Second Quarter 2022 Earnings







macy's inc

Jeff Gennette, Chairman & CEO
Adrian Mitchell, CFO

23 August 2022 (Revised 11.16.22)

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 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, inflation, 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 29, 2022. 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 Results

Second Quarter Snapshot

millions, except per share figures and percentages	2Q22	2Q21
Net Sales	$5,600	$5,647
Comp sales - owned	(1.5%)	61.2%
Comp sales - owned + licensed	(1.6%)	62.2%
Credit card revenues, net	$204	$197
Gross margin ***Gross margin rate***	$2,178 *38.9%*	$2,294 *40.6%*
Selling, general & administrative expense (SG&A) ***SG&A rate***	$1,981 *35.4%*	$1,898 *33.6%*
Asset sale gains	-	$6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$614	$753
Adjusted EBITDA	$616	$836
Diluted earnings per share (EPS)	$0.99	$1.08
Adjusted Diluted EPS	$1.00	$1.29

Spring Season Snapshot

millions, except per share figures and percentages	1H22	1H21
Net Sales	$10,948	$10,353
Comp sales - owned	5.1%	61.8%
Comp sales - owned + licensed	4.9%	63.0%
Credit card revenues, net	$395	$356
Gross margin	$4,296	$4,111
Gross margin rate	*39.2%*	*39.7%*
SG&A	$3,861	$3,646
SG&A rate	*35.3%*	*35.2%*
Asset sale gains	$42	$12
EBITDA	$1,289	$1,207
Adjusted EBITDA	$1,299	$1,309
Diluted EPS	$1.97	$1.41
Adjusted Diluted EPS	$2.08	$1.68

Second Quarter Highlights

- Diluted earnings per share of $0.99 and Adjusted diluted earnings per share of $1.00.

- Comparable sales down 1.5% on an owned basis and down 1.6% on an owned plus licensed basis versus 2Q21
  - Comparable sales increased 4.3% on an owned basis and 4.4% on an owned plus licensed basis versus 2Q19

- Digital sales decreased 5% versus 2Q21 while increasing 37% versus 2Q19
  - Digital penetration was 30% of net sales, a 2-ppt decline from 2Q21, but an 8-ppt improvement over 2Q19

- Inventory turnover, on a trailing twelve-month basis, was relatively flat to 2021 and improved 15% over 2019
  - Inventory was up 7% year-over-year and down 8% versus 2019, reflecting disciplined inventory management in an environment of continued supply chain volatility. Where it had flexibility, the company cut receipts to manage inventory levels in line with consumer demand. However, in certain categories inventory levels remain elevated due to reduced year-over-year sell-throughs since Father's Day driven by the industry-wide levels of excess inventory and a slowdown in consumer discretionary spend.
  - The company is targeting appropriate inventory levels by the end of the year and will continue to flow fresh product in those categories in which customers are signaling demand. Simultaneously, the company is taking the required markdowns to clear aged inventory, in seasonal goods, private brand merchandise and pandemic-related categories, such as active, casual sportswear, sleepwear, and soft home.

- Gross margin for the quarter was 38.9%, down from 40.6% in 2Q21

- SG&A expense of $1.98 billion, a $83 million increase from 2Q21
  - SG&A as a percent of sales was 35.4%, a deterioration of 180 basis points from 2Q21 and an improvement of 390 basis points compared to 2Q19. The improvement versus 2Q19 is a result of the cost savings achieved through the 2020 Polaris restructurings

Second Quarter Financial Highlights

millions, except per share figures and percentages	2Q22	Notes
Credit Revenue	$204	• Performance driven by lower-than-expected bad debt levels, larger balances within the portfolio, and higher than expected spend on co-brand credit cards
Change to 2Q21	+$7	
Gross Margin	$2,178	• Merchandise margin decreased 160 bps, driven by a year-over-year increase in clearance markdowns within the Macy's brand largely driven by our pandemic categories, seasonal merchandise and private brand merchandise
Change to 2Q21	-$116	
Gross Margin Rate	38.9%	• Delivery expense was 4.5% of net sales, 10 bps higher than 2Q21, driven by higher fuel costs and an increase in the percent of digital sales fulfilled by the vendor direct channel, which together more than offset the impact from the decrease in digital penetration of 2 percentage points and the work we are doing to reduce packages per order
Change to 2Q21	-170 bps	
SG&A Expense	$1,981	• The prior year quarter benefited from a significant number of open positions due to the tight labor market. The positions have since largely been filled • As of May 1, 2022, all store and distribution colleagues are now at a minimum wage base of $15 or above. The company is adjusting colleague compensation to remain a competitive and attractive employer of choice, while simultaneously remaining disciplined in its SG&A productivity efforts
Change to 2Q21	+$83	
SG&A Rate	35.4%	
Change to 2Q21	+180 bps	
Adjusted EBITDA margin	11.0%	• Performance was above expectations
Change to 2Q21	-380 bps	
Adjusted Diluted EPS	$1.00	
Change to 2Q21	-$0.29	

Second Quarter Credit Card Revenue



Performance Metrics	2Q22
Net Credit Card Revenue	$204M, ↑ $7M from 2Q21
Net Credit Card Revenue Penetration	3.6% of sales, ↑ 10bps vs 2Q21
Digital new accounts	↑ 2.8% vs 2Q21
New accounts	581K, ↓ 6.0% to 2Q21
Proprietary card penetration rate	43.1%, ↑ 170 bps to 2Q21

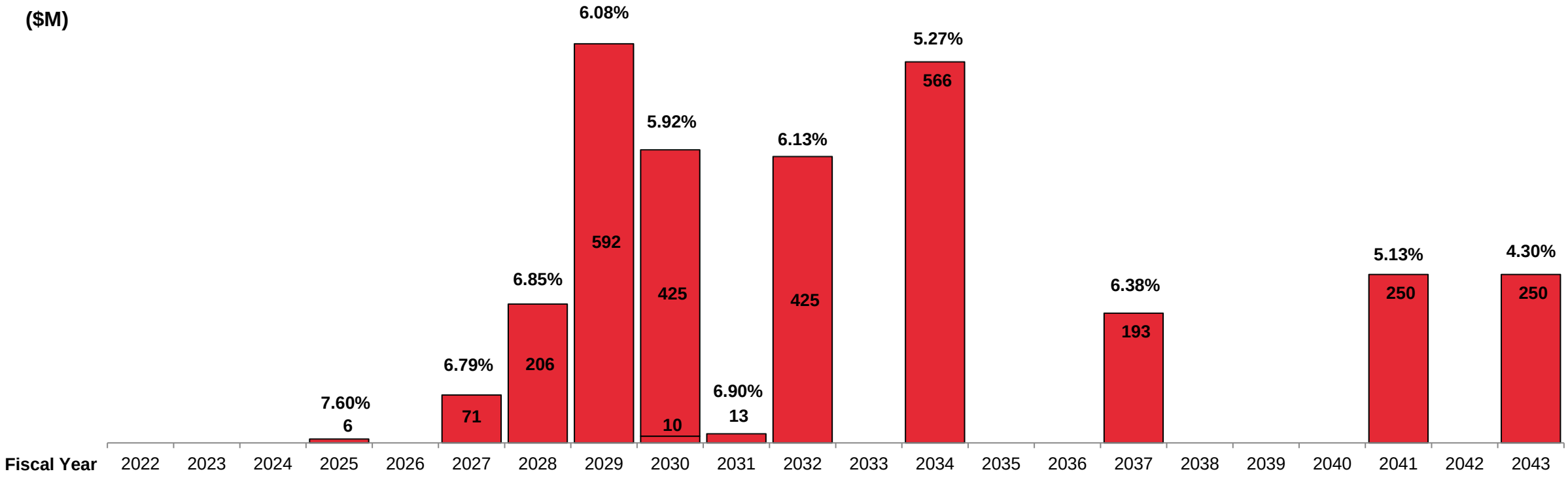
- New accounts reflects impacts of challenging macroeconomic environment on consumer behavior
  - Digital new account growth driven by stronger application flow, consistent with healthier online credit customer
- Overall credit card revenue performance driven by better-than-expected bad debt levels, larger balances within the portfolio and higher than expected spend on co-brand credit cards

Capital Allocation

Critical to our success, is our ability to manage our cash effectively and efficiently. Working capital productivity and maintaining a healthy balance sheet remain top priorities as we navigate through this uncertain environment.

- **Cash flow from operating activities of $303 million, impacted by outflows from accounts payable and accrued liabilities as well as a net outflow from the change in merchandise inventories net of merchandise accounts payable due to timing of inventory receipts and payments.**
- **Capital expenditures of $582 million, including:**
  - Supply chain modernization – building a faster, more efficient and flexible network to move product through our system at a lower cost
  - Simplification of technology infrastructure and growing data analytics capabilities is designed to accelerate the speed of decision making within our operations and simplify the complexity that existed within our tech infrastructure that will ultimately lower the cost of doing business
  - Digital Marketplace is all about assortment and brand expansion under a curated platform and at a low cost.
  - Personalization is necessary to increase the relevancy, quality and frequency of our interactions with our customers in order to drive incremental sales and margin.
- **Year-to-date dividend payments of $87 million. Year-to-date share repurchases under our open-ended share repurchase authorization of $600 million. We are committed to the remaining $1.4 billion of our share repurchase authorization and returning capital to shareholders.**

Remaining Long-term Debt Maturities, as of July 30, 2022



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

Brand and Channel Performance

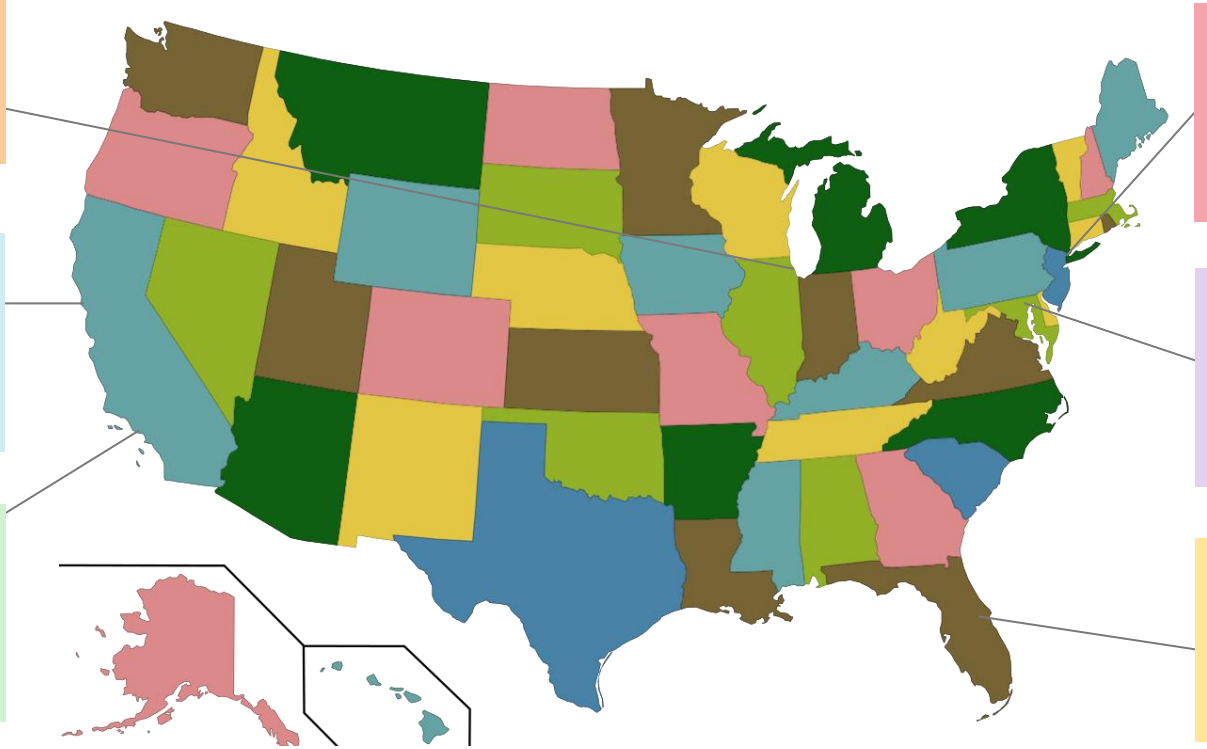
Select Omnichannel Markets Continued to Grow

Despite digital decline and lapping of accelerated economic recovery

Chicago, IL
- **Omni sales growth: -5%** vs 2Q21
- **Stores (13 locations): -1%** vs 2Q21
- **Digital sales growth: -12%** vs 2Q21

San Francisco, CA
- **Omni sales growth: +2%** vs 2Q21
- **Stores (14 locations): +5%** vs 2Q21
- **Digital sales growth: -7%** vs 2Q21

Los Angeles, CA
- **Omni sales growth: -2%** vs 2Q21
- **Stores (31 locations): -1%** vs 2Q21
- **Digital sales growth: -6%** vs 2Q21



New York, NY
- **Omni sales growth: 0%** vs 2Q21
- **Stores (49 locations): +3%** vs 2Q21
- **Digital sales growth: -7%** vs 2Q21

Washington, DC
- **Omni sales growth: +4%** vs 2Q21
- **Stores (17 locations): +7%** vs 2Q21
- **Digital sales growth: -3%** vs 2Q21

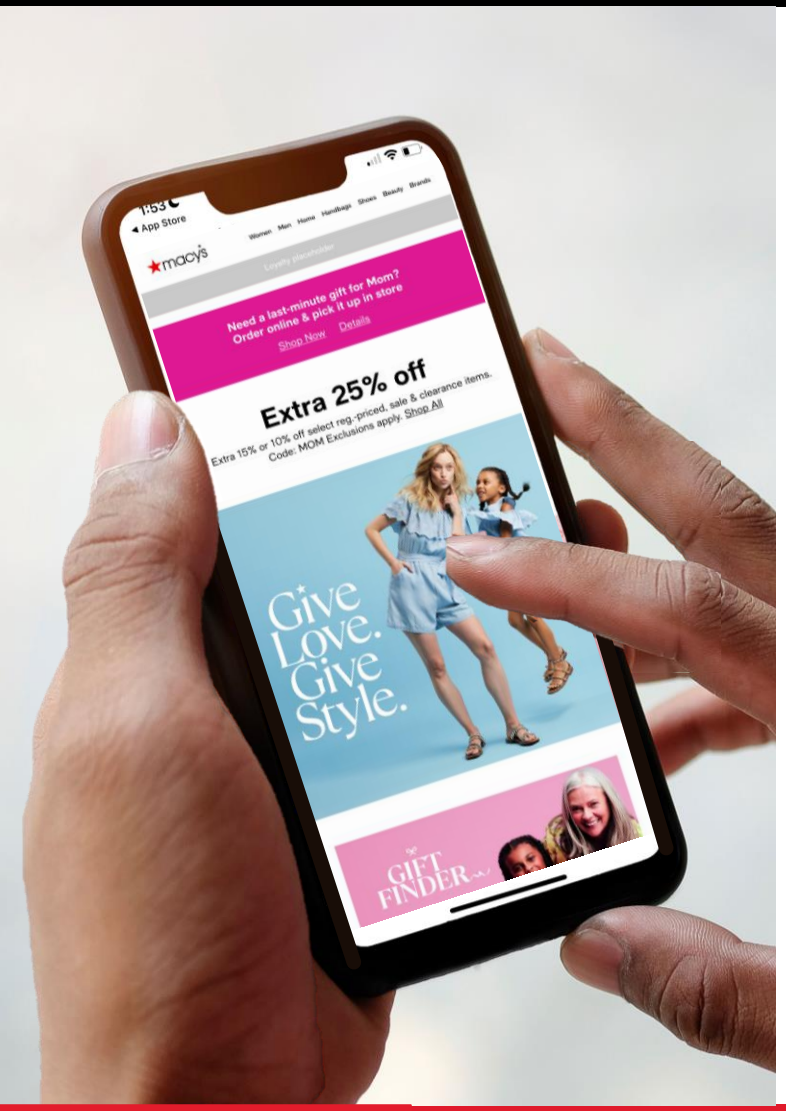
Orlando, FL
Omni sales growth: +6% vs 2Q21
- **Stores (5 locations): +8%** vs 2Q21
- **Digital sales growth: -2%** vs 2Q21

22% of markets saw omnichannel sales growth over 2Q21, a large portion of which was in Western and Southern markets

2Q21 benefited from accelerated economic recovery and government stimulus payments

*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 Performance Metrics (Revised 11.16.22)



Second Quarter 2022	
Sales	Down 5% to 2Q21, up 37% to 2Q19
Net sales penetration	30% in 2Q22 vs. 32% in 2Q21 and 22% in 2Q19
Sales from Mobile Devices*	64% of digital demand sales
Number of Visits*	462 million, down 5% to 2Q21, up 8% to 2Q19
Conversion Rate*	4.2%, down 3% to 2Q21, up 14% to 2Q19
Vendor Direct % of Digital Sales*	22%
Digital Sales Fulfilled by Stores*	28%

* Figures reflect macys.com only.
The metric for digital sales fulfilled by stores has been revised on 11.16.22

Omnichannel Ecosystem Investment Highlights

Digital

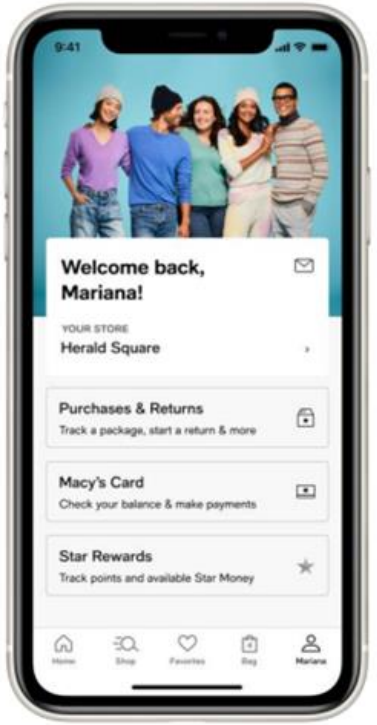
- **Mobile App:** redesigned to make it even easier for customers to shop their personal style, price check in-store, build favorites lists, manage their Star Rewards, and track orders
  - Macy's app active customers increased ~17% YOY to 7.6 million*

- **Live Shopping:** enables customers to explore the latest trends at both Macy's and Bloomingdale's, discover new products complemented by a social component
  - Since launch, the company has recorded ~180 episodes
  - Viewership increased 15% versus 1Q22

- **Personalization:** growth engine for the company in early development. Through enhanced capabilities, expect to increase engagement that drives positive brand perception, additional visits and purchases
  - Testing and iterating to find the best communication channels, frequency, messages, and offers

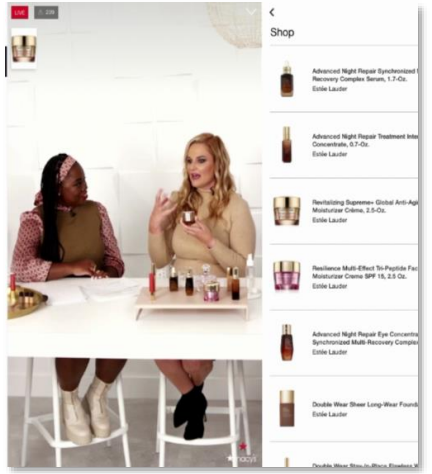
- **Digital Marketplace**: Macy's launching in 3Q22 with the expectation to scale it over 2H22
  - Partnering with Mirakl, an enterprise marketplace technology company to power the platform
  - Wide range of categories including pets, home, kids, baby and maternity, beauty and health, and toys and electronics.

- **Macy's Media Network:** In-house media agency that enables B2B monetization of advertising partnerships
  - Generated ~$30 million in the net revenue that flows through SG&A in 2Q22, +60% vs 2Q21
  - Anticipate that vendor and campaign count will continue to grow as the company expands its vendor base with the upcoming launch of marketplace
  - Testing a more engaging advertising experience through onsite videos on desktop platform



MIRAKL

Macy's Media Network



*An app active customer is defined as an app user that had 1+ purchase with Macy's on any app platform, pulled on a trailing twelve-month basis

Omnichannel Ecosystem Investment Highlights

Stores

- **Full-line Stores:** building new capabilities to ensure the shopping experience is as convenient and compelling as possible
  - Iterating on store fleet to create a connected, tech-enabled omni ecosystem
  - Reimagining full in-store experience for customers while maximizing productivity and functionality of every location
    - Own Your Style enables stores to act as style destinations
    - Investing in customer service experience by enhancing our At Your Service center
- **Off-Mall Small Format:** potential to expand market share is enhanced by Market by Macy's and Bloomie's
  - Targeting to open 5-6 off-mall locations in 2022, a mix of Market by Macy's, Freestanding Backstage, Bloomie's and Bloomingdale's the Outlet
  - Integral to supporting digitally led omnichannel ecosystem, playing different roles:
    - In-fill locations where the company already has a store presence but sees an opportunity to gain more foot traffic and a new customer base within the market
    - Replacement locations for markets where the closure of an underperforming big box location would result in a market exit
    - New markets where the company hasn't had a store presence before





Distribution Centers

- **Building a faster, more efficient and flexible network:** includes market-based fulfillment centers in select stores and new DC being built in China Grove, NC

Colleagues

- **Adjusting colleague compensation to remain competitive:** as of May 2022, raised the minimum rate to $15 an hour across all Macy's, Inc. locations for new and current colleagues
- **Providing a Debt-free Education Benefit Program:** US-based, regular, salaried and hourly colleagues are able to pursue a range of education programs with 100% of tuition, books and fees covered



Nameplate Second Quarter Highlights



	2Q22
Comparable sales - owned + licensed	Down 2.8% compared to 2Q21
Digital Penetration	30%



	2Q22
Comparable sales - owned + licensed	Up 5.8% compared to 2Q21
Digital Penetration	32%



	2Q22
Comparable sales - owned + licensed	Up 7.6% compared to 2Q21
Digital Penetration	19%

Macy’s Second Quarter Customer Highlights



~43.9M active customers shopped the Macy’s brand

+7% compared to 2Q21



~29.5M Star Rewards active members made up ~70% of the total Macy's brand owned-plus-licensed sales

+5 ppt compared to 2Q21

*An active customer/Star Rewards members is defined as a customer/member that had 1+ purchase with Macy’s, pulled on a trailing twelve-month basis

Macy's Merchandising Update

Despite inflationary pressures, saw strength in position as a holiday gifting destination and style source for all major celebrations

Top Performing Categories

- Women's and men's occasion-based categories, including dresses, career and tailored sportswear, shoes, and fragrances as well as luggage

Reimagining Private Brands

- Early stages of reimagining private brand portfolio that is differentiated, defendable and durable
  - Developing original design and distinctive brand identities, values, and principles
  - Modernized size and fit approach so that all customers can own their personal style
- Will begin to take shape in 2023, and scale over 2024 and into 2025. It will act as an important component of the company's customer retention and acquisition priorities

Growing Relevancy for Next Gen. of Customers

- *Own Your Style:* reaffirms Macy's position as a style authority. After seeing OYS branding, polled active customers were more likely to see Macy's as a source for great value (+16ppt) and style (+18ppt)
- *Mission Every One*: increased partnerships with diverse designers through Icons of Style refresh and supported sustainability goals by joining Better Cotton

Building Best-in-Class Experiences through Brand Partnerships

- *Toys 'R' Us,* fair share market opportunity of $1 billion in annual sales
  - 87% of Toys "R" Us customers cross-shopped categories
  - Increased toy sales ~3x over 2Q21
- *Pandora,* in-store brand partner addition, seeing a strong customer response
  - Opened 8 locations in Q2, bringing total to 16; planning to add 29 through 2022







Macy's Backstage Highlights



	End of Q2 2022 YTD
Stores Opened	39
Stores within Stores	38
Freestanding	1
Total Store Count	308
Stores within Stores	299
Freestanding	9

- Comparable sales for Backstage locations store-within-store locations open more than one year had flat comps to last year, that while slower than the trend in the first quarter still outperformed the Macy's full line doors
  - Strong performance was driven by men's, women's and kid's apparel as well as beauty and luggage
- Customers under-40 made up about 26% of Backstage store-within-store customers, slightly higher than Macy's full-price customers
  - 57% of all Backstage customers are diverse
- Significant cross-shopping*
  - 86% of Backstage customers cross shop multiple Macy's, Inc. nameplates
  - 19% of Backstage customers cross shop with Macy's driving 34% of sales in SWS
  - Cross shoppers shop 6.4x a year versus regular shoppers at 3.1x
- Continuing to aggressively grow Backstage

*Represented from a trailing 12-month basis

Bloomingdale's Highlights

Performance

- 2Q22 comparable sales on an owned-plus-licensed basis up 5.8% vs 2Q21
- 4.0 million active customers shopped, on a trailing twelve-month basis, a 14% increase over the prior year period

Top Categories

- Women's, men's and kid's contemporary and dressy apparel as well as luggage

Driving Growth and Customer Engagement

- Upcoming 150th anniversary celebration kicks off early Sept. 2022 and will run through Holiday
  - Limited-edition designer collaborations: 300 exclusive products and styles developed in partnership with top brands and designers, including special luxury selections, across women's and men's fashion, accessories, beauty, home, fine jewelry
  - Immersive virtual store: powered by Emperia, a pioneer in ecommerce's technology frontier, the futuristic virtual space will allow visitors to discover exclusive products, play games and more
  - Beauty festival: curated beauty experience in-store and online







Bluemercury Highlights

Performance

- 2Q22 comparable sales on an owned-plus-licensed basis up 7.6% vs 2Q21
- ~700,000 active customers shopped, on a trailing twelve-month basis, a 9% increase over the prior year period

Top Categories

- Color and skincare, particularly within its private brands

Building a Best-in-Class Beauty Experience

- Opportunity to gain more share with luxury beauty/skincare customers
- Seeing increase in store traffic, unlocking the power of digital
- Further establishing its position as an authority of skincare
- Developing strategic partnerships with brands and leaders in beauty/skincare
  - Recently appointed Dr. Elyse Love as its first dermatologist advisor, she will offer expert guidance on current and future product portfolio as well as its strategy surrounding spa services







Guidance

2022 Full-year Guidance

	2022 GUIDANCE *as of 8/23/2022*	**2022 GUIDANCE** *as of 5/26/2022*
Net sales	**$24,340 million to $24,580 million**	$24,460 million to $24,700 million
Comparable owned-plus-licensed sales	**Flat to up 1.0%**	*not provided*
Digital sales	***not provided***	Approximately 35% of net sales
Credit card revenues, net	**Approximately 3.3% of net sales**	Approximately 3.1% of net sales
Gross margin rate	**Down approximately 150 bps from LY**	Between 38.1% and 38.3%
SG&A expense rate	**Deteriorate approximately 120 bps from LY**	Between 33.7% and 33.9%
Asset sale gains	**Between $75 million and $90 million**	Between $60 million and $90 million
Benefit plan income	**Approximately $25 million**	Approximately $28 million
Depreciation and amortization	Approximately $865 million	Approximately $865 million
Adjusted EBITDA Margin	**Approximately 10.5%**	Between 11.2% and 11.7%
Interest expense, net	**Approximately $185 million**	Approximately $190 million
Adjusted tax rate	**Approximately 24.5%**	Approximately 24%
Diluted shares outstanding *	Approximately 283 million	Approximately 283 million
Adjusted diluted EPS	**$4.00 to $4.20**	$4.53 to $4.95
Capital expenditures	Approximately $1 billion	Approximately $1 billion

Notes: * Adjusted diluted EPS assumes no future share repurchases in 2022. **BOLD** indicates a change from prior guidance.

Third Quarter and Second Half 2022 Guidance

Third Quarter 2022 Guidance

Net sales	**$5,160 million** to **$5,230 million**
* Adjusted diluted EPS	**$0.15** to **$0.21**

- Gross margin rate expected to be down no more than 350 basis points from third quarter of 2021, reflecting:
  - Impacts of markdowns needed to drive higher inventory productivity and improve inventory composition
  - Risk associated with competitive promotional environment intensifying within the industry
  - Elevated fuel costs that are expected to persist
- Asset sale gains of nearly $30 million are expected in the third quarter
- Second half digital penetration expected to be approximately 35.5% considering the trends observed at the end of the second quarter and the expectation for return rates to remain elevated
- While we are committed to taking the necessary markdowns, the year-over-year growth rate in inventory at the end of the third quarter is expected to be similar to the second quarter, to ensure the appropriate freshness and inventory levels for the holiday season.

Notes: * Adjusted diluted EPS assumes no share repurchases during the third quarter of 2022.

Macy’s, Inc. Store Count – As of July 30, 2022

	End of 2Q22		Change in Locations from FY21
	Boxes	Locations	
Macy's Department Stores*	500	446	
Macy's Furniture	52	47	
Macy's Furniture Clearance	2	2	
Freestanding Backstage	9	9	+1
Macy's Small Format	5	5	
Stores converted to Fullfilment Centers	2	2	
Total Macy's	570	511	1
Bloomingdale's Department Stores	35	33	
Bloomies	1	1	
Bloomingdale's Furniture/Other	1	1	
Bloomingdale's The Outlet	20	20	
Total Bloomingdale's	57	55	
Bluemercury	159	159	-1
Total Macy's, Inc.	786	725	0

Notes:
(1) Using store locations combines multi-box stores into a single location, providing a more accurate count of the store fleet
(2) Excluded in the count above is 299 Macy’s Store Within Store Backstage locations located within Macy’s stores

*Macy’s department stores includes Neighborhood doors with a box count of 55 and location count of 51 as of July 30, 2022. A and B mall locations included in the above store types are flagship of 11, magnets of 339, core of 350 and Neighborhood of 24 as of July 30, 2022.

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, 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 adjusted EBITDA, 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.	13 weeks ended July 30, 2022	26 weeks ended July 30, 2022
Increase (decrease) in comparable sales on an owned basis (Note 1)	(1.5%)	5.1%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	(0.1%)	(0.2%)
Increase (decrease) in comparable sales on an owned plus licensed basis	(1.6%)	4.9%

Notes:

1. Represents the period-to-period percentage change in net sales from stores in operation during the 13 and 26 weeks ended July 30, 2022, the 13 and 26 weeks ended July 31, 2021 and the 13 weeks ended August 3, 2019. 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 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, Inc.

Macy's, Inc.	13 weeks ended July 31, 2021	26 weeks ended July 31, 2021
Increase in comparable sales on an owned basis (Note 1)	61.2%	61.8%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	1.0%	1.2%
Increase in comparable sales on an owned plus licensed basis	62.2%	63.0%

Macy's, Inc.	13 weeks ended August 3, 2019
Increase in comparable sales on an owned basis (Note 1)	4.3%
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.1%
Increase in comparable sales on an owned plus licensed basis	4.4%

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

Macy's	13 weeks ended July 30, 2022
Decrease in comparable sales on an owned basis (Note 1)	(2.9%)
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	0.1%
Decrease in comparable sales on an owned plus licensed basis	(2.8%)

Bloomingdale's	13 weeks ended July 30, 2022
Increase in comparable sales on an owned basis (Note 1)	8.8%
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	5.8%

Bluemercury	13 weeks ended July 30, 2022
Increase in comparable sales on an owned basis (Note 1)	7.6%
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	7.6%

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

In millions	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Most comparable GAAP measure:		
Net income	$275	$345
Net sales	5,600	5,647
Net income as a percent to net sales	4.9%	6.1%
Non-GAAP measure:		
Net income	$275	$345
Interest expense, net	42	80
Losses on early retirement of debt	-	3
Federal, state and local income tax expense	89	105
Depreciation and amortization	208	220
Earnings before interest, taxes, depreciation and amortization	614	753
Impairment, restructuring and other costs	2	2
Settlement charges	-	81
Adjusted EBITDA	$616	$836
Adjusted EBITDA as a percent to net sales	11.0%	14.8%

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

In millions	26 weeks ended July 30, 2022	26 weeks ended July 31, 2021
Most comparable GAAP measure:		
Net income	$561	$448
Net sales	10,948	10,353
Net income as a percent to net sales	5.1%	4.3%
Non-GAAP measure:		
Net income	$561	$448
Interest expense, net	89	159
Losses on early retirement of debt	31	14
Federal, state and local income tax expense	195	142
Depreciation and amortization	413	444
Earnings before interest, taxes, depreciation and amortization	1,289	1,207
Impairment, restructuring and other costs	10	21
Settlement charges	-	81
Adjusted EBITDA	$1,299	$1,309
Adjusted EBITDA as a percent to net sales	11.9%	12.6%

Net Income, Excluding Certain Items

In millions	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Most comparable GAAP measure:		
Net income	$275	$345
Non-GAAP measure:		
Net income	$275	$345
Impairment, restructuring and other costs	2	2
Settlement charges	-	81
Losses on early retirement of debt	-	3
Income tax impact of certain items identified above	-	(20)
As adjusted to exclude certain items above	$277	$411

Net Income, Excluding Certain Items

In millions	26 weeks ended July 30, 2022	26 weeks ended July 31, 2021
Most comparable GAAP measure:		
Net income	$561	$448
Non-GAAP measure:		
Net income	$561	$448
Impairment, restructuring and other costs	10	21
Settlement charges	-	81
Losses on early retirement of debt	31	14
Income tax impact of certain items identified above	(10)	(27)
As adjusted to exclude certain items above	$592	$537

Diluted Earnings Per Share, Excluding Certain Items

	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Most comparable GAAP measure:		
Diluted earnings per share	$0.99	$1.08
Non-GAAP measure:		
Diluted earnings per share	$0.99	$1.08
Impairment, restructuring and other costs	0.01	0.01
Settlement charges	-	0.25
Losses on early retirement of debt	-	0.01
Income tax impact of certain items identified above	-	(0.06)
As adjusted to exclude certain items above	$1.00	$1.29

Diluted Earnings Per Share, Excluding Certain Items

	26 weeks ended July 30, 2022	26 weeks ended July 31, 2021
Most comparable GAAP measure:		
Diluted earnings per share	$1.97	$1.41
Non-GAAP measure:		
Diluted earnings per share	$1.97	$1.41
Impairment, restructuring and other costs	0.04	0.07
Settlement charges	-	0.25
Losses on early retirement of debt	0.11	0.04
Income tax impact of certain items identified above	(0.04)	(0.09)
As adjusted to exclude certain items above	$2.08	$1.68

Free Cash Flow

In millions	26 weeks ended July 30, 2022
Net cash provided by operating activities	$303
Purchase of property and equipment	(378)
Capitalized software	(204)
Disposition of property and equipment	73
Free Cash Flow	($206)