

NEW RISK ALERT: (M)

Macy's Credit Card Receivables Sales in Jeopardy

Macy's sales decline opens door for its private label credit card issuer to renegotiate decade old receivables purchase agreement.

By [Nick Winkler](#)
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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Decline in Sales Triggers Possible Renegotiation of Credit Card Agreement

Since 2007, Macy's, a retailer, has sold most of its private label credit card accounts and related receivables to Citibank, which issues the credit cards. Even after the sale, both parties share in the economic performance of the credit card program— good and bad. However, Citibank has the right to renegotiate the terms of the deal should Macy's overall sales deteriorate.

In its 2020 [10-K](#), Macy's disclosed that a pandemic induced decline in sales has triggered Citibank's right to renegotiate the deal's terms:

"Under the terms of the credit card program, Citibank has the right to terminate the agreement prior to the end of the current term if sales decrease by more than 34% over a twelve-month period as compared to the fiscal twelve-month period from July 2006 to June 2007 (the "Benchmark Year")."

Macy's says it's discussing the matter with Citibank and warns:

"We cannot assure that Citibank will not terminate the credit card program or require more favorable terms to continue the credit card program. If Citibank does terminate the credit card program, any new credit card program may be on terms less favorable to us than the current credit card program."

Macy's filed its annual report March 29, 2021 and, as of that date, says it has not received a notice to terminate the agreement. Macy's adds it is unable to estimate any impact this event might have on the Citibank deal or on the Company's future financial results. Our analysis indicates credit card revenue accounts for an average of 3.5% of Macy's annual sales over the past three years.