Third Quarter 2021 Earnings







macy's inc

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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 presentation 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, 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, the amount and timing of future dividends and share repurchases 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 July 31, 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.

Third Quarter Results

Third Quarter Snapshot

millions, except per share figures and percentages	3Q21	3Q20	3Q19
Net Sales	$5,440	$3,990	$5,173
Comp sales - owned	37.2%	(21.0)%	(3.9)%
Comp sales - owned + licensed	35.6%	(20.2)%	(3.5)%
Credit card revenues, net	$213	$195	$183
Gross margin ***Gross margin rate***	$2,233 *41.0%*	$1,421 *35.6%*	$2,067 *40.0%*
Selling, general & administrative expense (SG&A) ***SG&A rate***	$1,973 *36.3%*	$1,726 *43.3%*	$2,202 *42.6%*
Asset sale gains	$50	$3	$17
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$757	$113	$300
Adjusted EBITDA	$765	$159	$325
Diluted earnings per share (EPS)	$0.76	$(0.29)	$0.01
Adjusted Diluted EPS	$1.23	$(0.19)	$0.07

39 Week Snapshot

millions, except per share figures and percentages	YTD 3Q21	YTD 3Q20	YTD 3Q19
Net Sales	$15,794	$10,566	$16,223
Comp sales - owned	52.4%	(33.9%)	(1.0%)
Comp sales - owned + licensed	52.5%	(33.8%)	(0.8%)
Credit card revenues, net	$568	$494	$531
Gross margin	$6,345	$2,778	$6,318
Gross margin rate	*40.2%*	*26.3%*	*38.9%*
SG&A	$5,618	$4,723	$6,489
SG&A rate	*35.6%*	*44.7%*	*40.0%*
Asset sale gains	$61	$20	$67
EBITDA	$1,962	$(4,182)	$1,147
Adjusted EBITDA	$2,073	$(672)	$1,175
Diluted EPS	$2.17	$(13.20)	$0.72
Adjusted Diluted EPS	$2.91	$(3.03)	$0.79

Third Quarter Highlights

- Adjusted diluted earnings per share of $1.23 exceeded expectations; diluted earnings per share of $0.76
- Comparable sales up 37.2% on an owned basis and up 35.6% on an owned plus licensed basis versus 2020
  - Comparable sales up 8.9% on an owned basis and up 8.7% on an owned plus licensed basis versus 2019
  - On a comparable owned plus licensed basis, 3Q21 includes a 200-bp benefit resulting from the shift of the Friends and Family promotional event into the 3Q from 4Q, compared to 2019
- Digital sales grew 19% over 3Q20 and 49% over 3Q19
  - Digital penetration was 33% of net sales, a 5-percentage point expected decline from 3Q20, but a 10-percentage point improvement over 3Q19
- Gross margin for the quarter was 41.0% up from 35.6% in 3Q20 and up 100 bps from 3Q19
  - Improvement driven by stronger regular price selling, fewer markdowns due to leaner inventories, pricing and promotion initiatives
  - Delivery expense as a percent of net sales increased 170 bps from 3Q19, due to increased digital penetration
- Inventory was up 19.4% from 3Q20 and down 15.4% from Q319
  - Compared to 2020, the company has increased inventory to meet demand in stores and online. The company implemented several measures to mitigate supply chain disruptions and does not expect to be materially impacted during 4Q21
- Selling, general and administrative (“SG&A”) expense of $1.97 billion, a $229 million improvement from 3Q19
  - SG&A as a percent of sales was 36.3%, an improvement of 630 bps from 3Q19

Third Quarter Financial Highlights

(Comparison to 3Q19 included below to more appropriately benchmark our performance)

millions, except per share figures and percentages	3Q21	Notes
Credit Revenue	$213	• Good credit health in our customers continuing and resulting in lower bad debt levels
Change to 3Q19	+$30	
Gross Margin	$2,233	• Merchandise margin improved 270 bps due to consistent improvement in inventory productivity and lower markdowns. Markdown levels were the result of a combination of lower inventory levels and further scaling of pricing science, including location level pricing and POS pricing work which benefited merchandise margin by $76 million • Delivery expense as a percent of sales increased 170 bps as a result of increase digital penetration
Change to 3Q19	+$166	
Gross Margin Rate	41.0%	
Change to 3Q19	+100 bps	
SG&A Expense	$1,973	• Permanent Polaris SG&A cost expense savings derived in 2020, disciplined expense management and improved productivity, along with reduced labor costs due to elevated job openings in stores, contributed to the third quarter SG&A performance
Change to 3Q19	-$229	
SG&A Rate	36.3%	
Change to 3Q19	-630 bps	
Adjusted EBITDA margin	14.1%	• Driven by strong performance in key value creation metrics: sales, gross margin, inventory productivity, and expense management
Change to 3Q19	+780 bps	
Adjusted Diluted EPS	$1.23	
Change to 3Q19	+$1.16	

Third Quarter Polaris Update

Win with Fashion & Style

Wide assortment of brands and categories able to flex with customer demand for occasion-based categories: dresses, men's tailored and luggage

Continuing to win in home, fragrance, jewelry, watches and sleepwear

Launched U40 brand: *Oake*

Expanded strategic brand partnerships to include Fanatics

Deliver Clear Value

Lower markdowns driven by lower inventory levels and improved pricing science, including location level pricing and POS pricing work

Improving inventory placement and assortment allocation across network of DCs and stores

Sales-to-stock ratio remains healthy

Inventory turn for TTM improved by ~18 %

Excel in Digital Shopping

Announced plan to launch a curated, digital marketplace in 2H22

Launched several initiatives including: a refreshed mobile app, live shopping functionality, fragrance finder, 3D room planning expansion, a sustainability sitelet and added PayPal and Venmo

Digital conversion up double-digit points from 3Q20 and 3Q19

Enhance Store Experience

Added five off-mall, smaller format stores: Market by Macy's, freestanding Backstage locations and Bloomie's across Dallas, Atlanta and Washington D.C. markets. Seeing strong sales response and solid NPS scores

Investing in physical stores in the best malls to improve customer experience

Store conversion trend improved

Modernize Supply Chain

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

Polaris supported ability to navigate disruptions by adjusting freight strategies, diversifying ports and working closely with international carrier and brand partners

Enable Transformation

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

Building out data science and analytics capabilities

Improved performance operating model through strategic investments into colleagues financial and educational well-being

Third Quarter Credit Card Revenue



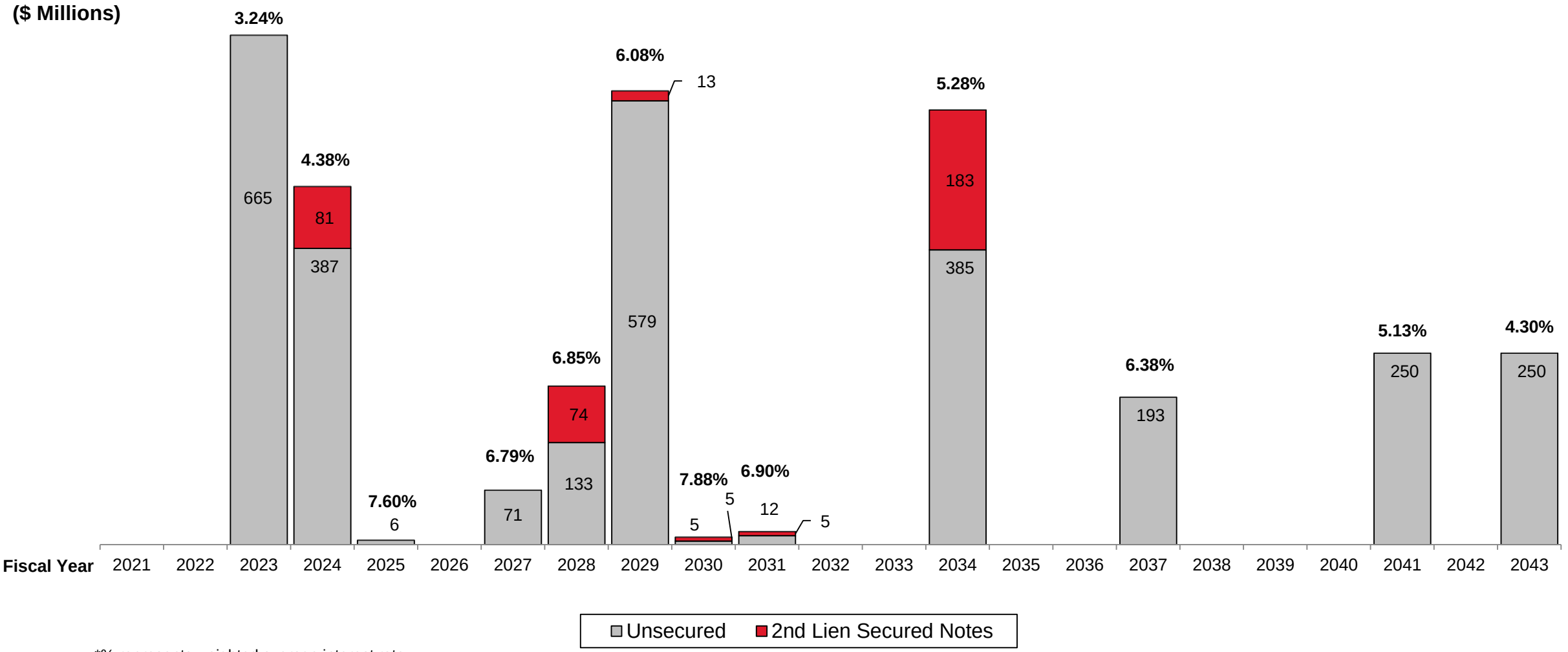
Performance Metrics	3Q21
Net Credit Card Revenue	$213M, up $30M from 3Q19; 3.9% of sales, +40bps vs 3Q19
Digital new accounts	Up 38% vs 3Q19
New accounts	574K, Down 11% to 3Q19
Proprietary card penetration rate	43.0%, Down 530 bps to 3Q19

- Digital new account growth driven by stronger approval rates, consistent with healthier online credit customer and stronger application flow
- We are close to finalizing our decision on a credit partner and expect to announce in the future. As a digitally led retailer, we must have a partner with strong digital capabilities today and a strong innovation pipeline with the prospect to further expand that pipeline in the future. Over the next few years, we expect that credit card revenue levels will be slightly lower as a percent of sales than the 3% that we have historically experienced.

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

- **YTD Free cash flow of $574 million**
  - Cash flow from operating activities of **$841 million**, **up from $172 million in 2019**; variance due to EBITDA growth as well as improved working capital
    - **Working Capital outflow of $708 million in 2021, improved from an outflow of $827 million in 2019** with both periods reflecting the build of seasonal merchandise for the holiday season. 2021 also reflects the benefit of longer payment terms, lower spending levels and timing of payments.
    - Capital expenditures of **$385 million**, **down from $812 million in 2019**, due primarily to a reduction in capital projects and spend as result of COVID-19
- **$316 million in cash at the end of 3Q21** due to the early repayment of debt funded by 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 early** in 3Q21
  - **Early 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**
  - **Returned $46 million to shareholders in dividend payments in 3Q21**
  - **Share repurchase program**
    - Repurchased 13 million shares or more than 4% of total shares for a total share buybacks of $300 million
    - With $200 million of authorization remaining, plan to look for further opportunities to buyback shares

Remaining Long-term Debt Maturities, as of October 30, 2021



*% represents weighted average interest rate

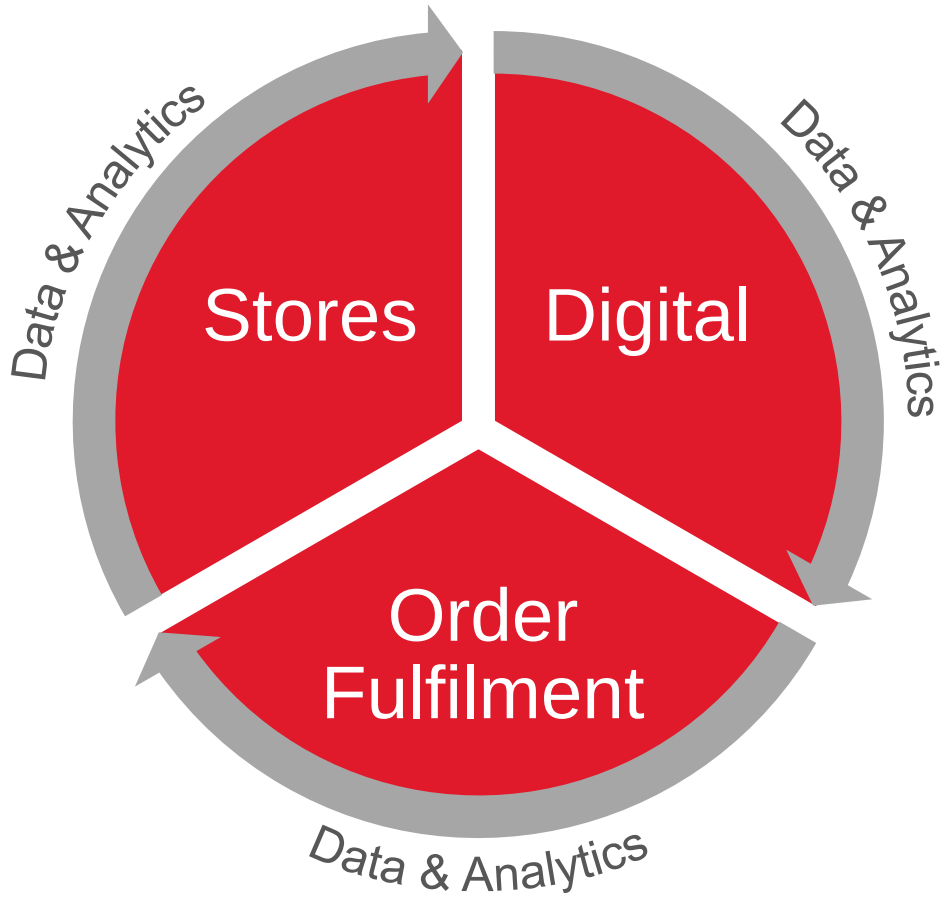
Brand and Channel Performance

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

- 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

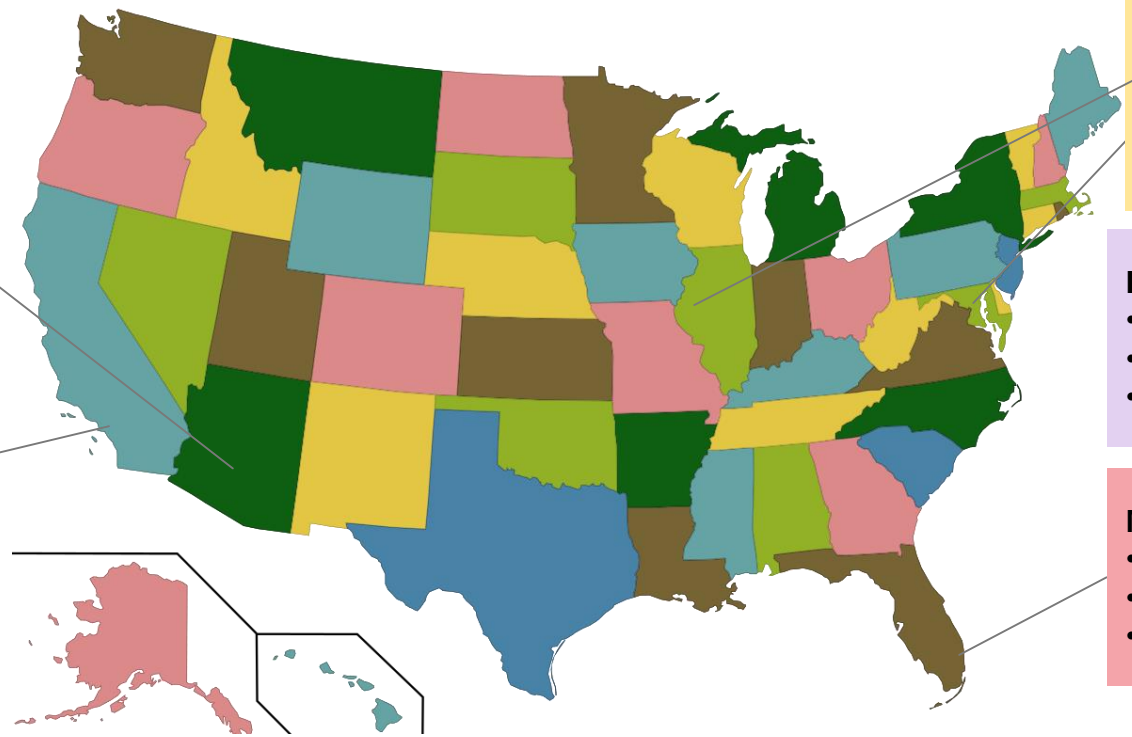


Omnichannel Markets are Growing

Increasing importance of interplay between digital and physical assets

Phoenix, AZ
- **Omni sales growth:** +22% vs 3Q19
- **Stores (6 locations):** +10% vs 3Q19
- **Digital:** +63% vs 3Q19

Riverside-San Bernardino, CA
- **Omni sales growth:** +32% vs 3Q19
- **Stores (9 locations):** +22% vs 3Q19
- **Digital:** +79% vs 3Q19



Washington D.C.
- **Omni sales growth:** +4% vs 3Q19
- **Stores (17 locations):** -6% vs 3Q19*
- **Digital:** +41% vs 3Q19

*Opportunity to grow market share when international tourism returns

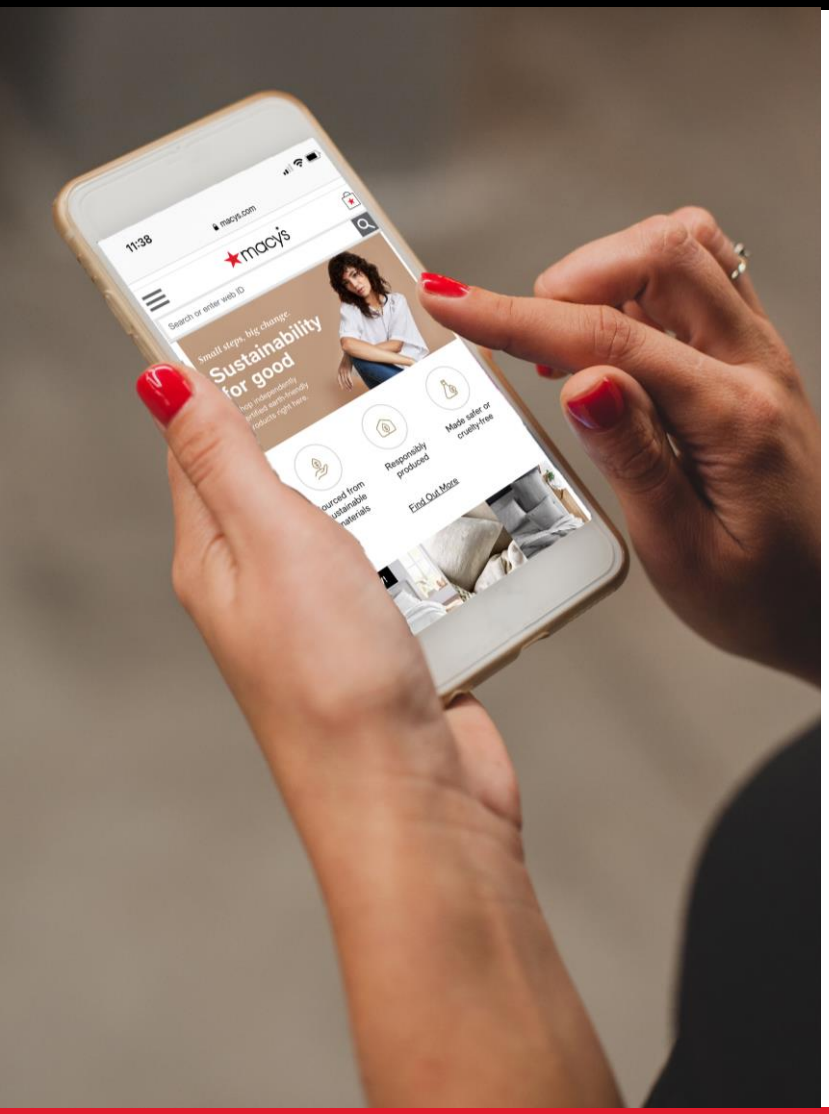
Houston, TX
- **Omni sales growth:** +12% vs 3Q19
- **Stores (11 locations):** +2% vs 3Q19
- **Digital:** +51% vs 3Q19

Miami- Fort Lauderdale, FL
- **Omni sales growth:** +15% vs 3Q19
- **Stores (20 locations):** +5% vs 3Q19
- **Digital:** +70% vs 3Q19

- **Across the Macy's nameplate ecosystem, digital sales per capita are 3X higher in markets with stores than in markets without a physical presence**
- **More than 70% of the markets with stores saw omnichannel sales growth over 3Q19, with half growing 10% or more, representing ~85% of comp owned plus licensed sales**
- **YTD, more than 45% of markets with omnichannel sales growth above 2019 levels, represents ~50% of comp owned plus licensed sales**

*Markets are defined as a core-based statistical area (CBSA) is a U.S. geographic area defined by the Office of Management and Budget (OMB) that consists of one or more counties (or equivalents) anchored by an urban center of at least 10,000 people plus adjacent counties that are socioeconomically tied to the urban center by commuting. Color coding for illustration, not market definition.

Digital Channel: Third Quarter Highlights



Performance Metrics

	3Q21 (unless otherwise noted)
Sales	Up 49% to 3Q19
Penetration	33% of net sales vs. 23% in 3Q19
Sales from Mobile Devices*	60% of digital demand sales
Average Number of Visits*	468 million, up 12% to 3Q19
Conversion Rate*	4.25%, up 27% to 3Q19
Vendor Direct % of Digital Sales*	18%
Digital Sales Fulfilled by Stores*	24%

*Figures above reflect macys.com only.

Omnichannel Ecosystem Investment Highlights

Digital

- **Mobile App:** launched a significant refresh and redesign of the Macy's iOS & Android mobile apps that make it even easier for customers to shop their personal style, price check in-store, build favorites lists, manage their star rewards, and track orders
  - A little over a month since launch, we've seen monthly active users increase by 21% and conversion increase by 80 bps from this time last year

- **Live Shopping:** introduced Live Shopping functionality for customers to explore the latest trends at both Macy's and Bloomingdale's, and discover new products complemented by a social component that we expect to drive incremental sales

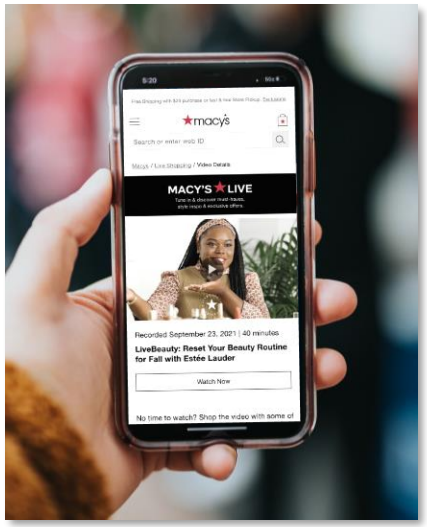
- **Fragrance Finder:** launched a Fragrance Finder tool that makes customized recommendations based on consumer preferences and desired scent profiles

- **3D Room Planning Expansion:** introduced 3D Room Planning Expansion functionality that allows customers in a store or on our website to see how their furniture selections will look in their home through a custom-built virtual room

- **Payment Options:** added Venmo in-store and PayPal both online and in-store

- **Sustainability Sitelet:** launched a sustainability product sitelet that allows environmentally conscious customers to find products that have been independently certified as responsibly made or packaged

- **Digital Marketplace**: launching in 2022, the curated, digital marketplace will expand the company's assortment in existing categories and brands and introduce new categories, by enabling carefully selected third-party merchants to sell their products on macys.com and bloomingdales.com
  - Partnering with Mirakl, an enterprise marketplace technology company to power the platform



PayPal

venmo

MIRAKL



Omnichannel Ecosystem Investment Highlights

Stores

- **Off-Mall Small Format:** potential to expand market share is enhanced by off-mall smaller format stores such as: Backstage, Market by Macy's and Bloomies
  - Opened 5 across Dallas, Atlanta and Washington D.C. markets
  - Seeing a strong sales response and solid NPS scores from customers
  - Encouraged by initial results and see a clearer path to new store off-mall growth

Colleagues

- **Providing a Debt-free Education Benefit Program:** beginning in February 2022, US-based, regular, salaried and hourly colleagues will be able to pursue a range of education programs with 100% of tuition, books and fees covered. Macy's, Inc. will invest ~$35M over the next 4 years and is partnering with leading education and upskilling platform, Guild Education, to build the program

- **Raising the Minimum Rate to $15/Hour**. The Company will raise the minimum rate across all Macy's, Inc. locations for new and current colleagues. The Company has already phased in the $15/hour rate minimum across several markets and will achieve this target nationally by May 2022. This will increase average total pay for hourly colleagues to ~$20 an hour

- **Adding Flexibility to Time Off.** Macy's corporate and hourly colleagues will receive one additional flexible paid holiday to support their well-being and provide further flexibility to take a day off on a holiday that is most important to them







Nameplate Third Quarter Highlights

macy's

	3Q21
Comparable sales - owned + licensed	Up 8.4% compared to 3Q19; 3.2pt improvement to 2Q21
Digital Penetration	33%

bloomingdale's

	3Q21
Comparable sales - owned + licensed	Up 11.2% compared to 3Q19; 0.3pt decrease to 2Q21
Digital Penetration	35%

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	3Q21
Comparable sales - owned + licensed	Down 2.2% compared to 3Q19; 4.4pt decrease to 2Q21
Digital Penetration	16%

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
  - Home, fragrances, jewelry, watches and sleepwear
- Occasion-based categories continuing to see renewed interest from customers
  - Dresses, men's tailored, luggage
- Holiday shopping started early, similarly to 2020, advanced Friends and Family sale to capture demand and saw an uptick in gift items such as fragrance, fine jewelry and beauty
  - Expanded fragrance offering and introduced Creed, a handcrafted luxury fragrance, in select stores

Brand Partnerships

- *Toys 'R' Us*
  - Exclusive partnership designed to help fully realize the opportunity in the toy category
  - Since bringing the business to macys.com in August, toy sales have more than doubled in stores and online compared to 2019
- *Fanatics*
  - New brand partner addition, allows us to offer customers the largest selection of licensed sports products and increases our fan apparel offering by 20x
  - Drove a 22% AUR increase in sportswear compared to 2019

Attracting Under-40 Customer

- New brands and categories
  - Private Brands: *Oake and And Now This*
  - Market Brands: *Cotton On, Makeup Forever, Karl Lagerfield*
- Connecting with millennial parents
  - One stop shop for family needs
  - Back-to-school, back-to-work, holiday and gifting through the year

Fanatics Toys"R"Us @ macy's







macy's

Macy's Third Quarter Customer Profile



Star Rewards Loyalty Members

	Platinum	Gold	Silver	Bronze
Sales*	$1.5B	$660M	$421M	$745M
Active Customers	2.8M	2.8M	3.1M	4.2M
Average Spend per Customer	$532	$234	$138	$178
Average Visits	4.4	2.5	1.6	1.7
Average Spend per Visit	$120	$95	$87	$105
Under 40**	19%	20%	18%	35%
Diverse**	50%	48%	39%	57%

- Platinum, Gold and Silver Star Rewards Loyalty program members continued to engage with the average customer spend up 16% to the third quarter of 2019
  - The company's Bronze segment, its youngest and most diverse loyalty tier continued to grow with the addition of 2.3 million new members

- Approximately 4.4 million new customers into the Macy's brand, a 28% increase compared to third quarter 2019
  - 41% of new customers came through the digital channel in third quarter 2021
  - ~30% of these new customers were dormant customers over the last 12 months who have now re-engaged

*Comparable owned-plus-licensed sales on proprietary credit card
**Represents a year-to-date basis

macy's

Macy's Backstage Highlights



	End of Q3 2021	End of Q2 2021
Stores Opened	8	6
Stores within Stores	7	5
Freestanding	1	1
Total Store Count	270	262
Stores within Stores	262	255
Freestanding	8	7
FY2021 Store Count Goal Achieved		

- Comparable sales for Backstage store-within-store locations open more than one year continue to outperform full line Macy's stores by 24 points
  - More locations to open in 2022
  - 3Q21 AUR increased to both 3Q20 and 3Q19
- Customers under-40 made up about 25% of Backstage store-within-store customers, slightly higher than Macy's full-price customers
- Significant cross-shopping*
  - 18% of cross shoppers represent 32% of sales in SWS
  - Customers who shopped two or more times represent half the sales in SWS
  - Cross shoppers made 2.5 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

macy's backstage

Bloomingdale's and Bluemercury Highlights

bloomingdale's

- Comparable sales on an owned-plus-licensed basis were up 11.2% compared to 3Q19
- Driven by strong performance in luxury handbags, fine jewelry, home, men's shoes, and contemporary apparel
- Outperformance against 2019 largely driven by growth in Bloomingdales.com

bluemercury®
makeup • skincare • spa

- Comparable sales on an owned-plus-licensed basis down 2.2% compared to 3Q19
- Continues to recover, strong sales performance in private brands, home fragrance and treatment



Expectations

2021 Expectations

	2021 EXPECTATIONS *Revised*	2021 EXPECTATIONS *as of 8/19/2021*
Net sales	**$24,115 million to $24,275 million Increase between ~ 39% and 40% compared to 2020**	$23,550 million to $23,950 million Increase between ~36% and 38% compared to 2020
Digital	**Between $8,750 million and $8,800 million**	Between $8,350 million and $8,450 million
Credit card revenues, net	**Approximately 3.3% of net sales**	Approximately 3.1% of net sales
Gross margin rate	**Increase by up to 950 bps from 2020**	Increase by up to 900 bps from 2020
SG&A expense rate	**Improve up to 325 bps compared to 2019 levels**	Improve up to 250 bps compared to 2019 levels
Gains on sale of real estate (ASG)	**Between $70 million and $85 million**	Between $60 million and $90 million
Benefit plan income	**Approximately $67 million**	Approximately $65 million
Depreciation and amortization	**Approximately $890 million**	Approximately $900 million
Adjusted EBITDA Margin	**More than 12.5%**	Approximately 11% to 11.5%
Interest expense, net	**Approximately $260 million**	Approximately $270 million
Adjusted tax rate	Approximately 24%	Approximately 24%
Diluted shares outstanding*	**Approximately 315 million**	Approximately 320 million
Adjusted diluted EPS	**$4.57 to $4.76**	Between $3.41 and $3.75
Capital Expenditures	Approximately $650 million	Approximately $650 million

*Diluted shares outstanding assumes no share repurchases during Q4 of 2021.

Fourth Quarter Expectations

	4Q21 EXPECTATIONS
Comparable owned and licensed sales	Up 2% to 4% from 2019
Gross margin rate	100 to 150 bps lower than 2019
SG&A expense rate	Improve approximately 75 bps from 2019
Adjusted diluted EPS	$1.67 to $1.87

- Comparable sales increase includes an approximately 125-basis point adverse impact due to the shift of the Friends and Family promotional event from the fourth quarter into the third quarter as compared to 2019

- Fourth quarter 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

Expectations Beyond 2021

- Committed to a 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** of approximately **$1 billion**, annually
- Will pay down debt at maturity; **target leverage ratio < 2x**
- 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 October 30, 2021

	End of 2Q21		End of 3Q21		Change in Store Locations from 2Q21
	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	62	57	62	57	
Macy's Furniture	52	47	52	47	
Macy's Furniture Clearance	2	2	2	2	
Freestanding Backstage	7	7	8	8	+1
Macy's Small Format	2	2	5	5	+3
Stores converted to Fullfilment Centers	2	2	2	2	
Total Macy's	572	512	576	516	4
Bloomingdale's Dept. Stores	35	33	35	33	
Bloomie's			1	1	+1
Bloomingdale's Furniture/Other	1	1	1	1	
Bloomingdale's The Outlet	20	20	21	21	+1
Total Bloomingdale's	56	54	58	56	2
Bluemercury	160	160	160	160	
Total Macy's, Inc.	788	726	794	732	6

- Excluded in the count above is 262 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 347, core of 358 and Neighborhood of 24.
(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, and comparable sales on an owned plus licensed basis 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.	October 30, 2021 versus 13 weeks ended October 31, 2020	October 30, 2021 versus 13 weeks ended November 2, 2019
Increase in comparable sales on an owned basis (Note 1)	37.2%	8.9%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	(1.6%)	(0.2%)
Increase in comparable sales on an owned plus licensed basis	35.6%	8.7%

Macy's, Inc.	October 30, 2021 versus 39 weeks ended October 31, 2020	October 30, 2021 versus 39 weeks ended November 2, 2019
Increase in comparable sales on an owned basis (Note 1)	52.4%	1.2%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.1%	0.2%
Increase in comparable sales on an owned plus licensed basis	52.5%	1.4%

Notes:

1. Represents the period-to-period percentage change in net sales from stores in operation during the 13 and 39 weeks ended October 30, 2021 and the 13 and 39 weeks ended October 31, 2020 and November 2, 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 November 2, 2019
Increase in comparable sales on an owned basis (Note 1)	9.0%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	(0.6%)
Increase in comparable sales on an owned plus licensed basis	8.4%

Bloomingdale's	Versus 13 weeks ended November 2, 2019
Increase in comparable sales on an owned basis (Note 1)	9.1%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	2.1%
Increase in comparable sales on an owned plus licensed basis	11.2%

Bluemercury	Versus 13 weeks ended November 2, 2019
Decrease 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%
Decrease 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, October 30, 2021	13 weeks ended October 31, 2020	13 weeks ended November 2, 2019
Most comparable GAAP measure:			
Net income (loss)	$239	$(91)	$2
Net sales	5,440	3,990	5,173
Net income (loss) as a percent to net sales	4.4%	(2.3%)	0.0%
Non-GAAP measure:			
Net income (loss)	$239	$(91)	$2
Interest expense, net	53	80	48
Losses on early retirement of debt	185	-	-
Financing costs	-	-	-
Federal, state and local income tax expense (benefit)	55	(126)	(2)
Depreciation and amortization	225	250	252
Earnings before interest, taxes, depreciation and amortization	757	113	300
Impairment, restructuring and other costs	-	20	13
Settlement charges	8	26	12
Adjusted EBITDA	$765	$159	$325
Adjusted EBITDA as a percent to net sales	14.1%	4.0%	6.3%

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

In million	39 weeks ended, October 30, 2021	39 weeks ended October 31, 2020	39 weeks ended November 2, 2019
Most comparable GAAP measure:			
Net income (loss)	$687	$(4,104)	$224
Net sales	15,794	10,566	16,223
Net income (loss) as a percent to net sales	4.3%	(38.9%)	1.4%
Non-GAAP measure:			
Net income (loss)	$687	$(4,104)	$224
Interest expense, net	211	196	143
Losses on early retirement of debt	199	-	-
Financing costs	-	4	-
Federal, state and local income tax expense (benefit)	197	(1,000)	55
Depreciation and amortization	668	722	725
Earnings (loss) before interest, taxes, depreciation and amortization	1,962	(4,182)	1,147
Impairment, restructuring and other costs	21	3,445	16
Settlement charges	90	65	12
Adjusted EBITDA	$2,073	$(672)	$1,175
Adjusted EBITDA as a percent to net sales	13.1%	(6.4%)	7.2%

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

In millions	13 weeks ended, October 30, 2021	13 weeks ended October 31, 2020	13 weeks ended November 2, 2019
Most comparable GAAP measure:			
Net income (loss)	$239	$(91)	$2
Non-GAAP measure:			
Net income (loss)	$239	$(91)	$2
Impairment, restructuring and other costs	-	20	13
Settlement charges	8	26	12
Losses on early retirement of debt	185	-	-
Financing costs	-	-	-
Income tax impact of certain items identified above	(46)	(15)	(6)
As adjusted to exclude certain item above	386	(60)	21
Gains on sale of real estate	(50)	(3)	(17)
Income tax impact of gains on sale of real estate	12	1	4
As adjusted to exclude gains on sale of real estate and other certain items identified above	$348	$(62)	$8

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

In millions	39 weeks ended, October 30, 2021	39 weeks ended October 31, 2020	39 weeks ended November 2, 2019
Most comparable GAAP measure:			
Net income (loss)	$687	$(4,104)	$224
Non-GAAP measure:			
Net income (loss)	$687	$(4,104)	$224
Impairment, restructuring and other costs	21	3,445	16
Settlement charges	90	65	12
Losses on early retirement of debt	199	-	-
Financing costs	-	4	-
Income tax impact of certain items identified above	(73)	(351)	(6)
As adjusted to exclude certain item above	924	(941)	246
Gains on sale of real estate	(61)	(20)	(67)
Income tax impact of gains on sale of real estate	14	5	18
As adjusted to exclude gains on sale of real estate and other certain items identified above	$877	$(956)	$197

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

	13 weeks ended, October 30, 2021	13 weeks ended October 31, 2020	13 weeks ended November 2, 2019
Most comparable GAAP measure: Diluted earnings (loss) per share	$0.76	$(0.29)	$0.01
Non-GAAP measure: Diluted earnings (loss) per share	$0.76	$(0.29)	$0.01
Impairment, restructuring and other costs	-	0.06	0.04
Settlement charges	0.03	0.09	0.04
Losses on early retirement of debt	0.59	-	-
Financing costs	-	-	-
Income tax impact of certain items identified above	(0.15)	(0.05)	(0.02)
As adjusted to exclude certain item above	1.23	(0.19)	0.07
Gains on sale of real estate	(0.16)	(0.01)	(0.06)
Income tax impact of gains on sale of real estate	0.04	-	0.02
As adjusted to exclude gains on sale of real estate and other certain items identified above	$1.11	$(0.20)	$0.03

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

	39 weeks ended, October 30, 2021	39 weeks ended October 31, 2020	39 weeks ended November 2, 2019
Most comparable GAAP measure:			
Diluted earnings (loss) per share	$2.17	$(13.20)	$0.72
Non-GAAP measure:			
Diluted earnings (loss) per share	$2.17	$(13.20)	$0.72
Impairment, restructuring and other costs	0.07	11.08	0.05
Settlement charges	0.28	0.21	0.04
Losses on early retirement of debt	0.63	-	-
Financing costs	-	0.01	-
Income tax impact of certain items identified above	(0.24)	(1.13)	(0.02)
As adjusted to exclude certain item above	2.91	(3.03)	0.79
Gains on sale of real estate	(0.19)	(0.06)	(0.21)
Income tax impact of gains on sale of real estate	0.05	0.02	0.05
As adjusted to exclude gains on sale of real estate and other certain items identified above	$2.77	$(3.07)	$0.63

Free Cash Flow

In millions	39 weeks ended, October 30, 2021	39 weeks ended October 31, 2020	39 weeks ended November 2, 2019
Net cash provided (used) by operating activities	$841	$244	$172
Purchase of property and equipment	(230)	(290)	(623)
Capitalized software	(155)	(96)	(189)
Disposition of property and equipment	118	39	73
Free Cash Flow	$574	$(103)	$(567)