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FIN-498-01
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Intermediate Report

Part 1

The purpose of this engagement is to give an in-depth security analysis and valuation of Macy's, Inc stock as detailed in the FIN-498-01 Capstone Project instructions. The valuation of Macy's, Inc stock as of 12/31/22 was calculated using a market comparable approach. Also, this engagement is meant to analyze the overall financial health of Macy's, Inc through analysis of financial statements such as the balance sheet and income statement. In this report, the balance sheet and income statement cover the years 2018-2022.

Limitations

One of the limitations in this valuation report is that it only includes Macy's financial data from a 5-year period of 2018-2022. Furthermore, not all the financial data needed was available on the internet. For instance, some of the industry average financial ratios were unavailable to compare to Macy's, Inc during the 5 year period analysis.

Conclusion

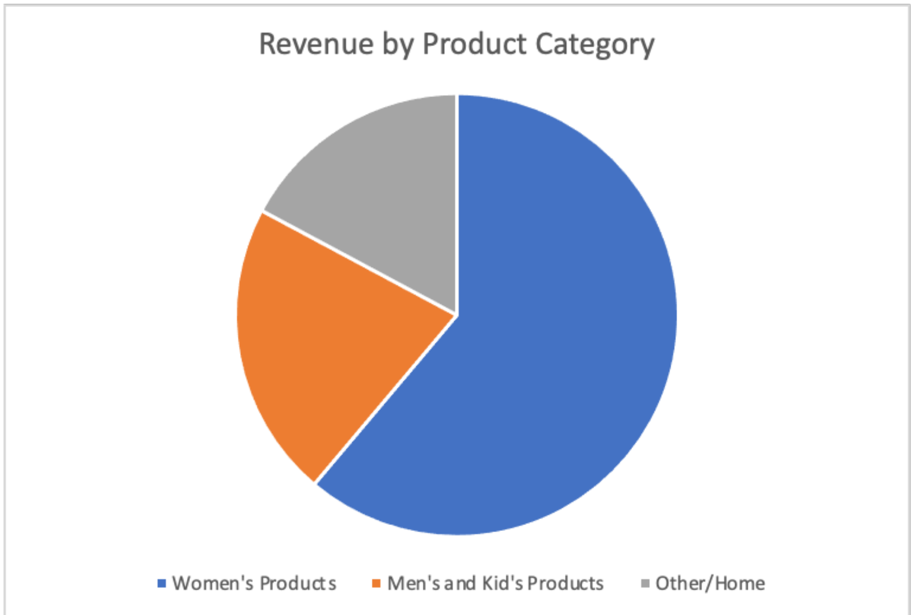
I have valued Macy's, Inc at $25.16. The stock value calculated covers the years 2018-2022 and does not include any financial data after that.

Part 2- An Overview of Macy's, Inc

Before I get into the financial data of Macy's, it is important to understand the history and nature of the business. Macy's is an omnichannel retail corporation that operates department stores, websites, as well as mobile applications. They sell apparel for men, women, and children, also home appliances, and cosmetics. The company was founded in 1858 and is headquartered in New York, NY. Macy's Inc. comprises three retail brands: Macy's, Bloomingdale's, and Bluemercury. They have 722 stores across 43 U.S states including Puerto Rico and Guam (Macy's, Inc Investors).

Key Products

In the past, Macy's sold ready to wear clothing in their stores, but after the merge with Bloomingdale's in 1949 and acquisition of Bluemercury in 2015, there line of products expanded into what their current line of products is today. Today's main products consist of merchandising men's, women's, and children's clothing, footwear, as well as furniture, bedding, jewelry, beauty products, and home accessories. The combination of products does vary from store to store During the fiscal year 2022, women's accessories, shoes, cosmetics, fragrances, and women's apparel accounted for most of their revenue. Below is a pie chart showing how much of each product category accounted for total revenue.



As shown in the chart, women's products which include accessories, shoes, cosmetics, fragrances, and apparel account for the majority of Macy's total revenue. To be exact, women's products account for 61.14% of total revenue, followed by 21.67% for men's and kid's products, and finally 17.19% for the home/other category (Macy's, Inc 10k). There is a seasonality component to retail companies like Macy's. For instance, they have higher total sales as well as operating income generated from the months of November and December. Working capital requirements also vary throughout the year, increasing in the mid-summer to prepare for the fall merchandising season, and increasing even more in November and December due to the extremely large amount of inventory needed for those months (Macy's 10k).

Key Customers and Suppliers

Because Macy's, Inc. is a retail company, they do not manufacture any of their own products and they specialize in sales only. Some examples of their suppliers include Ralph Lauren, Michael Kors, Under Armour, Calvin Klein, and Tommy Hilfiger. Of their many different suppliers, none of them accounted for more than 5% of Macy's purchases in 2022 and they do not have any long-term purchasing deals with any of their suppliers (Macy's 10K).
In terms of customers, their key ones include those that are in the retail industry. Specifically, their target customer is the American middle class. Under the Bloomingdale's brand, their target customer is a higher-end consumer because they offer higher-end products from suppliers such as Burberry, Chanel, and Louis Vuitton. They also target millennials because millennials account for $1.3 trillion annually and they are well-informed and do a great deal of their shopping online or digitally (Macy's target customers).

Key Competitors

The retail industry is an extremely competitive industry. Macy's competes with many retail businesses on the national and local level, including department stores, specialty stores, general merchandise stores, manufacturers' outlets and websites, off-price and discount stores, online retailers and catalogs, among others. Macy's goal is to offer compelling, high-quality products, great prices and trusted service across all channels, including its digital platforms. However, other retailers may compete for customers on some or all of these platforms, or on other bases, and may be perceived by some potential customers as being better aligned with their interests and preferences. This is a big reason why the retail industry is highly competitive industry. It is because there are so many retail businesses and customers could easily choose a different one for factors such as cost, location/convenience, personal preference, or experience (Macy's 10k).

Business Cycle

Macy's business lifecycle has changed dramatically over the 150+ years in business. Specifically, it has changed quite a bit during the past decade. In the business lifecycle, Macy's is in the transition stage mainly because of declining sales. Macy's took a hit from the COVID-19 pandemic and saw a dramatic decline in sales during the year 2020. The company is still working their way back from the pandemic, and they are hiring a new Chief Executive Officer from their Bloomingdale's division. This shows that Macy's, Inc. is in a transitional phase and needs to make some changes.

PESTEL Analysis

Political Factors that impact Macy's, Inc:

Political factors have a great impact on Macy's long-term profitability. This is because Macy's operates in more than one country and depending on the country, they could be exposing themselves to different political environments and structures.

- Strong political structures and systems are good for growth and development at Macy's Inc.
- Political stability- can promote better trade relations with other countries, which allows Macy's to maintain business affiliations in other countries.
- Trade restrictions and Tariffs- Depending on the country, there could be heavier trade restrictions with the U.S, which could negatively impact Macy's relationship with other countries.

Economic Factors that impact Macy's:

Macro environment factors such as inflation rates, interest rates, consumer spending trends, and unemployment trends significantly impact Macy's profitability. Not only that, but these factors can allow the company to forecast earnings and make better financial decisions for the future:

Inflation Rate:

- A moderate to low inflation rate is needed for a retail company like Macy's to prosper. With a low to moderate inflation rate, consumer spending trends will increase, and disposable income will increase. With a high disposable income, consumers will simply have more to spend which is good for Macy's.

Interest Rates:

- Moderate interest rates would encourage Macy's to take loans out from the bank. Those loans could be used for growth and development, and improving overall structure of the company. Not only would businesses be able to take out loans with moderate interest rates, but individuals would as well

Consumer Spending Trends:

- Higher consumer spending trends are beneficial to Macy's because they lead to higher consumption of products. Macy's can capitalize on higher consumer spending trends by improving marketing strategies and quality of products being sold.

Unemployment Rates:

- In general, high unemployment rates would lead to a lower disposable income in the economy, which would affect Macy's in a negative manner. Also, high unemployment rates could show a gap in labor skills and knowledge, which again would consumers leading to decreased spending in the economy

Social Factors that Impact Macy's

Social factors such as demographics, education, family size and structure, and health consciousness impact Macy's. Beliefs and attitudes of the population play a significant role in how Macy's markets their products to the public. Social factors change between countries, so having a solid understanding of consumer trends is extremely important for Macy's, Inc.

Demographics:

- For retail companies like Macy's, a higher portion of the younger population is better for the company because it gives the company a larger consumer population base.
- Class distribution and social hierarchy- A higher proportion of middle and upper middle class citizens would have a positive impact on the growth of Macy's.

Education:

- The education level of the population can have a huge impact on Macy's. A higher education has many benefits such as more skilled labor workers, and consumers will be able to make better spending decisions and monitor their purchases. This awareness means consumers will prefer quality and be more knowledgeable.

Health Consciousness

- An increasing number of people are becoming more health conscious, and Macy's has introduced health into their marketing. Not just physical health but also mental and emotional health.

Technological Factors that Impact Macy's

Technological impact on Macy's products:

- Technological advancements such as website and mobile app developing by Macy’s needs to continue if they want to stay ahead of their competitors and increase their share of the market.
- The advancement of technology can have an impact on the development of new technology. The faster it develops, the shorter the life cycle of new product developments.

Environmental Factors that impact Macy’s

Different markets have different environmental standards which can impact the profitability of an organization.

Climate and Weather:

- Since the climate between locations can vary dramatically, weather can have an impact on Macy’s. For example, during the winter months in northern states, Macy’s could have problems with getting trucks to their locations due to ice or snow on the roads which causes supply chain issues.

Recycling:

- There is an increasing number of the population that is aware of recycled products, and more people prefer recycled products. Macy’s needs to continue to bring awareness to recycled products if they want to stay ahead of the competition.

Renewable Energy Investments:

- More and more companies in the U.S are moving towards renewable energy sources. Macy’s and its competitors are increasingly moving towards renewable energy sources, and the cost of doing so is expensive but will save the company money in the long run. Moving towards this does have a financial impact on the company.

Legal Factors that Impact Macy’s:

Anti-Discrimination Laws

- The U.S is made up of a diverse population, and there are increasing numbers of immigrants. This is something Macy’s needs to continue to be aware of and they may need to adjust their policies if necessary even though they support diversity. In other countries, Macy’s must abide by the country’s discrimination laws as well.

Consumer Protection

  - Cybersecurity is becoming more important, and information can easily be stolen online if the necessary steps are not taken to prevent such an issue. Macy’s needs to continue to improve the security of their customers in order to maintain a positive image.

Industry and Competitive Analysis

Macy’s is part of the highly competitive retail industry, so they have many competitors but only 6 main ones. Their first main competitor is Amazon, Inc. Although Amazon is not a retail company, they are an extremely prominent company in e-commerce, which is what Macy’s is trying to move forward with in their new business plan. Porter’s five forces can be helpful in analyzing the industry and competition within.

- Threat of new entrants:
    - New entrants in the retail/department store industry puts a large amount of pressure on Macy's, and there are many challenges Macy's has to manage in order to maintain their competitive edge.
    - One of the things Macy's can do is continue to innovate new products and services. New products bring more customers (which means more revenue) and allow them to gain an edge on the competition.
    - Another thing Macy's can do is spend money on research and development. New entrants are less likely to enter if established corporations like Macy's define the standard regularly.
- Bargaining Power of Suppliers:
    - Almost all companies in the department store industry do not make their own products and use suppliers to produce inventory. The more dominant a supplier is in a department store like Macy's, the less profitable they become.
    - Macy's can control bargaining power of suppliers by simply building an efficient supply chain with their suppliers, as well as experimenting with different product designs using different materials in case the price of a certain material increases.
- Bargaining Power of Buyers:
    - Buyers in the industry can demand quite a bit, and they want to buy the best offerings available at the lowest possible price, which puts pressure on Macy's.
    - Macy's can reduce bargaining power of buyers by gaining a larger customer base. This will also provide an opportunity for Macy's to streamline their sales and production process.
    - Macy's can also reduce bargaining power of buyers by innovating new products at a fast pace.
- Threats of Substitute Products or Services:
    - These threats occur when a new product or service meets similar customer needs in a different way, which can impact the profitability of Macy's.
    - The main thing Macy's can do to combat this is to understand their customers and their core needs.
- Rivalry among existing competitors:
    - If the rivalry between Macy's and their existing competitors increases, then it will decrease prices and have a negative impact on the profitability of the retail industry.
    - One of the main things Macy's can do to combat this is simply by collaborating with competitors to increase the size of the overall market, rather than competing aggressively within a smaller market (Fernfort Porter's Five Forces).

There are many different tactics Macy's uses to differentiate themselves from their competitors. In February 2020, Macy's announced a new business strategy to stabilize profitability and position the company for growth. It is called the polaris strategy and there are five main components to this business plan. The first component is strengthening customer relationships. Macy's is focusing on building customer lifetime value, accelerating personalization and monetization programs, and expanding their loyalty programs. Macy's launched their Star Rewards Loyalty Program to bring new customers into their brand (BusinessWire).

The second component to their strategy is to curate quality fashion. Macy's goal is to drive disciplined merchandise product category roles to be the top destination for the best brands, while balancing sales and margin. As part of this component strategy, the company is committed to a more focused approach to its higher-margin private brands business with plans to build four $1 billion brands. The third part of the polaris strategy is what I believe to be the most important part of the strategy, which is to accelerate digital growth. Macy's has a growing digital business across its brands that generates more than $6 billion per year in sales, and the company will continue to invest in its websites and mobile apps to accelerate growth and further strengthen profitability. The fourth component of their strategy is optimizing store portfolio. The company completed an evaluation of their store portfolio. This included a store-level assessment of each store's overall value, including projected profitability based on consumer trends and demographics. As a result, Macy's plans to close approximately 125 of its least productive stores over the next three years. Across the remaining stores, Macy's is making staffing changes with reductions in some stores and increases in others. They claim that the updated stores strategy better serves today's shopper who expects a consistent experience whenever and wherever they encounter the Macy's brand. The fifth and final component of their polaris strategy is to reset their cost basis. This includes making changes to their senior management team and relocating their headquarters from San Francisco to New York City, which is the fashion hub of the United States.

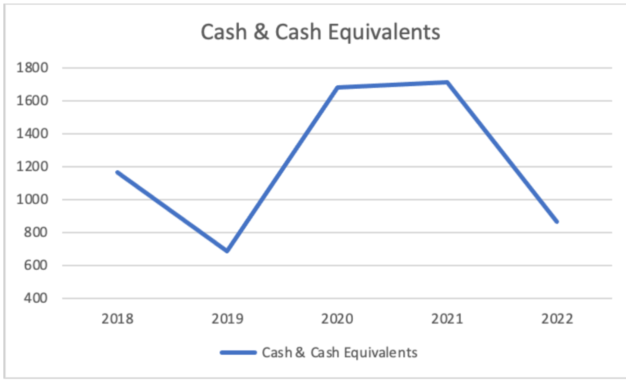
Part 3 - Analysis of Financial Statements (all values in millions)

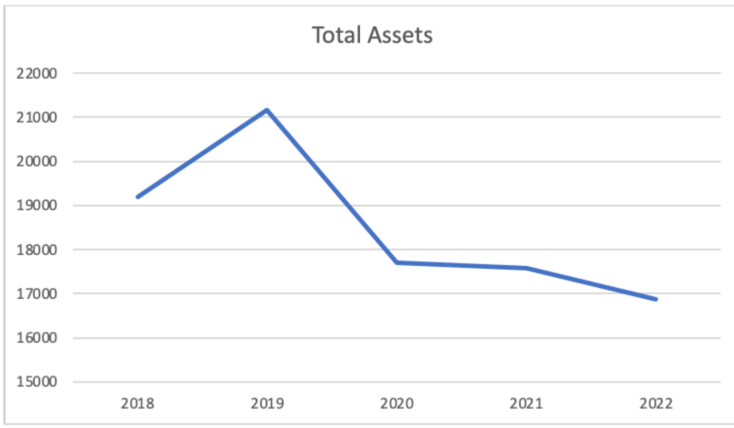
Through the analysis of Macy's balance sheet from the years 2018-2022, it is evident that many conclusions can be drawn. There are some positive signs for investors, but there are also quite a few negatives which I will go over.

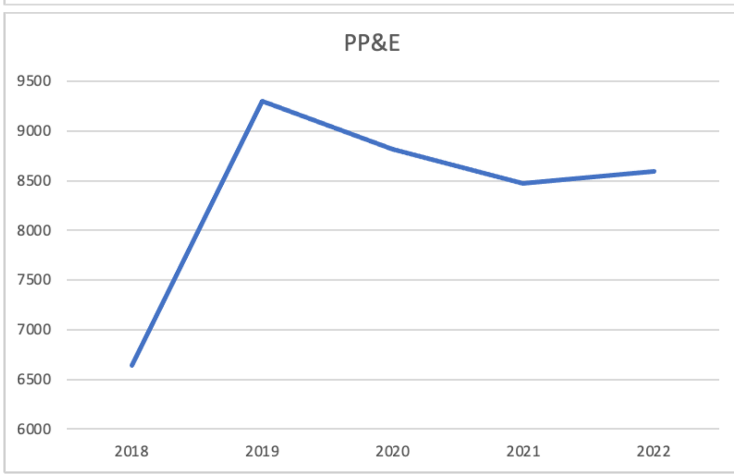
Vertical Analysis Balance Sheet:

From 2018-2022, Macy's cash and cash equivalents have decreased from $1.16 billion to $862 million. This is most likely the result of current liabilities decreasing. Also, their total assets have decreased by approximately $3 billion. However, PP&E has increased from $6.6 billion to $8.6 billion which is a good sign for investors because it shows they are looking out for their future assets. Even though cash and cash equivalents have decreased overall during the past five years, it has fluctuated tremendously. Total assets have seen a relatively steady decline since 2019, and property, plant, and equipment has gone up quite a bit since 2018.

Below is an illustration of these parts of the balance sheet.

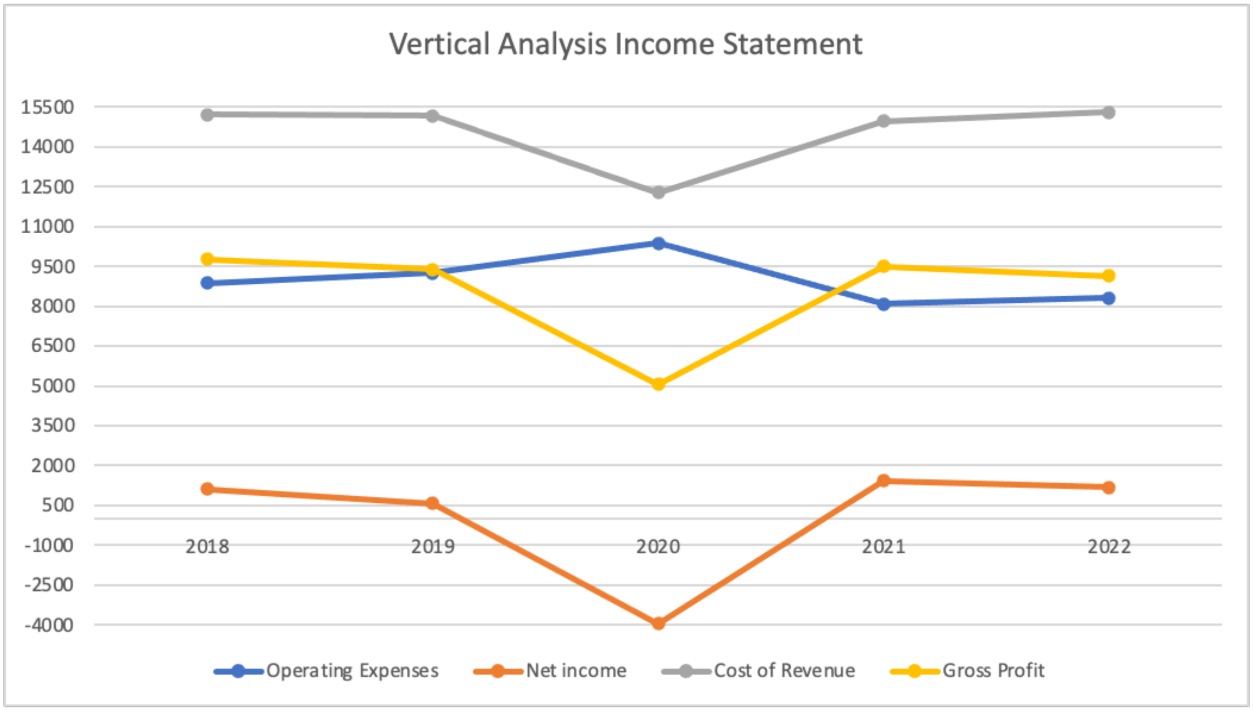






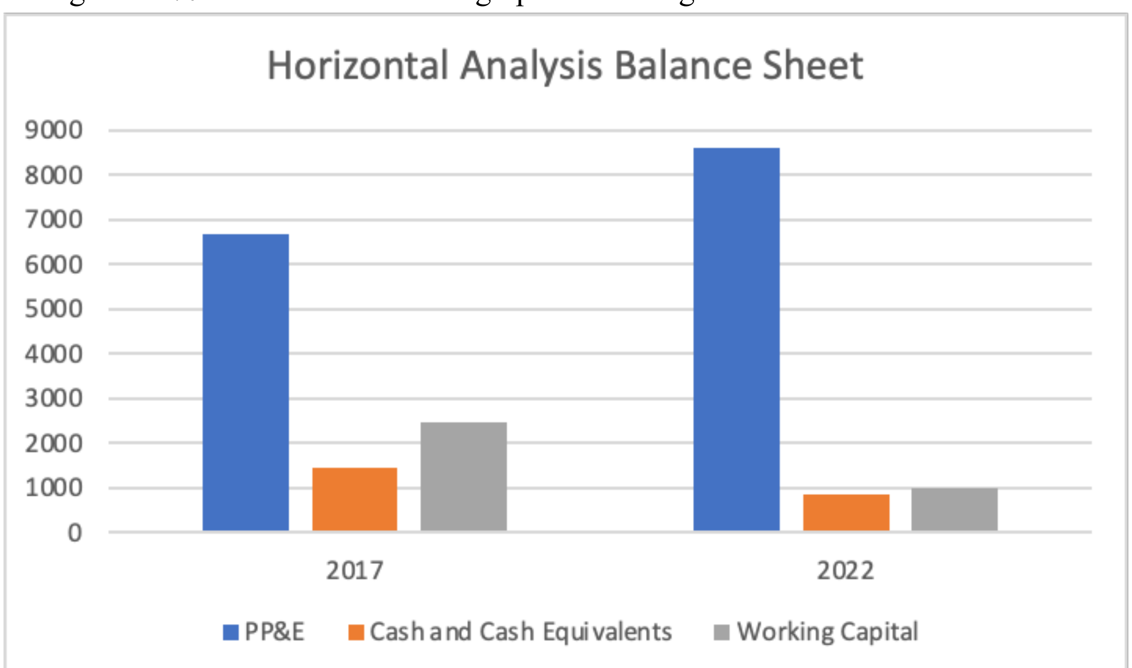
Vertical Analysis of the Income Statement:

With the vertical analysis of the income statement, it is evident that there are some positive signs and some negative signs for investors. Here are a few things that stood out to me while breaking down the numbers: From 2018-2022, operating expenses have decreased by over $300 million. Net income has increased by over $70 million (7% of total assets in 2022 and 5.9% of total assets in 2018), cost of Revenue went from 79% of total assets to 91% of total assets, and gross profit has decreased by over $700 million. Below is a graph illustrating the observations I have made. For simplicity purposes, I have included all of these observations on a single graph.



Horizontal Analysis of Balance Sheet:

For the horizontal analysis of the balance sheet, I adjusted it so that every year from 2018 to 2022 is compared to a base year of 2017. There is one main bright spot that jumped out to me and two negative signs for investors. The only positive sign from 2017 to 2022 was property, plant, and equipment saw a 28.8% increase (6.7 billion to 8.6 billion). The negative signs that stood out were cash and cash equivalents seeing a 40.8% decrease, as well as working capital seeing a 59.8% decrease. Below is a graph illustrating the observations I have made.



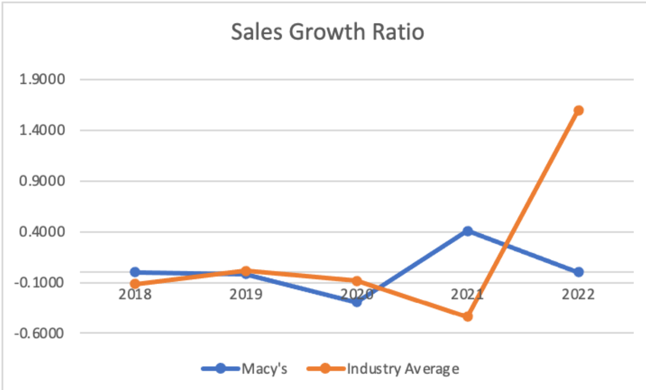
Horizontal Analysis Income Statement:

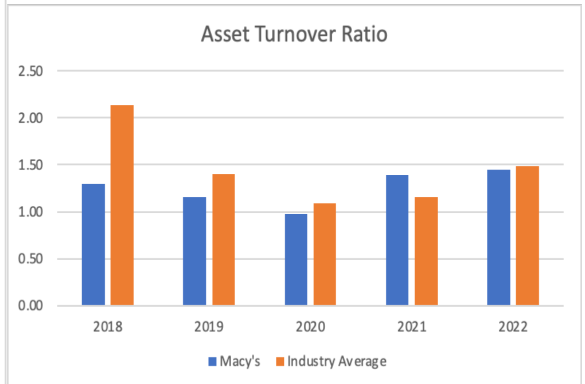
As with the horizontal analysis of the balance sheet, the base year for the horizontal analysis of the income statement is 2017. Through this analysis, it is evident that there are quite a few negative signs for investors. The main negative signs that stood out to me were revenue decreasing by around $500 million, dividend per share decreasing by $0.90 (not good for investors), and net income decreasing by around $400 million. To illustrate the negatives of this analysis, I have included a screenshot of the comparison between 2017 and 2022. Note the negative changes and percentages.

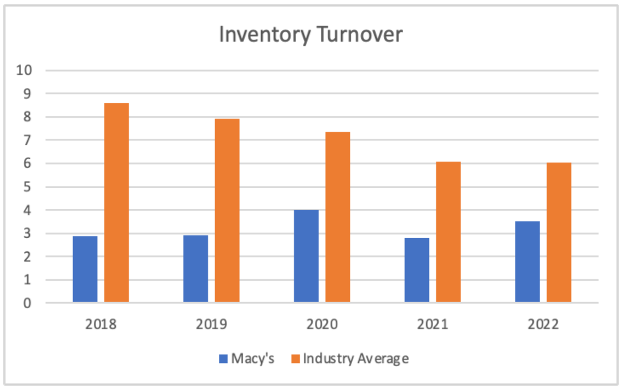
		Change		
	2022	$	%	2017
Revenue	24,442	-497	-1.99%	24,939
Revenue Growth (YoY)	-0.07%			-3.74%
Cost of Revenue	15,306	125	0.82%	15,181
Gross Profit	9,136	-622	-6.37%	9,758
Selling, General & Admin	8,317	-637	-7.11%	8,954
Other Operating Expenses	-9	244	-96.44%	-253
Operating Expenses	8,308	-393	-4.52%	8,701
Operating Income	828	-229	-21.67%	1,057
Interest Expense / Income	175	-146	-45.48%	321
Other Expense / Income	-865	-74	9.36%	-791
Pretax Income	1518	-9	-0.59%	1,527
Income Tax	341	380	-974.36%	-39
Net Income	1177	-389	-24.84%	1,566
Net Income Growth	-17.69%			149.76%
Shares Outstanding (Basic)	271	-34	-11.15%	305
Shares Change	-9.41%			-0.36%
EPS (Basic)	4.28	-1	-16.57%	5.13
EPS (Diluted)	4.19	-1	-17.84%	5.1
EPS Growth	-7.91%			152.48%
Free Cash Flow Per Share	1.69	-4	-68.35%	5.34
Dividend Per Share	0.63	-1	-58.22%	1.508
Dividend Growth	1.1			1.00%
Gross Margin	37.38%			39.13%
Operating Margin	3.39%			4.24%
Profit Margin	4.82%			6.28%
Free Cash Flow Margin	1.87%			6.52%
Effective Tax Rate	22.46%			-2.55%
EBITDA	2,550	-289	-10.18%	2,839
EBITDA Margin	10.43%			11.38%
Depreciation & Amortization	857	-134	-13.52%	991
EBIT	1693	-155	-8.39%	1,848
EBIT Margin	6.93%			7.41%

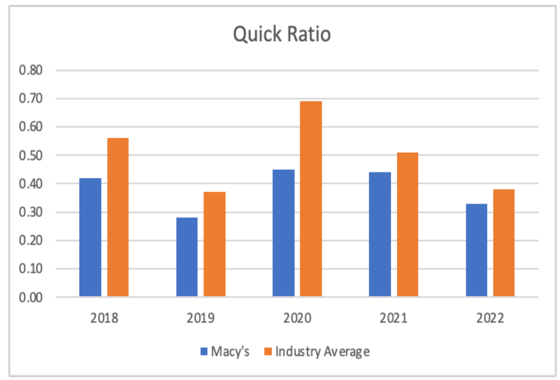
Ratio Analysis and Industry Average

Through the analysis of Macy's key financial ratios, it is evident that many conclusions can be drawn. It was difficult to find industry average ratios, but I managed to find four ratios to compare to Macy's. The first one I was able to find is sales growth. From 2018-2022, Macy's was below industry average for 3 of 5 years. In 2021, Macy's outperformed the industry average by an extremely large margin. Macy's sales growth was 0.41 and the industry average was -0.43. In 2022, Macy's was significantly outperformed by the industry average. Their sales growth that year was -0.0007, and the industry average was 1.59. The second ratio I was able to find for industry average was the quick ratio. For the quick ratio, Macy's was outperformed by the industry average in every year. The same can be said for Macy's inventory turnover ratio, as they were outperformed by the industry average in every year analyzed. The last ratio is the asset turnover ratio. Macy's was outperformed by the industry average in 4 out of the 5 years analyzed. Below is an illustration of these ratios compared to the industry average.









Summary of Financial Statement Analysis

Through the different types of analysis of the balance sheet and income statement, it is pretty clear that there are not a ton of positive signs for investors. The main thing that is worrisome is the cash and cash equivalents declining. A corporation or company will have a lot less chance of going bankrupt if they have a large amount of cash and cash equivalents, and Macy's cash has declined since 2018. Also, it is clear from the graphs above that Macy's key financial ratios are lower than the industry average. It is a negative sign if they are getting outperformed by the industry average in multiple key financial ratios.

Part 4- Public Comparables Methodology

The public comparables methodology is a valuation technique used to value Macy's by comparing it to other similar companies in the industry. These similar companies are referred to as a peer group. This valuation technique compares financial ratios of the selected peer group and from those ratios, Macy's value can be determined. One positive aspect of this valuation technique is that no assumptions need to be made ahead of time. Because no prior assumptions need to be made, the values of the public comparables methodology provide an accurate range of the price Macy's should be trading at. One negative aspect of this valuation technique is that the data and calculations can be inaccurate if a company chosen for the peer group does not have similar financial ratios compared to Macy's. This is negative because it can cause Macy's to be valued higher than it actually is.

The selection of a peer group for Macy's valuation consists of Kohl's, Nordstrom, and Gap, Inc. The reason these companies were chosen is because they have similar market capitalizations and equity value. Originally, I had Dillard's and Ross Stores included in the peer group. However, the market capitalizations of those two companies were too high, which ended up skewing Macy's valuation to be higher. The reason there are only three other companies in the peer group is because retail companies vary tremendously in stock price and market caps, and Kohl's, Gap, and Nordstrom were the most similar to Macy's from a financial standpoint. Although these companies are similar in market capitalization, there is a large fluctuation in the other categories.

Shares Outstanding	272.33												
Company	**Market Cap**	**EV**	**EV/Sales**	**EV/EBITDA**	**EV/EBIT**	**P/E**	**P/Book**	**Sales**	**EBITDA**	**EBIT**	**Earnings**	**Book Value of Equity**	**Net Debt**
The Gap, Inc. (GPS)	3,489	8,600	0.6	17.5	-162.2	18.1	1.7						
Kohl's Corporation (KSS)	2,680	10,090	0.6	8.3	39.9	7.6	0.5						
Nordstrom, Inc. (JWN)	2,690	6,640	0.4	5.3	13.8	10.7	3.6						
Macy's, Inc. (M)	4,382	10,550	0.4	4.1	5.6	4.0	1.2	25,119.0	2,552.0	1,880.6	1,695.0	3,562.6	2,134.0
Current Price	16.09												
Median			$ 0.6	$ 8.3	$ 13.8	$ 10.7	$ 1.7						
Enterprise Value			$ 13,815.5	$ 21,156.1	$ 25,971.1								
Total Equity Value			$ 11,681.5	$ 19,022.1	$ 23,837.1	$ 18,204.3	$ 6,056.4						
Equity Value per Share			$ 42.9	$ 69.8	$ 87.5	$ 66.8	$ 22.2						
			Under	Under	Under	Under	Under						

Final Range of Values

Multiples					
High	$ 0.6	$ 17.5	$ 39.9	$ 18.1	$ 3.6
Average	$ 0.5	$ 10.3	$ 26.8	$ 12.2	$ 1.9
Median	$ 0.6	$ 8.3	$ 13.8	$ 10.7	$ 1.7
Low	0.4	5.3	13.8	7.6	0.5
Equity Value					
High	$ 43.8	$ 156.1	$ 267.5	$ 112.8	$ 47.6
Average	$ 39.5	$ 89.1	$ 177.5	$ 75.7	$ 25.5
Median	$ 42.9	$ 69.8	$ 87.5	$ 66.8	$ 22.2
Low	30.9	41.5	87.5	47.4	6.5

Part 5- Valuation using DCF Methodology

The discounted cash flow methodology is a valuation technique used to get a terminal value that is estimated through predicting the growth of the company during a horizon period. The horizon period for Macy's is 2023-2027. The two different methods used were the perpetuity growth rate model and the exit multiple method. Typically with these methods, a number can be accurately calculated at the end of the horizon period. This is one of the main benefits of using the discounted cash flow. Another benefit of the discounted cash flow methodology is that the investor has freedom to choose and predict growth rates over the horizon period, and it is not based on historical financial data.

In terms of calculating free cash flows, the goal is to understand the company's ability to generate revenue and their ability to increase shareholder value. Here are the steps for calculating free cash flows:

- Multiple EBIT by 1-tax rate
- Add depreciation and amortization
- Add change in net working capital
- Subtract the change in CAPEX

Forecast Period Selection and Assumptions in DCF Model

The forecast period for Macy's Inc is 2023-2027. The reason I chose this forecast period is because Macy's is still attempting to recover from the COVID-19 pandemic, and 2027 would be around 7 years removed from that time which I believe is plenty of time to recover from the pandemic. A 2% growth rate was chosen for the valuation models because it was what I felt to be an accurate growth rate after doing research.

Several assumptions can be made pertaining to the discounted cash flow methodology, however there are two main assumptions. The first assumption is that this model assumes that capital markets are perfectly functioning. If they were perfectly functioning, then the growth rates would happen at the same rate every single year. The second main assumption in this method is that cash flows are assumed to happen at the end of every year.

Exit Multiple Method

The exit multiple method is a method used to determine a value using a multiple of EBITDA. This value is acquired by the following steps:

1.Create a horizon period

2.Forecast FCF

-Includes forecasting EBITDA, depreciation and amortization, Capex, and change in net working capital using a selected growth rate

3. Calculate unlevered cash flow

-Subtract d&a from EBITDA to get EBIT

-Subtract taxes from EBIT to get net income

-Add back d&a and capex and subtract change in NWC to get unlevered CFs

4. Estimate Terminal Value

- Determine a correct exit multiple and multiply it by EBITDA.

Perpetuity Growth Rate Method

This methodology assumes cash will grow at a stable rate for the duration of the horizon period. Here are the steps used in the perpetuity growth rate method:

1.Select a horizon period

2.Forecast FCF

- Includes forecasting sales and EBIT using growth percentage

3. Calculate OCF

- Subtracting taxes from EBIT

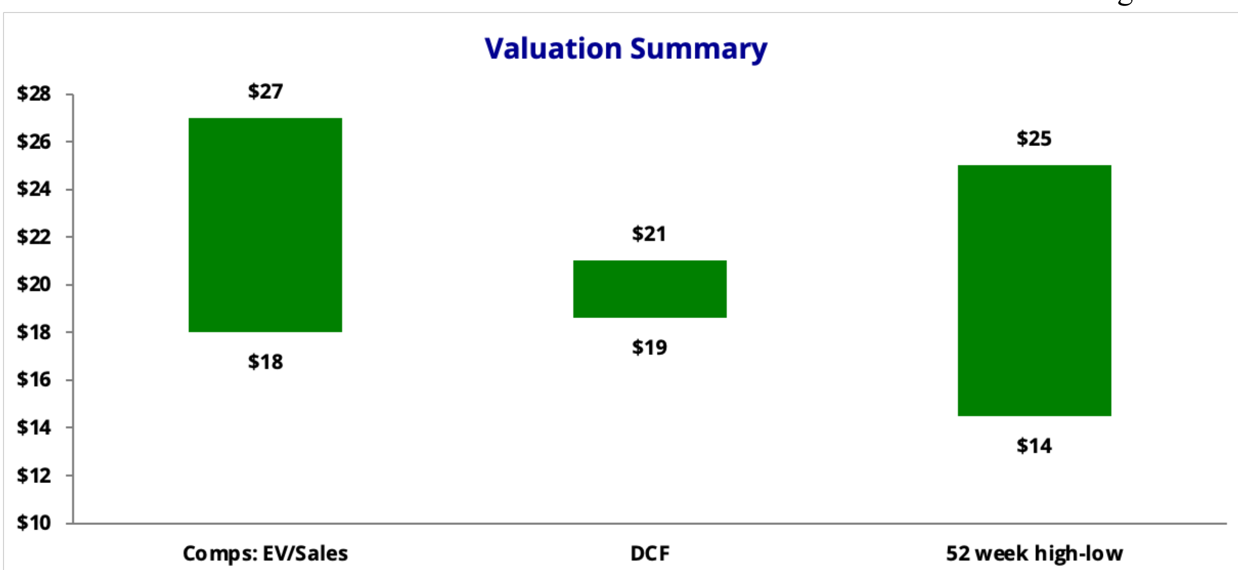
4. Calculate FCF by subtracting change in net working capital and change in capital expenditures

5. Estimate Terminal Value

Perpetuity Growth Method		**Exit Multiples Method**	
Cumulative Present Value of FCF	$ 3,179.74	Cumulative Present Value of FCF	$ 5,051.99
Terminal Value:	$ 11,426.187	**Terminal Value:**	
Terminal Year FCF (2023E)	$ 662.34	Terminal Year EBITDA (2023E)	$ 2,550
Perpetuity Growth Rate	2%	Exit Multiple	3
Terminal Value	$ 11,426.187	**Terminal Value**	$ 7,650.00
Discount Factor	0.92	Discount Factor	0.92
Present Value of Terminal Value	$ 7,634.05	**Present Value of Terminal Value**	$ 5,111.11
% of Enterprise Value	$ 0.71		
Enterprise Value	$ 10,813.79	**Enterprise Value**	$ 10,163.10
Implied Equity Value and Share Price		**Implied Equity Value and Share Price**	
Enterprise Value	$ 10,813.79	Enterprise Value	$ 10,163.10
Less: Total Debt	$ 5,959	Less: Total Debt	$ 5,959
Less: Preferred Stock		Less: Preferred Stock	
Less: Non-Controlling Interest		Less: Non-Controlling Interest	
Plus: Cash and Cash Equivalents	862	Plus: Cash and Cash Equivalents	$ 862
Implied Equity Value	$ 5,716.79	**Implied Equity Value**	$ 5,066.10
Fully Diluted Shares Outstanding	$ 272	Fully Diluted Shares Outstanding	$ 272
Implied Share Price	$ 21.02	Implied Share Price	$ 18.63

Football Field Valuation Chart:

Below is a valuation chart of the values calculated with the different methodologies.



Investment Recommendation

Method	Valuation	Weight	Weighted Value
Exit Multiple	$ 18.6	0.30	$ 5.59
P/B	22.2	0.15	$ 3.33
EV/Sales	39.5	0.12	$ 4.74
EV/EBITDA	41.5	0.12	$ 4.98
DCF (Perpetuity Growth)	21.02	0.31	$ 6.52
		1.00	$ 25.16

I have Macy's valued at $25.16. The weights of the methods were chosen based on how accurate I perceived the calculations to be. I weighed the DCF methods higher than the rest because those two were the ones I believed to be the most accurate. My recommendation is to hold. Even though the current share price is 16.09, I believe that Macy's still needs to show much more growth with ratios and financial statements in order for me to give the recommendation of buy.

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