



Submyourassignments.net

Stuck on Financial Analysis Paper?
Why Suffer?
That's Our Job

Qualified Writers Only

Plagiarism-free guarantee

It'll take you just 2 minutes to order

ORDER NOW

Have kids?

Too much homework?

Family issues?

Tight deadlines?

Too much homework?

We can Help ✓

Macy's Financial Analysis

Student's Name:

Institutional Affiliation:

Course:

Date:

Macy's Financial Analysis

	Formula	2019		2018	
		Calculations	Result	Calculations	Result
Profit Margin	(Net Income/ Net Sales)*100%	(\$564/\$24560) *100%	2.30%	(\$1098/\$24971) *100%	4.40%
Return on Shareholders' Equity	Net Income/ Shareholders' Equity	\$564/\$6377	8.84%	\$1098/\$6436	17.06%
Current Ratio	Current Assets/ Current Liabilities	\$6810/\$5750	1.18	\$7444/\$5232	1.42
Interest Coverage Ratio	EBIT/ Interest Expense	\$1355/\$205	6.61	\$1915/\$261	7.34

Table 1: Financial Analyses on Macy's (Macy's Inc., 2020, pp. 54-58)

Question One

As a potential vendor for Macy's, the critical financial ratio to look at is the current ratio. A current ratio is a form of liquidity ratio that assesses a company's ability to pay its short-term debts within a limited duration, such as a year. Markedly, the current ratio tells a company's suppliers, such as vendors, the period a company takes to liquidate its assets to pay off such debts. It is worth noting that a current ratio of between 1.2 to two denotes a company's sound financial position in terms of payment of short-term obligations using its assets. It means that a company has between 1.2 to two times more in its current assets than its current liabilities (Fernando, 2020). The current ratio for Macy's for fiscal years 2019 and 2018 are 1.18 and 1.42,

indicating a drop in its ability to liquidate assets to pay short-term obligations. However, Macy's is a good company for a vendor to supply products, owing to its stable current ratio.

Another significant financial ratio that a potential vendor to Macy's can consider is the cash ratio. The cash ratio is a liquidity ratio that assesses an organization's ability to service short-term debts solely using its cash or cash equivalents. The cash ratio will allow a vendor to know whether it is suitable for them to supply their products to a company by assessing its debt payment behavior. In particular, a vendor may require quick payment for the supply of products on debt that necessitates using the cash ratio to determine if the company can repay such debt using its cash or cash equivalents (Cleartax, 2021). In Macy's case, a vendor must divide the sum of the cash and cash equivalents by its total current liabilities. A cash ratio of between 0.5 to one indicates a good financial position for a company.

Question Two


As a potential investor in Macy's stock, the critical financial ratio to consider is the return on shareholders' equity ratio. It is worth noting that any investor of a for-profit company's main goal is to get paid for their investment through different forms, such as dividends. The return on shareholders' equity ratio compares a company's income to its shareholders' equity. As such, the calculation of the ratio requires the division of a company's net income by its shareholders' equity to determine the proportion of shareholders' return based on revenue (bdc, n.d.). A good return on shareholders' equity ratio indicates that a company can return shareholders' investments in its stock. An analysis of Macy's return on shareholders' equity indicates a drop from 17.06% in 2018 to 8.84% in 2019, reflecting negative changes in investor returns.


Investors can also exploit other financial ratios to determine the suitability of investment at Macy's. The return on assets (ROA) ratio is a profitability ratio that indicates a company's performance in utilizing its assets to generate revenue. A good return ratio attracts investors because it reveals a high likelihood for profit; thus, positive returns (Hargrave, 2020). The dividend yield ratio also allows investors to assess a company's ability to reward their investments through dividend payments. The dividend yield arises from dividing the dividend per share by the price per share, which guides investments in a company (Fernando, Dividend Yield, 2021). Investors can also look at the dividend payout ratio, which divided the dividend by the net income to determine the amount of profit that exists as dividends (Hayes, 2020). An investor can consider investing in a company with a good dividend payout ratio, ROA ratio, and dividend yield ratio due to the increased surety of high returns.

Question Three

The four financial ratios can help assess Macy's financial position to guide investment and changes to improve profitability. Macy's profit margin assessment indicates a significant drop from 4.4% in 2018 to 2.3% in 2019. The drop is indicative of a negative trajectory but relates to the company's operations, owing to the huge drop in its profitability. (Macy's Inc., 2020) Thus, investors must assess other factors, such as the company's liquidity and investor returns to determine whether it is a suitable investment opportunity. An analysis of Macy's return on shareholders' equity indicates a huge drop from 17.06% in 2018 to 8.84% in 2019. It is worth noting that this drop is below the industry expectation of a good return on shareholders' equity of between 15-20% (Cleartax, 2021). The huge drop in Macy's profit margin and return on shareholders' equity indicates that it is not in a suitable condition for investment.

An analysis of Macy's current ratio indicates a drop from 1.42 in 2018 to 1.18 in 2019. Despite the drop, Macy's remains in a stable position in terms of debt payment, an aspect that is attractive for investment. The stability indicates that Macy's values its creditworthiness despite its turmoil in investor payment and profit generation (Fernando, Current Ratio, 2020). Moreover, Macy's interest coverage ratio indicates a drop from 7.34 to 6.61 between 2018 and 2019. The interest coverage ratio assesses a company's ability to cover its current interest payment with available revenue. Despite the drop in Macy's interest coverage ratio between the two years, its interest coverage ratio remains good and above the industry's standard of three (Hayes, Interest Coverage Ratio, 2020). It is worth noting that these four ratios indicate that Macy's financial condition is on the decline and may discourage further investment. However, a potential investor needs to consider surrounding factors such as financial figures and financial ratios based on previous years before investing.



 **Submyourassignments.net**

Get help with your financial statement analysis paper in a day.

[Get Help Now](#)

Submyourassignments.net connects students with verified experts who help to save time and improve grades

[Hire an Expert](#)

References

bdc. (n.d.). *bdc*. Retrieved February 10, 2021, from bdc: <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/return-on-shareholders-equity-ratio>

Cleartax. (2021, January 29). *Cleartax*. Retrieved February 10, 2021, from Cleartax: <https://cleartax.in/g/terms/cash-ratio>

Fernando, J. (2020, November 28). Current Ratio. *Investopedia*. Retrieved February 10, 2021, from <https://www.investopedia.com/terms/c/currentratio.asp>

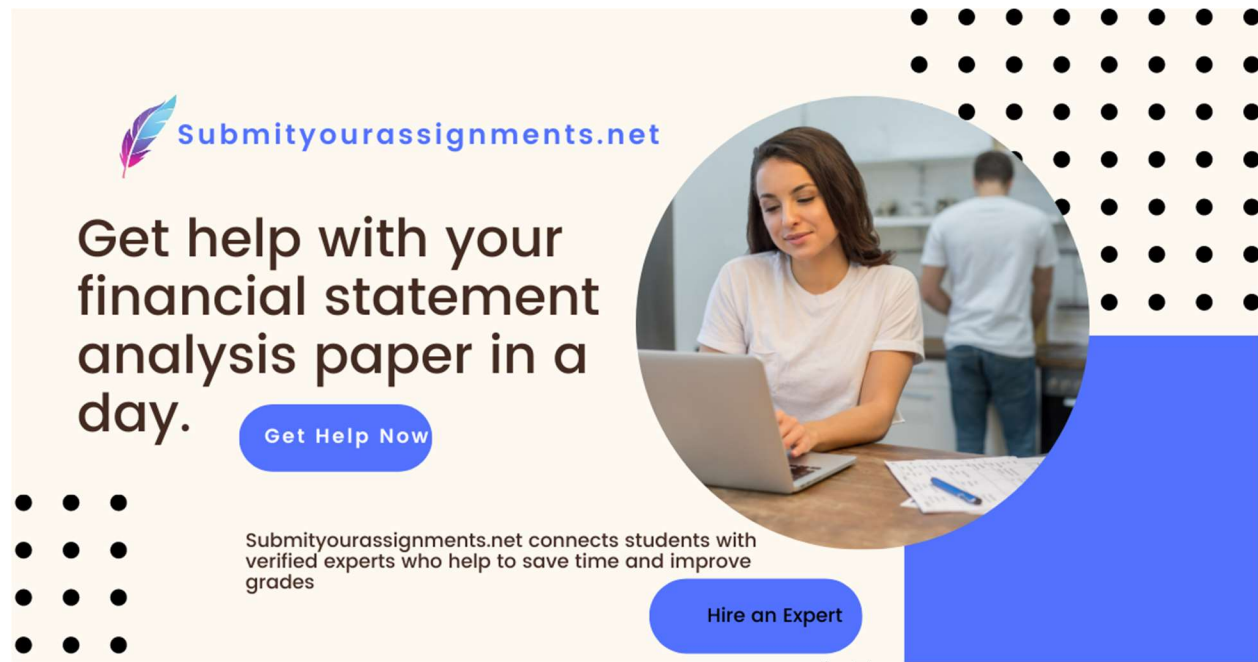
Fernando, J. (2021, February 4). Dividend Yield. *Investopedia*. Retrieved February 10, 2021, from <https://www.investopedia.com/terms/d/dividendyield.asp>


Hargrave, M. (2020, April 12). Return on Assets. *Investopedia*. Retrieved February 10, 2021, from <https://www.investopedia.com/terms/r/returnonassets.asp>

Hayes, A. (2020, August 23). Dividend Payout Ratio. *Investopedia*. Retrieved February 10, 2021, from <https://www.investopedia.com/terms/d/dividendpayoutratio.asp>

Hayes, A. (2020, July 26). Interest Coverage Ratio. *Investopedia*. Retrieved February 10, 2021, from <https://www.investopedia.com/terms/i/interestcoverageratio.asp>

Macy's Inc. (2020). *Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934*. New York: U.S. Securities Exchange Commission. Retrieved February 10, 2021, from <https://www.macysinc.com/investors/sec-filings/all-sec-filings/content/0000794367-20-000040/0000794367-20-000040.pdf>



 [Submityourassignments.net](https://submityourassignments.net)

Get help with your financial statement analysis paper in a day.

[Get Help Now](#)

Submityourassignments.net connects students with verified experts who help to save time and improve grades

[Hire an Expert](#)

Submityourassignments.net