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J.C. Penney hasn't had to release its finances since 2020. Here's how the retailer is doing.

The department store insists it's on a "strong financial footing," but filings show ongoing volatility under its post-bankruptcy ownership.

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The "C" in J.C. Penney stands for "Cash," the middle name of founder James Cash Penney, but the department store is struggling to generate much in its post-bankruptcy years.

As of Oct. 29, the company's cash and cash equivalents had dwindled from $354 million the previous year to $121 million. In the first nine months of 2022, net income plummeted 43.6% to $176 million, according to filings with the Securities and Exchange Commission.

"It is unsurprising that J.C. Penney has seen performance slide," GlobalData Managing Director Neil Saunders said by email. "The range is as bland as ever, with not much to excite shoppers."

In an email, the department store declined to elaborate on the figures. "As a privately-held company we cannot disclose detailed financial information, but we can say that JCPenney is in the best financial position we've been in years," the retailer said. "We're operating on strong financial footing that allows us to continue making strategic investments to ensure we are delivering for our customers."

However, detailed financial information on the company is being provided to the SEC by Copper Property CTL Pass Through Trust, a property trust tasked with selling some of its stores. The available filings don't include comparable sales, though the company said in its email that those are up in some areas.

"Despite unprecedented inflationary pressures to consumer discretionary spend, we experienced positive comps in key divisions and have new initiatives driving traffic and customer interest," the company said. "We are highly encouraged by this momentum and look forward to our continued growth."

The filings also don't yet include J.C. Penney's fourth quarter results. But sales in the holiday months of October, November and December fell an average 7.5% year over year, according to calculations from Bloomberg Second Measure, which do not reflect raw sales data.

J.C. Penney's sales have stayed relatively steady since 2021, but profits are declining

Net sales, in billions, and net income or loss, in millions, from the first quarter of 2021 to the third quarter of 2022.

Mall REITs Simon Property Group and Brookfield bought the retailer out of bankruptcy late in 2020, after the pandemic exacerbated its years-long struggles. Under its new owners, (brand management firm Authentic Brands Group now also owns nearly a 17% stake), the retailer has launched several initiatives that it says are contributing to growth, generating "excitement" and attracting new customers. Its new men's apparel brand Mutual Weave "is leading growth in our men's division just one year after its launch," and its recent tie-up with fashion designer Prabal Gurung "has been extremely well-received by customers," the company said in its email.

J.C. Penney has also greatly expanded its beauty assortment since losing its Sephora partnership to Kohl's.

"We've seen success with the strong launch of our hyper-inclusive JCP Beauty offering, where three-quarters of our customers are new or reactivated," the company said.

But overall, "little else has changed," Saunders said. "The general impression is that J.C. Penney is a business bumping along the bottom with very little ambition to pull itself up."

Simon Property Group CEO David Simon begs to differ. Simon Property Group didn't immediately respond to a request for comment for this article. But in February, David Simon told analysts that, while J.C. Penney didn't escape last year's industry downswing as inflation undermined discretionary spending, the retailer is in a good place.

"It didn't have the [success of] year of '21, but we're very pleased where that company is positioned, and we're extremely pleased with the management team and all that they're doing to reinvigorate the brand that means so much to that consumer in those communities," he said. "And we're taking a different tack than others that have managed or owned that brand."

J.C. Penney's 2021 sales rose 30.5%, according to the indexed data from Bloomberg Second Measure, which excludes spending via gift cards, store-branded credit cards and some types of financing. According to the financial statements on Penney filed with the SEC, net sales that year reached $7.9 billion. In 2022, sales fell 8.3%, per Bloomberg Second Measure's report. According to the Penney filings, net sales were down 2.5% in the first nine months of 2022.

In his remarks, David Simon called out Penney's EBITDA, which reflects cash flow from operations when certain costs, like interest expenses, taxes and depreciation, aren't taken into account.

"It has unbelievably profitable EBITDA," he said, adding later, "It was very profitable from an EBITDA point of view."

The metric is among the retailer's most robust, though it is also declining. In the first nine months of last year, adjusted EBITDA fell 29.6% to $405 million.

The level of depreciation and amortization noted in Penney's filings could indicate that the retailer is investing in stores with improvements like new fixtures, furniture or merchandise, according to John Heller, a director of advisory services at accounting and advisory firm Marcum. If so, that's not reflected at many stores, according to Saunders.

Sources who are conducting research into J.C. Penney's operations, who spoke on the condition of anonymity because they weren't cleared to discuss their findings, found that, compared to 2019, sales at several brick-and-mortar Penney stores were down 25% to 30% in 2022. J.C. Penney declined to comment on that finding. In its email, the retailer said it has no plans to reduce its store count substantially, "although customers may see a few isolated store closures in the months ahead due to lease agreements, markets changes and performance, among other factors."

Saunders sees little evidence of meaningful investment in most Penney stores, which he said "look increasingly tired and run-down."

"Admittedly, J.C. Penney is in a tough part of the market where generating growth is hard," he said. "However, when it was acquired out of bankruptcy there was some optimism that the new owners would invest and try to reinvigorate the chain. In reality, not much has changed and J.C. Penney hasn't been shown any real love."