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BARINGTON CAPITAL GROUP, L.P.

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BARINGTON CAPITAL GROUP CALLS ON MACY'S TO MAKE CHANGES TO ITS CAPITAL ALLOCATION PLAN TO IMPROVE SHAREHOLDER VALUE

Believes Macy's Shares are Undervalued and Do Not Reflect the Upside Potential in its Strategic Plan or the Attractiveness of its Luxury Operations and Owned Real Estate Assets

Believes Macy's Needs to Form a Separate Real Estate Subsidiary to Optimize the Value Potential of its Real Estate Portfolio

Believes Macy's Needs to Significantly Reduce Capital Expenditures; After a Decade of Massive Spending Has Failed to Deliver Value Creation for Stockholders

Believes Macy's Needs to Aggressively Repurchase its Shares, as its Stock Now Represents its Best Investment

Publishes Detailed Presentation on https://barington.com/macys

NEW YORK, December 9, 2024 – Barington Capital Group, L.P. and Thor Equities LLC and their respective affiliates ("Barington," "Thor," or "we"), who are shareholders of Macy's, Inc. (NYSE: M) ("Macy's" or the "Company"), published a detailed presentation today recommending that Macy's make changes to its capital allocation strategy and consider other structural actions to improve shareholder value.

Due to long-term challenges in the department store sector and previous management missteps, Macy's valuation has suffered markedly over the past decade with its shares down approximately 70%.[1] Despite numerous attempts at implementing strategic plans under multiple leadership teams to overhaul Macy's value proposition, <u>the one constant of all these ineffective actions has been Macy's reliance on spending enormous amounts of the Company's cash flows on capital expenditure projects.</u> Unfortunately, these capital expenditures or actions focused on merchandising initiatives, cost reductions and store closures have delivered limited sustainable improvements to Macy's operating results.

Earlier this year, Macy's announced a new strategic plan, called "A Bold New Chapter," under the leadership of the Company's recently appointed CEO, Tony Spring. We see early promise in the new plan, as it calls for the closure of a significant number of very low productivity Macy's nameplate locations. We believe this action, coupled with further cost reductions the Company plans to enact, will result in a healthier store base that can begin to deliver consistent revenue growth and profit improvements. Investors, not surprisingly, have failed to embrace the plan with Macy's shares down approximately 13% since the plan's announcement.[1] As a result, Macy's current valuation multiples of 3.6x NTM consensus EBITDA and 6.4x NTM consensus EPS are near all-time lows.[2]

James Mitarotonda, Chairman of Barington, said, “We invested in Macy’s because we believe the shares are mispriced relative to the upside potential we see in management’s new strategic plan and the compelling value of the Company’s owned real estate assets. However, we are concerned with Macy’s large capital expenditure programs. Since FY:14, Macy’s has spent $9.7 billion cumulatively on capital expenditures, including $6.7 billion on property and equipment and $3.0 billion on technology.[3] Over this same period, Macy’s has lost approximately $15 billion in market capitalization.[1] Clearly, shareholders have seen no value creation from these investments.”

While Macy’s may be proud of the fact it has returned $8.7 billion in capital to shareholders since FY:14, consisting of $5.3 billion in cumulative share repurchases and $3.4 billion in cumulative dividends, $4.2 billion of the share repurchases, or approximately 80% of the total, occurred in FY:14-16 when Macy’s share price was 3x higher than today.[1,3]

Barington believes Macy’s should look to its department store peer, Dillard’s, for a successful model in capital allocation. Mr. Mitarotonda continued, “Dillard’s has been executing a highly successful strategic plan focused on improving operating margins, prudently managing capital expenditures and aggressively returning capital to stockholders. Since FY:18, Dillard’s has paid out 60% of its total cumulative cash sources to stockholders versus Macy’s at 25%.[4] Dillard’s stockholders have benefitted greatly from this plan, seeing a total return in their shares of +788% versus Macy’s of -12%.[1]”

Joseph Sitt, Chairman of Thor, stated, “Macy’s owns valuable and well-located real estate assets – led by its flagship property at Herald Square in New York City – that we believe are worth between $5-$9 billion. In our opinion, Macy’s board should create a separate real estate subsidiary to collect market rents from Macy’s retail operations and pursue other asset sale and redevelopment opportunities. We believe doing so would greatly maximize the value of these owned assets for the benefit of stockholders.”

Macy’s is a highly cash generative business and we believe it could become even more so if the Company’s strategic plan proves successful. Barington and Thor are concerned that Macy’s cash could be misallocated in the future through wasteful and ineffective capital expenditure programs. In addition, we are concerned that Macy’s board lacks the knowledge, vision and desire to extract maximum value from its real estate assets.

Barington and Thor propose that Macy’s consider the following recommendations to improve shareholder value:

1. Reduce capital expenditures to 1.5%-2% of total sales from ~4% currently;
2. Repurchase a minimum of $2-$3 billion in stock over the next three years;
3. Create a separate internal real estate subsidiary to optimize the return potential of the Company’s valuable owned real estate assets;
4. Evaluate strategic alternatives for the Company’s higher growth Bloomingdale’s and Bluemercury luxury operations; and
5. Add Barington and Thor representatives to the Macy’s board.

Mr. Mitarotonda and Mr. Sitt concluded, "We seek to be value-added stockholders at Macy's that can bring fresh perspectives to the Company, especially in the areas of capital allocation, merchandising and retail, and real estate. We believe that operating improvements at Macy's, coupled with our recommendations for aggressive share repurchases and structural changes to the business, could lead to a 150% to 200% total return for Macy's stockholders over the next three years. In our opinion, Macy's discounted stock represents the best investment the Company can make now."

Barington's presentation on Macy's is available at https://barington.com/macys

About Barington Capital Group, L.P.

Barington Capital Group, L.P. is a fundamental, value-oriented activist investment firm established by James Mitarotonda in January 2000. Barington invests in undervalued publicly traded companies that Barington believes can appreciate significantly in value when substantive improvements are made to their operations, corporate strategy, capital allocation and corporate governance. Barington's investment team, advisors and network of industry experts draw upon their extensive strategic, operating and boardroom experience to assist companies in designing and implementing initiatives to improve long-term shareholder value.

About Thor Equities LLC

Thor Equities LLC is a leader in the development, leasing and management of industrial, laboratory, residential, office, hotel and mixed-use assets in premier urban locations worldwide. The company operates in major cities around the globe and has a property portfolio totaling $20 billion with a development pipeline in excess of 50 million square feet. Thor has a strong presence on three continents and in addition to its U.S. holdings, the company has assets in European gateway cities including London, Paris, Madrid, and Milan, and is the largest developer in Mexico through its Latin American division with a development pipeline of 20 million square feet. Thor maximizes returns for institutional investors by recognizing a property's potential, reducing operating expenses, increasing tenant satisfaction, and leveraging market trends to maintain a long-term competitive advantage.

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[1] Based on S&P Capital IQ as of 12/4/24. Total return calculations include the reinvestment of dividends.

[2] Based on S&P Capital IQ as of 12/4/24. Enterprise value for EBITDA multiple excludes operating leases. NTM refers to next twelve months consensus mean estimate.
[3] Based on Macy's Forms 10-K and 10-Q and earnings presentations.
[4] Capital returns calculated as cumulative share repurchases, common dividends and special dividends. Total cash sources calculated as cumulative cash from operations plus asset sales.