

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: February 24, 2015

MACY'S, INC.

7 West Seventh Street, Cincinnati, Ohio 45202
(513) 579-7000

-and-

151 West 34th Street, New York, New York 10001
(212) 494-1602

Delaware
(State of Incorporation)

1-13536
(Commission File Number)

13-3324058
(IRS Employer Identification No.)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On February 24, 2015, Macy's, Inc. ("Macy's") issued a press release announcing Macy's financial condition and results of operations for the 13 and 52 weeks ended January 31, 2015. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The press release referred to above contains certain non-GAAP financial measures of diluted earnings per share, operating income and operating income as a percent of sales, excluding certain items, cash flow from operating activities net of cash used in investing activities, changes in comparable sales on an owned plus licensed basis, and adjusted earnings before interest, taxes, depreciation and amortization. The excluded items include asset impairment charges, store closing and other costs and expenses associated with the early retirement of debt. Management believes that diluted earnings per share, operating income and operating income as a percent of sales, and adjusted earnings before interest, taxes, depreciation and amortization and adjusted earnings before interest, taxes, depreciation and amortization as a percent to net sales, excluding certain items, are useful measures in evaluating Macy's ability to generate earnings from operations and that providing such measures will allow investors to more readily compare the earnings referred to in the press release to the earnings reported by Macy's in past and future periods. Management believes that excluding certain items from these calculations is particularly useful where the amounts of such items are not consistent in the periods presented. Management believes cash flow from operating activities net of cash used in investing activities is a useful measure in evaluating Macy's ability to generate cash from operations after giving effect to cash used by investing activities. Management believes that excluding cash flows from financing activities from the calculation of this measure is particularly useful where the amounts of such items are not consistent in the periods presented. Macy's 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, Macy's includes these commissions (rather than sales of the departments licensed to third parties) in its net sales. Macy's does not, however, include any amounts in respect of licensed department sales (or any commissions earned on such sales) in its comparable sales calculation on an owned basis. Management believes that providing changes in comparable sales on an owned plus licensed basis is a useful measure to assist investors in evaluating Macy's ability to generate sales growth, whether through owned businesses or departments licensed to third parties, on a comparable basis. Management believes that providing changes in comparable sales on an owned plus licensed basis is particularly useful in evaluating the impact of changes in the manner in which certain departments are operated (e.g. the conversion in 2013 of most of Macy's previously owned athletic footwear business to licensed Finish Line shops). However, the reader is cautioned that any non-GAAP financial measures provided by Macy's are provided in addition to, and not as alternatives for, Macy's reported results prepared in accordance with GAAP. Certain items that may have a significant impact on Macy's financial position, results of operations and cash flows must be considered when assessing Macy's actual financial condition and performance regardless of whether these items are included in these non-GAAP financial measures. In addition, you should note that the amounts received by Macy's on account of sales of departments licensed to third parties are limited to commissions received on such sales. The methods used by Macy's 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 provided by Macy's may not be comparable to similar measures provided by other companies.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1

Press Release of Macy's dated February 24, 2015.

MACY'S, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MACY'S, INC.

Dated: February 24, 2015

By: /s/ Joel A. Belsky

Name: Joel A. Belsky

Title: Executive Vice President and Controller

Index to Exhibits

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Number

99.1

Press Release of Macy's dated February 24, 2015.

macy's inc.

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FOR IMMEDIATE RELEASE

MACY'S, INC. REPORTS ITS SIXTH CONSECUTIVE YEAR OF DOUBLE-DIGIT GROWTH IN ADJUSTED EARNINGS PER SHARE

Diluted 2014 EPS is \$4.22, or \$4.40 as adjusted, +10% vs. prior year;

Company focuses on continued profitable sales growth as it meets EBITDA rate target

CINCINNATI, Ohio, February 24, 2015 – Macy's, Inc. today reported continued sales and earnings growth in the fourth quarter and full year 2014, ended Jan 31, 2015. In fiscal 2014, the company attained its long-term profitability target (see section below regarding Adjusted EBITDA as a Percent to Net Sales) and has now turned its focus to driving additional profitable sales growth through a series of organic and new businesses initiatives. The company's growth journey remains guided by Macy's core business strategies – My Macy's localization, Omnichannel integration and Magic Selling – which are known by the acronym of M.O.M.

"Macy's, Inc. reached a milestone in 2014 by achieving a 14 percent Adjusted EBITDA Rate, which positions us among best-in-class retailers," said Terry J. Lundgren, chairman and chief executive officer of Macy's, Inc. "Our success in progressively increasing sales with double-digit increases in profitability in recent years has been the result of disciplined execution of our M.O.M. strategies and continuous improvement in every aspect of our business, made possible by the exceptional talent we have at all levels of the organization."

For the full year 2014, earnings were \$4.22 per diluted share, or \$4.40 excluding items described below. This represents an increase of 9 percent, or 10 percent excluding items described below, over fiscal 2013. The \$4.40 per share is in line with management's initial guidance provided at the beginning of the year for earnings per share, excluding items described below, to be in the range of \$4.40 to \$4.50 per share in fiscal 2014, and better than the revised guidance in the range of \$4.25 to \$4.35 provided at the end of the third quarter. Comparable sales growth on an owned plus licensed basis in the full-year 2014 was 1.4 percent. On an owned basis, full-year 2014 comparable sales grew 0.7 percent.

Focused on Growth

"Having now reached such a healthy profitability rate, we are shifting our resources and energies to growing the topline faster while maintaining this high profitability rate level. As described in various announcements made over the past 45 days, we have now fully aligned our management team to fuel organic growth within our existing omnichannel business as customer shopping patterns evolve at both Macy's and Bloomingdale's," Lundgren said.

"Concurrently, we have established an entirely new part of our organization to lead innovation and new growth initiatives – including offprice, international and new store formats," he added. "We expect some of these new activities to enter start-up phases later in 2015, and we remain committed to succeeding in a test-and-learn environment where the best and most promising ideas can be ramped up quickly. We are very excited about our upcoming acquisition of Bluemercury, Inc., widely recognized as America's largest and fastest-growing luxury beauty products and spa retailer. We continue to expect to complete the Bluemercury transaction in the first quarter, with an initial focus on accelerating the growth of its base of self-standing specialty stores in urban and suburban markets, as well as on accelerated omnichannel growth and offering Bluemercury products in Macy's stores. This represents a new channel and access to new customers for our company."

Sales

For the 52 weeks of 2014, Macy's, Inc. sales totaled \$28.105 billion, up 0.6 percent from total sales of \$27.931 billion in fiscal 2013. Comparable sales growth on an owned plus licensed basis for the full-year 2014 was 1.4 percent. On an owned basis, full-year 2014 comparable sales grew 0.7 percent.

Sales in the 13-week fourth quarter of 2014 totaled \$9.364 billion, up 1.8 percent from total sales of \$9.202 billion in the fourth quarter of 2013. Comparable sales growth on an owned plus licensed basis for the fourth quarter was 2.5 percent. On an owned basis, fourth quarter comparable sales grew 2.0 percent.

In fiscal 2014, the company opened five stores and closed 22 stores, all as previously announced. Macy's opened new stores in Sarasota, FL; Las Vegas, NV; and The Bronx, NY. Bloomingdale's opened a new replacement store in Palo Alto, CA, and closed an older store in the same center, as well as opened a new furniture clearance store in Wayne, NJ. Macy's closed stores in Phoenix, AZ; Cupertino, CA; Woodland Hills, CA (2); Bradenton and Port Richey, FL; Southfield, MI; Greensboro, NC; Ledgewood, NJ; DeWitt and Schenectady, NY; Columbus, Richmond Heights and Springfield, OH; York, PA; and Memphis, TN. In addition, Macy's combined three stores into two in the same mall in Torrance, CA, and consolidated two stores into one in the same centers in Minnetonka, MN, Houston, TX, and Arlington, VA. Bloomingdale's closed a furniture clearance store in Mt. Pleasant, NY.

Operating Income

For fiscal 2014, Macy's, Inc.'s operating income totaled \$2.800 billion or 10.0 percent of sales, compared with operating income of \$2.678 billion or 9.6 percent of sales for fiscal 2013. Macy's, Inc.'s fiscal 2014 operating income included expenses and asset impairment charges of \$87 million associated with the previously announced merchandising and marketing restructuring, store and field adjustments, and store closings. This is lower than previously expected because of lower severance costs. Of this \$87 million, \$33 million was related to non-cash write-offs related primarily to store closings. Excluding these items, operating income for fiscal 2014 was \$2.887 billion or 10.3 percent of sales. Macy's, Inc.'s fiscal 2013 operating income included asset impairment charges and other costs and expenses of \$88 million primarily associated with store closings, cost reduction initiatives and related items. Excluding these items, operating income for fiscal 2013 was \$2.766 billion or 9.9 percent of sales.

Macy's, Inc.'s operating income totaled \$1.364 billion or 14.6 percent of sales for the 13-week quarter ended Jan. 31, 2015, compared with operating income of \$1.349 billion or 14.7 percent of sales for the fourth quarter of fiscal 2013. Macy's, Inc.'s fourth quarter 2014 operating income included expenses and asset impairment charges of \$87 million associated with the previously announced merchandising and marketing restructuring, store

and field adjustments, and store closings. Excluding these items, operating income for the fourth quarter of 2014 was \$1.451 billion or 15.5 percent of sales.

Fourth quarter 2013 operating income included asset impairment charges and other costs and expenses of \$88 million primarily associated with store closings, cost reduction initiatives and related items. Excluding these items, operating income for the fourth quarter of 2013 was \$1.437 billion or 15.6 percent of sales.

Earnings Per Share

For the full-year fiscal 2014, Macy's, Inc. earned \$4.22 per diluted share, an increase of 9 percent from fiscal 2013. Earnings per diluted share for fiscal 2014 were \$4.40 after excluding charges of \$87 million (\$54 million after tax or 15 cents per diluted share) associated with previously announced merchandising and marketing restructuring, store and field adjustments, store closings and asset impairments, as well as \$17 million (\$10 million after tax or 3 cents per diluted share) of interest expense related to the make-whole premium for the early retirement of debt. This represented an increase of 10 percent compared with 2013 earnings per diluted share excluding certain items.

For fiscal 2013, Macy's, Inc. earned \$3.86 per diluted share. Earnings per diluted share for fiscal 2013 were \$4.00 after excluding pre-tax expenses and asset impairment charges of \$88 million (\$54 million after tax or 14 cents per share) associated with store closings, cost reduction initiatives and related items.

Fourth quarter 2014 earnings were \$2.26 per diluted share, or \$2.44 excluding charges of \$87 million (\$54 million after tax or 15 cents per diluted share) associated with previously announced merchandising and marketing restructuring, store and field adjustments, store closings and asset impairments, as well as \$17 million (\$10 million after tax or 3 cents per diluted share) of interest expense related to the make-whole premium for the early retirement of debt. described below. The fourth quarter charges of \$87 million were lower than the estimate of \$100 million to \$110 million provided in the company's Feb. 3 news release on investments for sales growth. This was primarily the result of lower severance expense as the company was able to place more associates than expected in new jobs within the company in the course of its workforce reductions.

In the fourth quarter of 2013, earnings were \$2.16 per diluted share. Diluted earnings per share for the fourth quarter of 2013 were \$2.31 after excluding pre-tax expenses and asset impairment charges of \$88 million (\$54 million after tax or 15 cents per share) associated with store closings, cost reduction initiatives and related items.

Adjusted EBITDA as a Percent to Net Sales

Macy's, Inc. adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) rose in 2014 to \$3.923 billion, or 14 percent of sales.

The company had previously targeted an EBITDA rate of 14 percent. Achieving this target represents significant progress over the past six years since the company adopted a unified organizational structure and market localization in 2009. The company's Adjusted EBITDA rate as a percent to sales was 11.3 percent in fiscal 2009.

Net income for 2014 was \$1.526 billion, or 5.4 percent of sales, compared to net income for 2009 of \$329 million, or 1.4 percent of sales.

Cash Flow

Net cash provided by operating activities was \$2.709 billion in fiscal 2014, compared with \$2.549 billion in fiscal 2013. Net cash used by investing activities in fiscal 2014 was \$970 million, compared with \$788 million in the previous year. Thus, net cash provided before financing activities was \$1.739 billion in fiscal 2014, compared with \$1.761 billion in fiscal 2013.

In fiscal 2014, the company repurchased approximately 31.9 million shares of its common stock for approximately \$1.9 billion. At Jan. 31, 2015, the company had remaining authorization to repurchase up to approximately \$1.0 billion of its common stock.

Looking Ahead

The company expects comparable sales growth on an owned plus licensed basis, as well as on an owned basis, of approximately 2 percent in fiscal 2015. Total sales are expected to grow about 1 percent in fiscal 2015. Earnings of \$4.70 to \$4.80 per share are expected in 2015. Capital expenditures for 2015 are expected to be approximately \$1.2 billion, an increase from \$1.07 billion in 2014, reflecting new investment in growth initiatives.

In fiscal 2015, the company expects to open a new Macy's store in Ponce, PR, and a Bloomingdale's in Honolulu, HI. For fiscal 2016, a new Macy's store has been announced for opening in Kapolei, HI, along with a replacement Macy's store in Los Angeles, CA. Announced new stores for fiscal 2017 include new Macy's and Bloomingdale's in Miami, FL, and a new Bloomingdale's in San Jose, CA. In addition, new Macy's and Bloomingdale's stores are planning to open in Abu Dhabi, United Arab Emirates, in 2018 under license agreements with Al Tayer Group.

Important Information Regarding Financial Measures

Please see the final pages of this news release for important information regarding the calculation of the company's comparable sales and non-GAAP financial measures.

Investor Conferences

Macy's, Inc. will present at the Bank of America Merrill Lynch 2015 Consumer & Retail Conference at 8 a.m. ET on Tuesday, March 3, in New York City and at the Telsey Advisory Group 7th Annual Spring Consumer Conference at 8:10 a.m. ET on Tuesday, March 24, in New York City. Media and investors may access the live webcast of the presentations at www.macysinc.com/ir at the appointed times. The webcasts will be available for replay.

Macy's, Inc., with corporate offices in Cincinnati and New York, is one of the nation's premier retailers, with fiscal 2014 sales of \$28.105 billion. The company operates about 825 stores in 45 states, the District of Columbia, Guam and Puerto Rico under the names of Macy's and Bloomingdale's, as well as the macys.com and bloomingdales.com websites. The company operates 13 Bloomingdale's Outlet stores. Bloomingdale's in Dubai is operated by Al Tayer Group LLC under a license agreement.

All statements in this press release 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 conditions to, or changes in the timing of, proposed transactions, prevailing interest rates and non-recurring charges, competitive pressures from specialty stores, general merchandise stores, off-price and discount stores, manufacturers' outlets, the Internet, mail-order catalogs and television shopping and general consumer spending levels, including the impact of the availability and level of consumer debt, the effect of weather and other factors identified in documents filed by the company with the Securities and Exchange Commission.

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(NOTE: Additional information on Macy's, Inc., including past news releases, is available at www.macysinc.com/pressroom. A webcast of Macy's, Inc.'s call with analysts and investors will be held today (Feb. 24) at 10:30 a.m. ET. The webcast is accessible to the media and general public via the company's website at www.macysinc.com. Analysts and investors may call in on 1-800-835-9927, passcode 8920673. A replay of the conference call can be accessed on the website or by calling 1-888 203-1112 (same passcode) about two hours after the conclusion of the call.)

MACY'S, INC.

Consolidated Statements of Income (Unaudited)

(All amounts in millions except percentages and per share figures)

| | 13 Weeks Ended January 31, 2015 | | 13 Weeks Ended February 1, 2014 | |
|---|------------------------------------|-------------------|------------------------------------|-------------------|
| | \$ | % to Net sales | \$ | % to Net sales |
| Net sales..... | \$ 9,364 | | \$ 9,202 | |
| Cost of sales (Note 1)..... | <u>5,589</u> | <u>59.7%</u> | <u>5,464</u> | <u>59.4%</u> |
| Gross margin..... | 3,775 | 40.3% | 3,738 | 40.6% |
| Selling, general and administrative expenses..... | (2,324) | (24.8%) | (2,301) | (25.0%) |
| Impairments, store closing and other costs (Note 2).... | <u>(87)</u> | <u>(0.9%)</u> | <u>(88)</u> | <u>(0.9%)</u> |
| Operating income..... | 1,364 | 14.6% | 1,349 | 14.7% |
| Interest expense - net..... | (97) | | (99) | |
| Premium on early retirement of debt (Note 3)..... | <u>(17)</u> | | <u>-</u> | |
| Income before income taxes..... | 1,250 | | 1,250 | |
| Federal, state and local income tax expense (Note 4)... | <u>(457)</u> | | <u>(439)</u> | |
| Net income..... | <u>\$ 793</u> | | <u>\$ 811</u> | |
| Basic earnings per share..... | <u>\$ 2.30</u> | | <u>\$ 2.21</u> | |
| Diluted earnings per share..... | <u>\$ 2.26</u> | | <u>\$ 2.16</u> | |
| Average common shares: | | | | |
| Basic..... | 344.3 | | 367.7 | |
| Diluted..... | 350.9 | | 375.1 | |
| End of period common shares outstanding..... | 340.6 | | 364.9 | |
| Depreciation and amortization expense..... | \$ 266 | | \$ 259 | |

MACY'S, INC.

Consolidated Statements of Income (Unaudited)

Notes:

- (1) Merchandise inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Application of the LIFO retail inventory method did not result in the recognition of any LIFO charges or credits affecting cost of sales for the 13 weeks ended January 31, 2015 or February 1, 2014.
- (2) For the 13 weeks ended January 31, 2015, includes \$33 million of asset impairment charges primarily related to the store closings announced in January 2015, \$46 million of severance and other human resource-related costs associated with the organization changes and store closings announced in January 2015, and \$8 million of other related costs and expenses. For the 13 weeks ended February 1, 2014, included \$39 million of asset impairment charges primarily related to the store closings announced in January 2014, \$43 million of restructuring-related costs and expenses associated with the cost-reduction initiatives and organization changes

announced in January 2014, primarily severance and other human resource-related costs, and \$6 million of other related costs and expenses. These costs amounted to \$.15 per diluted share for the 13 weeks ended January 31, 2015 and the 13 weeks ended February 1, 2014.

- (3) For the 13 weeks ended January 31, 2015, includes approximately \$17 million on a pre-tax basis, or \$10 million after tax or \$.03 per diluted share, of expenses associated with the make-whole premium for the retirement of \$407 million of 7.875% senior notes due 2015.
- (4) Federal, state and local income taxes differ from the federal income tax statutory rate of 35%, principally because of the effect of state and local taxes, including the settlement of various tax issues and tax examinations. Additionally, income tax expense for the 13 weeks ended February 1, 2014 benefited from a \$13 million (\$.03 per diluted share) reduction in the valuation allowance related primarily to state net operating loss carryforwards.

MACY'S, INC.

Consolidated Statements of Income (Unaudited)

(All amounts in millions except percentages and per share figures)

| | 52 Weeks Ended January 31, 2015 | | 52 Weeks Ended February 1, 2014 | |
|---|------------------------------------|-------------------|------------------------------------|-------------------|
| | \$ | % to Net sales | \$ | % to Net sales |
| Net sales..... | \$ 28,105 | | \$ 27,931 | |
| Cost of sales (Note 1)..... | <u>16,863</u> | <u>60.0%</u> | <u>16,725</u> | <u>59.9%</u> |
| Gross margin..... | 11,242 | 40.0% | 11,206 | 40.1% |
| Selling, general and administrative expenses..... | (8,355) | (29.7%) | (8,440) | (30.2%) |
| Impairments, store closing and other costs (Note 2).... | <u>(87)</u> | <u>(0.3%)</u> | <u>(88)</u> | <u>(0.3%)</u> |
| Operating income..... | 2,800 | 10.0% | 2,678 | 9.6% |
| Interest expense - net..... | (393) | | (388) | |
| Premium on early retirement of debt (Note 3)..... | <u>(17)</u> | | <u>-</u> | |
| Income before income taxes..... | 2,390 | | 2,290 | |
| Federal, state and local income tax expense (Note 4)... | <u>(864)</u> | | <u>(804)</u> | |
| Net income..... | <u>\$ 1,526</u> | | <u>\$ 1,486</u> | |
| Basic earnings per share..... | <u>\$ 4.30</u> | | <u>\$ 3.93</u> | |
| Diluted earnings per share..... | <u>\$ 4.22</u> | | <u>\$ 3.86</u> | |
| Average common shares: | | | | |
| Basic..... | 355.2 | | 378.3 | |
| Diluted..... | 361.7 | | 384.8 | |
| End of period common shares outstanding..... | 340.6 | | 364.9 | |
| Depreciation and amortization expense..... | \$ 1,036 | | \$ 1,020 | |

MACY'S, INC.

Consolidated Statements of Income (Unaudited)

Notes:

- (1) Merchandise inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) retail inventory method. Application of the LIFO retail inventory method did not result in the recognition of any LIFO charges or credits affecting cost of sales for the 52 weeks ended January 31, 2015 or February 1, 2014.
- (2) For the 52 weeks ended January 31, 2015, includes \$33 million of asset impairment charges primarily related to the store closings announced in January 2015, \$46 million of severance and other human resource-related costs associated with the organization changes and store closings announced in January 2015, and \$8 million of other related costs and expenses. For the 52 weeks ended February 1, 2014, included \$39 million of asset impairment charges primarily related to the store closings announced in January 2014, \$43 million of restructuring-related costs and expenses associated with the cost-reduction initiatives and organization changes announced in January 2014, primarily severance and other human resource-related costs, and \$6 million of other related costs and expenses. For the 52 weeks ended January 31, 2015 and February 1, 2014, these costs amounted to \$.15 and \$.14 per diluted share, respectively.
- (3) For the 52 weeks ended January 31, 2015, includes approximately \$17 million on a pre-tax basis, or \$10 million after tax or \$.03 per diluted share, of expenses associated with the make-whole premium for the retirement of \$407 million of 7.875% senior notes due 2015.
- (4) Federal, state and local income taxes differ from the federal income tax statutory rate of 35%, principally because of the effect of state and local taxes, including the settlement of various tax issues and tax examinations. Additionally, income tax expense for the 52 weeks ended February 1, 2014 benefited from a \$13 million (\$.03 per diluted share) reduction in the valuation allowance related primarily to state net operating loss carryforwards.

MACY'S, INC.

Consolidated Balance Sheets (Unaudited)

(millions)

| | January 31, 2015 | February 1, 2014 |
|--|---------------------|---------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash and cash equivalents..... | \$ 2,246 | \$ 2,273 |
| Receivables..... | 424 | 438 |
| Merchandise inventories..... | 5,516 | 5,557 |
| Prepaid expenses and other current assets..... | <u>493</u> | <u>420</u> |
| Total Current Assets..... | 8,679 | 8,688 |
| Property and Equipment - net..... | 7,800 | 7,930 |
| Goodwill..... | 3,743 | 3,743 |
| Other Intangible Assets - net..... | 496 | 527 |
| Other Assets..... | <u>743</u> | <u>732</u> |
| Total Assets..... | <u>\$21,461</u> | <u>\$21,620</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current Liabilities: | | |
| Short-term debt..... | \$ 76 | \$ 463 |
| Merchandise accounts payable..... | 1,693 | 1,691 |
| Accounts payable and accrued liabilities..... | 3,109 | 2,810 |
| Income taxes..... | 296 | 362 |
| Deferred income taxes..... | <u>362</u> | <u>400</u> |
| Total Current Liabilities..... | 5,536 | 5,726 |

| | | |
|---|-----------------|-----------------|
| Deferred Income Taxes..... | 7,063 | 6,214 |
| Other Liabilities..... | 2,201 | 1,658 |
| Shareholders' Equity..... | <u>5,378</u> | <u>6,249</u> |
| Total Liabilities and Shareholders' Equity..... | <u>\$21,461</u> | <u>\$21,620</u> |

MACY'S, INC.

Consolidated Statements of Cash Flows (Unaudited)

(millions)

| | <u>52 Weeks Ended</u> <u>January 31, 2015</u> | <u>52 Weeks Ended</u> <u>February 1, 2014</u> |
|---|--|--|
| Cash flows from operating activities: | | |
| Net income..... | \$ 1,526 | \$ 1,486 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Impairments, store closing and other costs..... | 87 | 88 |
| Depreciation and amortization..... | 1,036 | 1,020 |
| Stock-based compensation expense..... | 73 | 62 |
| Amortization of financing costs and premium on acquired debt..... | (5) | (8) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in receivables..... | 22 | (58) |
| (Increase) decrease in merchandise inventories..... | 40 | (249) |
| Increase in prepaid expenses and other current assets..... | (3) | (2) |
| Increase in other assets not separately identified..... | (61) | (1) |
| Increase (decrease) in merchandise accounts payable... | (17) | 101 |
| Increase in accounts payable, accrued liabilities and other items not separately identified... | 37 | 48 |
| Increase (decrease) in current income taxes..... | (65) | 7 |
| Increase (decrease) in deferred income taxes..... | 29 | (142) |
| Increase in other liabilities not separately identified... | <u>10</u> | <u>197</u> |
| Net cash provided by operating activities..... | <u>2,709</u> | <u>2,549</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment..... | (770) | (607) |
| Capitalized software..... | (298) | (256) |
| Disposition of property and equipment..... | 172 | 132 |
| Other, net..... | <u>(74)</u> | <u>(57)</u> |
| Net cash used by investing activities..... | <u>(970)</u> | <u>(788)</u> |
| Cash flows from financing activities: | | |
| Debt issued..... | 1,044 | 400 |
| Financing costs..... | (9) | (9) |
| Debt repaid..... | (870) | (124) |
| Dividends paid..... | (421) | (359) |
| Increase in outstanding checks..... | 133 | 24 |
| Acquisition of treasury stock..... | (1,901) | (1,571) |
| Issuance of common stock..... | <u>258</u> | <u>315</u> |
| Net cash used by financing activities..... | <u>(1,766)</u> | <u>(1,324)</u> |
| Net increase (decrease) in cash and cash equivalents..... | (27) | 437 |
| Cash and cash equivalents at beginning of period..... | <u>2,273</u> | <u>1,836</u> |
| Cash and cash equivalents at end of period..... | <u>\$ 2,246</u> | <u>\$ 2,273</u> |

MACY'S, INC.

Important Information Regarding Non-GAAP Financial Measures

(All amounts in millions except percentages)

The Company reports its financial results in accordance with 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. See below for supplemental financial data and a corresponding reconciliation to the most directly comparable GAAP financial measures. These 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 and cash flows and should therefore be considered in assessing the Company's actual 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.

Comparable Sales Growth

| | <u>13 Weeks Ended January 31, 2015</u> | <u>52 Weeks Ended January 31, 2015</u> | - | - | - |
|---|--|--|---|---|---|
| Increase in comparable sales on an owned basis (Note 1)..... | <u>2.0%</u> | <u>0.7%</u> | | | |
| Impact of growth in comparable sales of departments licensed to third parties (Note 2)..... | <u>0.5%</u> | <u>0.7%</u> | | | |
| Increase in comparable sales on an owned plus licensed basis..... | <u>2.5%</u> | <u>1.4%</u> | | | |

Notes:

- (1) Represents the period-to-period change in net sales from stores in operation throughout the year presented and the immediately preceding year and all net Internet sales, excluding commissions from departments licensed to third parties.
- (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 via the Internet 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).

Macy's, Inc. believes that providing changes in comparable sales on an owned plus licensed basis, which includes the impact of growth in comparable sales of departments licensed to third parties supplementally to its results of operations calculated in accordance with GAAP assists in evaluating the Company's ability to generate sales growth, whether through owned businesses or departments licensed to third parties, on a comparable basis, and in evaluating the impact of changes in the manner in which certain departments are operated (e.g. the conversion in 2013 of most of the Company's previously owned athletic footwear business to licensed Finish Line shops).

MACY'S, INC.

Important Information Regarding Non-GAAP Financial Measures

(All amounts in millions except percentages)

Adjusted EBITDA as a Percent to Net Sales

| | <u>2014</u> | <u>2009</u> |
|---|------------------|------------------|
| Net sales..... | <u>\$ 28,105</u> | <u>\$ 23,489</u> |
| Net income..... | <u>\$ 1,526</u> | <u>\$ 329</u> |
| Net income as a percent to net sales..... | <u>5.4%</u> | <u>1.4%</u> |
| Net income..... | \$ 1,526 | \$ 329 |
| Add back interest expense - net..... | 393 | 556 |
| Add back premium on early retirement of debt..... | 17 | - |
| Add back federal, state and local income tax expense..... | 864 | 178 |
| Add back impairments, store closing and other costs and division consolidation costs..... | 87 | 391 |
| Add back depreciation and amortization..... | <u>1,036</u> | <u>1,210</u> |
| Adjusted EBITDA..... | <u>\$ 3,923</u> | <u>\$ 2,664</u> |
| Adjusted EBITDA as a percent to net sales..... | <u>14.0%</u> | <u>11.3%</u> |

Management believes that excluding certain items that may vary substantially in frequency and magnitude from earnings before interest, taxes, depreciation and amortization ("EBITDA") as a percentage to sales is a useful supplemental measure that assists in evaluating the Company's ability to generate earnings and leverage sales, and to more readily compare these metrics between past and future periods. Management also believes that EBITDA and Adjusted EBITDA are frequently used by investors and securities analysts in their evaluations of companies, and that such supplemental measures facilitate comparisons between companies that have different capital and financing structures and/or tax rates.