

NORDSTROM

Nordstrom Leadership Discussion with Goldman Sachs

September 15, 2020

Our Chief Executive Officer Erik Nordstrom and Chief Financial Officer Anne Bramman [recently discussed](#) with Alex Walvis of Goldman Sachs the actions we have taken to manage through COVID-19 and how we are positioning the company to capture market share and drive growth.

Better positioned to serve customers thanks to quick action and early investments.

Erik opened his remarks by highlighting the actions we took to solidify our position in a volatile period, stating, "At the onset of the pandemic, our focus moved very quickly and very intensely to protecting and enhancing our liquidity and we're pleased with our results —earnings, cash, and liquidity all exceeded our expectations. The fact is, we are a better company today than we were five months ago and certainly much better positioned to serve the customer for the times we're in.

"We exited the quarter in an advantageous position, not just from liquidity but also inventory, which allows us to quickly shift in categories and buy deeper in relevant categories to meet customer demand."

The swift action we took to mitigate risk at the outset of the pandemic positioned us well as we entered Anniversary Sale, our biggest event of the year. "Having the really high sell-through on Anniversary was a great proof point," said Anne. In fact, we had the highest sell-through of Anniversary merchandise ever.

Building on our heritage of service to create convenience and connection.

Above all else, our focus remains on our commitment to the customer through our heritage of service. "But what does service mean today?" Erik asked. "For us, it's all about convenience and connection. Convenience really means leveraging the assets and infrastructure we have to serve customers as they want to be served: that's Full-Price and Off-Price, that's stores and online.

"Connection is clearly what we think service needs for the customer today. Connection, historically, especially in our stores, has meant a one-on-one personal connection with customers. That's still important, but increasingly, it also means knowing the customer, being relevant and being able to personalize the experiences through digital means. And by connecting our ecosystem, we think we're well-positioned to provide that connection to customers."

Poised to gain market share through our market strategy, Nordstrom Rack, and robust digital offering.

Erik described our three growth factors moving forward. "Our market strategy is about engagement by leveraging our digital and physical assets in a market to serve customers on their terms. That includes things like buy online, pickup in store, curbside services, alterations and more. Now, our Rack locations offer those same services —so customers can engage with us across Full-Line, Rack, locals and online." Erik went on to describe the role of having inventory in each market close to customers for greater selection with faster delivery at a lower cost to us.

"We also see growth opportunities in our Rack brand," Erik continued. "There's opportunity to expand our price point, particularly lower prices. The second piece with Rack growth is to better connect our online and our physical stores." He explained that in October, we will have store fulfillment capabilities for NordstromRack.com and HauteLook, which will "significantly increase selection available online by bringing to life inventory we have in stores."

Erik explained that the third growth piece is around digital —specifically, growing our assortment, delivering personalization at scale by leveraging information we have with customers and increase linkages between digital and physical.

We expect continued improvement for the second half of the year.

Anne addressed our approach to the future. "We do expect gradual improvement in the second half of the year, both in top-line, in EBIT and in cash flow. Q2 was impacted by the shift of our Anniversary Sale to Q3 and the temporary closure of our stores for 50% of the quarter. Moving forward, our stores are open, we had a strong Anniversary Sale, we're seeing momentum, and we're really amplifying the categories that continue to be relevant at the right price points with our customers. Another piece of it is we did a lot of work to rebase our cost structure. We pulled about 20% of our costs out, excluding occupancy, and that really positions us well as we go into the second half and 2021.

"Because there are so many unknowns, we're taking a very nimble, prudent approach to make sure we're positioned for those unknowns while also ensuring we're positioned for market share and profitable growth."

Ready to build on our strong foundation and pivot to profitable growth.

As we look ahead, connection and convenience are the guiding elements as we take action to meet evolving customer demand in more relevant ways. We are uniquely positioned to meet our customers when, where and how they want to shop, with the ability to drive higher engagement given the breadth of our portfolio.

Erik reminded us that, "The synergy of engaging customers, both physically and digitally, have all been proven before." He also reinforced that, "We like that we have this portfolio of assets between Full-Price stores, Nordstrom stores, Rack stores and now local stores. We think there's a lot of opportunity there for us to serve customers better and have better economics for us by maximizing that mix. While we don't expect the external environment to necessarily get better, we believe we have great opportunities and are confident we can have —continue to show sequential sales improvement in the back half from things that are within our control."