

creditrisk J. C. PENNEY COMPANY, INC. monitor® BANKRUPTCY CASE STUDY

FILED ON 05/15/2020



CreditRiskMonitor's warning of J. C. Penney Company Inc.'s ("J. C. Penney") bankruptcy risk was determined by a combination of factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's FRISK® score had been warning of financial stress at J. C. Penney (NYSE:JCPNQ) for more than a year. We issued a special [High Risk Report](#), dated Nov. 29, 2017 and [in-depth analysis](#) published on June 26, 2019 as conditions continued to deteriorate and become more troubling. **The company ultimately filed for bankruptcy on May 15, 2020.**

Business Name	2019								2020				
	M	J	J	A	S	O	N	D	J	F	M	A	M
J.C. Penney Company, Inc.	1	1	1	1	1	1	1	1	1	1	1	1	1

Moody's Investors Service downgraded J. C. Penney from B3 to Caa1 following its aggressive inventory liquidation and weak sales.

J. C. Penney management reached out to debt restructuring experts, including lawyers and investment bankers.

The coronavirus pandemic stalled the Madewell spinoff and caused store closures, erasing much needed sources of liquidity.

Subscriber crowdsourcing showcased unfavorable sentiment among vendors about the financial viability of J. C. Penney.

NYSE sent notice that the company no longer met the \$1.00 share price criteria and going uncured would result in delisting.

BANKRUPT!

The FRISK® score is 96% accurate* in predicting the risk of corporate failure/bankruptcy over a 12-month horizon. All FRISK® scores are recalculated every night for each subsequent 12-month period.

FRISK® Score	BANKRUPTCY RISK RELATIVE TO THE HISTORICAL AVERAGE	
	FROM	TO
10	0.00x	0.12x
9	0.12x	0.27x
8	0.27x	0.34x
7	0.34x	0.55x
6	0.55x	0.87x
5	0.87x	1.40x
4	1.40x	2.10x
3	2.10x	4.00x
2	4.00x	9.99x
1	9.99x	50.00x

While the risk of bankruptcy varies at each FRISK® score, 96% of public companies that eventually go bankrupt enter the FRISK® "red zone" prior to filing. **A FRISK® score of 5 or less is an important warning sign.**

* FRISK® score accuracy of 96% is based on backtesting of U.S. public companies; results may vary by country.

THE FRISK® SCORE COMPONENTS

At the core of the CreditRiskMonitor® process is our 96% accurate FRISK® score, which indicates a company's level of financial stress on a scale of 1 to 10, based on the probability of bankruptcy over a 12-month horizon. When available, the FRISK® score incorporates a number of powerful risk indicators including:

A “Merton” type model using stock market capitalization and volatility

Financial ratios, including those used in the Altman Z”-Score Model

Bond agency ratings from Moody’s, Fitch, & DBRS Morningstar

Crowdsourced CreditRiskMonitor® Usage Data

[Crowdsourcing](#) has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor® subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

The crowdsourcing advantage is even more powerful in our FRISK® score since many of the professionals who use our service are credit managers:

- Credit managers control one of the largest sources of working capital going into a company
- They are not held to the same “Fair Disclosure” restrictions that prevent non-disclosed information sharing on public companies
- Credit managers use a variety of non-public information sources such as their own company’s management and sales representatives to be alerted to concerns in a public company’s performance
- It is commonly known credit managers confidentially share information with other credit managers, thus collectively, their behavior helps to provide advanced insight to financial problems in public companies

[Read more in Credit Research Foundation’s quarterly journal article, “Assessing Public Company Financial Risk by Crowdsourcing the Research of Credit Professionals”](#)

DO NOT MISS THIS – MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Making misleading or fraudulent statements in an MD&A is against the law – and Sarbanes-Oxley subjects CEOs and CFOs to heavy fines or even jail time for doing so. A vital feature of the CreditRiskMonitor service is the ability to quickly access a Company’s Management Discussion and Analysis (MD&A) history. Let it sink in: there are no two people in the world with better knowledge of a company’s liquidity risk than the CEO and CFO. More than any credit manager. More than any trade group. And they’re personally liable if they’re lying.

According to the Financial Accounting Standards Board (FASB), “MD&A should provide a balanced presentation that includes both positive and negative information about the topics discussed.”

Report

- Overview
- Company News
- Risk Ratings
- Important Information
- Annual Financials
- Year/Year Interim
- Sequential Quarters
- Liquidity (MD&A)**
- SEC Filings
- Peer Analysis
- Payments
- Public Filings
- General Info
- Access History
- Credit Limit
- Update Portfolio
- Print/Save Report
- Currency Converter
- Send This to a Colleague

J.C. Penney Company
6501 Legacy Drive
PLANO, TX 75024-3698 United States
Phone: (972) 243-1100

Filed for Bankruptcy on 5/15/2020
Case #20-20182, filed in the U.S. Bankruptcy Court for the Southern District of Texas (Corpus Christi)

Management Discussion and Analysis History

Because of the coronavirus outbreak, there is significant uncertainty surrounding the potential impact on our results of operations and cash flows. We are proactively taking steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures, and utilizing funds available under our Revolving Credit Facility. Our primary sources of liquidity are cash generated from operations, available cash and cash equivalents and access to our Revolving Credit Facility. Our cash flows may be impacted by many factors including the economic environment, competitive conditions in the retail industry and the success of our strategies. For 2020, we expect our cash flows will be adequate to fund our capital expenditures and working capital needs. In the event of a liquidity crisis, we may access the capital markets opportunistically.

The Company has a \$2,350 million revolving credit facility under the Revolving Credit Facility. As of March 31, 2020, \$1,150 million available for borrowing under the Revolving Credit Facility. As of March 31, 2020, \$1,150 million available for borrowing under the Revolving Credit Facility, none of which have been borrowed. In March 2020, we borrowed \$1.25 billion under the Revolving Credit Facility.

Management acknowledged many reasons for negatively impacted cash flows and that capital markets might need to be tapped. The coronavirus shutdown led to the company drawing down more than half of its credit revolver. Contact your account manager to discuss these types of red flags.

COMPANY REPORT DETAIL

J.C. Penney Company, Inc.

HIGH RISK REPORT!

IN-DEPTH ANALYSIS!

6501 Legacy Drive

PLANO, TX 75024-3698 United States

Ticker: JCPNO

Phone: (972) 243-1100

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Latest Financial Statements as of 2/1/2020

Business Summary

J. C. Penney Company, Inc. is a holding company. The Company's business consists of selling merchandise and services to consumers through its department stores and its Website at jcpenny.com. Its department stores and Website generally serve the same type of customers, its Website offers virtually the same mix of merchandise as its store assortment and other categories, and its department stores generally accept returns from sales made in stores and through its Website. It fulfills online customer purchases by direct shipment to the customer from its distribution facilities and stores or from its suppliers' warehouses and by in store customer pick up. The Company sells family apparel and footwear, accessories, fine and fashion jewelry, beauty products through Sephora inside JCPenney, home furnishings, and appliances. In addition, its department stores provide its customers with services such as styling salon, optical, portrait photography and custom decorating.

(Source: 10-K)

Employees: 90,000 (as of 2/1/2020)

Incorporated: 1/22/2002

Federal Tax Id: 260037077

Credit Score History

[Why are these scores different?](#)

FRISK® Score Analysis

Score/ Index	2019					2020							
	M	J	J	A	S	O	N	D	J	F	M	A	M
FRISK® Score*	1	1	1	1	1	1	1	1	1	1	1	1	1
DBT Index	8	8	8	8	8	8	8	8	8	8	8	7	DBT
Z'-Score	-0.49			-0.65				-0.35				-0.7	Z'

*FRISK® Scores are month-end

- Probability of bankruptcy is 10% to 15%
- Bond rating is BBB-

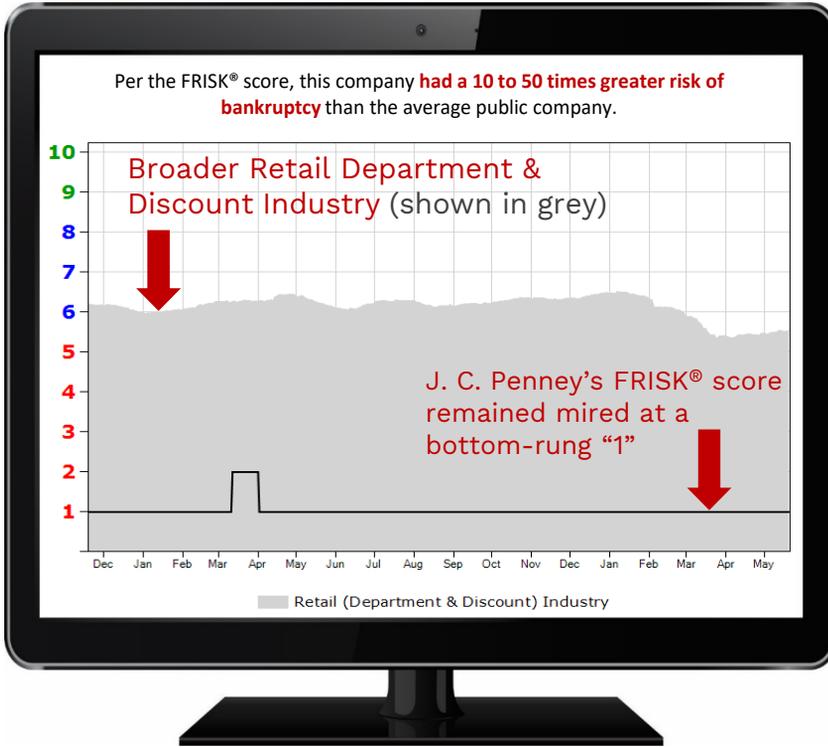
The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk.

Payment performance, captured by the Days Beyond Terms (DBT) index, which is very similar to D&B's PAYDEX® score, is not an effective indicator of financial stress for publicly traded companies since they often continue to pay on time right up until their bankruptcy filing. This is what's commonly called the "Cloaking Effect."

Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Watch
Moody's	Caa3	Stable	SGL-3	OFF
Fitch	D		NR	

FRISK® DEEP DIVE



The FRISK® score relative to the broader Retail Department & Discount industry raised an additional red flag signaling heightened risk relative to peers, as well...

MAKING IMMEDIATE ATTENTION REQUIRED.

ADJUSTED MARKET CAP VOLATILITY



One of the inputs of the FRISK® score is a company's market cap volatility, adjusted for dividends, over the course of a year. Incorporating this information allows us to capture the "wisdom of markets" on a daily basis. This ensures our subscribers are getting the most up to date view of the risks they face since stocks tend to be more liquid and faster moving than bond prices and ratings.

FRISK® STRESS INDEX

#	Business Name	Country	Current FRISK® score
1	J.C. Penney Company, Inc. HIGH RISK REPORT! IN-DEPTH ANALYSIS!	United States	1
2	Grupo Famsa SAB de CV	Mexico	1
3	Yi Hua Holdings Ltd	China	1
4	Changchun Sinoenergy Corp	China	1
5	Nanjing Central Emporium Co., Ltd.	China	1
6	Daiwa Co., Ltd.	Japan	2
7	Hamashbir 365 Holdings Ltd	Israel	2
8	Harbin Churin Group Jointstock Co., Ltd.	China	2
9	Parkson Retail Asia Ltd	Singapore	2
10	Shoppers Stop Limited	India	2

FRISK® Stress Index - SIC classification: Department stores

See COVID-19 Impact on Frisk Scores around the world...

Primary industry codes only Primary and secondary industry codes

Businesses From: All Businesses CLEAR

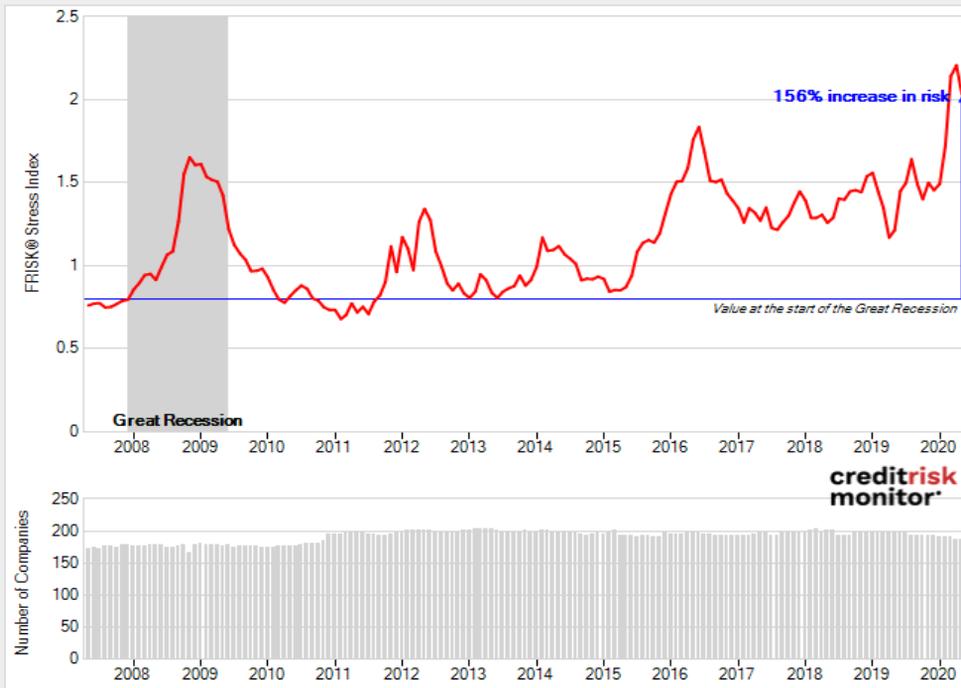
In Industry: SIC 5311: Department stores

Country: All Countries

UPDATE RESULTS

Scale: Auto

Total Companies in all months 276



The FRISK® Stress Index shows the collective probability of failure in a group of companies (such as an industry, country or portfolio) over the next 12 months. It is designed to show trends in risk level across groups of companies and is shown on a zero to 50 scale, with 50 being the most risky.

The average probability of failure for SIC code 5311 (Department Stores) has increased 156% since 2007. J. C. Penney was among the weakest names in the industry as evidenced by its FRISK® score of 1.

PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

The Peer Analysis expands to provide a ranking of a company's competitors, which can help provide options for alternate suppliers or new customers

Peer Analysis: SIC classification: Department stores

Calendar Year/Quarter: 2019.4

Businesses in Peer Group: 735	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
Z-Score	240	266	-0.70	-31.27	1.80	44.46
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	8	16	3,493,000	123,639	3,482,662	141,671,000
Gross Margin % Of Sales	109	272				
Gross Margin % Of Sales -- TTM	102	274				
SGA % Of Sales	193	270				
SGA % Of Sales -- TTM	207	273				
Operating Margin % Of Sales	183	276				
Operating Margin % Of Sales -- TTM	236	278				
EBITDA Margin Of Sales	91	126				
EBITDA Margin Of Sales -- TTM	161	202				
Net Profit Margin % Of Sales	183	276				
Net Profit Margin % Of Sales -- TTM	233	278				
Pre-tax Income % Of Sales	198	279				
Effective Tax Rate	37	25				
Depreciation % Of Prop/Plant/Equipment	136	215	11.50	0.00	9.38	307.69
Capital Expense % Of Prop/Plant/Equipment	80	209	7.40	0.00	10.05	558.55
Interest Coverage	94	125	2.91	-21.33	7.70	30,138.20
Interest Coverage -- TTM	158	194	1.92	-44.78	6.43	9,951.41
Liquidity ratios:						
Cash Ratio	176	268	0.20	0.02	0.29	442.78
Quick Ratio		255		0.04	0.46	11.01
Current Ratio	77	268	1.41	0.15	1.03	711.49
Efficiency ratios:						
Accounts Receivable Turnover		265				
Days Sales Outstanding	7	277				
% of Inventory Financed by Vendors	211	247				
% of Inventory Financed by Vendors -- TTM	224	259				
Inventory Turnover	199	272				
Inventory Turnover -- TTM	209	273				
Days Sales in Inventory	199	266				
Inventory to Working Capital	104	262				
Accounts Payable Turnover	60	264				
Accounts Payable Turnover -- TTM	86	265				
Leverage & debt coverage:						
Total Debt to Equity Ratio	243	267	4.49	0.00	0.78	35.50
Debt to Tangible Equity Ratio	223	248	4.49	0.00	0.92	111.92
Total Debt to Assets Ratio	208	264	0.47	0.00	0.31	1.64
Short-Term Debt % of Total Debt	13	256	3.98	0.02	28.06	100.00
Short-Term Debt % of Working Capital	45	262	18.64	-10,532.43	0.00	28,719.82
Liabilities to Net Worth Ratio	229	253	8.64	0.03	1.87	145.11
Total Liabilities to Equity Ratio	252	262	8.64	0.03	1.67	46.02
TTM EBITDA to Total Debt	137	195	0.15	-2.12	0.26	1,135.40
Net Debt to TTM EBITDA	152	183	5.83	-9.91	2.22	38.21

Rank	Company Name
1	Costco Wholesale Corporation
2	Dollar General Corp.
3	Burlington Stores Inc
4	Tuesday Morning Corporation
5	Grupo Palacio de Hierro S.A.B. de C.V.
6	Big Lots, Inc.

Rank	Company Name
1	Tuesday Morning Corporation
2	Grupo Carso S.A. de C.V.
3	Big Lots, Inc.
4	Grupo Sanborns SAB de CV
5	Dollar General Corp.
6	Costco Wholesale Corporation

TTM = trailing 12 months
N/A = Not Available

Green - Ranked in Upper Quartile of Peer Group
White - Ranked in the Middle Two Quartiles of Peer Group
Red - Ranked in Lower Quartile of Peer Group
Orange - Confidential
Grey - Data is Not Available

J. C. Penney demonstrated bottom quartile ranking in key financial ratios (shown in red) versus its industry peers.

QUARTERLY PERFORMANCE RATIOS

Comparable store sales declined by mid-to-high single digits

Thin operating margins, cumulative net losses, and limited interest coverage

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 2/1/2020	13 weeks 11/2/2019	13 weeks 8/3/2019	13 weeks 5/4/2019	13 weeks 2/2/2019
Net Sales \$	\$3,493,000	\$2,500,000	\$2,619,000	\$2,555,000	\$3,786,000
% change	39.72%	-4.54%	2.50%	-32.51%	38.53%
Gross Margin \$	\$1,236,000	\$959,000	\$1,034,000	\$925,000	\$1,267,000
% change	28.88%	-7.25%	11.78%	-26.99%	36.97%
% of sales	35.39%	38.36%	39.48%	36.20%	33.47%
change as % of incremental sales	27.90%	n/m	170.31%	n/m	32.48%
SG&A \$	\$1,005,000	\$854,000	\$870,000	\$856,000	\$1,007,000
% change	17.68%	-1.84%	1.64%	-15.00%	14.04%
% of sales	28.77%	34.16%	33.22%	33.50%	26.60%
change as % of incremental sales	15.21%	n/m	21.88%	n/m	11.78%
Operating margin \$	\$102,000	(\$34,000)	\$18,000	(\$93,000)	\$127,000
% change	400.00%	-288.89%	119.35%	-173.23%	227.00%
% of sales	2.92%	-1.36%	0.69%	-3.64%	3.35%
change as % of incremental sales	13.70%	n/m	173.44%	n/m	21.56%
EBITDA \$	\$227,000	\$110,000	\$168,000	\$67,000	\$278,000
% change	106.36%	-34.52%	150.75%	-75.90%	414.81%
% of sales	6.50%	4.40%	6.41%	2.62%	7.34%
change as % of incremental sales	11.78%	n/m	157.81%	n/m	21.27%
EBIT \$	\$98,000	(\$21,000)	\$31,000	(\$80,000)	\$141,000
% change	566.67%	-167.74%	138.75%	-156.74%	267.86%
% of sales	2.81%	-0.84%	1.18%	-3.13%	3.72%
change as % of incremental sales	11.98%	n/m	173.44%	n/m	21.37%
Pre-tax income \$	\$25,000	(\$94,000)	(\$43,000)	(\$153,000)	\$63,000
% change	126.60%	-118.60%	71.90%	-342.86%	139.62%
% of sales	0.72%	-3.76%	-1.64%	-5.99%	1.66%
change as % of incremental sales	11.98%	n/m	171.88%	n/m	21.08%
Net income (loss) \$	\$27,000	(\$93,000)	(\$48,000)	(\$154,000)	\$75,000
% change	129.03%	-93.75%	68.83%	-305.33%	149.67%
% of sales	0.77%	-3.72%	-1.83%	-6.03%	1.98%
change as % of incremental sales	12.08%	n/m	165.63%	n/m	21.46%
Tax expense \$	(\$2,000)	(\$1,000)	\$5,000	\$1,000	(\$12,000)
Effective tax rate	-8.00%	1.06%	-11.63%	-0.65%	-19.05%
Depreciation expense \$	\$129,000	\$131,000	\$137,000	\$147,000	\$137,000
% of sales	3.69%	5.24%	5.23%	5.75%	3.62%
% of capital expenses	155.42%	163.75%	182.67%	207.04%	192.96%
% of PP&E, net (annualized)	11.50%	11.64%	12.04%	13.80%	13.80%
Capital expenditures \$	\$83,000	\$80,000	\$75,000	\$71,000	\$71,000
% change	3.75%	6.67%	5.63%	0.00%	-29.00%
% of PP&E, net (annualized)	7.40%	7.11%	6.59%	6.66%	7.15%
% of working capital (annualized)	34.21%	33.01%	33.67%	28.30%	24.29%
Interest coverage ratio	2.91	1.51	2.27	0.92	3.48
% change	93.14%	-33.63%	147.36%	-73.59%	401.95%
Free cash flow \$	\$651,000	(\$387,000)	\$131,000	(\$276,000)	\$599,000
% change	268.22%	-395.42%	147.46%	-146.08%	317.03%
Source:	10-K 3/20/2020	10-Q 12/4/2019	10-Q 8/28/2019	10-Q 5/29/2019	10-K 3/19/2019

QUARTERLY LEVERAGE RATIOS

Excessive outstanding debt compared to its remaining unencumbered properties

Total debt to assets ratio indicated high financial leverage, leaving unsecured creditors vulnerable

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	2/1/2020	11/2/2019	8/3/2019	5/4/2019	2/2/2019
Total debt \$	\$3,722,000	\$4,160,000	\$3,789,000	\$3,921,000	\$4,020,000
% change	-10.53%	9.79%	-3.37%	-2.46%	-10.01%
Stockholders' equity \$	\$829,000	\$868,000	\$963,000	\$1,034,000	\$1,170,000
% change	-4.49%	-9.87%	-6.87%	-11.62%	8.94%
Total debt to equity ratio	4.49	4.79	3.93	3.79	3.44
% change	-6.32%	21.81%	3.76%	10.37%	-17.39%
Tangible net worth \$	\$829,000	\$868,000	\$963,000	\$1,034,000	\$1,170,000
% change	-4.49%	-9.87%	-6.87%	-11.62%	8.94%
Total debt to tangible net worth	4.49	4.79	3.93	3.79	3.44
% change	-6.32%	21.81%	3.76%	10.37%	-17.39%
Total assets \$	\$7,989,000	\$8,699,000	\$8,260,000	\$8,342,000	\$7,721,000
% change	-8.16%	5.31%	-0.98%	8.04%	-8.25%
Total debt to assets ratio	0.47	0.48	0.46	0.47	0.52
% change	-2.57%	4.25%	-2.40%	-9.74%	-1.90%
Tangible assets \$	\$7,989,000	\$8,699,000	\$8,260,000	\$8,342,000	\$7,721,000
% change	-8.16%	5.31%	-0.98%	8.04%	-8.25%
Short-term debt \$	\$148,000	\$148,000	\$199,000	\$94,000	\$100,000
% change	0.00%	-25.63%	111.70%	-6.00%	0.00%
Short-term debt % of total debt	3.98%	3.56%	5.25%	2.40%	2.49%
% change	11.77%	-32.26%	119.08%	-3.63%	11.12%
Short-term debt % of working capital	18.64%	12.90%	25.13%	9.49%	9.83%
% change	44.46%	-48.65%	164.63%	-3.44%	29.89%
Total liabilities \$	\$7,160,000	\$7,831,000	\$7,297,000	\$7,308,000	\$6,551,000
% change	-8.57%	7.32%	-0.15%	11.56%	-10.76%
Total liabilities to equity ratio	8.64	9.02	7.58	7.07	5.60
% change	-4.27%	19.06%	7.21%	26.23%	-18.08%
Total liabilities to tangible net worth ratio	8.64	9.02	7.58	7.07	5.60
% change	-4.27%	19.06%	7.21%	26.23%	-18.08%
Total debt to EBITDA ratio (annualized)	4.10	9.45	5.64	14.63	3.62
% change	-56.00%	67.68%	-61.46%	304.71%	-82.52%
Source:			10-Q 8/28/2019	10-Q 5/29/2019	10-K 3/19/2019

Average annualized debt to TTM EBITDA exceeded 10x, offer no room to deleverage

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Working capital as % of sales collapsed

Persistently meager cash ratio

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	2/1/2020	11/2/2019	8/3/2019	5/4/2019	2/2/2019
Current assets \$	\$2,726,000	\$3,376,000	\$2,921,000	\$2,935,000	\$2,959,000
% change	-19.25%	15.58%	-0.48%	-0.81%	-18.15%
% of short-term debt	1,841.89%	2,281.08%	1,467.84%	3,122.34%	2,959.00%
Current liabilities \$	\$1,932,000	\$2,229,000	\$2,129,000	\$1,945,000	\$1,942,000
% change	-13.32%	4.70%	9.46%	0.15%	-15.34%
Working capital \$	\$794,000	\$1,147,000	\$792,000	\$990,000	\$1,017,000
% change	-30.78%	44.82%	-20.00%	-2.65%	-23.01%
% of sales (annualized)	5.68%	11.47%	7.56%	9.69%	6.72%
Cash \$	\$386,000	\$157,000	\$175,000	\$171,000	\$333,000
% change	145.86%	-10.29%	2.34%	-48.65%	98.21%
% of short-term debt	260.81%	106.08%	87.94%	181.91%	333.00%
Cash ratio	0.20	0.07	0.08	0.09	0.17
% change	183.81%	-14.36%	-6.48%	-48.75%	134.29%
Current ratio	1.41	1.51	1.37	1.51	1.52
% change	-6.84%	10.39%	-9.08%	-0.96%	-3.31%
Source:	10-K 3/20/2020	10-Q 12/4/2019	10-Q 8/28/2019	10-Q 5/29/2019	10-K 3/19/2019

Positive rates of return during the holiday overshadowed by losses in other periods

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 2/1/2020	13 weeks 11/2/2019	13 weeks 8/3/2019	13 weeks 5/4/2019	13 weeks 2/2/2019
Return on equity	3.11%	-9.66%	-4.64%	-13.16%	6.98%
% change	132.21%	-108.03%	64.73%	-288.49%	156.24%
Return on net tangible equity	3.11%	-9.66%	-4.64%	-13.16%	6.98%
% change	132.21%	-108.03%	64.73%	-288.49%	156.24%
Return on total assets	0.32%	-1.10%	-0.58%	-1.92%	0.93%
% change	129.50%	-89.69%	69.85%	-306.27%	150.71%
Return on tangible assets	0.32%	-1.10%	-0.58%	-1.92%	0.93%
% change	129.50%	-89.69%	69.85%	-306.27%	150.71%
Source:	10-K 3/20/2020	10-Q 12/4/2019	10-Q 8/28/2019	10-Q 5/29/2019	10-K 3/19/2019

ANNUAL STATEMENT OF CASH FLOWS

Recurring net losses and overall decline in cash balance

Period Ended	52 weeks 2/1/2020	52 weeks 2/2/2019	53 weeks 2/3/2018	52 weeks 1/28/2017	52 weeks 1/30/2016
			Reclassified 2/2/2019	Reclassified 2/2/2019	
Cash Flows from Operating Activities:					
Net income	(\$268,000)	(\$255,000)	(\$118,000)	(\$17,000)	(\$513,000)
Depreciation/depletion	544,000	556,000	570,000	609,000	616,000
Deferred taxes	(6,000)	(13,000)	(63,000)	9,000	n/a
Non-cash Items	(13,000)	(57,000)	65,000	(62,000)	198,000
Changes in working capital	171,000	128,000	0	(205,000)	139,000
Total cash from operating activities	428,000	359,000	454,000	334,000	440,000
Cash Flows from Investing Activities:					
Capital expenditures	(309,000)	(392,000)	(395,000)	(427,000)	(320,000)
Other investing cash flow items, total	33,000	148,000	166,000	111,000	24,000
Total cash from investing activities	(276,000)	(244,000)	(229,000)	(316,000)	(296,000)
Cash Flows from Financing Activities:					
Financing cash flow items	(1,000)	(30,000)	(44,000)	(59,000)	(9,000)
Issuance/retirement of stock, net	2,000	3,000	5,000	2,000	n/a
Issuance/retirement of debt, net	(100,000)	(213,000)	(615,000)	26,000	(553,000)
Total cash from financing activities	(99,000)	(240,000)	(654,000)	(31,000)	(562,000)
Net change in cash	53,000	(125,000)	(429,000)	(13,000)	(418,000)
Net cash-beginning balance	333,000	458,000	887,000	900,000	1,318,000
Net cash-ending balance	\$386,000	\$333,000	\$458,000	\$887,000	\$900,000
Supplemental Disclosures:					
Cash taxes paid, supplemental	\$9,000	\$8,000	\$9,000	\$10,000	\$5,000
Auditor/Opinion:	KPMG LLP	KPMG LLP	KPMG LLP	KPMG LLP	KPMG LLP
Source:			10-K 9/2019	10-K 3/19/2019	10-K 3/16/2016

Cash flows artificially lifted from working capital release and subdued capex spend

NEWS ALERTS: A TIMELINE OF CONCERNING NEWS ITEMS

<p>Q1 2019 filing – Quarterly comparable store sales declined 5.5% and a net loss of \$154 million was incurred. Management determined that all major appliance and in-store furniture would no longer be available for sale; this decision would negatively impact comps in future quarters.</p>		
05/21/2019	Globe Newswire	JCPenney Reports First Quarter 2019 Financial Results
<p>J. C. Penney hired a new general merchandise manager for women’s apparel, the largest sales volume category, which was declining by 6% annually. The company would go on to hire new senior management roles for stores and customer retention as well as the Home division.</p>		
06/04/2019	Globe Newswire	JCPenney Announces Victor Ejarque Lopez as SVP, GMM Women’s Apparel
<p>Q2 2019 filing – Net sales decreased by 7.4% year-over-year and a net loss of \$48 million was reported for the period. Working capital declined from \$1.24 billion to \$792 million.</p>		
08/20/2019	CRMZ News Service	JCPenney Company Inc. – updated financials available
<p>The company would proceed to hire two new additional senior executives, including a communications executive and a vice president of creative marketing. Such hires were requested to further understand their customer base and help improve sales trends. Multiple executive changes under financial stress are common prior to bankruptcy filings.</p>		
10/22/2019	Globe Newswire	JCPenney Announces Key Executive Appointments
<p>Executive Vice President and Chief Customer Officer, with extensive retail marketing experience from steadily growing companies such as Target and Sprouts Farmers Market, had resigned after only three quarters. In the last reported quarter, J. C. Penney’s organic sales decreased by 8.5%, the sharpest decline since fiscal 2013.</p>		
02/27/2020	CRMZ News Service	Struggling JCPenney Sees Chief Customer Officer Resign After Just Nine Months
<p>In response to the coronavirus pandemic, management closed down all stores and corporate offices. Given a majority of sales were derived from in-store customer traffic, J. C. Penney lost nearly all of its EBITDA and within one month skipped an interest payment to bondholders.</p>		
03/23/2020	Proquest Information & Learning	JCPenney Temporarily Closes Stores and Business Offices in Response to Coronavirus
<p>The company announced that it had entered a Restructuring Support Agreement with lenders holding 70% of first lien debt. As a part of the bankruptcy process, the company received \$900 million in DIP financing, which included \$450 million in new capital. However, this event would expose existing shareholders, unsecured bondholders, and trade vendors to financial losses.</p>		
05/15/2020	Business Wire	JCPenney to reduce Debt and Strengthen Financial Position Through Restructuring Support Agreement

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