



CreditRiskMonitor's assessment of J. C. Penney, Company's ("JCP")
"high risk" status has been determined by a combination of factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's proprietary FRISK® score has J. C. Penney Company, Inc. (NYSE: JCP) at a **1**, the highest probability of bankruptcy in the next 12 months.

Business Name	2016	2016	2016	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
J. C. Penney Company, Inc.	3	3	3	3	3	2	2	2	2	2	1	1	1

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.

Probability of bankruptcy within 12 months			
	FRISK®	From	To
Best	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
Worst	1	9.99%	50.00%

While the percentage 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.

The FRISK® score shows that J. C. Penney Company, Inc. is facing **significant financial distress.**

COMPANY REPORT DETAIL

J. C. Penney Company, Inc.

6501 Legacy Drive

Phone: (972) 243-1100

PLANO, TX 75024-3698 United States

Ticker: [JCP](#)

Latest Financial Statements as of 7/29/2017

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 JCPenny, 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: 106,000 (as of 1/28/2017)

Federal Tax Id: 260037077

Credit Scores

FRISK[®] Score	1	10/27/2017
Probability of bankruptcy range: 9.99% - 50.00%		
Z" Score	-0.14 (Fiscal Danger)	7/29/2017

Auditor Information

Last Audit:	1/28/2017
Auditors:	KPMG LLP
Opinion:	Unqualified

Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Watch
Moody's	B1	Stable	SGL-1	OFF
S&P	B+	Stable		
Fitch	B+	Stable	NR	

DBT Index

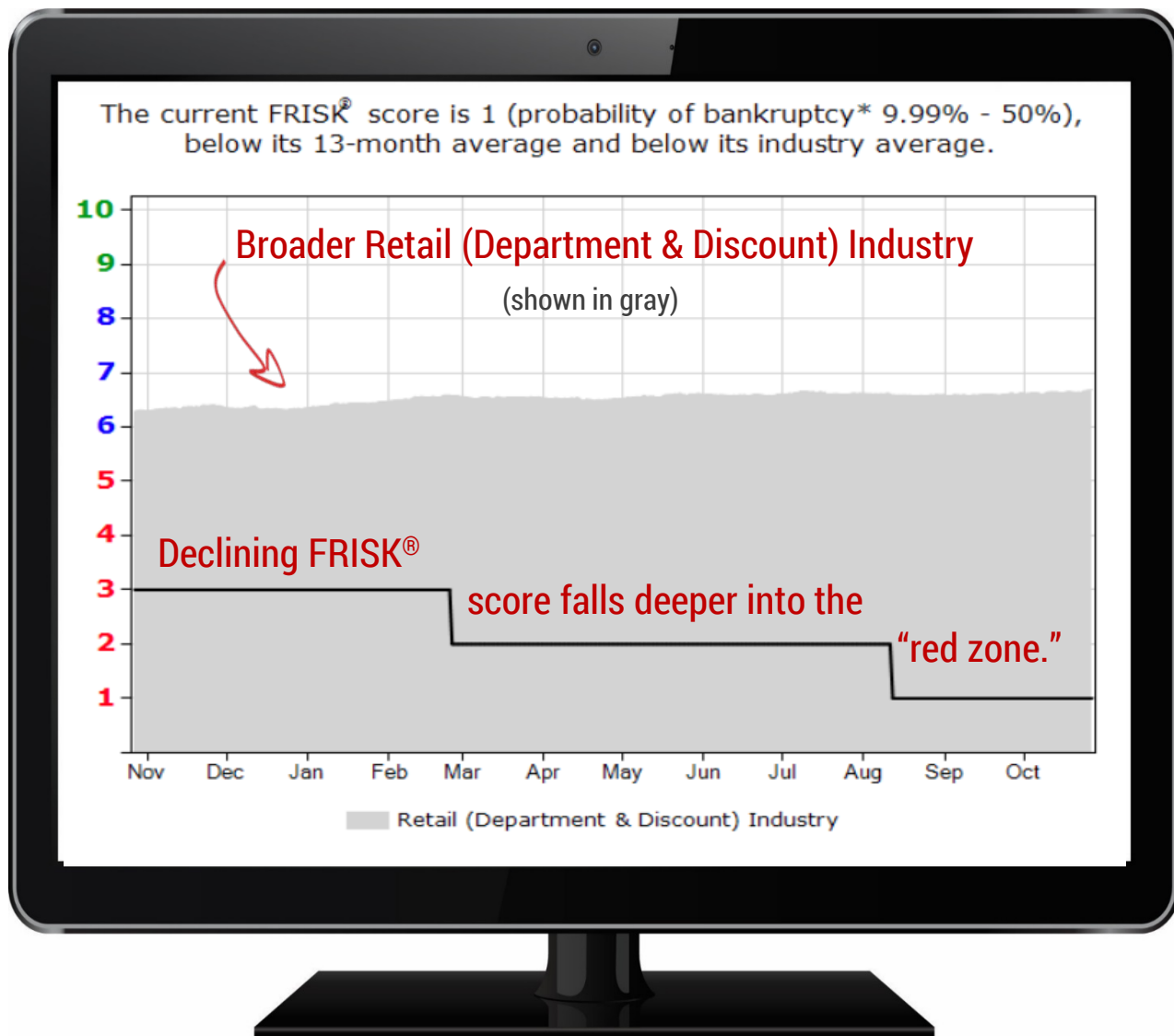
7/2017	8/2017	9/2017
9	9	9

(Includes DBT Indexes from Subsidiaries)

The FRISK[®] score is the best method available to monitor public company bankruptcy risk.

Payment performance, captured by the Days Beyond Terms (DBT) index, 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.

FRISK® DEEP DIVE



The FRISK® score relative to the broader Retail (Department & Discount) industry raises an additional red flag signaling heightened risk relative to peers, as well. **Immediate attention is required.**

Crowdsourcing has enhanced the accuracy and timeliness of the FRISK® score since it was added. Crowdsourcing is modeled through what is known as the Activity Score. The Activity Score collects and analyzes data patterns from thousands of CreditRiskMonitor subscribers, including financial professionals from more than 35% of the Fortune 1000. By integrating crowdsourcing, market sentiment, credit agency ratings, and financial information, the FRISK® score now has a 96% accuracy rating for predicting financial distress over a 12-month timeframe.

[Learn more about CreditRiskMonitor's crowdsourcing method.](#)

ADJUSTED PRICE VOLATILITY



One of the inputs of the FRISK[®] score is a company's stock price 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	Score
1	Bon-Ton Stores Inc	United States	1
2	J. C. Penney Company, Inc.	United States	1
3	Neiman Marcus Group Ltd LLC	United States	1
4	Sears Holdings Corp	United States	1
5	Sears Hometown and Outlet Stores Inc	United States	2
6	Burlington Stores Inc	United States	6
7	HSN, Inc.	United States	7
8	Macy's Inc	United States	7
9	Dillard's, Inc.	United States	7
10	Walmart Stores Inc	United States	7

FRISK® Stress Index - SIC classification: Department stores located in the United States

Primary industry codes only Primary and secondary industry codes

Businesses From: All Businesses CLEAR

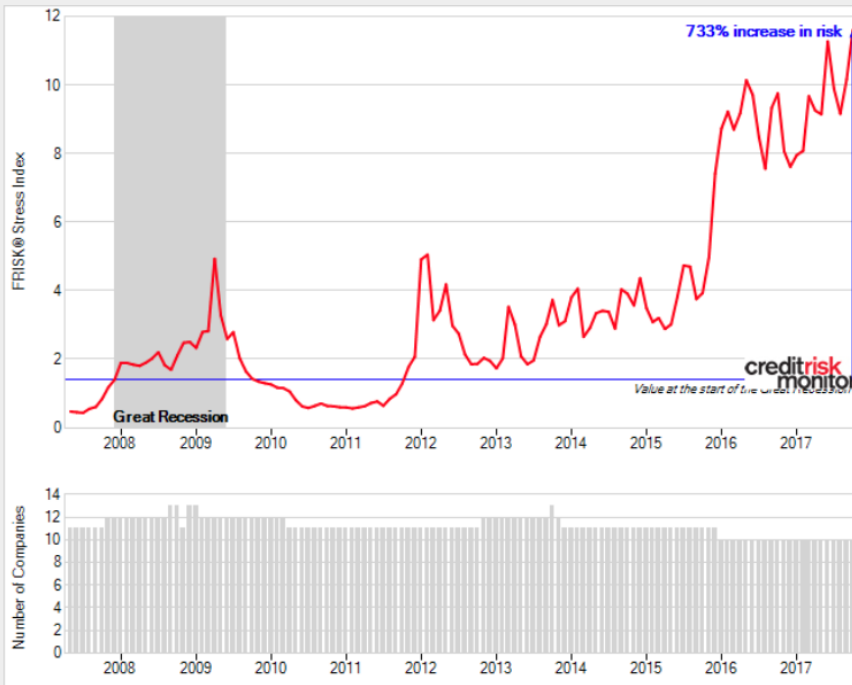
In Industry: SIC 5311: Department stores

Country: United States

UPDATE RESULTS

Scale: Auto

Total Companies in all months 15



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 733% since 2007. J. C. Penney Company, Inc. is among the weakest names in the industry as evidenced by its FRISK® score of 1.

PEER ANALYSIS

JCP demonstrates bottom quartile ranking in key financial ratios (shown in red) vs. its Retail (Department & Discount) industry peers.

CreditRiskMonitor users can drill down to show a ranking of a company's competitors, which can help provide alternate suppliers or new customers.

Peer Analysis						
Sector: Services, Industry: Retail (Department & Discount)						
[REFRESH]						
Businesses in Peer Group: 499						
	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
ZScore	157	189	-0.14	-32.96	2.03	
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	8	18	2,962,000	148,949	1,416,395	
Gross Margin % Of Sales	74	188	35.08	-72.91	30.6	
Gross Margin % Of Sales -- TTM	73	189	35.21	0.12	29.5	
SG&A % Of Sales	130	188	28.29	0.75	21.7	
SG&A % Of Sales -- TTM	132	189	28.09	0.33	21.7	
Operating Margin % Of Sales	160	195	0.61	-120.59	5.8	
Operating Margin % Of Sales TTM	156	195	1.68	-78.83	5.60	
EBITDA Margin Of Sales	60	81	4.83	-23.29	9.11	
EBITDA Margin Of Sales -- TTM	60	87	6.26	-5.38	9.23	
Net Profit Margin % Of Sales	171	195	-2.09	-120.59	3.28	
Net Profit Margin % Of Sales - TTM	166	195	-0.94	-83.73	3.36	
Pre-tax Income % Of Sales	171	195	-2.06	-120.59	4.96	
Effective Tax Rate	14	195	-1.64	-143.06	26.05	358.36
Depreciation % Of Prop/Plant/Equipment	87	133	13.05	1.37	8.90	56.91
Capital Expense % Of Prop/Plant/Equipment	89	156	9.88	0.04	8.68	442.84
Interest Coverage	56	70	1.81	-26.18	6.49	93.82
Interest Coverage -- TTM	62	81	2.29	-20.90	7.68	82.71
Liquidity ratios:						
Cash Ratio	131	191	0.14	0.00	0.26	7.97
Quick Ratio	N/A	181	N/A	0.03	0.46	8.19
Current Ratio	66	191	1.45	0.10	1.11	49.94
Efficiency ratios:						
Accounts Receivable Turnover	N/A	184	N/A	0.63	35.31	
Days Sales Outstanding	5	195	0.00	0.00	9.46	
% of Inventory Financed by Vendors	152	179	34.21	2.20	100.9	
% of Inventory Financed by Vendors -- TTM	158	182	32.19	2.42	101.8	
Inventory Turnover	148	191	2.69	0.00	3.0	
Inventory Turnover TTM	152	191	2.65	0.00	3.0	
Days Sales in Inventory	148	186	135.85	0.79	67.0	
Inventory to Working Capital	90	187	2.69	2,173.88	0.11	
Accounts Payable Turnover	55	184	8.35	0.00	6.13	
Accounts Payable Turnover -- TTM	74	187	7.48	0.00	6.12	
Leverage & debt coverage:						
Total Debt to Equity Ratio	171	175	3.72	0.00	0.61	5.57
Debt to Tangible Equity Ratio	154	187	3.72	0.00	0.71	26.00
Total Debt to Assets Ratio	167	179	0.52	0.00	0.25	0.78
Short-Term Debt % of Total Debt	16	169	5.61	0.00	46.64	100.00
Short-Term Debt % of Working Capital	45	173	23.35	-6,200.00	0.82	6,910.08
Liabilities to Net Worth Ratio	156	180	6.21	0.05	1.70	62.31
Total Liabilities to Equity Ratio	177	188	6.21	0.05	1.48	62.02
TTM EBITDA Over Total Debt	54	81	0.18	-0.59	0.34	8.29

- Wing On Company International Ltd
- Shanghai Join Buy Co., Ltd
- Metro Holdings Limited
- Lifestyle International Holdings Ltd
- Rimo International Lestari Tbk PT
- Ruentex Development Co Ltd
- TONLIM DEPARTMENT STORE CO., LTD.
- Minsheng Holdings Co Ltd
- Central Pattana PCL
- Matahari Department Store Tbk PT
- Golden Eagle Retail Group Limited
- HNA Infrastruct Investment

- Baidu Group Co., Ltd.
- China National Complete Import & Export
- Fire Below Inc
- Meaye Communication and Network Co Ltd
- Ningbo Zhonghai Co Ltd
- RAINBOW DEPARTMENT STORE CO., LTD.
- Shanghai Lansheng Corporation
- AEON Stores (Hong Kong) Co., Limited
- Naama d.d. Ljubljana
- Zhongxing Shenyang Comred Bldg Co Ltd
- Shanghai Xujiahui Commercial Co Ltd
- China Co., Ltd.

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

QUARTERLY PERFORMANCE RATIOS

Narrow operating margins and recurring net losses

Q2 year-over-year EBIT decreased significantly

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 7/29/2017	13 weeks 4/29/2017	13 weeks 1/28/2017	13 weeks 10/29/2016	13 weeks 7/30/2016
Net Sales \$	\$2,962,000	\$2,706,000	\$3,961,000	\$2,857,000	\$2,918,000
% change	9.46%	-31.68%	38.64%	-2.09%	3.81%
Gross Margin \$	\$1,039,000	\$983,000	\$1,312,000	\$1,062,000	\$1,084,000
% change	5.70%	-25.08%	23.54%	-2.03%	6.48%
% of sales	35.08%	36.33%	33.12%	37.17%	37.15%
change as % of incremental sales	21.88%	n/m	22.64%	n/m	61.68%
SG&A \$	\$838,000	\$841,000	\$939,000	\$889,000	\$855,000
% change	-0.36%	-10.44%	5.62%	3.98%	-2.17%
% of sales	28.29%	31.08%	23.71%	31.12%	29.30%
change as % of incremental sales	-1.17%	n/m	4.53%	n/m	-17.76%
Operating margin \$	\$18,000	(\$105,000)	\$274,000	\$23,000	\$42,000
% change	117.14%	-138.32%	1,091.30%	-45.24%	61.54%
% of sales	0.61%	-3.88%	6.92%	0.81%	1.44%
change as % of incremental sales	48.05%	n/m	22.74%	n/m	14.95%
EBITDA \$	\$143,000	\$39,000	\$428,000	\$172,000	\$190,000
% change	266.67%	-90.89%	148.84%	-9.47%	21.79%
% of sales	4.83%	1.44%	10.81%	6.02%	6.51%
change as % of incremental sales	40.63%	n/m	23.19%	n/m	31.78%
EBIT \$	(\$1,000)	(\$106,000)	\$275,000	\$23,000	\$37,000
% change	99.06%	-138.55%	1,095.65%	-37.84%	1,750.00%
% of sales	-0.03%	-3.92%	6.94%	0.81%	1.27%
change as % of incremental sales	41.02%	n/m	22.83%	n/m	32.71%
Pre-tax income \$	(\$61,000)	(\$192,000)	\$186,000	(\$64,000)	(\$51,000)
% change	68.23%	-203.23%	390.63%	-25.49%	26.09%
% of sales	-2.06%	-7.10%	4.70%	-2.24%	-1.75%
change as % of incremental sales	51.17%	n/m	22.64%	n/m	16.82%
Net income (loss) \$	(\$62,000)	(\$180,000)	\$192,000	(\$67,000)	(\$56,000)
% change	65.56%	-193.75%	386.57%	-19.64%	17.65%
% of sales	-2.09%	-6.65%	4.87%	-2.35%	-1.92%
change as % of incremental sales	46.09%	n/m	22.83%	n/m	11.22%
Tax expense \$	\$1,000	(\$12,000)	\$1,000	\$3,000	\$5,000
Effective tax rate	-1.64%	1.69%	0.26%	1.06%	-9.80%
Depreciation expense \$	\$144,000	\$144,000	\$144,000	\$144,000	\$153,000
% of sales	4.86%	5.32%	3.63%	5.04%	5.24%
% of capital expenses	132.11%	77.13%	113.13%	113.13%	126.45%
% of PP&E, net (annualized)	13.05%	13.05%	13.05%	13.05%	12.99%
Capital expenditures \$	\$109,000	\$88,000	\$109,000	\$122,000	\$121,000
% change	31.33%	-42.20%	22.11%	0.83%	210.26%
% of PP&E, net (annualized)	9.88%	7.35%	10.45%	10.45%	10.27%
% of working capital (annualized)	37.51%	23.93%	40.32%	39.58%	40.15%
Interest coverage ratio	1.81	0.45	4.81	1.98	2.04
% change	303.77%	-90.68%	143.25%	-3.23%	24.41%
Free cash flow \$	\$293,000	(\$429,000)	\$590,000	(\$315,000)	\$65,000
% change	168.30%	-172.71%	287.30%	-584.62%	115.01%
Source:	10-Q 8/30/2017	10-Q 6/7/2017	10-K 3/24/2017	10-Q 11/30/2016	10-Q 8/30/2016

Net income from the holiday season is not enough to offset JCP's losses throughout the rest of the fiscal year

QUARTERLY LEVERAGE RATIOS

Three key leverage ratios signal heightened risk at JCP relative to its industry peers

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	7/29/2017	4/29/2017	1/28/2017	10/29/2016	7/30/2016
Total debt \$	\$4,293,000	\$4,602,000	\$4,836,000	\$4,796,000	\$4,725,000
% change	-6.71%	-4.84%	0.83%	1.50%	-0.17%
Stockholders' equity \$	\$1,155,000	\$1,205,000	\$1,354,000	\$1,140,000	\$1,197,000
% change	-4.15%	-11.00%	18.77%	-4.76%	-4.24%
Total debt to equity ratio	3.72	3.82	3.57	4.21	3.95
% change	-2.68%	6.93%	-15.10%	6.58%	4.25%
Tangible net worth \$	\$1,155,000	\$1,205,000	\$1,354,000	\$1,140,000	\$1,197,000
% change	-4.15%	-11.00%	18.77%	-4.76%	-4.24%
Total debt to tangible net worth	3.72	3.82	3.57	4.21	3.95
% change	-2.68%	6.93%	-15.10%	6.58%	4.25%
Total assets \$	\$8,326,000	\$8,587,000	\$9,118,000	\$9,595,000	\$8,935,000
% change	-3.04%	-5.82%	-4.97%	7.39%	-2.09%
Total debt to assets ratio	0.52	0.54	0.53	0.50	0.53
% change	-3.79%	1.04%	6.12%	-5.48%	1.97%
Tangible assets \$	\$8,326,000	\$8,587,000	\$9,118,000	\$9,595,000	\$8,935,000
% change	-3.04%	-5.82%	-4.97%	7.39%	-2.09%
Short-term debt \$	\$241,000	\$319,000	\$278,000	\$278,000	\$359,000
% change	-24.45%	14.75%	0.00%	-22.56%	6.21%
Short-term debt % of total debt	5.61%	6.93%	5.75%	5.80%	7.60%
% change	-19.01%	20.58%	-0.83%	-23.71%	6.39%
Short-term debt % of working capital	23.35%	24.67%	18.76%	19.93%	33.52%
% change	-5.34%	31.52%	-5.87%	-40.55%	32.89%
Total liabilities \$	\$7,171,000	\$7,382,000	\$7,764,000	\$8,455,000	\$7,738,000
% change	-2.86%	-4.92%	-8.17%	9.27%	-1.75%
Total liabilities to equity ratio	6.21	6.13	5.73	7.42	6.46
% change	1.35%	6.84%	-22.69%	14.73%	2.60%
Total liabilities to tangible net worth ratio	6.21	6.13	5.73	7.42	6.46
% change	1.35%	6.84%	-22.69%	14.73%	2.60%
Total debt to EBITDA ratio (annualized)	7.51	29.50	2.82	6.97	6.22
% change	-74.56%	944.32%	-59.48%	12.12%	-18.03%
Source:	10-Q 8/30/2017	10-Q 6/7/2017	10-Q 6/7/2017	10-Q 11/30/2016	10-Q 8/30/2017

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Meager cash ratio

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	7/29/2017	4/29/2017	1/28/2017	10/29/2016	7/30/2016
Current assets \$	\$3,314,000	\$3,540,000	\$3,901,000	\$4,336,000	\$3,645,000
% change	-6.38%	-9.25%	-10.03%	18.96%	-4.03%
% of short-term debt	1,375.10%	1,109.72%	1,403.24%	1,559.71%	1,015.32%
Current liabilities \$	\$2,282,000	\$2,247,000	\$2,419,000	\$2,941,000	\$2,574,000
% change	1.56%	-7.11%	-17.75%	14.26%	4.72%
Working capital \$	\$1,032,000	\$1,293,000	\$1,482,000	\$1,395,000	\$1,071,000
% change	-20.19%	-12.75%	6.24%	30.25%	-20.07%
% of sales (annualized)	8.71%	11.95%	9.35%	12.21%	9.18%
Cash \$	\$314,000	\$363,000	\$887,000	\$183,000	\$429,000
% change	-13.50%	-59.08%	384.70%	-57.34%	3.37%
% of short-term debt	130.29%	113.79%	319.06%	65.83%	119.50%
Cash ratio	0.14	0.16	0.37	0.06	0.17
% change	-14.80%	-55.96%	489.55%	-62.69%	-1.24%
Current ratio	1.45	1.58	1.61	1.47	1.42
% change	-7.82%	-2.31%	9.38%	4.11%	-8.35%
Source:	10-Q	10-Q	10-Q	10-Q	10-Q
	8/30/2017	6/7/2017	6/7/2017	11/30/2016	8/30/2017

Positive rates of return during the holiday season are overshadowed by losses throughout the rest of the year

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 7/29/2017	13 weeks 4/29/2017	13 weeks 1/28/2017	13 weeks 10/29/2016	13 weeks 7/30/2016
Return on equity	-5.15%	-13.29%	16.84%	-5.60%	-4.48%
% change	61.30%	-178.93%	400.90%	-24.94%	13.76%
Return on net tangible equity	-5.15%	-13.29%	16.84%	-5.60%	-4.48%
% change	61.30%	-178.93%	400.90%	-24.94%	13.76%
Return on total assets	-0.73%	-2.03%	2.05%	-0.72%	-0.62%
% change	63.94%	-199.09%	383.74%	-16.63%	15.33%
Return on tangible assets	-0.73%	-2.03%	2.05%	-0.72%	-0.62%
% change	63.94%	-199.09%	383.74%	-16.63%	15.33%
Source:	10-Q	10-Q	10-K	10-Q	10-Q
	8/30/2017	6/7/2017	3/24/2017	11/30/2016	8/30/2016

ABOUT THIS REPORT/CONTACT CREDITRISKMONITOR



CreditRiskMonitor has been researching public company credit for more than 15 years and counts over 35% of the Fortune 1000 as customers. Its proprietary FRISK® score predicts bankruptcy risk over the coming 12-month period with 96% accuracy.

CreditRiskMonitor's High Risk Reports feature companies that are exhibiting a significantly high level of financial distress, as indicated by our proprietary FRISK® score. The ultimate goal of the High Risk Report series is two-part: provide an early warning for those doing business with an increasingly distressed company and inform of the many signals that should be examined when assessing financial risks.

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