Dillard’s Inc vs. Macy’s Inc: A Comparative Ratio Analysis

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Julissa Limon

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# Company History

## The History of Dillard’s Inc

Dillard’s Inc. is part of the department store, or retail, industry. According to their official company website, “Dillard's, Inc. ranks among the nation's largest fashion retailers. The Company focuses on delivering style, service, and value to its shoppers by offering compelling apparel, cosmetics and home selections complemented by exceptional customer care” (Dillard’s Inc., 2022). The company was founded in 1938 by William T. Dillard with an $8,000 loan in Nashville, Arkansas. Shortly after, Dillard volunteered for service in the Navy due to World War II. He sold his store merchandise to another store, but kept his company open in order to collect his sales in accounts receivable (Reference for Business, 2022).

In 1944, Dillard and his wife reopened the store and, within a year, it made record sales. Two years from the reopening, Dillard invested in Wooten’s Department Store in Texarkana. Consequently, in 1948, Wooten asked Dillard to buy him out of his portion of their stores, because they had lost money during the first 6 months of business (Reference for Business, 2022). In an effort to expand his retail stores, Dillard acquired multiple stores and companies from the 1950s to the early 2000s. Subsequently, 1956 was the year that Dillard acquired the Mayer and Schmidt Store in Tyler, Texas. By 1964, Dillard Department Stores Inc. Headquarters was established in Little Rock, Arkansas. In this year, the company also installed its first computer system, which marked the start of the retail industry’s most advanced tracking systems. Additionally, the company also opened its first mall store, which marked the beginning of the company’s move to the suburbs (Zippia, 2021).

In 1969, Dillard’s Inc. offered public trading in the American Stock Exchange for the first time. Not 10 years later did the company expand to Kansas and acquired 5 Leonard’s Department Stores in Texas (Zippia, 2021). Moreover, from 1983 to 1988, the company continued expanding by acquiring an additional 98 stores in the South and Midwest areas of the country. Two years after this success, the company acquired Ivey’s stores in North and South Carolina as well as in Florida. Furthermore, in 1998, the company acquired Mercantile stores nationwide and another 12 stores in 2001. Unfortunately, in 2002, the head and founder of the company, William T. Dillard, passed away (Zippia, 2021). From then on, the company website states that between the years 2000 to 2009, “store construction in key markets continued at a rapid pace” (Dillard’s Inc., 2022).

Throughout the years, though Dillard’s Inc. was able to acquire a multitude of companies and stores, the company faced financial difficulties due to the economy and natural disasters, such as Hurricane Charley, in the early 2000s (Zippia, 2021). Regardless, as of 2020, there were 285 stores spanning 29 states and they have a net sales of $6.2 billion. According to the company’s 2021 financial report, they have recently faced financial difficulties due to a variety of risks related to: the COVID-19 pandemic; retail operations; consumer demand; brand and product offerings; material sourcing and supply; long-term marketing and servicing alliance risks; information technology and information security; legal and compliance risks; construction operations; and employees (Dillard’s Inc., 2022).

For the purpose of this report, data was extracted for the fiscal years of 2016 to 2021 from the University of Pennsylvania’s database, Wharton Research Data Services (WRDS). A variety of financial ratios were calculated, using such data, and were recorded in Table 1 and Table 2. After reviewing a brief summary of the history of Macy’s Inc, the Dillard’s Inc. financial ratios throughout the past 6 years will be analyzed and compared to their Macy’s Inc. corresponding ratios.

## The History of Macy’s Inc

Macy’s Inc is part of the department store, or retail, industry. According to their official company website, “Headquartered in New York City, we operate one of retail’s largest e-commerce businesses integrated with a nationwide footprint to deliver the most convenient and seamless shopping experience. Our purpose is *to* *create a brighter future with bold representation* – so we can realize the full potential of every one of us” (Macy’s Inc., 2022). The Macy’s we know today was expanded by the acquisition of multiple department stores while simultaneously holding community events. In order to elaborate on the expansion of the company, many department stores and companies will be introduced in this report.

John Shillito founded Shillito’s, Cincinnati’s first department store in 1830. Eben Jordan and Benjamin L. Marsh opened Jordan Marsh, a department store chain, in Boston in 1841 (Macy’s Inc., 2022). F&R Lazarus & Company was founded by Simon Lazarus in Columbus, Ohio in the year 1851. In 1858, R.H. Macy & Co., a small dry goods shop in New York City, was opened by Rowland H. Macy (Macy’s Inc., 2022). Seven years later, Abraham and Joseph Wechsler established Wechsler & Abraham in Brooklyn, New York. In 1867, Morris Rich founded Rich’s in Atlanta and Isaac, Louis and Benjamin Stern founded Stern Brothers in New York City. Goldsmith’s was founded in 1870 in Memphis by Jacob and Isaac Goldsmith. In 1872, Bloomindale Brothers Inc. was founded by Lyman and Joseph Bloomingdale in New York City. Meler & Frank’s, a dry good store in Portland, was founded by Emil Frank and Aaron Meler in 1873. The Bon Marche was founded in Seattle in 1890 by Edward and Josephine Nordoff (Macy’s Inc., 2022). Additionally, Burdines was established in 1898 in Miami by Henry Payne and William M. Burdine.

To expand consumerism, in 1902, Macy’s moved its location to Herald Square in New York City (Macy’s Inc., 2022). Another company named Bullock’s was founded in 1907 in Los Angeles by John Bullock and P.G. VVinnett. The Macy’s Herald Square location became the largest store in the world in 1924. That same year, 10,000 people attended Macy’s first parade, now known as the Macy’s Thanksgiving Day Parade (Macy’s Inc., 2022). Finally, in 1929, the Federated Department Stores, Inc. was formed as a holding company for several of the family-owned department stores previously mentioned. The department stores included were: Abraham & Straus, F&R Lazarus, Shillito’s, which had been acquired by F&R Lazarus, and Filene’s, a Boston company. A year later, Bloomingdale’s also joined Federated Department Stores Inc..

Inspired by Persian merchandisers, Fred Lazarus was the first to arrange clothing by size rather than style in American stores in 1934 (Macy’s Inc., 2022). In order to acclimate to the economic crisis during 1939, Federated Department Stores and Allied Stores Corporation began to offer sales based on credit. This began their reputation for community involvement in times of need. In 1946, the Macy’s Flower Show debuted as a fragrance festival at the San Francisco Union Square store (Macy’s Inc., 2022). A decade later, Burdines became a division of the company and the company continued to expand by acquiring Dayton, Rike’s, Goldsmith’s, and Hecht’s in 1959. In 1976, the company held their first Macy’s 4th of July Fireworks show.

The company continued expanding from the 1980s to the early 2000s. Accordingly, in 1988, the company acquired Bullock’s and I. Magnin from Campeau Corporation. Four years later, the Allied Stores Corporation merged into Federation Department Stores Inc. (Macy’s Inc., 2022). During this time, the company had 220 department stores in 26 states and annual sales of approximately $7 billion. The company acquired Joseph Home Co. of Pittsburgh in 1994, which consequently added 10 stores in Pennsylvania to its Lazarus division. Later that year, the company acquired R.H. Macy & Co., making it the largest department store retailer in the nation (Macy’s Inc., 2022). Within the same year, Macy’s East, which was headquartered in New York City, merged with A&S/Jordan Marsh to form a $4 billion retailing division. Growing steadily, in 1995, the company acquired Broadway Stores Inc., and in 1996 they launched Macys.com, an online shopping website. Three years later, the company launched a new Macy’s by mail catalog and re-launched their shopping website. Macy’s became a national brand in 2006 as the company changed the name of its 400 stores (Macy’s Inc., 2022). Federated Department Stores, Inc officially changed its name to “Macy’s Inc.” in 2007. The following year, Macy’s Inc. celebrated its 150th birthday and expanded its global reach in 2011 by offering international shipping on the company’s shopping website.

The company gradually expanded for over a century through department store acquisitions and gained the public’s favorability through its community involvement. According to the company’s 2021 financial report, they have recently faced financial difficulties due to a variety of risks related to: the COVID-19 pandemic; strategic, operational and competitive risks; infrastructure; information security, cybersecurity, privacy and data management; supply chain and third-party risks; economic, global, legal and external risks; climate change; and financial risks (Macy’s Inc., 2022). The rest of this report will focus on the effects some of the risks mentioned above had on the company’s performance as well as how it compared to Dillard’s Inc. company performance.

# Comparative Ratio Analysis

**Table 1**

**Liquidity, financial leverage, and asset utilization ratios for** **Dillard’s Inc. (DDS) and Macy’s Inc. (M)**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year | DDS  Quick Ratio (x) | M  Quick Ratio (x) | DDS  Cash Ratio (x) | M  Cash Ratio (x) | DDS  Debt-to-Equity Ratio (x) | M  Debt-to-Equity Ratio (x) | DDS  Days in Receivables (days) | M  Days in Receivables (days) | DDS  ROA (%) | M  ROA (%) |
| 2016 | 0.40 | 0.33 | 0.36 | 0.23 | 1.26 | 3.59 | 2.74 | 7.39 | 0.04 | 0.03 |
| 2017 | 0.22 | 0.37 | 0.18 | 0.29 | 1.15 | 2.42 | 2.25 | 5.33 | 0.06 | 0.08 |
| 2018 | 0.19 | 0.31 | 0.13 | 0.22 | 1.04 | 1.98 | 2.86 | 5.67 | 0.05 | 0.06 |
| 2019 | 0.35 | 0.20 | 0.30 | 0.12 | 1.11 | 2.32 | 2.78 | 5.89 | 0.03 | 0.03 |
| 2020 | 0.67 | 0.37 | 0.47 | 0.31 | 1.15 | 5.94 | 12.81 | 5.57 | -0.02 | -0.22 |
| 2021 | 0.79 | 0.37 | 0.74 | NA | 1.24 | 3.86 | 2.35 | 4.29 | 0.27 | 0.08 |

**Table 2**

**Profitability and market value ratios for Dillard’s Inc. (DDS) and Macy’s Inc. (M)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year | DDS  Profit Margin Ratio (%) | M  Profit Margin Ratio (%) | DDS  ROE (%) | M  ROE (%) | DDS  P/E Ratio (x) | M  P/E Ratio (x) | DDS  Price-to-Sales Ratio (x) | M  Price-to-Sales Ratio (x) |
| 2016 | 0.03 | 0.02 | 0.10 | 0.14 | 11.45 | 14.70 | 0.28 | 0.35 |
| 2017 | 0.03 | 0.06 | 0.13 | 0.27 | 9.00 | 5.12 | 0.30 | 0.32 |
| 2018 | 0.03 | 0.04 | 0.10 | 0.17 | 10.72 | 7.31 | 0.27 | 0.31 |
| 2019 | 0.02 | 0.02 | 0.07 | 0.09 | 13.86 | 8.76 | 0.23 | 0.19 |
| 2020 | -0.02 | -0.22 | -0.05 | -1.54 | NA | NA | 0.44 | 0.26 |
| 2021 | 0.13 | 0.06 | 0.59 | 0.39 | 6.06 | 5.49 | 0.72 | 0.30 |

## **Short-Term Solvency Measures**

### Quick Ratio

The quick, or acid-test, ratio is computed to evaluate a firm’s liquidity. In other words, it is a short-term solvency ratio that is used to determine the firm’s ability to pay its bills over a short period of time (Ross et al., 2022, p.61). It is similar to the current ratio except it accounts for the difference between current assets and inventory as inventory is the least liquid current asset. The higher the quick ratio, the more cash and accounts receivable the company has than its current liabilities. Similarly, the lower the quick ratio, the less cash and accounts receivable the company has compared to its current liabilities.

In 2016, we can see that Dillard’s quick ratio was approximately 0.07 higher than Macy’s quick ratio. The following year, however, Macy’s had a quick ratio 0.15 higher than Dillard’s. Macy’s continued to have a quick ratio higher than Dillard’s in 2018 with a difference of 0.12. This changed in 2019 as Dillard’s had a quick ratio 0.15 higher than Macy’s. The difference between the two companies continued increasing with Dillard’s having a quick ratio 0.30 higher in 2020 and 0.42 higher in 2021. The switch that happened in 2019, might be due to the affect that the COVID-19 pandemic had on the company. Based on the formula, Dillard’s may have obtained more cash through long-term debts and most likely also had an increase in accounts receivables. It could also mean that Macy’s may have had an increase in current liabilities compared to its cash and accounts receivable. Overall, Dillard’s had a higher liquidity, or quick ratio, than Macy’s in 2016, 2019, 2020, and 2021.

### Cash Ratio

The cash ratio is also a short-term solvency ratio. A very short-term creditor would most likely be interested in the cash ratio as it focuses on the firm’s cash at hand and its current liabilities (Ross et al., 2022, p.61). The higher the cash ratio, the more cash the company has than current liabilities. The lower the cash ratio, the less cash the company has compared to its current liabilities.

Dillard’s had a cash ratio 0.13 higher than Macy’s in 2016. In the following two years, Macy’s had a cash ratio 0.11 higher than Dillard’s in 2017 and 0.09 higher in 2018. There was a shift between 2018 and 2019 in which Dillard’s started having a higher cash ratio than Macy’s. In 2019, Dillard’s had a cash ratio 0.18 higher than Macy’s and a cash ratio 0.16 higher in 2020. The following year, Dillard’s had a cash ratio of 0.74, its highest cash ratio within the last 6 years. Macy’s, on the other hand, decided not to share the data necessary to make its cash ratio calculation for 2021.

As seen in the companies’ quick ratio analysis, Dillard’s had a higher cash ratio for the years 2016, 2019, 2020 and possibly for 2021. The change that happened between 2018 and 2019 may have been caused by the COVID-19 pandemic. Dillard’s may have acquired cash through long-term loans or lowered their current liabilities. It could have also been the case that Macy’s might have had an increase in current liabilities compared to their cash at hand. Overall, I did find it odd that Macy’s did not share their cash amount for the 2021 fiscal year.

## Long-Term Solvency Measures

### Debt-to-Equity Ratio

The debt-to-equity ratio is a long-term solvency, or financial leverage, ratio. It is a variation of the total debt ratio which is usually used to compute a firm’s long-term ability to meet its obligations (Ross et al., 2022, p.63). The higher the debt-to-equity ratio, the more total debt a company has compared to its total equity. The lower the debt-to-equity ratio, the less debt a company has compared to its total equity.

Between 2016 and 2021, Dillard’s had a lower debt-to-equity ratio than Macy’s. In 2016, for example, the Dillard’s debt-to-equity ratio was 1.26 while Macy’s debt-to equity ratio was 3.59. This means that, for this year, for every $1.26 Dillard’s had in total debt, it had $1 in total equity while for every $3.59 Macy’s had in total debt, it had $1 in total equity. The following year, Dillard’s had a debt-to-equity ratio of 1.15 while Macy’s managed to lower its debt-to-equity ratio to 2.42. In 2018, both companies obtained their lowest debt-to-equity ratios with Macy’s having a ratio of 1.98 and Dillard’s having a ratio of 1.04. In 2019, however, the debt-to-equity ratios increased for both companies with Macy’s recording a ratio of 2.32 and Dillard’s recording a ratio of 1.11. In 2020, the debt-to-equity ratio only increased slightly for Dillard’s to 1.15 while Macy’s increased to 5.94. This significant increase in Macy’s debt-to-equity ratios between 2019 and 2020 was most likely due to the COVID-19 pandemic. Macy’s most likely had to obtain loans and other debt in order to keep the company afloat during this time period. In 2021, however, we see that Macy’s debt-to-equity ratio decreased significantly to 3.86 while Dillard’s increased to 1.24. This most likely means that Macy’s started to pay off its debts, or had an increase in total equity compared to its total debt.

In summary, Dillard’s was able to maintain a debt-to-equity ratio close to 1 during this 5 year time period. This is great for Dillard’s, because it means that for approximately every dollar of total debt the company had, they had a dollar of total equity. Macy’s, on the other hand, had relatively high debt-to-equity ratios throughout the years, reaching an all-time high in 2020. Overall, in my opinion, Dillard’s had better financial leverage throughout the timespan analyzed than Macy’s. Nonetheless, if the trend continues, and the company is not affected by external risks, Macy’s might be on track for decreasing their debt-to-equity ratios in the near future.

## Asset Management Measures

### Days in Receivables

The days’ in receivables ratio, also known as the average collection period, is an asset management measure. This ratio reflects on a firm’s ability and pace at which it can collect its sales from its accounts receivable (Ross et al., 2022, p.66). The lower the ratio, the faster the company collects its accounts receivable. The higher the ratio, the slower the company is at collecting its accounts receivable.

In 2016, Macy’s had 7.39 days’ sales in receivables while Dillard’s had 2.74. The days’ sales in receivables for Macy’s decreased to 5.33 in 2017, while Dillard’s decreased to 2.25, its lowest recorded days’ sales in receivables. The following year, both of the companies’ days’ sales in receivables increased slightly; Macy’s had 5.67 days’ sales in receivables and Dillard’s had 2.86 days’ sales in receivables. In 2019, Macy’s days’ sales in receivables increased slightly to 5.89 while Dillard’s decreased to 2.78. The next year, however, Dillard’s days’ sales in receivables increased drastically to 12.81 and Macy’s decreased to 5.57. In 2021, we see that Macy’s decreased to 4.29 days’ sales in receivables; its lowest days’ sales in receivables recorded within the timespan analyzed. That same year, Dillard’s managed to recover from 2020 by having a 2.35 days’ sales in receivables.

For the most part, Macy’s had higher days’ sales in receivables than Dillard’s throughout the timespan analyzed except for the year 2020. This change for Dillard’s days’ sales in receivables most likely happened as a result of the COVID-19 pandemic. My theory is that customers were less likely to pay off their purchases made on credit, than they had been in other years, due to the effect the pandemic most likely had on their employment. This meant that Dillard’s was not able to collect its sales from accounts receivable as fast as it used to before. The company could have also seen an increase in purchases made using credit as opposed to paying in cash, which may have impacted their days’ sales in receivables ratio. Regardless, I believe that Dillard’s is more efficient at collecting its sales in accounts receivable than Macy’s.

## Profitability Measures

### Return on Assets

Return on assets (ROA) is a profitability measure. To elaborate, ROA is a measure of profit per dollar of assets (Ross et al., 2022, p.68). The higher the ROA, the more of a profit a firm makes for each dollar worth of assets. The lower the ROA, the less of a profit a firm makes for each dollar worth of assets. In fact, it is possible for a firm to have an ROA of 0% or a negative percentage as we will see in the following data analysis.

The ROA trendlines for both companies are relatively similar between 2016 and 2019 and differ drastically in 2020 and 2021. In 2016, Dillard’s had a higher ROA% than Macy’s; Dillard’s had a 0.04% while Macy’s had a 0.03%. The next year, however, Macy’s had a 0.08% ROA% while Dillard’s had a 0.06%. In 2018, both of the companies’ ROA% decreased slightly; Macy’s decreased to 0.06% while Dillard’s decreased to 0.05%. Their ROA% continued to decrease the following year with both Macy’s and Dillard’s reaching an ROA% of approximately 0.03%. In 2020, both companies reached their lowest ROA% recorded within the timespan analyzed, but Dillard’s did significantly better than Macy’s. Dillard’s ROA% dropped to -0.02% while Macy’s dropped to -0.22%. The ROA% increased drastically for both companies in 2021; Dillard’s ROA% increased to 0.27% and Macy’s increased to 0.08%.

I believe the drastic drop in ROA percentages between 2019 and 2020 occurred due to the COVID-19 pandemic and its effect on the economy. We know that net income is composed of the difference between operating income and taxes paid while total assets includes current assets, net fixed assets and other intangible assets. The COVID-19 pandemic resulted in negative net incomes for both companies as well as lower total assets. This may have occurred due to an increase in cost of goods sold and other expenses, less customers purchasing products, or a decrease in inventory supply. Overall, even though both companies had negative ROA% in 2020, they started to recover in 2021. Once again, we see that Dillard’s managed its ROA% better than Macy’s in the past few years.

### Profit Margin Ratio

Profit margin is a widely followed profitability ratio, because it measures how well a company makes money (Ross et al., 2022, p.67). The higher the profit margin ratio, the more net income the companies make per sale. The lower the profit margin, the lower the net income the company makes per sale. It is possible for a company to have a negative profit margin as we will see in the following data.

As it was observed in the ROA analysis, the profit margin trendlines for both companies are relatively similar between 2016 and 2019 and differ drastically in 2020 and 2021.For example, in 2016 the profit margin ratio for Dillard’s was 0.03% while Macy’s had a profit margin ratio of 0.02%. In the following three years, Macy’s had a slightly higher profit margin ratio than Dillard’s. Macy’s had a profit margin ratio of 0.06% in 2017 and a profit margin ratio of 0.04% in 2018, while Dillard’s had a profit margin ratio of approximately 0.03% for both years. In 2019, they both decreased to a profit margin ratio of approximately 0.02%. Then, there was a drastic change in the profit margin percentages for both companies in 2020. Dillard’s reached its lowest profit margin ratio, in the timespan analyzed, of -0.02% while Macy’s reached a -0.22% profit margin ratio. In 2021, both companies increased their profit margin percentages significantly. Dillard’s rose to a profit margin ratio of 0.13% and Macy’s reached a profit margin of 0.06%.

The changes in profit margin ratios for both companies between 2019 and 2021 was most likely due to the COVID-19 pandemic and its effect on the economy. Based on the formula, we know that the variables affecting profit margin are net income and sales. As previously mentioned, we also know that net income is composed of the difference between operating income and taxes paid. In these years, sales decreased significantly and net income dropped to negative levels for both companies. This was most likely due to an increase in cost of goods sold and other expenses as well as a decrease in customers purchasing products. Nonetheless, though Dillard’s profit margin ratio was constant for many years and didn’t decrease as much as Macy’s did in 2020, Macy’s increased its profit margin by an impressive 0.28% in 2021. In this case, I’d say that Macy’s managed their profit margin ratios more efficiently than Dillard’s throughout the years.

### Return on Equity

Return on equity (ROE) is a profitability measure of how well the stockholder’s fared throughout the fiscal period and it is believed to be “the true bottom line measure of performance” (Ross et al., 2022, p.68). Investors would most likely favor companies with a higher ROE% as it indicates that the company had a high net income compared to its total equity. A lower ROE% indicates that the company had a low net income compared to its total equity. In this case we are able to see that it is possible for companies to reach negative ROE%.

As it was observed in the previous trendline analyses, the return on equity trendlines for both companies are relatively similar between 2016 and 2019 and differ drastically in 2020. In 2016, Macy’s had an ROE% of 0.14% while Dillard’s had a 0.10%. In the following year, Macy’s almost doubled their ROE% with a 0.27% while Dillard’s only increased their ROE% slightly to a 0.13%. Both companies’ ROE% decreased in the following two years; Macy’s dropped to a 0.17% in 2018 and to 0.09% in 2019 while Dillard’s dropped to a 0.10% in 2018 and to a 0.07% in 2019. In 2020, both companies’ ROE% decreased remarkably with Macy’s reaching a -1.54% and Dillard’s reaching a -0.05%. The next year, however, both companies started to recover by having an increase in their ROE%; Dillard’s rose to a 0.59% while Macy’s increased to a 0.39%.

Overall, Macy’s had higher return on equity percentages from 2016 to 2019. The changes in return on equity ratios for both companies between 2019 and 2021 was most likely due to the COVID-19 pandemic and its effect on the economy. Based on the formula, we know that the variables affecting return on equity are net income and total equity. As previously mentioned, we also know that net income is composed of the difference between operating income and taxes paid. In these years, net income dropped to negative levels for both companies. This was most likely due to an increase in cost of goods sold and other expenses as well as a decrease in customers purchasing products, or sales. However, though Macy’s ROE% dropped significantly more than Dillard’s, it was able to recover with a 1.15% increase in 2021. While I recognize the consistency of Dillard’s ROE% throughout the years analyzed, I believe Macy’s is more efficient in managing their ROE ratios. To conclude, if the trendline continues, and the companies are not affected by external factors, Macy’s might catch up to or surpass Dillard’s ROE% as it has in other years.

## Market Value Measures

### Price-Earnings Ratio

The price-earnings ratio (PE) measures how much investors are willing to pay per dollar of a firm’s current earnings (Ross et al., 2022, p.69). For example, the higher the price per share compared to the earnings per share, the higher the price-earnings ratio. The higher the PE ratio, the more likely the company is thought to produce future financial growth.

In 2016, Macy’s had a higher PE ratio than Dillard’s; Macy’s had a 14.70 PE ratio while Dillard’s had a 11.45 PE ratio. Investors were willing to pay more per dollar of Dillard’s current earnings for the years 2017, 2018, 2019 and 2021. In 2017, though both companies’ PE ratios decreased, Dillard’s had a PE ratio of 9.00 while Macy’s had a 5.12 PE ratio. Both of the companies’ PE ratios increased in 2018, with Dillard’s ratio increasing to a 10.72 and Macy’s increasing to a 7.31. There was an additional increase in PE ratios for both companies in the following year; Dillard’s increased to a 13.86 PE ratio while Macy’s increased to a 8.76 PE ratio. In 2020, however, both companies had a negative PE ratio; for the purpose of this report, both companies did not have a PE ratio for that year. Then, in 2021, the PE ratio for both companies increased. Dillard’s PE ratio increased to a 6.06 while Macy’s PE ratio increased to a 5.49.

As it was observed in the year 2020, it is possible for companies’ PE ratios to fall below 0. This means that investors are not willing to invest in a company based on their current earnings at the time. This was most likely due to the companies’ performance that year and the uncertainty of the impact that the COVID-19 pandemic would have on the retail industry. Investors’ finances may have also been negatively affected by the pandemic. Regardless, both companies’ PE ratios started to rise the following year.

### Price-to-Sales Ratio

When companies have negative earnings for extended periods of time, their price-earnings ratios are not considered meaningful or reliable (Ross et al., 2022, p.70). When this occurs, analysts and investors often refer to companies’ price-sales ratios. The higher the sales per share, compared to the price per share, the lower the price-sales ratio. The lower the price-sales ratio, the more appealing it is to investors and analysts. This is because, a price-sales ratio less than one, indicates that investors are paying less than $1 for every $1 the company earns in sales.

From 2016 to 2018, the price-sales ratios for Macy’s were higher than Dillard’s. In 2016, for example, Macy’s had a price-sales ratio of 0.35 as opposed to Dillard’s 0.28 price-sales ratio. In the following year, Dillard’s price-sales ratio increased to 0.30 while Macy’s price-sales ratio dropped to 0.32. In 2018, Dillard’s price-sales ratio decreased to 0.27 and Macy’s price-sales ratio lowered slightly to 0.31. Though both companies’ price-sales ratios dropped the next year, Dillard’s price-sales ratio was higher than Macy’s price-sales ratio; Dillard’s dropped to a 0.23 while Macy’s lowered to a 0.19. In 2020, both companies’ price-sales ratios increased. Dillard’s reached a price-sales ratio of 0.44 while Macy’s rose to a 0.26. Their price-sales ratios continued to increase in 2021 with Dillard’s reaching a 0.72 price-sales ratio and Macy’s a 0.30 price-sales ratio.

Though none of the companies exceeded price-sales ratios greater than one, they were higher/lower when compared to each other. The companies most likely had a change in price per share based on the economic effects of the COVID-19 pandemic. The pandemic most likely also affected the sales the company was making as customers were less willing to spend their money on retail items during a time of financial uncertainty. Nevertheless, based on the data from the past few years, it would be more favorable to invest in Macy’s than it would to be to invest in Dillard’s. In other words, it would be wiser to invest in Macy’s where you can pay $0.30 per $1 of company revenue as opposed to paying $0.72 for the same amount of revenue.

# Dillard’s and Macy’s Inc Performance Summary

In this report, the history of both Dillard’s Inc. and Macy’s Inc. was provided, data from WRDS was extracted to compute financial ratios, scatter plots representing the data were generated and a comparative analysis of each financial ratio was presented. Macy’s began in the mid-1800s while Dillard’s started in the mid-1900s. Both companies have grown to the size they are today due to the acquisition of other department stores and companies throughout the country. They are both pioneers in their field and have lasted this long due to their ability to market their brands and adapt to their consumer’s needs as well as acclimate to the economy.

In order to make a comparative analysis of both companies, short-term solvency, long-term solvency, asset management, profitability and market value measures were computed based on data from fiscal years 2016 – 2021. The quick and cash ratios (short-term solvency measures) both determined that Dillard’s had a higher liquidity than Macy’s for the years 2016, 2019 – 2021. Dillard’s also had a lower debt-to-equity ratio (long-term solvency measure) than Macy’s for the years 2016 – 2021; Dillard’s ratio was also consistently close to 1, which is the most ideal outcome. Dillard’s days’ sales in receivables (asset management measure) was lower than Macy’s from 2016 – 2019 and 2021. Although Macy’s had higher, returns on assets, profit margin ratios, and returns on equity (profitability measures) for most of the years in the 2016 – 2021 timespan, Dillard’s ratios were higher during 2020 – 2021 in all three measures. This is noteworthy, because the company was relatively profitable during the COVID-19 pandemic compared to Macy’s. In terms of market value measures, Dillard’s price-earnings ratio was also higher than Macy’s from 2017 – 2019 and 2021; Macy’s price-sales ratio was lower than Dillard’s between 2019 - 2021. In conclusion, based on the financial ratios and the performance of the companies during the COVID-19 pandemic, I believe Dillard’s performed the best.

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