JCPenney®

Fourth Quarter & Full Year 2016 Earnings Call

February 24, 2017

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, gross margin, expenses, earnings, 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-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 24, 2017. We do not undertake to update these forward-looking statements as of any future date.

Fourth Quarter 2016 Performance

	4Q-16	vs.	4Q-15
Comparable store sales	(0.7)%		3.4%* 2-year stack
Gross margin	33.1%		-100 bps
SG&A	23.4%		-70 bps
EBITDA (non-GAAP)**	$427M		+$288M
Adjusted EPS (non-GAAP)**	$0.64		+$0.25

** Q4 2016 = (0.7)%, Q4 2015 = 4.1% equating to a 2-year stack of 3.4%*
*** A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at ir.jcpenney.com*

Full Year 2016 Performance

	FY16	vs.	FY15
Comparable store sales	0.0%		4.5%* 2-year stack
Gross margin	35.7%		-30 bps
SG&A	28.2%		-170 bps
EBITDA (non-GAAP)**	$1,004M		+$477M
Adjusted EPS (non-GAAP)**	$0.08		+$1.11

** 2016 = 0.0%, 2015 = 4.5% equating to a 2-year stack of 4.5%*
*** A reconciliation of GAAP to non-GAAP financial measures is available on our investor relations site at ir.jcpenney.com*

2016 Highlights

Merchandise Initiatives

- Completed roll out of appliances to more than 500 locations
- Opened 61 Sephora locations; 577 locations in total
- Introduced MSX by Michael Strahan
- Launched Ashley Nell Tipton for Boutique+ in 500 stores and online nationwide

Dot Com

- Launched buy online pickup in store same day during Back-To-School
- Improved conversion rates with recent launch of new mobile app
- Expanded online skus

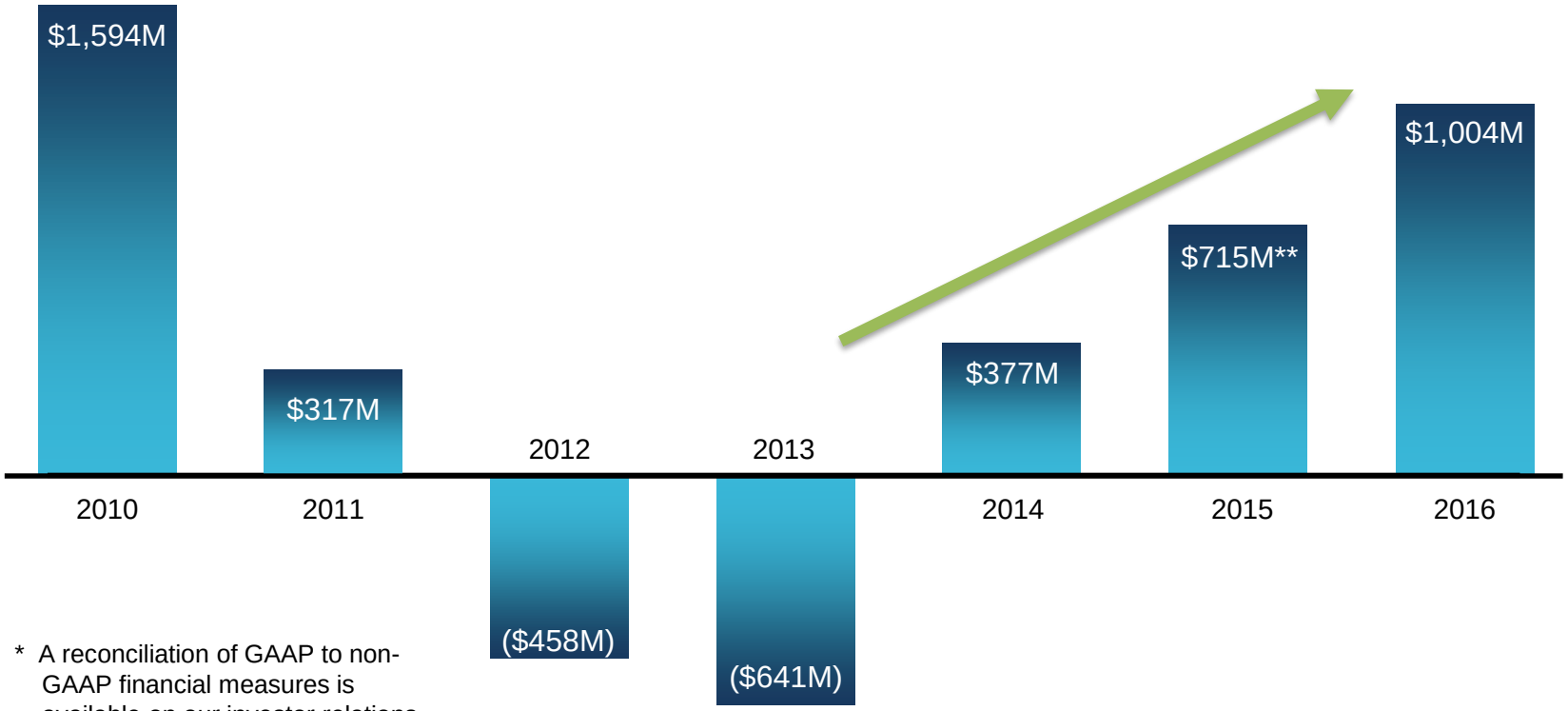
SG&A Reduction

- Store controllable costs
- Corporate overhead
- Advertising efficiency
- Leveraged 170 basis points as a % of sales

Improved Profitability

- Strong growth in .com, Sephora, Home and Salon
- Disciplined expense management and operational execution
- Net income increased $514 million for the full year
- Achieved $1B EBITDA target

EBITDA* History



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**Reflects Adjusted EBITDA

2017 STRATEGIC PRIORITIES

The PENNEY Idea

"TO DO ALL IN OUR POWER TO PACK THE CUSTOMER'S DOLLAR FULL OF VALUE, QUALITY AND SATISFACTION"

- James Cash Penney

Sales Opportunities

Home Refresh	Beauty	Value	Special Sizes	Omnichannel
Appliances	Women's Apparel	Private Brands	Big & Tall	Mobile App
Window Coverings	Sephora	Exclusive Partnerships	Women's Plus	Enterprise Fulfillment
Soft Home	Salon by InStyle	Loyalty Program	Juniors Plus	Buy Online Pickup In Store (same-day)
Ashley Furniture	Center Core	Marketing Efficiencies	Boys Husky and Girls Plus	SKU Expansion
Empire Flooring				

Gross Margin Opportunity

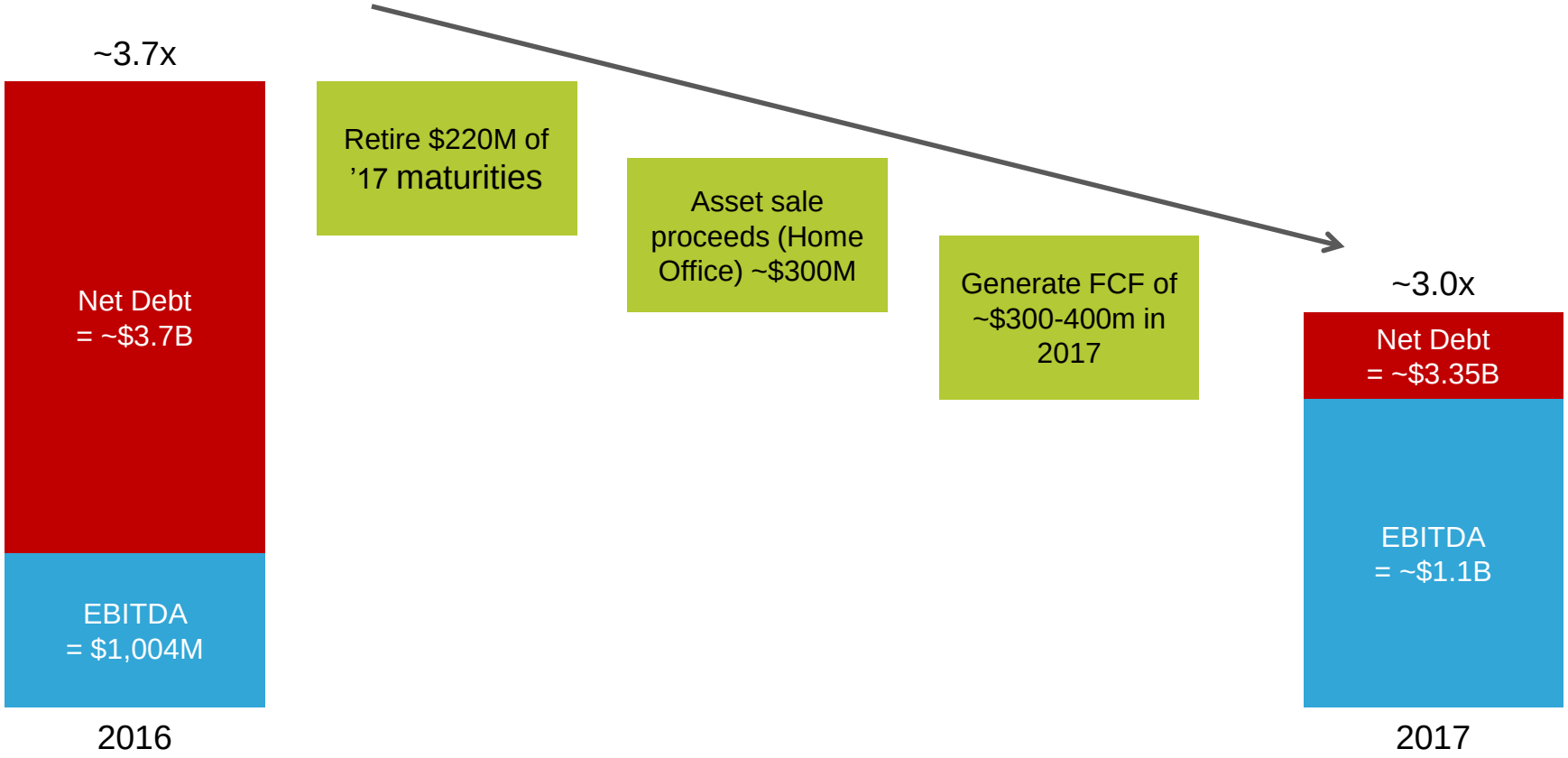
Opportunities	Headwinds
Pricing Optimization	.com Growth
Private Brands	Major Appliances
Merchandising Systems/Modernizing Replenishment	Re-invest in Price/Value
Size Optimization/Localization	
Supply Chain Optimization	
Shortage	

2017 Guidance

Comparable store sales	-1% to +1%
Gross margin	+20 to 40 bps vs. 2016
SG&A dollars	Down 1% to 2% vs. 2016
Adjusted EPS* (non-GAAP)	$0.40 – $0.65

* 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

Net Debt to EBITDA



While working towards our profitability goals in 2017, we expect to concurrently retire debt, utilize our Home Office proceeds and generate free cash flow of approximately $300-400M in 2017. This will result in a reduction of our Net Debt to EBITDA ratio from 3.7x to less than 3x in 2017.

Our Strategic Framework

JCPENNEY

Private Brands

- Differentiation
- Value With Style
- Maximize Profits
- Speed to Market

Omnichannel

- Mobile
- Enterprise Fulfillment
- Buy Online Pick Up In Store
- Expanded Assortment

Revenue Per Customer

- Home Initiatives
- Sephora
- Special Sizes
- Localization & Pricing

Our Mission

NEW MISSION

Help our customer find what she loves for less time, money and effort