2019
FIRST QUARTER
EARNINGS CALL
May 21, 2019
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 May 21, 2019. We do not undertake to update these forward-looking statements as of any future date.
## 2019 First Quarter Performance

<table>
<thead>
<tr>
<th></th>
<th>1Q-19 vs. 1Q-18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparable Sales</strong>(^1,2)</td>
<td>(5.5%)</td>
</tr>
<tr>
<td><strong>Cost of Goods Sold %(^3)</strong></td>
<td>66.8%</td>
</tr>
<tr>
<td><strong>SG&amp;A %(^4)</strong></td>
<td>35.1%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA (non-GAAP)</strong></td>
<td>$74M</td>
</tr>
<tr>
<td><strong>Adjusted EPS (non-GAAP)</strong></td>
<td>($0.46)</td>
</tr>
</tbody>
</table>

\(^1\) 1Q-19 includes a 20 basis point combined negative impact resulting from the exit of the major appliance and in-store furniture categories in 1Q-19

\(^2\) Reflects the calendar shift in 1Q 2018 due to the 53rd week in 2017

\(^3\) 1Q-19 includes a 70 basis point combined negative impact resulting from the exit of the major appliance and in-store furniture categories in 1Q-19

\(^4\) See SG&A Expense comparison on slide 9 for further information

\(^5\) A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at ir.jcpenney.com
BUILDING A TEAM OF RETAIL EXPERTS

EVP, Chief Customer Officer: Shawn Gensch
EVP, Chief Financial Officer: Bill Wafford
EVP, Chief Merchant: Michelle Wlazlo
EVP, Chief Human Resources Officer: Brynn Evanson
EVP, Chief Information & Digital Officer: Therace Risch
EVP, Chief Stores & Supply Chain Officer: Mike Robbins
SVP, Home Product Design & Development: Laurene Gandolfo
SVP, Chief Transformation Officer: Truett Horne
SVP, Asset Protection: Mark Stinde
SVP, Planning & Allocation: John Welling
SVP, Principal Accounting Officer and Controller: Steve Whaley
Strategic Advisor: Trish Adams
Inventory
• Reduced inventory levels by 16% for the quarter; remain focused on improved inventory productivity
• Experienced significantly increased sell-thru rates within all divisions
• Delivered improved selling margins in majority of merchandise divisions
• Tested strategies around optimal inventory levels and assortment choice counts

Omnichannel
• Removed several hundred thousand unproductive and unprofitable factory ship SKUs from jcp.com; relatively no impact to online sales results

Store Processes
• Launched a new store checkout process to streamline tasks and enhance the customer experience; shorter checkout lines
• Tested a new centralized pick-up and returns area with plans to expand the concept to 500 stores in Q2
IMMEDIATE ACTIONS PROGRESS
Q1 2019

Shrink
• Beginning to see improved shrink results through recent technology implementations and staffing adjustments
  – New security tag implementations have each delivered meaningful reductions in shrink dollars in their respective areas

Merchandise
• Hired new Chief Merchant
• Revamping and rethinking merchandise strategies, including the elimination of major appliances, to improve customer experience
• Meetings with several key partners to discuss new ideas and initiatives
• Ongoing assortment review to better align apparel offerings with customer preferences and reestablish
• Refocusing efforts in Home and refining housewares and soft home assortments
### GROSS MARGIN REVIEW
Q1 2019

<table>
<thead>
<tr>
<th>Gross Margin %</th>
<th>1Q-19</th>
<th>1Q-18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33.2%</td>
<td>33.7%</td>
</tr>
</tbody>
</table>

**Major appliance and in-store furniture category exits and liquidation, net**

-70bps

- When taking into account the impact of appliance and furniture liquidation, Gross Margin was up 20 basis points in 1Q-19 versus 1Q-18.
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:

**Clearance**
- Restoring clearance selling margins to more historical levels; represents significant total gross margin upside potential

**Shrink**
- Normalizing shrink results to historical levels; could contribute meaningful total gross margin upside on an annualized basis

**Category Eliminations**
- Eliminate non-core and low gross margin product categories to refocus on driving higher sales and gross margin
- Recent category exits include major appliances, furniture and certain online drop-ship SKUs
SG&A EXPENSE COMPARISON
Q1 2019

<table>
<thead>
<tr>
<th>SG&amp;A Expense</th>
<th>1Q-19</th>
<th>1Q-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported SG&amp;A Expense</td>
<td>$856M</td>
<td>$826M</td>
</tr>
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SG&A expense includes:

<table>
<thead>
<tr>
<th>Description</th>
<th>1Q-19</th>
<th>1Q-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of Leasehold Interest (benefit)</td>
<td>N/A</td>
<td>($30M)</td>
</tr>
<tr>
<td>Risk – release of liability reserve (benefit)</td>
<td>N/A</td>
<td>($10M)</td>
</tr>
<tr>
<td>Home Office Lease Expense¹</td>
<td>$5M</td>
<td>N/A</td>
</tr>
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</table>

- When taking into account these adjustments, SG&A expense dollars were down $15 million in 1Q-19 versus 1Q-18

¹ Starting in fiscal 2019, the Company prospectively adopted the provisions of the New Lease Accounting Standard and as such, expenses related to its home office lease expense are now recorded in SG&A expenses. In 1Q-18, the home office lease was recorded as separate charges in both interest expense and amortization and depreciation.
LIQUIDITY VS. UPCOMING DEBT MATURITIES

• Strong liquidity position of ~$1.75 billion at the end of 1Q-2019; historical and continued trend of strong liquidity position
• Expect positive free cash flow for fiscal 2019
• $50 million of debt maturing in October 2019 and $110 million maturing in June 2020
• No significant unsecured debt maturities until 2036
“THE WELL-SATISFIED CUSTOMER WILL BRING THE REPEAT SALE THAT COUNTS”

– James Cash Penney