Macy's (M)

Presented by: *Big Macs (Emily Hansen & Jacob Winters)*

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Investment decision: *Did not invest $5,000 in the School Fund.*

Introduction:

We decided to look at Macy's because of all the highlights they are currently receiving in the press right now. They are a part of the retail/department store industry within the consumer discretionary sector. We are interested in the consumer discretionary sector because we've noticed a lot of declines stemming from rising inflation and borrowing rates. We have also noted several ripples from the pandemic tanking companies' balance sheets. Macy's in particular has performed very poorly over the last year, and so we wanted to take a deep dive into their financials. We also wanted to examine their growth/decline under different scenarios of economic boom and economic recession.

Company and Valuation Details:

Macy's, Inc. is a premier omnichannel retailer with iconic brands that serve customers through outstanding stores and dynamic online platforms. The company and its subsidiaries operate stores, websites, and mobile applications under various brand names, including Macy's, Bloomingdale's, and Bluemercury, offering a wide range of apparel, accessories, cosmetics, home furnishings, and other consumer goods. The current price of Macy's stock is $18.99 and our target price is $43.15 with a target date of April 1, 2028. Investing 5,000 would give us about 263 shares of Macy's stock. Macy's currently has a beta of 2.16 with a market cap of over 5 billion and shares outstanding over 270 million. This industry is highly competitive and used to have high barriers to entry but e-commerce and online sales are wagering the fate of Macy's and other department stores. Consumer preferences are also changing and this is another concern for Macy's. Another risk is the continuation of economic uncertainty and inflation. Macy's has been hit with consecutive declines over the past several years.
Macy's has also had some lawsuits against them in the past, but they have recently settled those cases. Another risk is Macy's board. They have fourteen members, and they all seem to be fairly confident, yet Macy's still struggles to secure hefty profits. This has caused them to take on a new CEO who was announced just a few weeks ago and will assume the position in the coming months.

Historical Performance:

The historical performance of Macy's is poor. While much of this decline stems from the pandemic, Macy's still hasn't recovered fully. This is interesting to note because the SPY also experienced a downturn during the pandemic with mild phases and growth and a massive decline afterwards. However, the SPY has been able to climb back up and return to normal, fluctuating each day based on other economic conditions. On the other hand, Macy's seems to still be in a pandemic of its own. With a mix of inflation, online competitors, cheap retailers, and changing consumer preferences, its share price is significantly low, considering competitors. Nevertheless, Macy's plans to have a big turnaround, and they have already settled several proxy fights in the past and they are currently in another proxy. The company believes their new CEO can help guide their focus on creating more private label brands and *shutting down stores in the south where Dillard's has a much stronger market share. All things considered, an investment in Macy's is high risk, but we feel like it is a worthwhile strategy to follow. If they can accomplish their goals with their new management, Macy's may experience considerable growth, and this would be a great contrarian investing strategy.*