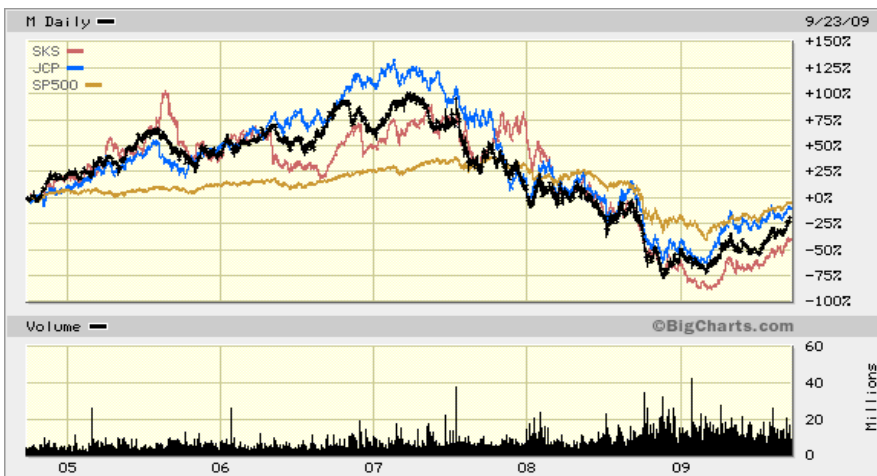


Macy's, Inc. (M) 9/23/09

M is a department retail store offering men's, women's, and children's clothing as well as household products. The company includes Macy's and Bloomingdale's department stores, along with online operations for both. M produces private brands for use in its stores under the labels Alfani and Club Room, accounting for 19% of revenue in 2008. M has recently started the My Macy's stores which have resulted in 1.5% more sales than traditional stores. M was founded in 1820 and is headquartered in Cincinnati, Ohio.

Current Price	\$18.76
52 Week High	\$19.44
52 Week Low	\$5.07
One Yr Target	\$18.00
Market Cap (in billions)	\$7.89
P/E (Trailing)	n/a
P/E(1 Yr Forward)	19.92
P/E/G	2.10
ROA	-20.08%
ROE	-68.10%
EPS	-\$11.59
Beta	1.85
Annualized Dividend	\$0.20
Dividend Yield	1.07%
Analyst Consensus	2.30
Debt to Equity	3.57



Annual EPS

2005	\$3.16	
2006	\$1.80	-43.04%
2007	\$2.01	11.67%
2008	-\$11.40	-667.16%
2009E	-\$11.59	-1.67%

Annual Revenue (in millions)

2005	\$22,390.00	
2006	\$26,970.00	20.46%
2007	\$26,313.00	-2.44%
2008	\$24,892.00	-5.40%

Annual Net Income (in millions)

2005	\$1,373.00	
2006	\$988.00	-28.04%
2007	\$909.00	-8.00%
2008	-\$4,803.00	-628.38%

Free Cash Flows (in millions)

2005	\$3,552.00	
2006	\$2,354.00	-33.73%
2007	\$1,133.00	-51.87%
2008	\$982.00	-13.33%

Required Rate of Return

15.55%

Dividend Growth Model

Present Value of 2014 Price	\$15.32
Holding Period Return (5 years)	11.51%

Expected Annualized Return Model

Present Value of 2014 Price	n/a
Holding Period Return (5 years)	n/a

Residual Income Model

Intrinsic Stock Price	\$97.08
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Analysis

Positives

Current stock price is greatly undervalued according to the RI valuation model

Negatives

Financial Ratios are mostly poor

EPS, Revenue, and NI have all been decreasing for past several years

Overvalued according to the DG valuation model

Financial Statements

Balance Sheet is decent but not nearly as good as it has been in the past

Income Statement is poor except for increasing dividends

Cash Flows are hugely volatile, but are positive for the past year

Industry Analysis

Average size company for the industry

Financial Ratios are lower than industry averages

Summary

There isn't much to like about M. Its financial ratios are poor, along with its financial statements. The only bright spot is the RI model which has the stock price as overvalued, but if Stockholder's Equity keeps decreasing the model may not say so for long. M's clientele were hit hard by the recession, so sales should pick back up with a rebound. The company faces fierce competition in the retail market and could have trouble finding new revenue streams. For now M earns a **hold** rating due to the expectation for consumer confidence to increase soon, but going forward looks more like a sell.