Dillard's Inc. (DDS)

Updated May 21st, 2025, 2025 by Josh Arnold

Key Metrics

Current Price:	$420	**5 Year CAGR Estimate:**	-15.6%	**Market Cap:**	$6.5 B
Fair Value Price:	$224	**5 Year Growth Estimate:**	-5.0%	**Ex-Dividend Date:**	06/30/25[1]
% Fair Value:	188%	**5 Year Valuation Multiple Estimate:**	-11.8%	**Dividend Payment Date:**	07/03/25
Dividend Yield:	0.2%	**5 Year Price Target**	$173	**Years Of Dividend Growth:**	14
Dividend Risk Score:	F	**Sector:**	Consumer Discretionary	**Rating:**	Hold

Overview & Current Events

Dillard's is a department store company that sells fashion apparel, cosmetics and home furnishings through about 300 stores and clearance centers. The company competes with larger peers such as Macy's and Kohl's. Dillard's was founded in 1938 and is headquartered in Little Rock, AR. Dillard's employs about 30,000 people, generates around $6.5 billion in annual revenue, and currently has a 14-year dividend increase streak.

Dillard's posted first quarter earnings on May 15th, 2025, and results were better than expected on both the top and bottom lines. Earnings-per-share came to $10.39, which was $1.31 better than expected. Earnings were off from $11.09 from a year ago. Revenue was down 1.3% year-over-year to $1.55 billion, but beat expectations by $10 million. The company's comparable sales were down 1%. Total retail sales were down 2%.

Consolidated gross margin was 43.9% of sales, off from 44.6% a year ago. Retail gross margin was 45.5% of sales, down from 46.2% year-over-year. Gross margin was off in ladies' apparel, and was down fractionally in all other categories.

Inventory was up 6% year-over-year, which is not a good sign for gross margins in the coming quarters.

SG&A came to $422 million, or 27.6% of sales. These were roughly equal to $427 million and 27.5% of sales, respectively, a year ago. The company saw slightly lower payroll and payroll-related expenses.

Share repurchases were $98 million, and the authorization was $175 million as of the end of the quarter.

We now see $28 in adjusted earnings-per-share for this year as Dillard's fundamentals have deteriorated significantly, and we see downside risk ahead for both sales and margins.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$6.91	$4.93	$4.89	$6.23	$4.38	-$2.80	$40.67	$50.81	$44.73	$36.84	***$28.00***	***$21.68***
DPS	$0.26	$0.28	$0.34	$0.40	$0.50	$0.60	$0.70	$0.80	$0.90	$1.00	***$1.00***	***$1.61***
Shares[2]	36	32	28	27	25	22	19	17	16	16	***16***	***14***

Dillard's growth over time has been incredibly volatile. After posting an operating loss in 2020 during the COVID shutdown, earnings exploded to the upside for 2021 and 2022. Since then, we've seen two years of lower profits, and we believe that will be the case in 2025 as well. Inventory levels are very high and do not support higher profit margins, while sales have been fairly weak as well. We are looking for -5% earnings-per-share contraction going forward from here due to these factors, and lack of upside catalysts to earnings.

Dillard's has returned a massive amount of cash to its owners via share repurchases in the past. The company's share count declined by more than half over the last decade, which has increased each share's portion of the company's earnings by more than double. We like the company's ability to return cash to shareholders, but note there are meaningful headwinds for profits for the foreseeable future.

[1] Estimated date

[2] In Millions

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We also note the company paid a $25 per share special dividend in January 2025, but we do not expect the company to be able to replicate that going forward, necessarily.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.7	13.4	11.6	9.6	16.7	N/A	6.0	6.4	9.0	12.7	***15.0***	***8.0***
Avg. Yld.	0.3%	0.4%	0.6%	0.7%	0.7%	1.0%	0.3%	0.2%	0.2%	0.2%	***0.2%***	***0.9%***

Dillard's valuation has been quite volatile over the past decade as earnings have moved around enormously in both directions. Given the company's weak 2024 and weak outlook for this year, we're initiating at a fair value of 8X earnings. At 15X profits today, we believe Dillard's is very overvalued. The yield is also quite unattractive at the moment, but we do see it rising over time if the valuation headwind comes to fruition.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	3.8%	5.7%	7.0%	6.4%	11.4%	M/A	2.0%	1.6%	2.2%	2.7%	***4%***	***7%***

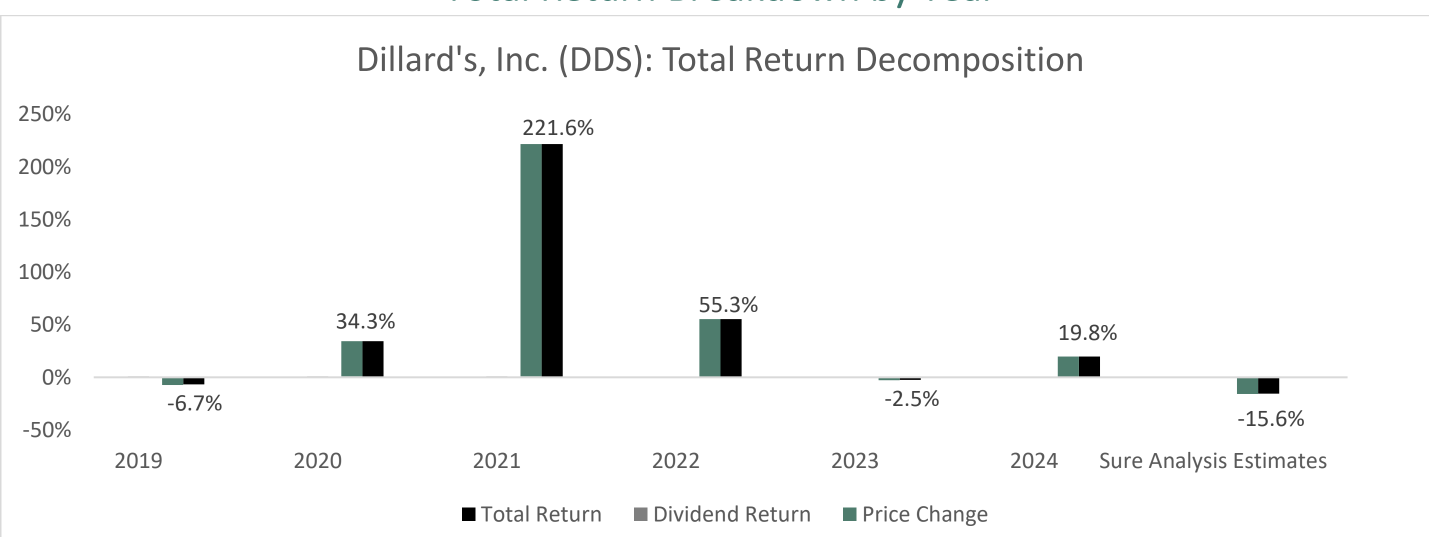
Dillard's pays out only a marginal amount of its net profits in the form of dividends to shareholders. Management is much more focused on reducing the share count, which the company has done very successfully in the past. It is very likely that management will continue to prioritize buybacks over dividends going forward. We note the $25 special dividend in January 2025 was a character change from management, at least temporarily.

One advantage that Dillard's has over some of its competitors is that it is not only active in apparel and cosmetics, but also in home furnishings, which provides some diversification and makes it less reliant on the performance of apparel sales – which are more easily done online compared to furniture. Dillard's is not a recession-resilient stock, and we note that competitive advantages are difficult to come by for retailers like Dillard's.

Final Thoughts & Recommendation

Dillard's is a small department store chain that has a somewhat unique product portfolio, due to selling furniture and related items on top of the usual soft-line categories sold by most department store chains. The company rebounded massively in 2021 to 2023, but profits will likely decline this year for the third consecutive year. We see total projected returns at -15.6% annually, but rate Dillard's a hold.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,755	6,418	6,423	6,503	6,343	4,433	6,624	6,996	6,874	6,590
Gross Profit	2,404	2,252	2,223	2,212	2,107	1,364	2,877	3,013	2,843	2,671
Gross Margin	35.6%	35.1%	34.6%	34.0%	33.2%	30.8%	43.4%	43.1%	41.4%	40.5%
SG&A Exp.	1,697	1,673	1,713	1,720	1,717	1,234	1,559	1,697	1,739	1,753
D&A Exp.	252	246	234	226	224	216	201	190	181	180
Operating Profit	457	335	278	268	167	(83)	1,118	1,127	925	740
Operating Margin	6.8%	5.2%	4.3%	4.1%	2.6%	-1.9%	16.9%	16.1%	13.5%	11.2%
Net Profit	269	169	221	170	111	(72)	862	892	739	594
Net Margin	4.0%	2.6%	3.4%	2.6%	1.8%	-1.6%	13.0%	12.7%	10.7%	9.0%
Free Cash Flow	284	407	144	230	262	192	1,176	828	751	610
Income Tax	141	89	(8)	38	23	(82)	226	218	178	136

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,864	3,888	3,683	3,431	3,430	3,093	3,246	3,329	3,449	3,531
Cash & Equivalents	203	347	187	124	277	360	717	650	808	718
Accounts Receivable	47	48	38	50	46	37	40	57	61	56
Inventories	1,375	1,406	1,464	1,528	1,465	1,088	1,080	1,120	1,094	1,172
Total Liabilities	2,069	2,171	1,975	1,753	1,807	1,652	1,794	1,731	1,752	1,735
Accounts Payable	494	636	658	743	713	565	629	590	783	795
Long-Term Debt	813	813	726	566	566	566	566	521	521	522
Shareholder's Equity	1,795	1,717	1,708	1,678	1,623	1,441	1,451	1,599	1,697	1,796
LTD/E Ratio	0.45	0.47	0.43	0.34	0.35	0.39	0.39	0.33	0.31	0.29

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.7%	4.4%	5.8%	4.8%	3.2%	-2.2%	27.2%	27.1%	21.8%	17.0%
Return on Equity	14.1%	9.6%	12.9%	10.1%	6.7%	-4.7%	59.6%	58.5%	44.8%	34.0%
ROIC	9.9%	6.6%	8.9%	7.3%	5.0%	-3.4%	42.9%	43.1%	34.1%	26.2%
Shares Out.	36	32	28	27	25	22	19	17	16	16
Revenue/Share	173.17	187.07	217.81	238.11	250.09	195.32	321.69	398.67	416.63	409.33
FCF/Share	7.29	11.87	4.88	8.43	10.32	8.48	57.09	47.20	45.50	37.86

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