



JC Penney to Close 13-14% of Its Stores

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Source: National Jeweler

Plano, Texas--J.C. Penney said it will close 130 to 140 stores over the next few months, continuing a trend of major department stores scaling back on physical locations.

The retailer said it will release the list of exactly which stores will close in mid-March once all affected personnel have been notified. The bulk of the stores are expected to close in the second quarter.

The stores identified for closure either would require significant capital to be updated to the new brand standard or are minimally cash flow positive relative to the company's overall consolidated average, J.C. Penney said in a news release. The company said instead it will focus on "redirecting capital resources to invest in locations and initiatives that offer the greatest revenue potential."

J.C. Penney said the total store closures represent approximately 13 to 14 percent of its current store portfolio, less than 5 percent of total annual sales, less than 2 percent of EBITDA (earnings before interest, tax, depreciation and amortization) and 0 percent of net income.

The annual cost savings resulting from the closures are estimated at approximately \$200 million.

Though J.C. Penney did not release the total number of employees affected by the closings, the company said that it will initiate a voluntary early retirement program for approximately 6,000 eligible associates.

A company spokesperson also told National Jeweler they expect a net increase in hiring, as the number of full-time associates expected to take advantage of the early retirement incentive will exceed the number of full-time positions affected by the store closures.

As a result of the store closings, J.C. Penney also will shut down two distribution centers. It will close its Lakeland, Florida center in early June, at which time operations will transfer to the logistics facility in Atlanta, and also is in the process of selling its supply chain facility in Buena Park, California.

The announcement of store closures is just the latest among department stores that are seeing lagging sales.

Others to announce mass store closings include Macy's and Sears.

J.C. Penney also has released its fourth quarter and full-year results.

Comps for the three-month period ended Jan. 28 were down about 1 percent as were net sales, to \$3.96 billion, but J.C. Penney noted that fine jewelry, along with home, Sephora and salon, was one of its top-performing merchandise divisions during the quarter.

Meanwhile, for the 12-month period, comps were flat and net sales were down 1 percent to \$12.54 billion.

However, J.C. Penney delivered a net profit last year, marking the first time it has done so since 2010.

For the 2017 full year, comps are expected to be in the range of a 1 percent decline to a 1 percent increase.