

JCPenney

# 2019 Fourth Quarter and Full Year Earnings

Jill Soltau, CEO & Bill Wafford, CFO

February 27, 2020

JCP

# 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, cash flows and liquidity. 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 February 27, 2020. We do not undertake to update these forward-looking statements as of any future date.

# 2019 Highlights

## Increased inventory productivity

- Lowered inventory levels by 11.1 % versus fiscal 2018 and by 22.7% versus fiscal 2017
- Reallocated inventory to areas with the most growth, including athletic apparel and denim

## Improved gross margin

- Executed markdown cadence differently and refined pricing and promotion strategy
- Improved shrink through technology updates, reconfigured store layouts, and staffing adjustments

## Eliminated inefficient spending and corrected overspending

- Delivered \$100 million in controllable cost savings in 2019
- Implemented zero-based budgeting for 2020

## Defined our customer-focus segment: The All-in Shopping Enthusiast

- Serious shoppers who want a retailer that understands the occasions in their lives
- Building clear brand architectures within every merchandise division, establishing differentiation for JCPenney

## Designed an engaging, inspiring customer experience

- Introduced occasion merchandising to connect with how customers live everyday: Move, Chill, All-Day, On Point, Shine
- Reimplemented visual merchandising to bring products to life and inspire customers

## 2019 Fourth Quarter Performance

	4Q-19	4Q-18
Comparable store sales	(7.0%)	(6.0%)
Adj. Comparable store sales (excl. impact related to major appliance and in-store furniture categories) <sup>1</sup>	(4.7%)	(4.5%)
Cost of goods sold %	66.7%	68.7%
Adjusted EBITDA (non-GAAP) <sup>1</sup>	\$243M	\$266M
Adjusted EPS (non-GAAP) <sup>1</sup>	\$0.13	\$0.18






<sup>1</sup> A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at [ir.jcpenny.com](http://ir.jcpenny.com)

## 2019 Full Year Performance

	2019	2018
Comparable store sales	(7.7%)	(3.1%)
Adj. Comparable store sales (excl. impact related to major appliance and in-store furniture categories) <sup>1</sup>	(5.6%)	(2.3%)
Cost of goods sold %	65.4%	67.5%
Adjusted EBITDA (non-GAAP) <sup>1</sup>	\$583M	\$568M
Adjusted EPS (non-GAAP) <sup>1</sup>	(\$0.80)	(\$0.94)

<sup>1</sup> A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at [ir.jcpenny.com](http://ir.jcpenny.com)

# 2019 Financial Guidance Scorecard

	Original Guidance	FY2019 Actual	Result
Comparable store sales	<i>(7.0%) to (8.0%)</i>	<b>(7.7%)</b>	
Adj. Comparable store sales <sup>1,2</sup>	<i>(5.0%) to (6.0%)</i>	<b>(5.6%)</b>	
Cost of goods sold % vs. FY-18	<i>Decrease 150 to 200 bps</i>	<b>Decreased 210 bps</b>	
Adjusted EBITDA (non-GAAP) <sup>2</sup>	<i>Exceed \$475 million</i>	<b>\$583 Million</b>	
Free cash flow <sup>2</sup>	<i>Positive</i>	<b>\$145 Million</b>	

<sup>1</sup> Excludes impact related to major appliance and in-store furniture categories

<sup>2</sup> A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at [ir.jcpenny.com](http://ir.jcpenny.com)

# 2020 Full Year Financial Guidance

	FY-20
Comparable store sales	(3.5%) to (4.5%)
Cost of goods sold % vs. FY-19	Expected to improve 100 to 130 bps
Adjusted EBITDA \$ (non-GAAP) <sup>1</sup>	Expected to increase 5% to 10%
Free cash flow <sup>1</sup>	Expected to be positive

<sup>1</sup> 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

Pennney's