# 2019 SECOND QUARTER EARNINGS CALL

August 15, 2019

# FORWARD-LOOKING STATEMENTS

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-K 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 August 15, 2019. We do not undertake to update these forward-looking statements as of any future date.

# 2019 SECOND QUARTER PERFORMANCE

| | 2Q-19 | 2Q-18 |
|---|---|---|
| Comparable sales | (9.0%) | 0.3% |
| Adj. Comparable sales *(excl. impact related to major appliance and in-store furniture categories)*[1] | (6.0%) | 0.8% |
| Cost of goods sold % | 63.2% | 66.3% |
| Adjusted EBITDA (non-GAAP)[1] | $160M | $105M |
| Adjusted EPS (non-GAAP)[1] | ($0.18) | ($0.38) |

[1] A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at ir.jcpenney.com

# IMMEDIATE ACTIONS PROGRESS
## Q2 2019

### Inventory

- Reduced inventory levels by 12.5% for the quarter
- Experienced increased sell-thru rates and improved selling margins on an enterprise level
- Improved management of markdown and clearance cadence led to lower permanent markdowns
  - Resulted in a meaningful contribution to gross margin improvement in Q2

### Omnichannel Productivity & Fulfillment

- Improved online gross profit driven by significant increase in selling margins
- Enhanced navigation and presentation led to an increase in conversion

# IMMEDIATE ACTIONS PROGRESS
## Q2 2019

### In-Store Process

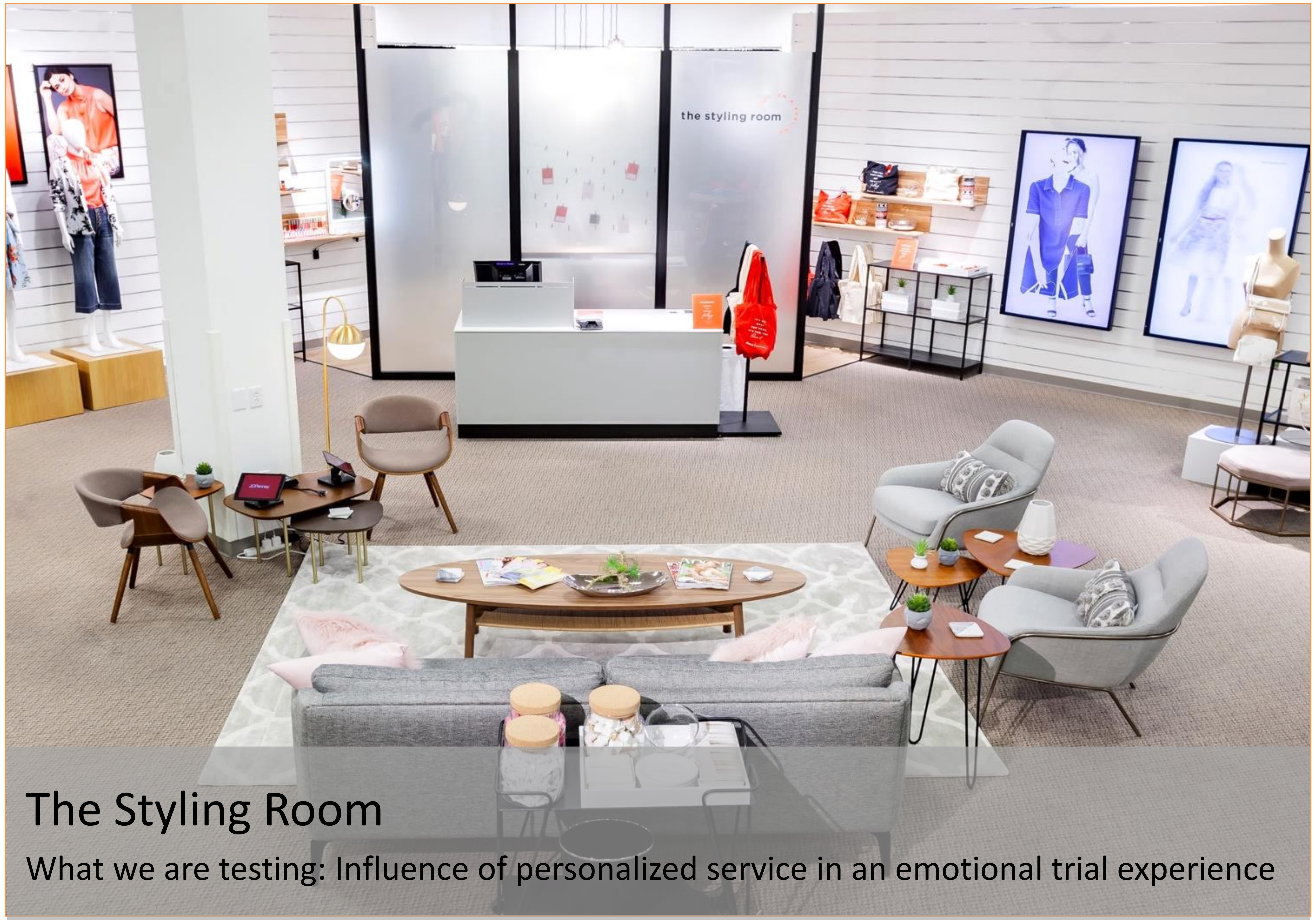
- Improved customer service scores from new store checkout process
- Expanded new centralized pick-up and returns area to improve both the in-store and omnichannel customer experience; rolled out to nearly 500 stores

### Shrink

- Improved shrink results contributed to gross margin increase
- Continued support with enhanced resources, both technology and staffing, around high shrink categories

# THE STYLING ROOM

**"Fun to try on things and have a stylist help me. Made finding a dress for my daughter's wedding so much better!"**




The Styling Room

What we are testing: Influence of personalized service in an emotional trial experience

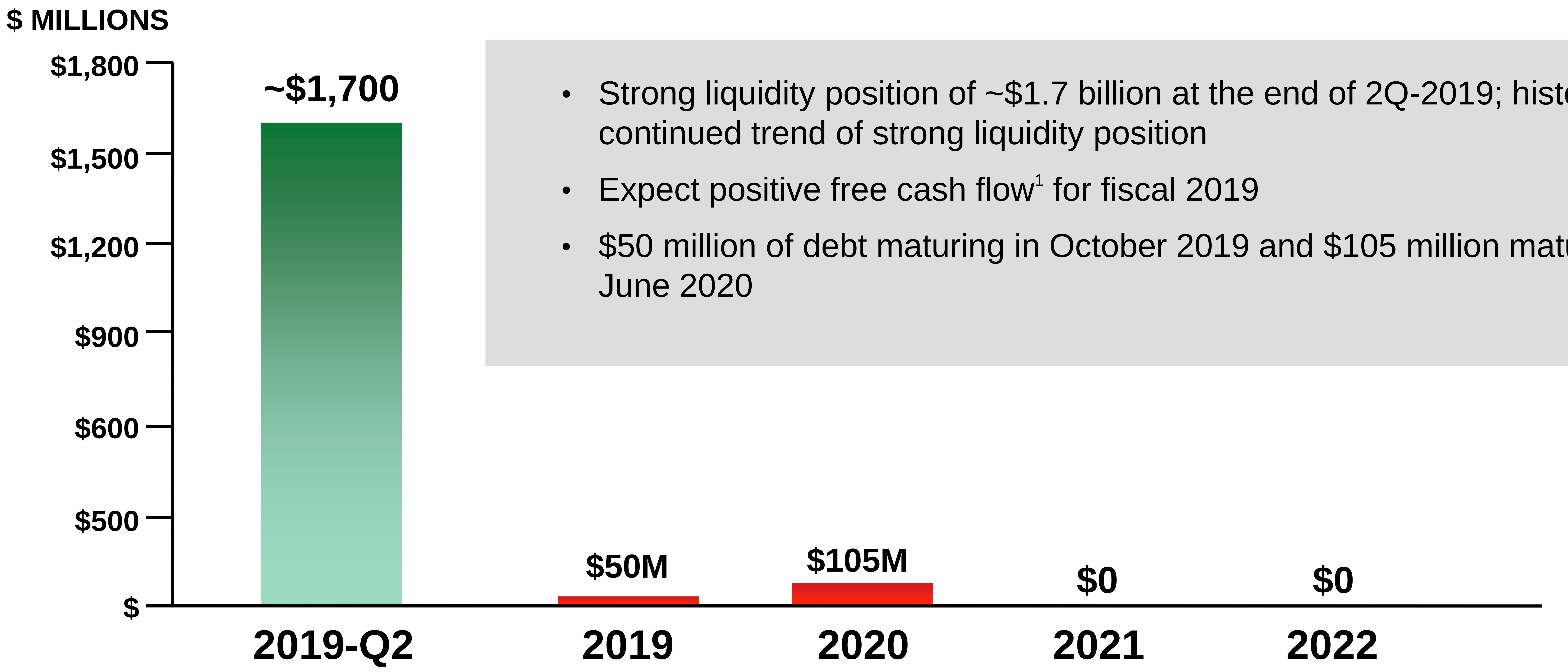
**Key stats – First 7 Weeks of test**

>90% strongly agree it made them feel shopping at JCPenney can be a fun experience

~80% said the design expert made them feel more **confident** in their decisions

>30% increase in **basket size**

# LIQUIDITY VS. UPCOMING DEBT MATURITIES




- Strong liquidity position of ~$1.7 billion at the end of 2Q-2019; historical and continued trend of strong liquidity position
- Expect positive free cash flow[1] for fiscal 2019
- $50 million of debt maturing in October 2019 and $105 million maturing in June 2020

[1] A reconciliation of non-GAAP forward-looking projections to GAAP financial measures is not available as the nature or amount of potential adjustments, which may be significant, cannot be determined at this time

# 2019 FINANCIAL GUIDANCE

| | FY-19 |
|---|---|
| Comparable sales | (7.0%) to (8.0%) |
| Adj. Comparable sales (*excl. impact related to major appliance and in-store furniture categories)*[1] | (5.0%) to (6.0%) |
| Cost of goods sold % vs. FY-18 | Expected to decrease 150 to 200 bps |
| Adjusted EBITDA (non-GAAP)[1] | $440M to $475M |
| Free cash flow[1] | Positive |

[1] A reconciliation of non-GAAP forward-looking projections to GAAP financial measures is not available as the nature or amount of potential adjustments, which may be significant, cannot be determined at this time

“THE WELL-SATISFIED CUSTOMER WILL BRING THE REPEAT SALE THAT COUNTS”

– James Cash Penney