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Macy's shares jump on plan to cut 2,500 jobs

Tribune staff report

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Macy's shares climbed more than 7 percent in premarket trading Thursday after the company announced it plans to lay off about 2,500 employees and close some stores as part of a cost reduction plan.

The retailer said it will combine its Midwest and North regions and reallocate within its regional divisions to streamline its operations.

Five stores are expected to be closed in the spring. None are in Illinois. Stores in Arizona, Kansas, Missouri, New York and Utah will close in the spring. But eight new and replacement Macy's and Bloomingdale's stores are in the works.

When the dust settles, Macy's – which has corporate offices in New York and Cincinnati – will have 844 stores in its system. It expects the moves to save it about \$100 million a year.

It is cutting front-end employees at some stores, although it did not specify where or how many. It will also reduce staff behind the scenes, including some merchandise planning positions and central office roles.

Beyond the 2,500 that are expected to be laid off, other associates will be given extra duties or transferred, Macy's said. Some open positions will not be filled.

Macy's said it will keep hiring employees in its online operations, direct-to-consumer fulfillment outfit and new stores. The company has 175,000 associates.

The retailer's chief executive, Terry J. Lundgren, said Wednesday that consumers gave it a “vote of confidence” during the holiday season, “even in a questionable macroeconomic environment with challenging weather in multiple states.”

In November and December, so-called same-store sales, those at stores open more than a year, ticked up 3.6 percent, or 4.3 percent when departments licensed to third parties were included.

The company said it is reaffirming its full-year 2013 projection for earnings of \$3.80 to \$3.90 a share. But it adjusted its predictions for the second half of last year, saying that same-store sales would rise 2.8 percent or 2.9 percent instead of 2.5 percent to 4 percent.

In the fourth quarter, that means a 2.3 percent to 2.5 percent upswing is likely, the company said.

For this year, Macy's said it expects same-store sales to rise 2.5 percent to 3 percent, with earnings of \$4.40 to \$4.50 a share.

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