

JCPenney Reports Third Quarter 2019 Financial Results

Cost of Goods Sold Rate Improved 350 Basis Points; Inventory Reduced 9.0 % From Prior Year Increases Adj. EBITDA¹ Guidance for Full-Year 2019; Reaffirms Other Prior Financial Guidance

PLANO, Texas – (Nov. 15, 2019) – J. C. Penney Company, Inc. (NYSE: JCP) today announced the following financial results for its fiscal third quarter ended Nov. 2, 2019, as compared to the third quarter ended Nov. 3, 2018 last year:

- Comparable store sales decreased 9.3 %; Adjusted comparable store sales decreased 6.6 %
- Cost of goods sold rate improved 350 basis points
- Net loss per share improved over last year to (\$0.29)
- Inventory declined 9.0 % to \$2.93 billion
- Strong liquidity position of approximately \$1.7 billion
- Company increased Adj. EBITDA¹ guidance; Reaffirmed all other prior financial guidance

“The past quarter was an exciting and energizing time at JCPenney as we made significant progress on our efforts to return JCPenney to sustainable, profitable growth,” said Jill Soltau, chief executive officer of JCPenney. “We are beginning to see results – both in our numbers and how we operate as a business – from the early implementation of our Plan for Renewal, which is focused on driving traffic, offering compelling merchandise, providing an engaging experience, fueling growth, and building a results-minded culture. Going forward, I am confident that delivering our strategy, coupled with our ongoing discipline and commitment to improving the foundational elements of our business, will return JCPenney to its rightful place in the retail industry.”

For the quarter ended Nov. 2, 2019, total net sales decreased 10.1 % to \$2.38 billion compared to \$2.65 billion for the quarter ended Nov. 3, 2018. Comparable store sales decreased 9.3 % for the quarter. Adjusted comparable store sales, which exclude the impact of the Company’s exit from major appliance and in-store furniture categories, decreased 6.6 % for the quarter. Credit income was \$116 million for the third quarter this year compared to \$80 million in the third quarter last year.

Cost of goods sold, which excludes depreciation and amortization, was \$1.54 billion, or 64.6 % of sales, in the third quarter this year compared to \$1.81 billion, or 68.1 % of sales in the same period last year. The 350-basis point improvement as a rate of sales was primarily driven by an increase in both store and online selling margins, improved shrink as a percent of net sales and the exit from the major appliance and in-store furniture categories earlier this year.

SG&A expenses for the third quarter were \$854 million, or 35.8 % of net sales this year compared to \$883 million, or 33.3 % of net sales, last year. The decrease in SG&A dollars this year was primarily due to lower advertising and store controllable expenses, which were offset by slightly higher incentive compensation. Last year, the Company recorded a \$26 million benefit in SG&A expenses in the third quarter related to the buyout of a store leasehold interest. Additionally, in connection with the adoption of the new Lease Accounting Standard at the beginning of fiscal 2019, SG&A expenses in the third quarter this year included approximately \$5 million related to the Company’s home office lease. Last year, the home office lease related expense was recorded as depreciation and amortization and interest expense.

For the third quarter, the Company's net loss improved from a net loss of \$151 million, or (\$0.48) per share last year to a net loss of \$93 million, or (\$0.29) per share, this year.

Adjusted net loss was \$97 million, or (\$0.30) per share, this year compared to an adjusted net loss of \$164 million, or (\$0.52) per share, last year.

Cash and cash equivalents at the end of the third quarter were \$157 million. Free cash flow was (\$518) million for the first nine months this year, a decrease of \$18 million compared to the same period last year.

Inventory at the end of the third quarter was \$2.93 billion, down 9.0 % compared to the end of the third quarter last year. Inventory has declined 13.9% when compared to the end of the third quarter in fiscal 2017.

The Company ended the third quarter with liquidity of approximately \$1.7 billion. The Company expects liquidity to be at least \$1.5 billion for the remainder of the year.

A reconciliation of GAAP to non-GAAP financial measures is included in the schedules accompanying the consolidated financial statements in this release.

Outlook

The Company is updating its expectation of Adjusted EBITDA¹ to now exceed \$475 million for full year fiscal 2019. In addition, the Company has also reaffirmed its prior financial guidance for full year fiscal 2019 as follows:

- Comparable store sales: expected to be in a range of (7.0) % to (8.0) %;
- Adjusted comparable store sales, which excludes the impact of the Company's exit from major appliances and in-store furniture categories¹: expected to be in a range of (5.0) % to (6.0) %;
- Cost of goods sold, as a rate of net sales: expected to decrease 150 to 200 basis points compared to last year; and
- Free Cash Flow¹: expected to be 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 now.

2019 Third Quarter Earnings Conference Call Details

At 8:30 a.m. ET today, the Company will host a live conference call conducted by chief executive officer Jill Soltau and chief financial officer Bill Wafford. Management will discuss the Company's performance during the quarter and take questions from participants. To access the conference call, please dial (844) 243-9275, or (225) 283-0394 for international callers, and reference 3173665 conference ID. Visit the Company's investor relations [website](#) for conference call information and supplemental slides that will be released approximately 10 minutes prior to the start of the call.

Telephone playback will be available for seven days beginning approximately two hours after the conclusion of the conference call by dialing (855) 859-2056, or (404) 537-3406 for international callers, and referencing 3173665 conference ID.

Investors and others should note that we currently announce material information using SEC filings, press releases, public conference calls and webcasts. In the future, we will continue to use these channels to

distribute material information about the Company and may also utilize our website and/or various social media to communicate important information about the Company, key personnel, new brands and services, trends, new marketing campaigns, corporate initiatives and other matters. Information that we post on our website or on social media channels could be deemed material; therefore, we encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post on our website as well as the following social media channels:

Facebook (<https://www.facebook.com/jcp>) and Twitter (<https://twitter.com/jcpnews>).

Any updates to the list of social media channels we may use to communicate material information will be posted on the Investor Relations page of the Company's website at www.jcpenny.com.

Media Relations:

(972) 431-3400 or jcpnews@jcp.com; Follow us [@jcpnews](https://twitter.com/jcpnews)

Investor Relations:

(972) 431-5500 or jcpinvestorrelations@jcp.com

About JCPenney:

J. C. Penney Company, Inc. (NYSE: JCP), one of the nation's largest apparel and home retailers, combines an expansive footprint of approximately 850 stores across the United States and Puerto Rico with a powerful e-commerce site, jcp.com, to deliver style and value for all hard-working American families. At every touchpoint, customers will discover stylish merchandise at incredible value from an extensive portfolio of private, exclusive and national brands. Reinforcing this shopping experience is the customer service and warrior spirit of approximately 95,000 associates across the globe, all driving toward the Company's mission to help customers find what they love for less time, money and effort. For additional information, please visit the [website](#).

Forward-Looking Statements

This release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expect" and similar expressions identify forward-looking statements, which include, but are not limited to, statements regarding sales, cost of goods sold, selling, general and administrative 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. They are subject to known and unknown risks and uncertainties, many of which are outside of the Company's control 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 confidence and spending patterns, credit availability and debt levels, changes in store traffic trends, the cost of goods, more stringent or costly payment terms and/or the decision by a significant number of vendors not to sell us merchandise on a timely basis or at all, trade restrictions, the ability to monetize non-core assets on acceptable terms, the ability to implement our strategic plan including our omnichannel initiatives, customer acceptance of our strategies, our ability to attract, motivate and retain key executives and other associates, the impact of cost reduction initiatives, our ability to generate or maintain liquidity, implementation of new systems and platforms, changes in tariff, freight and shipping rates, changes in the cost of fuel and other energy and transportation costs, disruptions and congestion at ports through which we import goods, 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, the ability of the federal government to fund and conduct its operations, a systems failure and/or security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information, legal and regulatory proceedings, the Company's ability to access the debt or equity markets on favorable terms or at all, and the Company's ability to comply with the continued listing criteria of the NYSE, and risks arising from the potential suspension of trading of the Company's common stock on that exchange. 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 further 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 press release is based only on information currently available to us and speaks only as of the date on which it is made. We do not undertake to update these forward-looking statements as of any future date.

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