


**MACY'S (M) 3Q16 RESULTS: 3Q TRENDS**  
**POSITIVE INDICATOR FOR HOLIDAY**

	3Q16	3Q15	YoY Change
Revenues (USD Bil.)	\$5.63	\$5.87	(4.2)%
Gross Margin	39.8%	39.8%	–
SG&A/Sales	36.8%	33.5%	330 bps
Operating Margin	3.0%	6.3%	(330) bps
Adjusted EPS	\$0.17	\$0.56	(69.6)%

Source: Company reports/Fung Global Retail & Technology

- Macy's reported adjusted 3Q16 EPS of \$0.17 versus the consensus estimate of \$0.41. The miss was driven by SG&A expenses. Total revenues were \$5.63 billion, in line with analysts' expectations. Comparable-store sales declined by 3.3% on an owned basis and by 2.7% on an owned-plus-licensed basis.
- Sales results accelerated in the third quarter relative to the first half of the year and management expressed confidence that it will be able to reach its targets for the fourth quarter, owing in part to improved trends in the apparel business.
- The company reaffirmed its full-year EPS guidance of \$3.15–\$3.40 versus consensus of \$3.37. Comps on an owned-plus-licensed basis are expected to be (2.5)%–(3.0)% versus (3.0)%–(4.0)% previously. Comps on an owned basis are expected to be 50 basis points lower.

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### 2016 OUTLOOK

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### MACY'S CONTINUES TO FOCUS ON UNLOCKING REAL ESTATE VALUE

Macy's also announced a strategic alliance with Brookfield Asset Management to increase the value of its real estate portfolio. Brookfield will have the exclusive right to create a "predevelopment plan" for 50 Macy's real estate assets for up to 24 months. These assets include owned and ground-leased stores and associated land, most of which are located in malls not owned by major mall owners. The breadth of opportunity within the portfolio ranges from the additional development on a portion of an asset (such as a Macy's-controlled land parcel adjacent to a store) to the complete redevelopment of an existing store.



# FLASH REPORT

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