

## **jcpenney Unveils Long Term Financial Outlook at Day Two of Launch Event in New York City**

### **COO Mike Kramer Outlines Enhanced Profit Formula As Strategic Initiatives Dramatically Simplify Company's Business Model**

#### **Four-Year Transformation to be Funded with Cash from Operations, Starting with \$800 Million in Capital Expenditures in Fiscal Year 2012**

#### **In Full Year 2012, Company Plans to Meet or Exceed 2010 Adjusted Earnings of \$2.16 Per Share, or 2010 Earnings of \$1.59 Per Share on a GAAP Reported Basis**

PLANO, Texas, Jan. 26, 2012 /PRNewswire/ -- At the second day of its launch event in New York City this morning, J. C. Penney Company, Inc. ("jcpenney") (NYSE:JCP) revealed financial plans to generate profitable earnings growth and long-term shareholder value as the Company transforms itself into America's favorite store. Following on CEO Ron Johnson's and President Michael Francis' presentation titled "In Praise of Fresh Air," Mike Kramer, the Company's chief operating officer, outlined the Company's financial outlook, including an enhanced profit formula derived from the simplified business model or "blueprint" that Johnson and Francis revealed the day before. The blueprint, which includes jcpenney's new Fair and Square Pricing strategy, unique and exciting monthly promotional calendar, and substantial changes to its merchandise assortment, is designed to allow customers to once again shop on their terms in a completely re-invented store environment.

(Logo: <https://photos.prnewswire.com/prnh/20110222/DA51975LOGO>)

"The blueprint Ron and Michael outlined yesterday dramatically simplifies our operations and significantly improves the Company's ability to flow margins through to the bottom line. As we transform the business model, our teams are committed to improving sales productivity in our stores, generating 40 percent or better gross margins, while lowering expenses to industry-leading levels. Taken together, this creates a formula for long term, sustainable profit growth," Mr. Kramer said.

#### **Commitment to Reduce Expenses Begins February 1:**

The Company announced it is targeting \$900 million in expense cuts to be completed over the first two years of its transformation, ultimately lowering jcpenney's expenses below 30 percent of sales in just two years. Kramer stated he expects to achieve an expense run rate of 27 percent by the end of the transformation in 2015. The savings will come

primarily from stores, advertising and the operations in the Company's home office.

### **Transformation of jcpenny's Store Fleet with Cash from Operations;\$800M to be spent in 2012:**

During his presentation, Mr. Kramer revealed plans to fund the transformation of jcpenny's stores through cash from operations, beginning with \$800 million in capital expenditures in fiscal year 2012. The majority of this capital will be spent enhancing jcpenny's store experience and installing the company's new in-store shops. Beginning in August 2012, jcpenny will begin a month-by-month, shop-by-shop strategy to update its stores with new and exciting merchandise and in-store presentations. Two to three shops will be installed each and every month, over the four-year transformational period. Kramer reiterated the expectation that jcpenny's transformation would be complete by the end of 2015.

Commenting on the Company's plans to self-fund its transformation, Mr. Johnson noted, "We are fundamentally re-imagining every aspect of our business and we fully expect the bold and strategic changes we are making to our operations will result in improved profitability. This should enable us to fund the transformation of jcpenny's store experience, while at the same time returning value to shareholders with steady earnings growth."

### **Earnings Per Share in 2012 Expected to Meet or Exceed 2010 Levels**

Company leadership expects full year earnings for fiscal year 2012 to meet or exceed 2010 earnings per share of \$2.16 on an adjusted basis, or \$1.59 on a GAAP reporting basis. The company announced it will no longer provide quarterly sales or earnings guidance, and will no longer report monthly same store sales results. However, Mr. Kramer did reveal plans to host face-to-face question-and-answer sessions in New York with members of the financial community the week following jcpenny's quarterly earnings announcements, starting with the first quarter of 2012. These questions-and-answer sessions will be webcast live and available for replay after the session.

jcpenny will report 2012 quarterly earnings before the market opens on the following dates:

- First Quarter: Thurs., May 10, 2012
- Second Quarter: Thurs., Aug. 9, 2012
- Third Quarter: Thurs., Nov. 8, 2012
- Fourth Quarter: Thurs., Feb. 28, 2013

*As previously announced, the Company held a presentation and Q&A session for analysts*

*and investors beginning at 9:00 am ET through 10:30 am ET today, to discuss the financial components of its transformation plans and financial outlook. For webcast and conference call replay information, please visit [www.jcpenney.net](http://www.jcpenney.net).*

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**About J. C. Penney Company, Inc.**

Over 110 years ago, James Cash Penney founded his company on the principle of treating customers the way he wanted to be treated himself: fair and square. Today, rooted in its rich heritage, J. C. Penney Company, Inc. (NYSE: JCP) is re-imagining every aspect of its business in order to reclaim its birthright and become America's favorite store. The Company is transforming the way it does business and remaking the customer experience across its 1,100 jcpenney stores and on [jcp.com](http://jcp.com). On every visit, customers will discover straightforward Fair and Square Pricing, month-long promotions that are in sync with the rhythm of their lives, exceptionally curated merchandise, artful presentation, and unmatched customer service.

For more information about jcpenney, visit [jcp.com](http://jcp.com).

This release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which reflect the Company's current views of future events and financial performance, involve known and unknown risks and uncertainties that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, general economic conditions, including inflation, recession, unemployment levels, consumer spending patterns, credit availability and debt levels, changes in store traffic trends, the cost of goods, trade restrictions, changes in pricing strategies, changes in tariff, freight and shipping rates, changes in the cost of fuel and other energy and transportation costs, increases in wage and benefit costs, competition and retail industry consolidations, interest rate fluctuations, dollar and other currency valuations, the impact of weather conditions, risks associated with war, an act of terrorism or pandemic, and a systems failure and/or security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information and legal and regulatory proceedings. Please refer to the Company's most recent Form 10-K and subsequent filings for a further discussion of risks and uncertainties. Investors should take such risks into account when making investment decisions. We do not undertake to update these forward-looking statements as of any future date.

**ADJUSTED INCOME FROM CONTINUING OPERATIONS (Non-GAAP)**  
(Amounts in millions except per share data)

The following table reconciles income from continuing operations, the most directly comparable

GAAP measure, to adjusted income from continuing operations, a non-GAAP financial measure, which excludes the impact of the qualified pension plan:

	<u>2010</u>
Income from continuing operations	\$ 378
Earnings per share from continuing operations - diluted	\$ 1.59
Add: Qualified pension plan expense net of tax of \$86	135
Adjusted income from continuing operations (non-GAAP)	<u>\$ 513</u>
<i>As a percent of sales</i>	2.9%
Adjusted earnings per share from continuing operations - diluted (non-GAAP)	\$ 2.16

SOURCE J. C. Penney Company, Inc.