Macy's to win U.S. holiday season with biggest sales jump among department stores

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Wall Street expects Macy's Inc to report the biggest jump in holiday sales among U.S. department stores when it reports quarterly results on Tuesday, benefiting from its investments in online business and ability to keep its shelves stocked.

Analysts said the company was able to keep its supplies steady during the peak shopping season as it used multiple ports to receive early deliveries of apparel and accessories from overseas suppliers.

That is in contrast to their expectations for rival Nordstrom Inc as struggles at its Rack off-price division, which accounts for a third of its sales, turned Wall Street cautious on its near-term prospects.

"Nordstrom was the original digital strategy store, but Macy's has caught up and really has done more. Macy's has embraced a more data-driven, disciplined approach to managing all aspects of the business," retail analyst Jane Hali said.

Analysts also expect Kohl's Inc, which has seen takeover bids from activist investors, to benefit from lower discounts and its tie-up with Sephora beauty chain, but they doubt the strength of its online business.

The Context

In its last quarter, Macy's added 4.4 million new customers, up 28% from pre-pandemic levels, with around a third of them returning to the brand after months. J.P. Morgan analysts said Macy's is a primary market share beneficiary, with J.C. Penney and Belk ceding ground.
Macy's quarterly online sales has grown for nearly two years, thanks to its loyalty program that has attracted million of younger customers. It plans on building on the momentum by launching a marketplace, where third-party sellers could sell brands it does not carry and help expand its customer base.

The Fundamentals

Analysts polled by Refinitiv expect Macy's fourth-quarter revenue to jump 25% and profit to more than double. They expect Nordstrom sales to decline sharply from pre-pandemic levels, although that implies a 24% increase from a year earlier when it faced shipping delays. Kohl's revenue is expected to jump 11% from a year earlier, but was likely to be roughly flat when compared with pre-pandemic levels.

Wall Street Sentiment

Macy's current mean price target implies a 35% upside to Thursday's close, while Nordstrom's and Kohl's are both roughly 13% above their last closing price.

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