

The background features a collage of financial data. At the top left, there's a table titled "HIGHEST MOVING" with columns for "Day's change%", "High", "Low", and "Close". Below it, a list of stock tickers is visible, including "ImgnTech" and "Share Price". A line chart shows a fluctuating price trend over time, with a callout box indicating a "Change on day 32.30". Another callout box shows a "Change on day 1.95". The overall theme is financial analysis and market performance.

Macy's Fundamental Analysis

Big Macs

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Online Sources Utilized for our Research:

- IbisWorld
- Pitchbook
- Bloomberg
- CapIQ
- SEC
- Yahoo Finance

Company Overview

Company Name	Macy's
Ticker	M
Current Price	18.99
Current Date	2/21/2024
Target Price	30
Target Date	2/19/2025
Industry	Retail - Department Stores
Sector	Cyclical
Shares Outstanding	271.4 Million
Market Cap	5.1 Billion
Monthly Trading Volume	9 Million
Beta	2.16

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.

Investment Thesis

BUY \$5,000 of M

PROS

Opportunity to invest in a 160+ year old company

Macy's has started creating strong omnichannel approach, integrating physical stores with digital platforms to offer customers a seamless shopping experience.

Macy's has focused on maintaining a solid balance sheet, with efforts to manage debt and liquidity effectively.

CONS

The retail sector is highly competitive, with Macy's facing competition from department stores, specialty stores, online retailers, and discount stores.

Macy's business is significantly influenced by general economic conditions and consumer spending habits



- *Evolution of Macys: Established in 1858 as a dry goods store (clothing and textiles)*
 - *Pioneered the idea of a department store, expansion and growth, and e-commerce/technology, omni-channel, etc*
- *Historical Performance of Macy's: Faced a lot of challenges and changes; retail usually does.*
 - *Recently, several consecutive losses over time -> pandemic, online competitors, changing consumer habits.*
 - *Tends to have greater volatility than the market*
- *Major historical events: Filed for bankruptcy in 1992 and was acquired in 1994 by Federated Department Stores, Inc. Now Macys, Inc.*
 - *This created the largest department store in the United States*



"The Company sells a wide range of merchandise, including apparel and accessories (men's, women's and kids'), cosmetics, home furnishings and other consumer goods. The specific assortments vary by size of store, merchandising assortments and character of customers in the trade areas. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States," (10K, Pg3).

Dependent on vendors and supply chain for merchandise

*Manufacturers -> Vendors/Distributors -> **Retailers** -> Consumers*

Contractual arrangements are made for inventory, increasing payables, then pay using cash from operations.

	2022	2021	2020
Women's Accessories, Shoes, Cosmetics and Fragrances	\$ 9,597	\$ 9,385	\$ 6,667
Women's Apparel	5,349	5,174	3,454
Men's and Kids'	5,297	5,247	3,477
Home/Other (a)	4,199	4,654	3,748
Total	\$ 24,442	\$ 24,460	\$ 17,346



Industry Trends – Present and Historically

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

- Department stores and retail have evolved significantly over the years due to changes in consumer behavior, technological advancements, and economic factors. Initially, department stores flourished by offering a wide range of products in central urban locations, serving as one-stop shops for consumers. However, the rise of e-commerce, changing shopping habits, and the growth of specialty retailers have challenged the traditional department store model. Looking ahead, the stability of the department store segment over the next five years will likely depend on economic factors and consumer trends.
- The expansion of online shopping is expected, with an emphasis on mobile commerce and social media platforms as sales channels
- Economic Recessions: Economic downturns, like the 2008 financial crisis and COVID-19 have led to shifts in consumer spending habits and the downfall of several prominent department stores.



P

Political

Changes in tax policies. Trade policies, tariffs, and geopolitical tensions could affect Macy's due to its reliance on international manufacturers

E

Economical

Inflation has a significant impact. High inflation rates can increase the COGS. Levels of consumer confidence can directly impact Macy's sales

S

Social

Changing consumer behaviors. Increasing preference for online shopping. Demographic changes

T

Technological

Rise of E-commerce. Emerging technologies like VR and AI can have the potential to revolutionize the retail industry

E

Environmental

Climate change poses both risks and opportunities for Macy's. They committed to reducing its greenhouse gas emissions and improving its energy efficiency

L

Legal

Safety measures like mask mandate and social distancing enforced by local and state governments. Privacy laws



Competitive Landscape

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

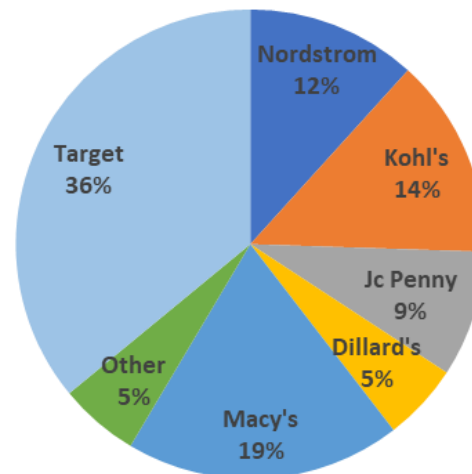
Risk and Growth

Valuation

Conclusion

- **Bargaining Power of Suppliers:** Low due to Macy's size and numerous suppliers, though slightly higher in specialized product categories.
- **Bargaining Power of Customers:** High, driven by competitive retail options and the rise of online shopping.
- **Competitive Rivalry:** Intense, with competition from both traditional and online retailers.
- **Threat of Substitution:** Significant, with easy access to alternative products and online shopping.
- **Threat of New Entrants:** Rising, due to low entry barriers in e-commerce, but Macy's can leverage its brand and customer loyalty.

Retail Department Store Market Share



Management and Employees

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Board of directors

Diverse team of 14 individuals with successful history that serve as the board directors

CEO of Casper Sleep, former CEO of Home Depot, Vice Pres. Of Alphabet Inc, former CEO of Kellogg's, CEO of Michaels, and other CEOs of investment, transportation, and pharmaceutical companies

Only 2/14 are employed by M and are thus NOT Independent

Recent changes in management; implications

Tony Spring was announced to be new CEO of M replacing Jeff Gennette in annual meeting sometime in April

Splitting out brands, focusing on northern regions of US since Dillard's dominates in the south; uncertainty

Legal issues in the past; settlements

2019 - Fair Credit Reporting Act; class action lawsuit -> candidates must be notified if their criminal records were used as a basis for denying employment which was settled in October 2023

Core Values

Mission Every One: Culture of equity diversity and inclusion

Cultural attributes that differentiate the company and contribute to its competitive advantage?

Will contribute ~ \$30 million over five years to empower new brands across the Company's network of stores and suppliers

Advance entrepreneurial growth, close wealth gaps and address systemic barriers faced by diverse-owned and underrepresented businesses serving the retail industry



SWOT Analysis

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Strengths

Owns Bloomingdale, another department store
Owns Bluemercury, a beauty store chain. Macy's owns luxury brands.

Weaknesses

Macy's competing against department stores, specialty stores, discount stores, and online retailers.
Presence in southern states isn't as strong as Dillards

Opportunities

Create a stronger presence in Ecommerce
Expanding digital sales
Off Mall Stores
Create more private label brands

Threats

Economic uncertainty and downturns can negatively impact consumer spending on non-essential goods. Macy's faces the risk of data breaches and cyberattacks, which can erode customer trust and incur significant costs.



DCF - WACC

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

WACC Calculations

Capital Structure

Total Debt	\$7,923.00
Total Equity	\$5,355.18
Debt-to-Total Capitalization	59.7%
Equity-to-Total Capitalization	40.3%

Cost of Debt

Cost of Debt	5.0%
Tax Rate	21.0%
After-Tax Cost of Debt	4.0%

Cost of Equity

Risk-free Rate	4.1%
Market Risk Premium	11.4%
Levered Beta	1.04
Cost of Equity	16.0%

WACC	8.8%
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DCF – Assumptions Base

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Select Operating Data

Period				Projected Annual Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027
				1	2	3	4	5
Revenue	\$17,346.0	\$24,460.0	\$24,442.0	\$24,564.2	\$24,711.6	\$24,884.6	\$25,083.7	\$25,309.4
Growth Rate (%)		41.0%	(0.1%)	0.5%	0.6%	0.7%	0.8%	0.9%
EBITDA	(\$3,146.0)	\$3,194.0	\$2,568.0	\$2,628.4	\$2,594.7	\$2,612.9	\$2,633.8	\$2,657.5
EBITDA Margin (%)	(18.1%)	13.1%	10.5%	10.7%	10.5%	10.5%	10.5%	10.5%
EBIT	(4,105.0)	2,320.0	1,711.0	\$1,768.6	\$1,803.9	\$1,841.5	\$1,881.3	\$1,923.5
EBIT Margin (%)	(23.7%)	9.5%	7.0%	7.2%	7.3%	7.4%	7.5%	7.6%
Depreciation & Amortization	\$959.0	\$874.0	\$857.0	\$859.7	\$914.3	\$895.8	\$928.1	\$961.8
D&A as a % of revenue	5.5%	3.6%	3.5%	3.5%	3.7%	3.6%	3.7%	3.8%
Accounts Receivable Growth (%)				1.0%	2.0%	3.0%	4.0%	5.0%
Inventories Growth (%)				11.6%	11.5%	11.5%	11.5%	11.5%
Prepaid Expenses Growth (%)				(7.3%)	(7.6%)	(8.0%)	(8.3%)	(8.6%)
Accounts Payable Growth (%)				(6.4%)	(5.4%)	(4.4%)	(3.4%)	(2.4%)
Capital Expenditures Growth (%)				24.0%	25.0%	26.0%	27.0%	30.0%
Long term growth rate (%)				1.0%	2.0%	2.5%	3.0%	3.5%



DCF - Calculations

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Terminal Value

Growth in perpetuity method:

Long term growth rate	2.500%
WACC	8.792%
Free cash flow (t+1)	73187.053%
Terminal Value	<u>11,631.6</u>
Present Value of Terminal Value	\$7,632.2

Enterprise Value to Equity Value

Enterprise Value	\$11,957.9
Less: Net debt	7,061.0
Equity Value	\$4,896,946,956.2
Diluted Shares Outstanding	282,000,000.0
Equity Value Per Share	\$17.37

DCF

Implied Share Price

Approach	Base	Downside	Upside
Perpetuity	\$17.37	\$13.00	\$45.58



Multiples

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Company Name	Valuation			Industry	Sector	Peer Group Relevance	
	EV / Sales	EV / EBITDA	P/E			Largest Geographical Segment	Largest Revenue Segment
Target							
Macy's	0.4x	4.4x	28.6x	Retail	Consumer Discretionary	North America	Women's Accessories, Shoes, Cosmetics, and Fragrances
Comparable companies							
Nordstrom	0.5x	7.0x	23.8x	Retail	Consumer Discretionary	North America	Apparel, shoes, beauty accessories, and home goods
Kohl's	0.6x	12.2x	8.8x	Retail	Consumer Discretionary	North America	Women's clothing
Ross	2.5x	18.4x	36.8x	Retail	Consumer Discretionary	North America	Women's apparel and homeware.
Dillard's	1.6x	5.8x	20.0x	Retail	Consumer Discretionary	North America	Ladies' apparel and men's apparel and accessories
Target	0.8x	11.0x	31.2x	Retail	Consumer Discretionary	North America	Apparel, electronics, home goods

Company Name	Market and Financial Data							Valuation		
	Price	Market Cap (B)	Enterprise Value (M)	LTM Sales (M)	LTM EBITDA (M)	Earnings (M)	EV / Sales	EV / EBITDA	P/E	
Target										
Macy's	\$ 18.410	\$ 5.048	9,998.000	23,866	2,256	105	0.4x	4.4x	28.6x	
Comparable companies										
Nordstrom	21.32	3.46	7,582	14,592	1,079	119	0.5x	7.0x	23.8x	
Kohl's	28.04	3.10	10,960	17,539	900	-142	0.6x	12.2x	8.8x	
Ross	145.35	4.93	50,193	20,376	2,727	1,874	2.5x	18.4x	36.8x	
Dillard's	417.41	6.76	6,370	6,874	1,104	739	1.6x	5.8x	20.0x	
Target	151.44	69.91	87,547	106,888	7,956	3,632	0.8x	11.0x	31.2x	

Mean	1.2x	10.9x	24.11
Median	0.8x	11.0x	23.8x
25 Percentile	0.6x	7.0x	20.04
75 Percentile	1.6x	12.2x	31.15
Standard deviation	0.820	4.982	10.742



Precedent Transactions

Investment Thesis

Historicals

Business Model

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Date	Target	Buyer	Target Business Description	Transaction Value	Revenue	EBITDA	EV / Revenue	EV / EBITDA
2/27/2024	Children's Place	Methaq Real Estate Investment PLC	Provides sand, stone, and concrete demolition services	\$617.80	\$1,544.50	\$134.89	0.40x	4.58x
11/12/2019	Rogan Shoes	Shoe Carnival Inc	Manufactures gypsum wallboard and finishing products	45	\$60.00	\$3.02	0.75x	14.91x
10/12/2020	Zela Technologies	Zodiac Clothing Company	Supplies construction materials including recycled aggregates	40	\$25.97	\$1.51	1.54x	26.47x
8/27/2020	AtmosZero Inc	Little Engine Ventures	Provides building products to homebuilders and contractors	21	\$13.64	\$0.99	1.54x	21.18x
8/6/2020	Ameridge Corp	TNB Tech Co Ltd	Provides building materials and wood for residential builds	4,000	\$3,773.58	\$341.88	1.06x	11.70x
8/20/2021	Vizio Holding Corp	Walmart Inc	Designs, manufactures, and markets plastic pipes and tanks	2,300	\$2,555.56	\$20.96	0.90x	109.71x
				Mean			1.03x	31.43x
				Median			0.98x	18.05x
				25 Percentile			0.79x	12.50x
				75 Percentile			1.42x	25.15x
				Standard deviation			0.450	39.091



Weighted Valuation

Investment Thesis

Historicals

Business Model

Industry Analysis

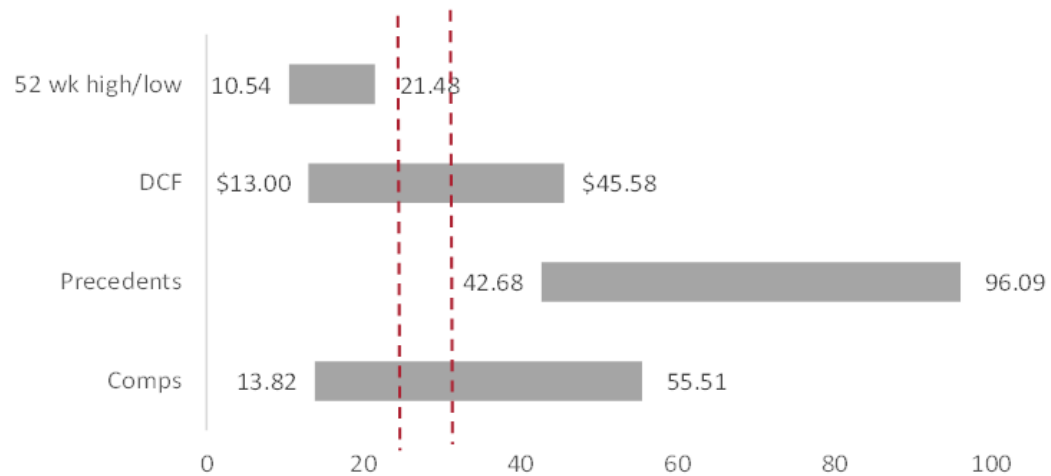
Governance

Risk and Growth

Valuation

Conclusion

Valuation Summary - Equity Value per Share



Implied Stock Price

Total DCF	\$17.37
Comparables	\$40.63
Precedent Transactions	\$72.29

Weights

DCF	30%
Comparables	40%
Precedent Transactions	30%

	Low bar	Difference	High Bar
Comps	13.82	41.69	55.51
Precedents	42.68	53.42	96.09
DCF	\$13.00	32.58	\$45.58
52 wk high/low	10.54	10.94	21.48

Target Price	43.15
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Current price	18.99
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Investment Thesis/Company Overview – *BUY \$5,000 of M*

Business Model – *Apparel, home products, middle-class*

Industry Analysis – *High barriers of entry, experienced, ecommerce*

Risks and Growth – *Class action lawsuit(s), more private label brands*

Governance – *Competent management team; but new game is needed*

Valuation – *Implied Stock Price at \$45.58, which is 140% higher than current.*

Recommendation - *BUY \$5,000 of M(equal to 263 shares), at \$18.99*

Sell target price: \$43.15, target date: 04/01/2028



The background of the image is a blurred financial market data page. It features various line charts and tables. One prominent chart is titled 'ImgnTech Share Price' and shows a line graph with a shaded area underneath, representing price movement over time. Another chart shows 'Change on day 1.95'. The text 'Thank You' is centered in a white, serif font over a semi-transparent red rectangular area.

Thank You