS
  - Customers who shopped two or more times represent half the sales in SWS
  - Cross shoppers made 2 additional visits vs. Full Line Only customers
- Continuing to aggressively grow Backstage
  - Expanding in strategic locations that advance the Macy's strategy and optimizes its brand

*Represented from a trailing 12-month basis

Bloomingdale's and Bluemercury Highlights

bloomingdale's

- Strong performance both in-store and online drove positive comp sales growth
  - Comparable sales on an owned-plus-licensed basis were up 11.5%
  - 18.6-point sequential trend improvement compared to 1Q21
- Improvement across all categories with strong double-digit growth in men's and women's shoes, sunglasses, handbags, fine jewelry, fragrances and home.
- Benefited from an increase in full price sell-throughs as a result of leaner inventory and strategic investments in merchandise

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- Continued to see sequential sales improvement quarter over quarter
  - Comparable owned-plus-licensed sales up 2.2% versus 2Q19
- Saw strength in treatment, home fragrance, with growth in private brands M-61 Skincare and Lune and Aster Cosmetics
- Strong performance in skincare while color makeup improved but soft compared to 2019







Expectations

2021 Expectations

	2021 EXPECTATIONS *Revised*	2021 EXPECTATIONS *as of 5/18/2021*
Net sales	**$23,550 million to $23,950 million Increase between ~ 36% and 38% compared to 2020**	$21,725 million to $22,225 million Increase between 25% and 28% compared to 2020
Digital	**Between $8,350 million and $8,450 million**	Approximately $8 billion
Credit card revenues, net	**Approximately 3.1% of net sales**	Approximately 3% of net sales
Gross margin rate	**Increase by up to 9 percentage points from 2020**	Increase by up to 8 percentage points from 2020
SG&A expense rate	**Improve up to 250 basis points compared to 2019 levels**	Improve approximately 135 basis points compared to 2019 levels
Gains on sale of real estate (ASG)	Between $60 million and $90 million	Between $60 million and $90 million
Benefit plan income	**Approximately $65 million**	Approximately $60 million
Depreciation and amortization	Approximately $900 million	Approximately $900 million
Adjusted EBITDA Margin	**Approximately 11% to 11.5%**	Approximately 9% to 9.5%
Interest expense, net	**Approximately $270 million**	Approximately $320 million
Adjusted tax rate	**Approximately 24%**	Approximately 25%
Diluted shares outstanding*	Approximately 320 million	Approximately 320 million
Adjusted diluted EPS	**Between $3.41 and $3.75**	Between $1.71 and $2.12
Capital Expenditures	Approximately $650 million	Approximately $650 million

*Diluted shares outstanding do not factor in share repurchases.

Back Half 2021 Expectations (Revised 8/19/21)

	3Q21 EXPECTATIONS
Net sales	$5,040 million to $5,190 million
Adjusted diluted EPS	Approximately $0.17 to $0.26

- Solid back half of 2021 expected with positive comparable sales vs. 2019 and 2020 in both quarters
  - Expect 3Q21 and 4Q21 comparable sales, at the high-end of the guidance range, to perform in line with May and July results
- Back half expectations include continuing contribution from Polaris initiatives as well as estimated impacts from supply chain constraints, tight labor market, elevated levels of holiday shipping surcharges and potential unforeseen impacts from COVID variants
  - They do not contemplate a return to government-mandated shutdowns, should they prove necessary
- Targeting a normalized cash balance of approximately $1 billion

Other Expectations in 2022 and Beyond

- Increasing long-term **Adjusted EBITDA margin** target to remain in the **low-double digits** – beginning next year
- Over the next couple of years, expect **capital expenditures** to increase to approximately **$1 billion**, annually
- Reopening of U.S. to international tourists and return to a more normalized work environment are expected to be tailwinds once they occur

Macy’s, Inc. Store Count - As of July 31, 2021

	End of 1Q21		End of 2Q21		Change in Store Locations from 1Q21
	Boxes	Store Locations	Boxes	Store Locations	
Macy's Flagships	16	11	16	11	
Macy's Magnets	429	384	429	384	
Macy's Core	445	395	445	395	
Macy's Neighborhood	63	58	62	57	-1
Macy's Furniture	52	47	52	47	
Macy's Furniture Clearance	2	2	2	2	
Freestanding Backstage	6	6	7	7	+1
Macy's Small Format	2	2	2	2	
Stores converted to Fullfilment Centers	2	2	2	2	
Total Macy's	572	512	572	512	0
Bloomingdale's Dept. Stores	35	33	35	33	
Bloomingdale's Furniture/Other	1	1	1	1	
Bloomingdale's The Outlet	19	19	20	20	+1
Total Bloomingdale's	55	53	56	54	1
Bluemercury	160	160	160	160	
Total Macy's, Inc.	787	725	788	726	1

- Excluded in the count above is 255 Macy’s Store Within Store Backstage locations located within Macy’s stores

Notes:
* A and B malls included in the above store types are flagship of 11, magnets of 344, core of 358 and Neighborhood of 27.
(1) Using store locations combines multi-box stores into a single location, providing a more accurate count of the store fleet

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 (loss) 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 (loss) and diluted earnings (loss) 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 adjusted EBITDA and 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.	July 31, 2021 versus 13 weeks ended August 1, 2020	July 31, 2021 versus 13 weeks ended August 3, 2019
Increase in comparable sales on an owned basis (Note 1)	61.2%	5.8%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	1.0%	0.1%
Increase in comparable sales on an owned plus licensed basis	62.2%	5.9%

Macy's, Inc.	July 31, 2021 versus 26 weeks ended August 1, 2020	July 31, 2021 versus 26 weeks ended August 3, 2019
Increase (decrease) in comparable sales on an owned basis (Note 1)	61.8%	(2.4%)
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	1.2%	0.3%
Increase (decrease) in comparable sales on an owned plus licensed basis	63.0%	(2.1%)

Notes:

1. Represents the period-to-period percentage change in net sales from stores in operation during the 13 and 26 weeks ended July 31, 2021 and the 13 and 26 weeks ended August 1, 2020 and August 3, 2019, respectively. 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. No stores have been excluded as a result of the COVID-19 pandemic. 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 in the calculation of comparable sales. The company licenses third parties to operate certain departments in its stores and online and receives commissions from these third parties based on a percentage of their net sales. 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.

Changes in Comparable Sales- Macy's brand, Bloomingdale's brand and Bluemercury brand

Macy's	Versus 13 weeks ended August 3, 2019
Increase in comparable sales on an owned basis (Note 1)	5.5%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	(0.3%)
Increase in comparable sales on an owned plus licensed basis	5.2%

Bloomingdale's	Versus 13 weeks ended August 3, 2019
Increase in comparable sales on an owned basis (Note 1)	8.5%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	3.0%
Increase in comparable sales on an owned plus licensed basis	11.5%

Bluemercury	Versus 13 weeks ended August 3, 2019
Increase in comparable sales on an owned basis (Note 1)	2.2%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.0%
Increase in comparable sales on an owned plus licensed basis	2.2%

Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization Excluding Certain Items

In millions	13 weeks ended July 31, 2021	13 weeks ended August 1, 2020	13 weeks ended August 3, 2019
Most comparable GAAP measure:			
Net income (loss)	$345	$(431)	$86
Net sales	5,647	3,559	5,546
Net income (loss) as a percent to net sales	6.1%	(12.1%)	1.6%
Non-GAAP measure:			
Net income (loss)	345	(431)	86
Interest expense, net	80	69	47
Losses on early retirement of debt	3	-	-
Financing costs	-	3	-
Federal, state and local income tax expense (benefit)	105	(298)	30
Depreciation and amortization	220	235	237
Earnings (loss) before interest, taxes, depreciation and amortization	753	(422)	400
Impairment, restructuring and other costs	2	242	2
Settlement charges	81	38	-
Adjusted EBITDA	836	(142)	402
Adjusted EBITDA as a percent to net sales	14.8%	(4.0%)	7.2%

Earnings (Loss) Before Interest, Taxes, Depreciation, and Amortization Excluding Certain Items

In million	26 weeks ended July 31, 2021	26 weeks ended August 1, 2020	26 weeks ended August 3, 2019
Most comparable GAAP measure:			
Net income (loss)	$448	$(4,012)	$223
Net sales	10,353	6,576	11,050
Net income (loss) as a percent to net sales	4.3%	(61.0%)	2.0%
Non-GAAP measure:			
Net income (loss)	448	(4,012)	223
Interest expense, net	159	117	94
Losses on early retirement of debt	14	-	-
Financing costs	-	3	-
Federal, state and local income tax expense (benefit)	142	(874)	57
Depreciation and amortization	444	472	472
Earnings (loss) before interest, taxes, depreciation and amortization	1,207	(4,294)	846
Impairment, restructuring and other costs	21	3,426	3
Settlement charges	81	38	-
Adjusted EBITDA	1,309	(830)	849
Adjusted EBITDA as a percent to net sales	12.6%	(12.6%)	7.7%

Net Income (Loss), Excluding Certain Items and Asset Sale Gains

In millions	13 weeks ended July 31, 2021	13 weeks ended August 1, 2020	13 weeks ended August 3, 2019
Most comparable GAAP measure:			
Net income (loss)	$345	$(431)	$86
Non-GAAP measure:			
Net income (loss)	$345	$(431)	$86
Impairment, restructuring and other costs	2	242	2
Settlement charges	81	38	-
Losses on early retirement of debt	3	-	-
Financing costs	-	3	-
Income tax impact of certain items identified above	(20)	(103)	-
As adjusted to exclude certain item above	411	(251)	88
Gains on sale of real estate	(6)	-	(7)
Income tax impact of gains on sale of real estate	2	-	2
As adjusted to exclude gains on sale of real estate and other certain items identified above	$407	$(251)	$83

Net Income (Loss), Excluding Certain Items and Asset Sale Gains

In millions	26 weeks ended July 31, 2021	26 weeks ended August 1, 2020	26 weeks ended August 3, 2019
Most comparable GAAP measure:			
Net income (loss)	$448	$(4,012)	$223
Non-GAAP measure:			
Net income (loss)	$448	$(4,012)	$223
Impairment, restructuring and other costs	21	3,426	3
Settlement charges	81	38	-
Losses on early retirement of debt	14	-	-
Financing costs	-	3	-
Income tax impact of certain items identified above	(27)	(336)	(1)
As adjusted to exclude certain item above	537	(881)	225
Gains on sale of real estate	(12)	(16)	(49)
Income tax impact of gains on sale of real estate	3	4	13
As adjusted to exclude gains on sale of real estate and other certain items identified above	$528	$(893)	$189

Diluted Earnings (Loss) Per Share, Excluding Certain Items and Asset Sale Gains

	13 weeks ended July 31, 2021	13 weeks ended August 1, 2020	13 weeks ended August 3, 2019
Most comparable GAAP measure:			
Diluted earnings (loss) per share	$1.08	$(1.39)	$0.28
Non-GAAP measure:			
Diluted earnings (loss) per share	$1.08	$(1.39)	$0.28
Impairment, restructuring and other costs	0.01	0.78	-
Settlement charges	0.25	0.12	-
Losses on early retirement of debt	0.01	-	-
Financing costs	-	0.01	-
Income tax impact of certain items identified above	(0.06)	(0.33)	-
As adjusted to exclude certain item above	1.29	(0.81)	0.28
Gains on sale of real estate	(0.02)	-	(0.02)
Income tax impact of gains on sale of real estate	0.01	-	0.01
As adjusted to exclude gains on sale of real estate and other certain items identified above	$1.28	$(0.81)	$0.27

Diluted Earnings (Loss) Per Share, Excluding Certain Items and Asset Sale Gains

	26 weeks ended July 31, 2021	26 weeks ended August 1, 2020	26 weeks ended August 3, 2019
Most comparable GAAP measure:			
Diluted earnings (loss) per share	$1.41	$(12.91)	$0.71
Non-GAAP measure:			
Diluted earnings (loss) per share	$1.41	$(12.91)	$0.71
Impairment, restructuring and other costs	0.07	11.02	0.01
Settlement charges	0.25	0.12	-
Losses on early retirement of debt	0.04	-	-
Financing costs	-	0.01	-
Income tax impact of certain items identified above	(0.09)	(1.07)	-
As adjusted to exclude certain item above	1.68	(2.83)	0.72
Gains on sale of real estate	(0.04)	(0.05)	(0.15)
Income tax impact of gains on sale of real estate	0.02	0.01	0.04
As adjusted to exclude gains on sale of real estate and other certain items identified above	$1.66	$(2.87)	$0.61

Free Cash Flow

In millions	26 weeks ended July 31, 2021	26 weeks ended August 1, 2020	26 weeks ended August 3, 2019
Net cash provided (used) by operating activities	$965	$(7)	$350
Purchase of property and equipment	(142)	(228)	(378)
Capitalized software	(88)	(61)	(123)
Disposition of property and equipment	34	31	59
Free Cash Flow	$769	$(265)	$(92)