

Macy's 2Q Quick Update

After 2Q results for August – Macy's noted that nearly all its stores had opened by the end of June. Sales were improving sequentially each month. The issue after 1Q had been inventory levels that were too high for the lower rate of sales. Macy's did successfully reduce inventory by \$1.35 billion. DSI's are now 120 days vs 180 after 1Q. Y/Y DSIs are down from 135. The company should be set to see rising gross margins going forward through a combination of higher sales and less discounting. At the same time, they continue to expand offerings via the Vendor Direct program it built before COVID. We maintain our Buy recommendation as the company's liquidity has improved and the business is building back.

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