



JCPenney

**THIRD QUARTER  
2018 EARNINGS  
CALL**

**November 15, 2018**

This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding sales, cost of goods sold, expenses, earnings, adjusted EBITDA, and cash flows. Forward-looking statements are based only on the Company's current assumptions and views of future events and financial performance.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which are outside of the Company's control. There can be no assurances that the Company will achieve expected results, and actual results may be materially less than expectations. Please refer to the Company's most recent Form 10-Q for a discussion of risks and uncertainties. Investors should take such risks into account and should not rely on forward-looking statements when making investment decisions.

Any forward-looking statement made by us in this document is based only on information currently available to us and speaks only as of November 15, 2018. We do not undertake to update these forward-looking statements as of any future date.

# FORWARD-LOOKING STATEMENTS



# 2018 THIRD QUARTER PERFORMANCE

	3Q-18	vs.	3Q-17
Comparable sales	(5.4%)		-710bps
Comparable sales (shifted)*	(4.5%)		-620bps
Cost of goods sold %	68.1%		+210bps
SG&A %	33.3%		+60bps
Adjusted EBITDA (non-GAAP)**	\$46M		-\$56M
Adjusted EPS (non-GAAP)**	(\$0.52)		-\$0.17

\* Reflects the calendar shift in 2018 due to the 53<sup>rd</sup> week in 2017

\*\*A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at [ir.jcpenny.com](http://ir.jcpenny.com)



# 2018 THIRD QUARTER HIGHLIGHTS

- Delivered positive comps in women's apparel categories and brands, including Liz Claiborne, Worthington, dresses, outerwear and cold weather accessories
- Rolled out our exclusive big & tall brand, Shaquille O'Neal XLG™, to 350 stores and jcpenny.com
  - Features a curated selection of men's clothing and furnishings designed specifically with the big & tall customer in mind
- Launched our new, cross-divisional lifestyle private brand, Peyton & Parker™, in 400 stores and on jcpenny.com
  - Includes seasonal, limited-edition capsule collections with styles for the entire family as well as home décor
- Introduced Artesia™, a new boho style brand for women, in nearly 400 stores and on jcpenny.com
- Reduced inventory levels in the third quarter by 5.4%; continue to focus on improved inventory productivity



# SALES OPPORTUNITIES

- **Women's Apparel**
  - Continue to adjust assortments in areas such as Active, Special Sizes, Junior's and Contemporary
- **Fine Jewelry**
  - Strong, loyal customer base enhances cross-shop opportunities
  - Continue to focus on event-driven/red bow deals, Modern Bride and smartwatch offerings
- **Private Brands/Exclusive Partnerships**
  - Strengthen existing brands and launch new, exclusive partnerships
- **Special Sizes**
  - Growing industry with further opportunities in Women's, Men's, Junior's and Kid's
- **Market Share Opportunities with Competitor Store Closings**
  - Position the business to take advantage in key categories, such as Toys, Baby, Home, Apparel and Men's Work Wear



# GROSS MARGIN OPPORTUNITIES

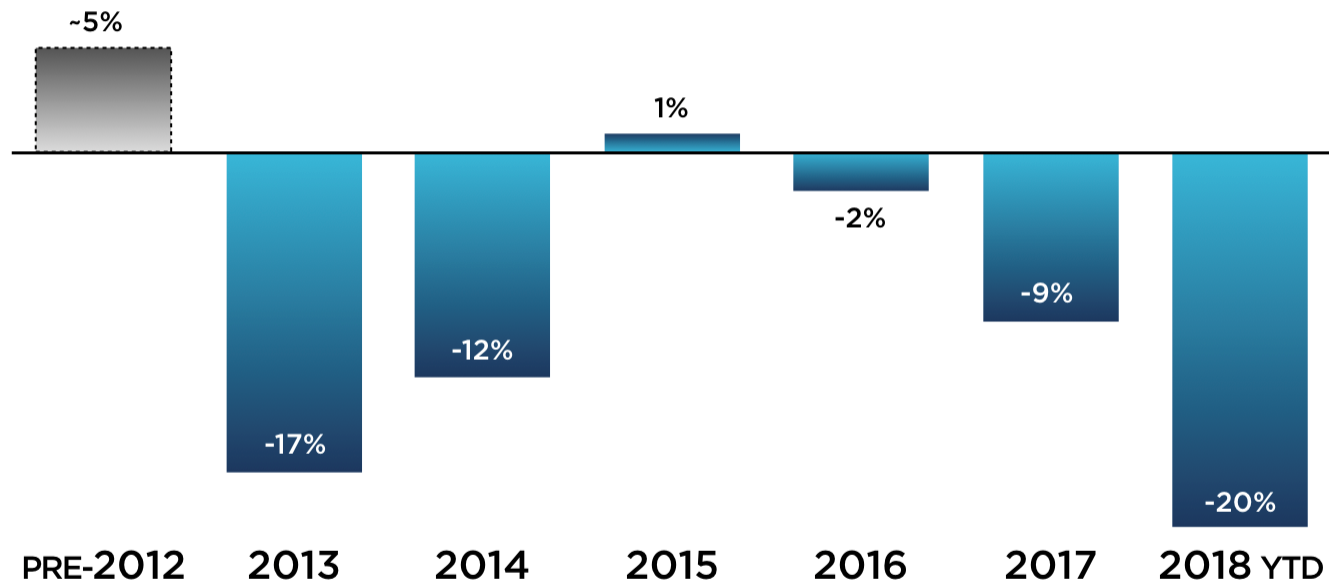
Maintain focus and implement the right actions and rigor surrounding inventory management to improve inventory productivity and gross margin levels and optimize working capital to increase cash flow; areas of focus include:

- Restoring clearance selling margins to historical levels, represents ~200bps of potential total gross margin upside
- Normalizing shrink results to historical levels, could contribute significant total gross margin upside on an annualized basis
- Better inventory management and reduced shrink rates present significant opportunity to deliver considerable margin and EBITDA growth
- Additional gross margin opportunities include:
  - Driving sales improvements across higher margin apparel categories
  - Leveraging private brand and sourcing capabilities
  - Expanding and emphasizing our pricing analytics



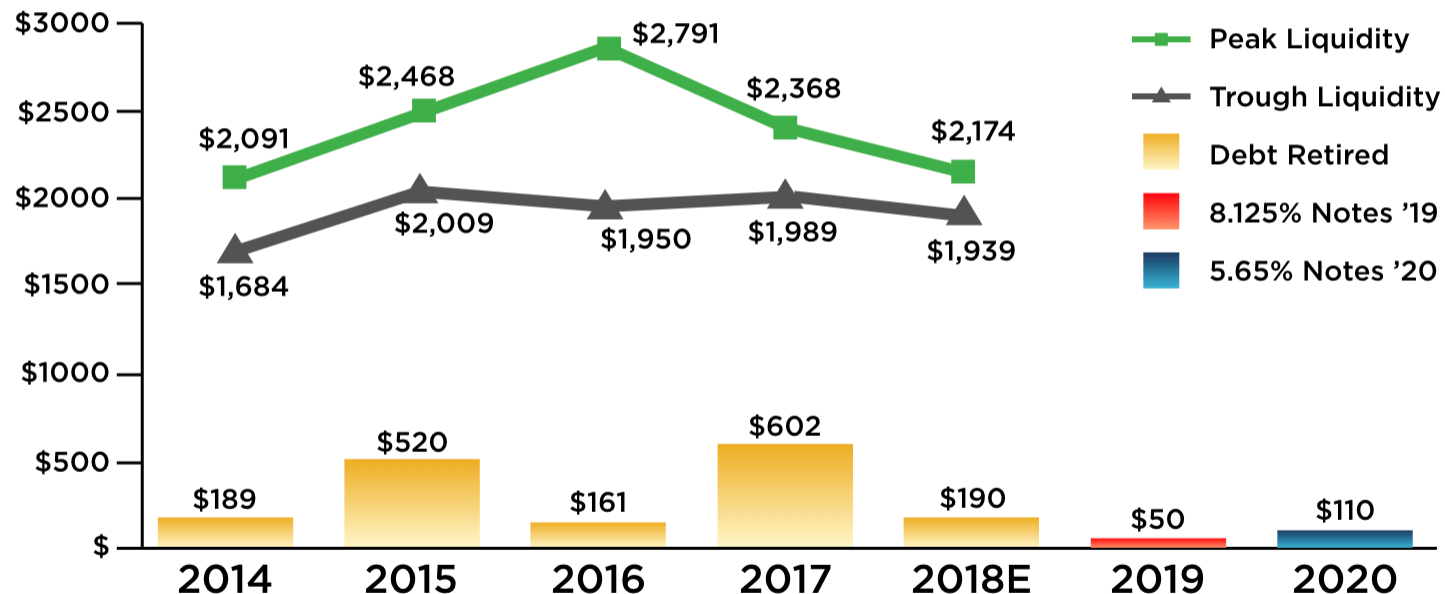
# GROSS MARGIN OPPORTUNITY

## Historical Clearance Selling Margins



- Opportunity to restore clearance selling margins back to historical levels
- Prior to 2012, our historical clearance selling margins were positive mid-single digits

# LIQUIDITY POSITION / DEBT MATURITIES



- Historical and continued trend of strong liquidity position
- Substantial debt reductions in 2017 and 2018 have provided a manageable, near-term debt maturity schedule
- Continue to expect positive free cash flow for fiscal 2018

\* Peak and trough liquidity positions are reported as of a quarter-end fiscal period; Fiscal 2018 quarter-end peak and trough liquidity positions are reported for the first nine months of the year



# 2018 GUIDANCE

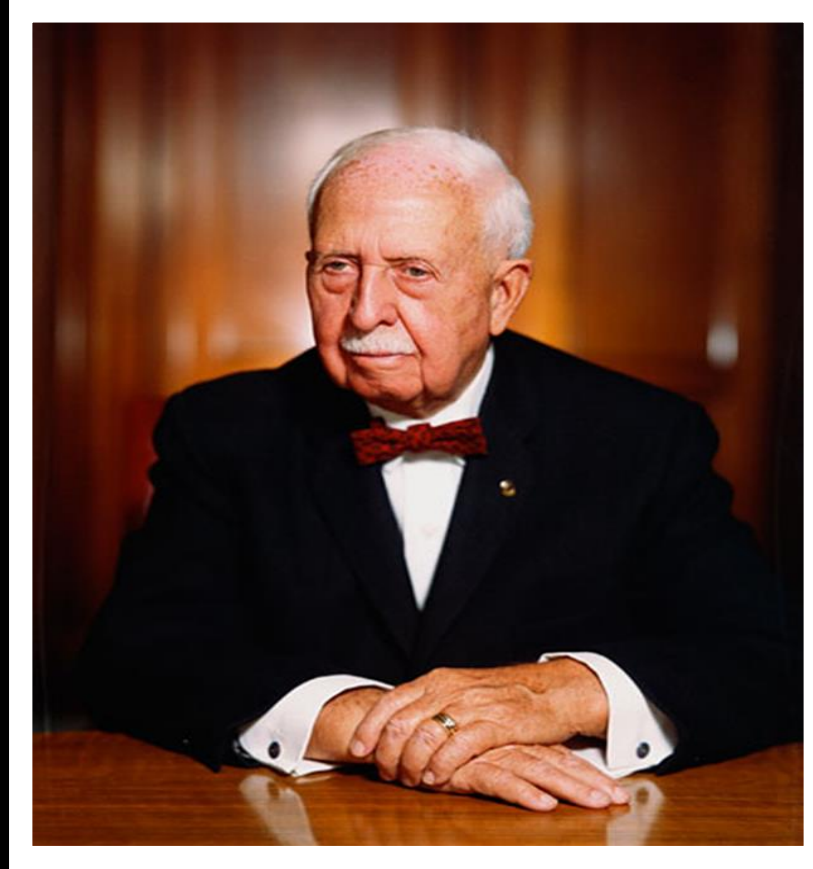
**Comparable store sales**

**Down low-single digits**

**Free cash flow**

**Positive**

# The PENNEY Idea



**“TO DO ALL IN OUR POWER TO PACK THE CUSTOMER’S DOLLAR  
FULL OF VALUE, QUALITY AND SATISFACTION”**

*- James Cash Penney*