



# Macy's (M)

Updated March 17<sup>th</sup>, 2025 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$14	<b>5 Year CAGR Estimate:</b>	2.0%	<b>Market Cap:</b>	\$3.8B
<b>Fair Value Price:</b>	\$13	<b>5 Year Growth Estimate:</b>	-2.0%	<b>Ex-Dividend Date:</b>	03/14/25
<b>% Fair Value:</b>	109%	<b>5 Year Valuation Multiple Estimate:</b>	-1.6%	<b>Dividend Payment Date:</b>	04/01/25
<b>Dividend Yield:</b>	5.2%	<b>5 Year Price Target</b>	\$12	<b>Years Of Dividend Growth:</b>	5
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Sell

## Overview & Current Events

Macy's is a department store company that operates brick and mortar stores, as well as online stores under the Macy's, Bloomingdale's, and Bluemercury brands. Macy's was founded in 1929 and is headquartered in Cincinnati, Ohio. The company owns highly valuable real estate, such as the Herald square building in New York City.

Macy's reported its fourth quarter earnings results on March 6. The company reported that its revenues totaled \$7.77 billion during the quarter, which was above what the analyst community forecasted, with the consensus estimate being beaten by \$13 million. Macy's revenues were down by 4% versus the previous year's quarter. That was slightly worse compared to the previous trend, as Macy's had reported a smaller revenue decline during the previous quarter. Macy's is, like other retailers, feeling headwinds from an uncertain economic outlook and weak consumer sentiment that hurts in-store spending on discretionary consumer goods.

Macy's generated earnings-per-share of \$1.80 during the fourth quarter, which represents a weaker result compared to the previous year's period. Results faded in 2023 and 2024, relative to the two strong years we saw in 2021 and 2022. For 2025, earnings-per-share are now forecasted to be between \$2.05 and \$2.25 according to management's current guidance, which indicates that the company's earnings-per-share will likely continue to pull back this year on the back of weaker consumer sentiment that hurts Macy's business outlook. The company has increased its dividend by around 5% in February, bringing the annual payout to \$0.73 per share. According to Macy's current guidance, the dividend will remain well-covered, despite the expected earnings decline this year.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.77	\$3.13	\$3.77	\$4.18	\$2.91	-12.70	\$5.31	\$4.48	\$2.76	\$2.64	<b>\$2.15</b>	<b>\$1.94</b>
<b>DPS</b>	\$1.35	\$1.48	\$1.51	\$1.51	\$1.51	\$0.38	\$0.60	\$0.63	\$0.66	\$0.70	<b>\$0.73</b>	<b>\$0.77</b>
<b>Shares<sup>1</sup></b>	310	304	305	307	309	311	307	275	274	278	<b>275</b>	<b>260</b>

After Macy's earnings-per-share peaked in 2014, following a healthy recovery from the Great Recession, they declined considerably, which is primarily due to ongoing industry headwinds. Online competition from companies such as Amazon has pressured sales and margins. While Macy's hit a new record profit in 2021, that was largely due to one-time elevated consumer spending driven by COVID-related stimulus measures.

Macy's has been making a range of strategic moves to stabilize its business, which includes expanding its own online business and moving towards an omni-channel approach, coupling online and brick-and-mortar sales. Macy's has stated that it will continue to close the least profitable stores to focus on the most profitable locations, which should help offset at least some of the margin declines that have been a problem for Macy's in the past. Due to adverse macro trends for the entire industry, such as rising store expenses and online competition, we nevertheless believe that earnings could decline going forward, especially during an economic downturn. The company's buybacks could offset some of the macro headwinds if a solid buyback pace is maintained, but we forecast a small earnings-per-share decline over the coming years nevertheless.

<sup>1</sup> In Millions

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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.2	11.9	6.6	7.2	5.8	NMF	4.9	4.7	7.3	6.1	6.5	6.0
Avg. Yld.	2.4%	4.0%	6.1%	5.0%	8.9%	3.2%	2.3%	3.0%	3.3%	4.4%	5.2%	6.6%

Macy's trades at 6 to 7 times this year's forecasted earnings right now, after accounting for the company's lowered earnings-per-share guidance for this year. This is an inexpensive valuation relative to how the company's shares were valued a decade ago, but we believe that double-digit earnings multiples are not coming back. Due to structural headwinds for the industry and an unconvincing long-term business growth track record, we believe that Macy's earnings multiple will remain subdued, with shares even having some downside potential from where they trade today.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

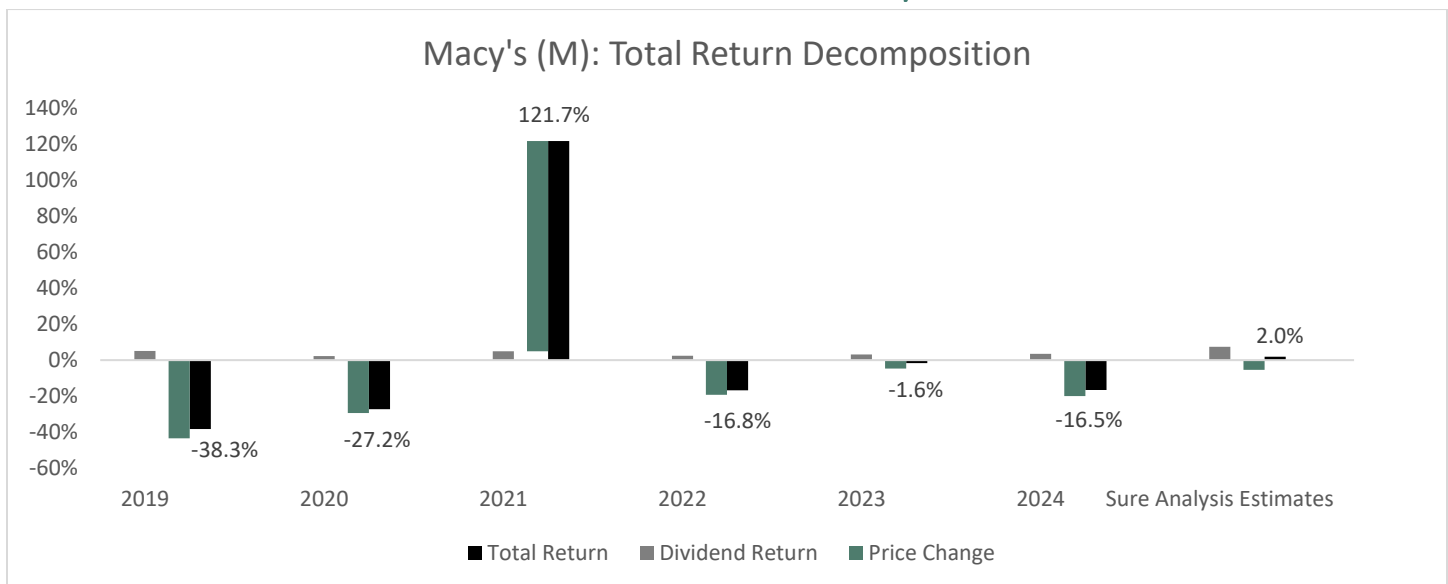
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	35.8%	47.3%	40.1%	36.1%	51.9%	NMF	11.3%	14.1%	23.9%	26.5%	34.0%	39.5%

In 2020, Macy's decided to suspend its dividend in order to preserve cash during the pandemic. The company then initiated a new dividend, but at a reduced level, with some dividend increases since then. The payout looks sustainable. Macy's is a renowned brand; around half of Americans shop at Macy's at least once a year. There is a Macy's store in many grade A malls, and its ecommerce business platform has enjoyed solid growth in recent years. Online competition remains a big issue, however, although Macy's own e-commerce presence and omni-channel strategy are a bit of a relief. Macy's business is vulnerable to economic downturns, with the past pandemic being an especially hurtful scenario for the company due to forced store closures and consumers moving towards online shopping. In future recessions, Macy's will most likely experience earnings declines as well.

## Final Thoughts & Recommendation

Macy's is a department store company that has struggled to generate reliable long-term business growth in the past. Margin initiatives should be beneficial for the company's earnings, but due to macro headwinds, we nevertheless believe that earnings growth will be hard to come by in the long run. Shares do not promise compelling returns from the current level, which is why we rate Macy's a sell right here.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	27,079	26,564	25,641	25,739	25,331	18,097	25,399	25,449	23,866	23,006
<b>Gross Profit</b>	10,583	10,898	10,460	10,524	10,160	5,811	10,443	10,143	9,723	9,266
<b>Gross Margin</b>	39.1%	41.0%	40.8%	40.9%	40.1%	32.1%	41.1%	39.9%	40.7%	40.3%
<b>SG&amp;A Exp.</b>	8,468	9,257	8,954	9,039	8,998	6,767	8,154	8,461	8,375	8,330
<b>D&amp;A Exp.</b>	1,061	1,058	991	962	981	959	874	857	897	881
<b>Operating Profit</b>	2,115	1,641	1,506	1,485	1,162	(956)	2,289	1,682	1,348	936
<b>Op. Margin</b>	7.8%	6.2%	5.9%	5.8%	4.6%	-5.3%	9.0%	6.6%	5.6%	4.1%
<b>Net Profit</b>	1,072	627	1,566	1,108	564	(3,944)	1,430	1,177	105	582
<b>Net Margin</b>	4.0%	2.4%	6.1%	4.3%	2.2%	-21.8%	5.6%	4.6%	0.4%	2.5%
<b>Free Cash Flow</b>	871	889	1,216	803	451	183	2,115	320	312	396
<b>Income Tax</b>	608	346	(39)	322	164	(846)	436	341	19	181

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	20,576	19,851	19,583	19,194	21,172	17,706	17,590	16,866	16,246	16,402
<b>Cash &amp; Equivalents</b>	1,109	1,297	1,455	1,162	685	1,679	1,712	862	1,034	1,306
<b>Acc. Receivable</b>	558	522	363	400	409	276	297	300	293	303
<b>Inventories</b>	5,506	5,399	5,178	5,263	5,188	3,774	4,383	4,267	4,361	4,468
<b>Goodwill &amp; Int.</b>	4,411	4,395	4,385	5,056	4,347	1,265	1,263	1,260	1,258	1,253
<b>Total Liabilities</b>	16,323	15,529	13,850	12,758	14,795	15,153	13,969	12,784	12,109	11,850
<b>Accounts Payable</b>	2,340	2,177	2,325	2,638	2,659	2,856	3,280	2,874	2,523	4,518
<b>Long-Term Debt</b>	7,602	6,835	5,835	4,719	4,160	4,859	3,295	2,996	2,998	2,779
<b>Total Equity</b>	4,250	4,323	5,745	6,436	6,377	2,553	3,621	4,082	4,137	4,552
<b>LTD/E Ratio</b>	1.79	1.58	1.02	0.73	0.65	1.90	0.91	0.73	0.72	0.61

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	5.1%	3.1%	7.9%	5.7%	2.8%	-20.3%	8.1%	6.8%	0.6%	3.6%
<b>Return on Equity</b>	22.3%	14.6%	31.1%	18.2%	8.8%	-88.3%	46.3%	30.6%	2.6%	13.4%
<b>ROIC</b>	8.7%	5.4%	13.8%	9.8%	5.2%	-43.9%	20.0%	16.8%	1.5%	8.0%
<b>Shares Out.</b>	310	304	305	307	309	311	307	275	274	278
<b>Revenue/Share</b>	81.32	85.47	83.58	82.66	81.35	58.17	80.89	90.53	85.79	81.70
<b>FCF/Share</b>	2.62	2.86	3.96	2.58	1.45	0.59	6.74	1.14	1.12	1.41

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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