

**PENNEY INTERMEDIATE HOLDINGS LLC**  
Consolidated Financial Statements (Unaudited)  
April 30, 2022 and May 1, 2021

**PENNEY INTERMEDIATE HOLDINGS LLC**

Consolidated Financial Statements

(Unaudited)

April 30, 2022 and May 1, 2021

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**PENNEY INTERMEDIATE HOLDINGS LLC**  
**Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

<i>(In millions)</i>	<b>Three Months Ended April 30, 2022</b>	<b>Three Months Ended May 1, 2021</b>
Total net sales	\$ 1,654	\$ 1,593
Credit income and other	110	76
Total revenues	1,764	1,669
<b>Costs and expenses/(income):</b>		
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,012	979
Selling, general and administrative	593	555
Depreciation and amortization	55	52
Real estate and other, net	(2)	—
Restructuring, impairment, store closing and other costs	2	16
Total costs and expenses	1,660	1,602
Operating income	104	67
Net interest expense	13	25
Income before income taxes	91	42
Income tax expense	2	3
Net income	\$ 89	\$ 39
<b>Other comprehensive income (loss):</b>		
Currency translation adjustment	(1)	(1)
Comprehensive income	\$ 88	\$ 38

*See accompanying Notes to Consolidated Financial Statements (Unaudited).*

**PENNEY INTERMEDIATE HOLDINGS LLC**  
**Consolidated Balance Sheets**  
**(Unaudited)**

<i>(In millions)</i>	<b>April 30, 2022</b>	<b>May 1, 2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 147	\$ 433
Merchandise inventory	1,928	1,682
Prepaid expenses and other assets	318	356
Total current assets	2,393	2,471
Property and equipment, net	840	920
Operating lease assets	1,576	1,643
Financing lease assets	83	46
Other assets	305	362
<b>Total assets</b>	<b>\$ 5,197</b>	<b>\$ 5,442</b>
<b>Liabilities and member's equity</b>		
Current liabilities:		
Merchandise accounts payable	\$ 413	\$ 338
Other accounts payable and accrued expenses	559	593
Current operating lease liabilities	46	56
Current financing lease liabilities	3	—
Current portion of long-term debt, net	4	20
Total current liabilities	1,025	1,007
Noncurrent operating lease liabilities	1,766	1,785
Noncurrent financing lease liabilities	86	47
Long-term debt	488	784
Other liabilities	157	178
<b>Total liabilities</b>	<b>3,522</b>	<b>3,801</b>
<b>Member's equity</b>		
Member's contributions	300	300
Profits interest plan	2	—
Accumulated other comprehensive loss	(3)	(2)
Reinvested earnings	1,376	1,343
<b>Total member's equity</b>	<b>1,675</b>	<b>1,641</b>
<b>Total liabilities and member's equity</b>	<b>\$ 5,197</b>	<b>\$ 5,442</b>

*See accompanying Notes to Consolidated Financial Statements (Unaudited).*

**PENNEY INTERMEDIATE HOLDINGS LLC**  
**Consolidated Statements of Member's Equity**  
**(Unaudited)**

<i>(In millions)</i>	<b>Member's Contributions/ (Distributions)</b>	<b>Profits Interest Plan Grants/ (Distributions)</b>	<b>Accumulated Other Comprehensive Income/(Loss)</b>	<b>Reinvested Earnings</b>	<b>Total Member's Equity</b>
<b>January 29, 2022</b>	<b>\$ 300</b>	<b>\$ 1</b>	<b>\$ (2)</b>	<b>\$ 1,317</b>	<b>\$ 1,616</b>
Member tax distributions	—	—	—	(30)	(30)
Net income	—	—	—	89	89
Currency translation adjustment	—	—	(1)	—	(1)
Profits interest plan grants	—	1	—	—	1
<b>April 30, 2022</b>	<b>\$ 300</b>	<b>\$ 2</b>	<b>\$ (3)</b>	<b>\$ 1,376</b>	<b>\$ 1,675</b>

*See accompanying Notes to Consolidated Financial Statements (Unaudited).*

**PENNEY INTERMEDIATE HOLDINGS LLC**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

(In millions)	Year-to-Date April 30, 2022	Year-to-Date May 1, 2021
<b>Cash flows from operating activities:</b>		
Net income	\$ 89	\$ 39
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Gain on asset disposition	(1)	—
Restructuring, impairment, store closing and other costs, non-cash	2	—
Gain on insurance proceeds received for damage to property	(1)	—
Depreciation and amortization	55	52
Change in cash from operating assets and liabilities:		
Merchandise inventory	(275)	(162)
Prepaid expenses and other assets	(41)	9
Merchandise accounts payable	100	187
Other accounts payable, accrued expenses and other liabilities	(131)	41
<b>Net cash provided (used) by operating activities</b>	<b>(203)</b>	<b>166</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(25)	(7)
Proceeds from sale of real estate assets	8	—
Insurance proceeds received for damage to property and equipment	2	—
<b>Net cash used by investing activities</b>	<b>(15)</b>	<b>(7)</b>
<b>Cash flows from financing activities:</b>		
Payments of long-term debt	—	(1)
Member tax distributions	(30)	—
Repayments of principal portion of finance leases	(1)	—
<b>Net cash used by financing activities</b>	<b>(31)</b>	<b>(1)</b>
Net increase (decrease) in cash and cash equivalents	(249)	158
Cash and cash equivalents at beginning of period	396	275
<b>Cash and cash equivalents at end of period</b>	<b>\$ 147</b>	<b>\$ 433</b>

*See accompanying Notes to Consolidated Financial Statements (Unaudited).*

**PENNEY INTERMEDIATE HOLDINGS LLC**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of Presentation and Consolidation**

These Consolidated Financial Statements (Unaudited) have been prepared in accordance with generally accepted accounting principles in the United States. The accompanying Consolidated Financial Statements (Unaudited), in the Company's opinion, include all material adjustments necessary for a fair presentation and should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto for the fiscal year ended January 29, 2022. The same accounting policies are followed to prepare quarterly financial statements as are followed in preparing annual financial statements. A description of such significant accounting policies is included in the notes to the Audited Consolidated Financial Statements.

The Consolidated Financial Statements (Unaudited) present the results of the Company and our subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. Certain amounts were reclassified to conform with current year presentation. Because of the seasonal nature of the retail business, operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

***Fiscal Year***

The Company's fiscal year consists of the 52-week period ending on the Saturday closest to January 31. As used herein, "three months ended April 30, 2022" refers to the 13- week period ended April 30, 2022 and "three months ended May 1, 2021" refers to the 13- week period ended May 1, 2021. Fiscal 2022 and 2021 consist of the 52-week periods ending January 28, 2023 and January 29, 2022, respectively.

***Global COVID-19 Pandemic***

The global COVID-19 pandemic which began in March 2020 has had, and continues to have, an impact on the Company. The full impact of the pandemic will continue to depend on future developments, including the continued spread and duration of the pandemic, the emergence of future variant strains of COVID-19, the availability and distribution of effective medical treatments or vaccines as well as any related federal, state, or local governmental orders, restrictions, or mandates. The Company did not experience sustained store closures due to COVID-19 from January 30, 2022 to April 30, 2022.

**2. Revenue**

Contracts with customers primarily consist of sales of merchandise and services at the point of sale, sales of gift cards to a customer for a future purchase, customer loyalty rewards that provide discount rewards to customers based on purchase activity, and certain licensing and profit sharing arrangements involving the use of the Company's intellectual property by others. Revenue includes Total net sales and Credit income and other. Net sales are categorized by merchandise product groupings as the Company believes it best depicts the nature, amount, timing and uncertainty of revenue and cash flow.

The components of Total net sales for the three months ended April 30, 2022 and May 1, 2021 were as follows:

	<b>Three Months Ended April 30, 2022</b>	<b>Three Months Ended May 1, 2021</b>
Women's apparel, accessories and footwear	34 %	33 %
Men's apparel, accessories and footwear	24 %	23 %
Jewelry, Handbags, and Beauty	16 %	19 %
Home, services and other	18 %	15 %
Kid's apparel, footwear and toys	8 %	10 %
Total net sales	100 %	100 %

Credit income and other encompasses the revenue earned from the agreement with Synchrony associated with our private label credit card and co-branded MasterCard programs.

The Company has contract liabilities associated with the sales of gift cards and our customer loyalty program. The liabilities are included in Other accounts payable and accrued expenses in the Consolidated Balance Sheets and were as follows:

<i>(In millions)</i>	<b>April 30, 2022</b>	<b>May 1, 2021</b>
Gift cards	\$ 83	\$ 101
Loyalty rewards	32	31
<b>Total contract liability</b>	<b>\$ 115</b>	<b>\$ 132</b>

The Company has contract liabilities including consideration received for gift card and loyalty related performance obligations which have not been satisfied as of the balance sheet date.

A rollforward of the amounts included in contract liability are as follows:

<i>(In millions)</i>	<b>Three Months Ended April 30, 2022</b>	<b>Three Months Ended May 1, 2021</b>
Beginning balance	\$ 127	\$ 143
Current period gift cards sold and loyalty reward points earned	48	41
Net sales from amounts included in contract liability opening balances	(21)	(26)
Net sales from current period usage	(39)	(26)
<b>Ending balance</b>	<b>\$ 115</b>	<b>\$ 132</b>

### 3. Long-Term Debt

<i>(In millions)</i>	<b>April 30, 2022</b>	<b>May 1, 2021</b>
<b>Issue:</b>		
2020 Term Loan Due 2026	\$ —	\$ 519
ABL FILO Facility Due 2026	160	—
ABL Term Loan Due 2026 (FILO Facility in Fiscal 2021)	340	300
<b>Total debt</b>	<b>500</b>	<b>819</b>
Unamortized debt issuance costs	(8)	(15)
Less: current maturities	(4)	(20)
<b>Total long-term debt</b>	<b>\$ 488</b>	<b>\$ 784</b>

The Company is subject to a borrowing base under the \$1.75 billion senior secured asset-based revolving credit facility (“Revolving Credit Facility”). As of April 30, 2022, the Company had \$1.49 billion available for borrowing with no borrowings outstanding and \$0.23 billion reserved for outstanding standby letters of credit. After taking into account minimum availability requirements of \$0.15 billion, the Company had \$1.11 billion available for future borrowings.

### 4. Litigation and Other Contingencies

We are subject to various legal and governmental proceedings involving routine litigation incidental to our business. While no assurance can be given as to the ultimate outcome of these matters, we currently believe that the final resolution of these actions, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial position, liquidity, or capital resources.



## **5. Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through June 14, 2022, the date at which the financial statements were available to be issued.

NARRATIVE REPORT

(follows this page)

## Penney Intermediate Holdings LLC

### Narrative Report

<i>(In millions)</i>	Three Months Ended April 30, 2022	Three Months Ended May 1, 2021	Increase/ (Decrease)
Total net sales	\$ 1,654	\$ 1,593	\$ 61
Credit income and other	110	76	34
Total revenues	1,764	1,669	95
Costs and expenses/(income):			
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,012	979	33
Selling, general and administrative	593	555	38
Depreciation and amortization	55	52	3
Real estate and other, net	(2)	—	(2)
Restructuring, impairment, store closing and other costs	2	16	(14)
Total costs and expenses	1,660	1,602	58
Operating income	104	67	37
Net interest expense	13	25	(12)
Income before income taxes	91	42	49
Income tax expense	2	3	(1)
Net income	\$ 89	\$ 39	\$ 50
Other comprehensive income (loss):			
Currency translation adjustment	(1)	(1)	—
Comprehensive income (loss)	\$ 88	\$ 38	\$ 50

### Summary Results of Operations for Quarter Ended April 30, 2022

Total net sales were \$1.7 billion for the quarter ended April 30, 2022 and were \$61 million favorable to the prior year. Total revenues were \$1.8 billion or \$95 million favorable when compared to the prior year.

Cost of goods sold as a percent of total net sales were 61.2% and 61.5% for the three months ended April 30, 2022 and May 1, 2021, respectively. Selling, general and administrative expenses were \$593 million or 35.9% of total net sales compared to \$555 million, or 34.8% for the prior year. Depreciation and amortization were \$55 million compared to \$52 million the prior year.

### Financial Condition and Liquidity

As of April 30, 2022, the Company had \$1.49 billion available for borrowing with no borrowings outstanding and \$0.23 billion reserved for outstanding standby letters of credit. After taking into account minimum availability requirements of \$0.15 billion, the Company had \$1.11 billion available for future borrowings.

STATEMENT OF CONSOLIDATED ADJUSTED EBITDA

(follows this page)

**PENNEY INTERMEDIATE HOLDINGS LLC**  
**Statement of Consolidated Adjusted EBITDA**  
**For the Three Months Ended April 30, 2022**

*(In millions)*

Net Income	\$	89
Plus:		
Net interest expense		13
Income tax expense		2
Depreciation and amortization		55
Restructuring, impairment, store closing and other costs		2
Minus:		
Real estate and other, net		(2)
Consolidated adjusted EBITDA	\$	159

*Prepared in accordance with the definition of Consolidated Adjusted EBITDA per Section 1.1 of the Credit and Guaranty Agreement dated December 7, 2020.*

STORE REPORTING PACKAGE

(follows this page)

## Quarterly Reporting Package

6/8/2022

Fiscal Quarter Ended April 30, 2022 <sup>(A)</sup>							
Property Ownership	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Rent	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
Fee	124	16,368,203	\$18				1.8
Ground Lease	22	3,117,253	\$22				1.9
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$18</b>	<b>\$65,542,402</b>	<b>\$36,687,663</b>	<b>\$28,854,739</b>	<b>1.8</b>

Fiscal Quarter Ended April 30, 2022 <sup>(A)</sup>		
Rent Tier <sup>(B)</sup>	# of Properties	Square Feet
1 > \$ 2.3	37	4,555,170
2 > \$ 1.8	36	5,133,970
3 > \$ 1.6	36	4,586,169
4 < \$ 1.6	37	5,210,147
<b>Total</b>	<b>146</b>	<b>19,485,456</b>

<sup>(A)</sup> Reflects financial activity from January 30, 2022 through April 30, 2022 (Fiscal Q1 2022)

<sup>(B)</sup> Rent tier determined based on book Occupancy Expense per square foot

**Rent** : includes book Rent, Ground Leases, Contingent Rent, CAM & accrued Real Estate Taxes

**EBITDA** : Tenant's Unallocated Store Contribution Profit, uses book rent

**EBITDAR** : excludes Occupancy included in calculation of EBITDA

## Quarterly Reporting Package

6/8/2022

Fiscal Quarter Ended April 30, 2022 <sup>(A)</sup>							
Tenant's Sales per Square Foot Tier	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Tenant's Four-Wall EBITDAR to Sales	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
> \$22.5	37	4,380,443	\$29		22.9%		2.5
> \$17.2	36	4,482,849	\$20		19.3%		1.9
> \$13.4	36	5,403,895	\$15		15.0%		1.3
< \$13.4	37	5,218,269	\$11		12.3%		1.1
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$18</b>	<b>\$65,542,402</b>	<b>18.4%</b>	<b>28,854,739</b>	<b>1.8</b>

Fiscal Quarter Ended April 30, 2022 <sup>(A)</sup>							
EBITDAR / Rent Tier <sup>(B)</sup>	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Tenant's Four-Wall EBITDAR to Sales	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
> {3.0}x	10	956,803	\$34		26.6%		3.7
> {2.0}x	46	5,499,447	\$22		21.6%		2.4
< {2.0}x	90	13,029,206	\$15		15.2%		1.3
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$18</b>	<b>\$65,542,402</b>	<b>18.4%</b>	<b>28,854,739</b>	<b>1.8</b>

(A) Reflects financial activity from January 30, 2022 through April 30, 2022 (Fiscal Q1 2022)

(B) Stratifications consolidated due to insufficient store count



## Quarterly Reporting Package

6/8/2022

Trailing 12 Months <sup>(B)</sup>							
Property Ownership	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Rent	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
Fee	124	16,368,203	\$84				2.3
Ground Lease	22	3,117,253	\$105				2.5
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$87</b>	<b>\$352,710,886</b>	<b>\$151,424,744</b>	<b>\$201,286,142</b>	<b>2.3</b>

Trailing 12 Months <sup>(B)</sup>							
Rent Tier <sup>(A)</sup>	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Rent	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
1 > \$ 9.4	37	4,579,891	\$126				2.6
2 > \$ 7.5	36	4,972,209	\$87				2.2
3 > \$ 6.7	36	4,639,724	\$82				2.3
4 < \$ 6.7	37	5,293,632	\$59				2.0
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$87</b>	<b>\$352,710,886</b>	<b>\$151,424,744</b>	<b>\$201,286,142</b>	<b>2.3</b>

<sup>(A)</sup> Rent tier determined based on book Occupancy Expense per square foot

<sup>(B)</sup> Reflects financial activity from May 2, 2021 through April 30, 2022 (TTM April 2022)

**Rent** : includes book Rent, Ground Leases, Contingent Rent, CAM & accrued Real Estate Taxes

**EBITDA** : Tenant's Unallocated Store Contribution Profit, uses book rent

**EBITDAR** : excludes Occupancy included in calculation of EBITDA

## Quarterly Reporting Package

6/8/2022

Trailing 12 Months <sup>(A)</sup>							
Tenant's Sales per Square Foot Tier	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Tenant's Four-Wall EBITDAR to Sales	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
> \$105.9	37	4,397,311	\$134		24.2%		2.9
> \$83.2	36	4,521,095	\$94		21.2%		2.5
> \$68	36	5,381,371	\$74		18.6%		1.9
< \$68	37	5,185,679	\$55		15.8%		1.7
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$87</b>	<b>\$352,710,886</b>	<b>20.7%</b>	<b>\$201,286,142</b>	<b>2.3</b>

Trailing 12 Months <sup>(A)</sup>							
EBITDAR / Rent Tier <sup>(B)</sup>	# of Properties	Square Feet	Tenant's Sales per Square Foot	Tenant's Four-Wall EBITDAR	Tenant's Four-Wall EBITDAR to Sales	Tenant's Four Wall EBITDA	Tenant's Four-Wall EBITDAR / Rent
> {3.0}x	30	3,415,379	\$116		24.0%		3.6
> {2.0}x	70	8,986,623	\$93		21.5%		2.4
< {2.0}x	46	7,083,454	\$67		16.5%		1.5
<b>Total</b>	<b>146</b>	<b>19,485,456</b>	<b>\$87</b>	<b>\$352,710,886</b>	<b>20.7%</b>	<b>\$201,286,142</b>	<b>2.3</b>

<sup>(B)</sup> Reflects financial activity from May 2, 2021 through April 30, 2022 (TTM April 2022)

<sup>(B)</sup> Stratifications consolidated due to insufficient store count

## Quarterly Reporting Package

### Master Lease Guarantor Operating Performance

Key Financial and Performance Metrics	Fiscal Quarter Ended April 30, 2022 <sup>(A)</sup>	Trailing 12 Months as of April 30, 2022 <sup>(C)</sup>
Comparable store sales percent increase/(decrease) for Master Lease Properties	8.8%	36.7%
Liquid assets covenant compliance (as defined in the Master Leases)	Yes	N/A
Tangible net worth (as defined in the Master Leases - in millions) <sup>(B)</sup>	\$1,562	N/A

Key Portfolio Metrics	Fiscal Quarter Ended April 30, 2022 <sup>(A)</sup>	Trailing 12 Months as of April 30, 2022 <sup>(C)</sup>
End of period number of stores - fee owned and ground leased	206	206
End of period number of stores - space leased	464	464
Gross square footage of stores (in millions)	81.7	81.7

<sup>(A)</sup> Reflects financial activity from January 30, 2022 through April 30, 2022 (Fiscal Q1 2022)

<sup>(B)</sup> Per Consolidated Financial Statements of Penney Intermediate Holdings LLC as of April 30, 2022

<sup>(C)</sup> Reflects financial activity from May 2, 2021 through April 30, 2022 (TTM April 2022)