



## Macy's Put Buyers See Further Weakness for Struggling Retailer

Ticker/Price: M (\$15.30)

### Analysis:

**Macy's (M)** with buyers of 7,450 November 22<sup>nd</sup> (W) \$16 puts for \$1.55, adding to the 5,500 bought on 10-7, and also later 2,000 January \$17 puts bought to open around \$2.87. Macys has seen size buyers over the last month in the May \$13 puts, November \$15 puts, May \$12 puts, and January \$15 puts. Macy's shares have significantly underperformed the XRT in 2019 and consolidating in a weekly bear flag under the 2017 lows. A move under \$14.25 targets single-digits while the declining 20- and 50-MA just above at \$16.50 is near-term resistance. The \$4.74B company trades 5.84X earnings, 0.2X sales, and 15X FCF with a near 10% yield but given issues and slowing growth, would imagine it's at risk. Macys sees EPS growth declining 7% in 2021 and 10.25% in 2022 with revenue growth down around 1% both years. Macys has been focusing on cost-cutting and asset sales as they invest in new strategies to boost their lagging big box stores. They face headwinds from declining tourism as niche-retailers continue to win foot traffic. Macys faces rising inventory levels after 'a fashion miss in our key women's sportswear private brands' and slow sell through of warm weather apparel. This comes after a poor spring where they were forced to discount heavily to push out old inventory. Analysts have an average target for shares of \$22. MSCO with a \$17 PT and Underweight rating. They note core sales continue to fade, despite asset sales and credit gains, while management continues to focus on 'innovative strategies' to boost sales. JP Morgan downgrading to Sell in August with a \$16 PT. They see Macys continuing to see gross profit declines while management continues to highlight a competitive retail environment. Short interest is surging despite the share weakness and now 25% of the float, up from around 13% in mid-August. Hedge fund ownership fell 16.5% in Q2. Maverick Capital and Samlyn notable holders while Yacktman Asset Management with a 2.85% weight. Macys has seen small insider buys in 2019 with the CEO adding \$110K in May around \$22 while a director bought \$216K.

### Hawk Vision:



**Hawk's Perspective:** M remains a weak story and continue to see the eventual demise of these Department Stores.

**Confidence Ranking:** \$\$