

NORDSTROM



## **Q4 2016 EARNINGS CONFERENCE CALL**

February 23, 2017





## **FORWARD-LOOKING STATEMENTS**

This presentation contains statements that are forward looking. These statements are based upon current expectations and assumptions that are subject to risks and uncertainties. We may not achieve the results projected in these forward-looking statements, and our actual results could materially differ because of factors discussed in this conference call, in the comments made during this presentation, and in the risk factors section of our Form 10-K, Form 10-Qs, and other reports and filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statement to reflect subsequent events, new information or future circumstances.

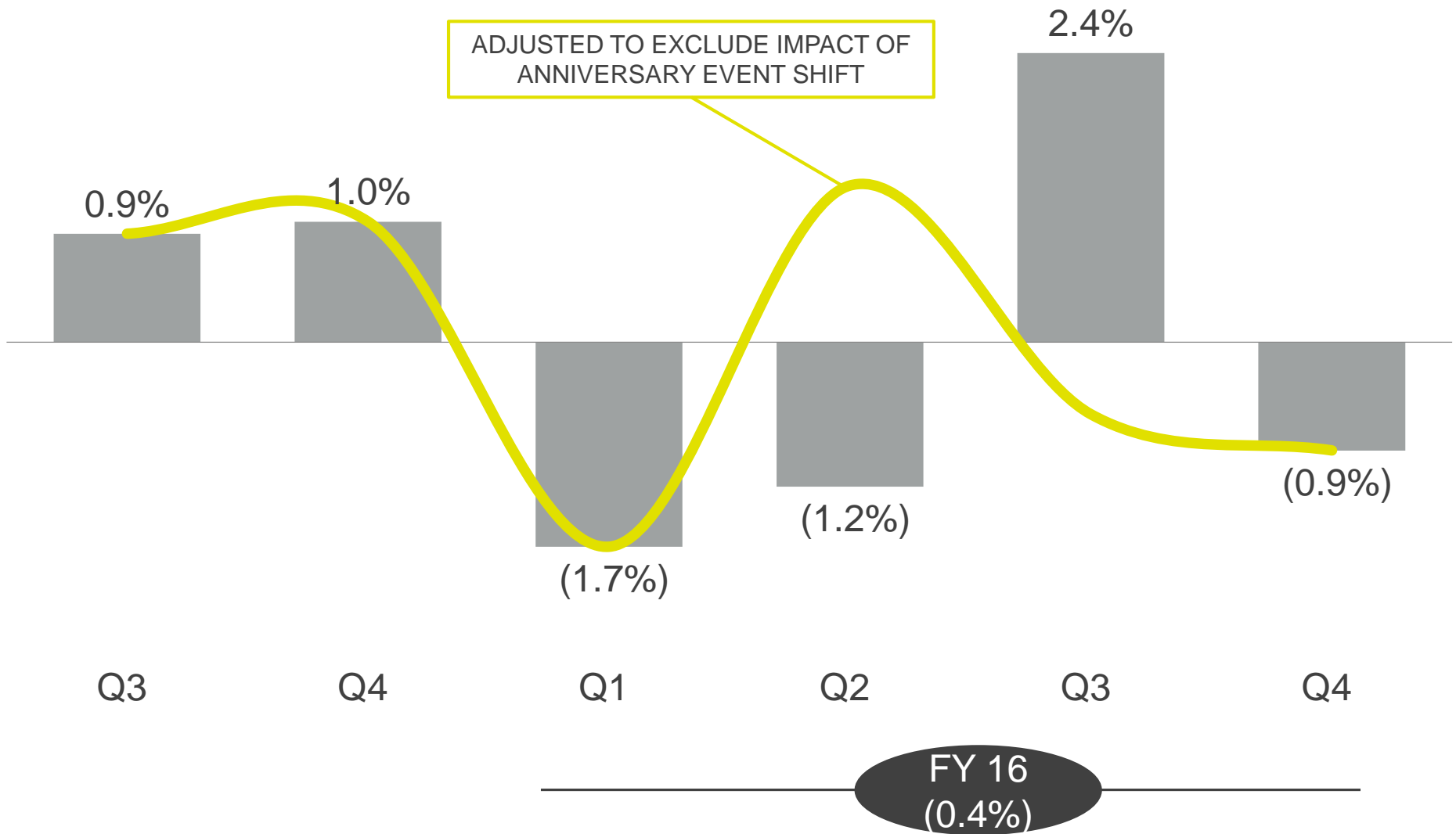


# **BLAKE NORDSTROM**

CO-PRESIDENT, NORDSTROM, INC.

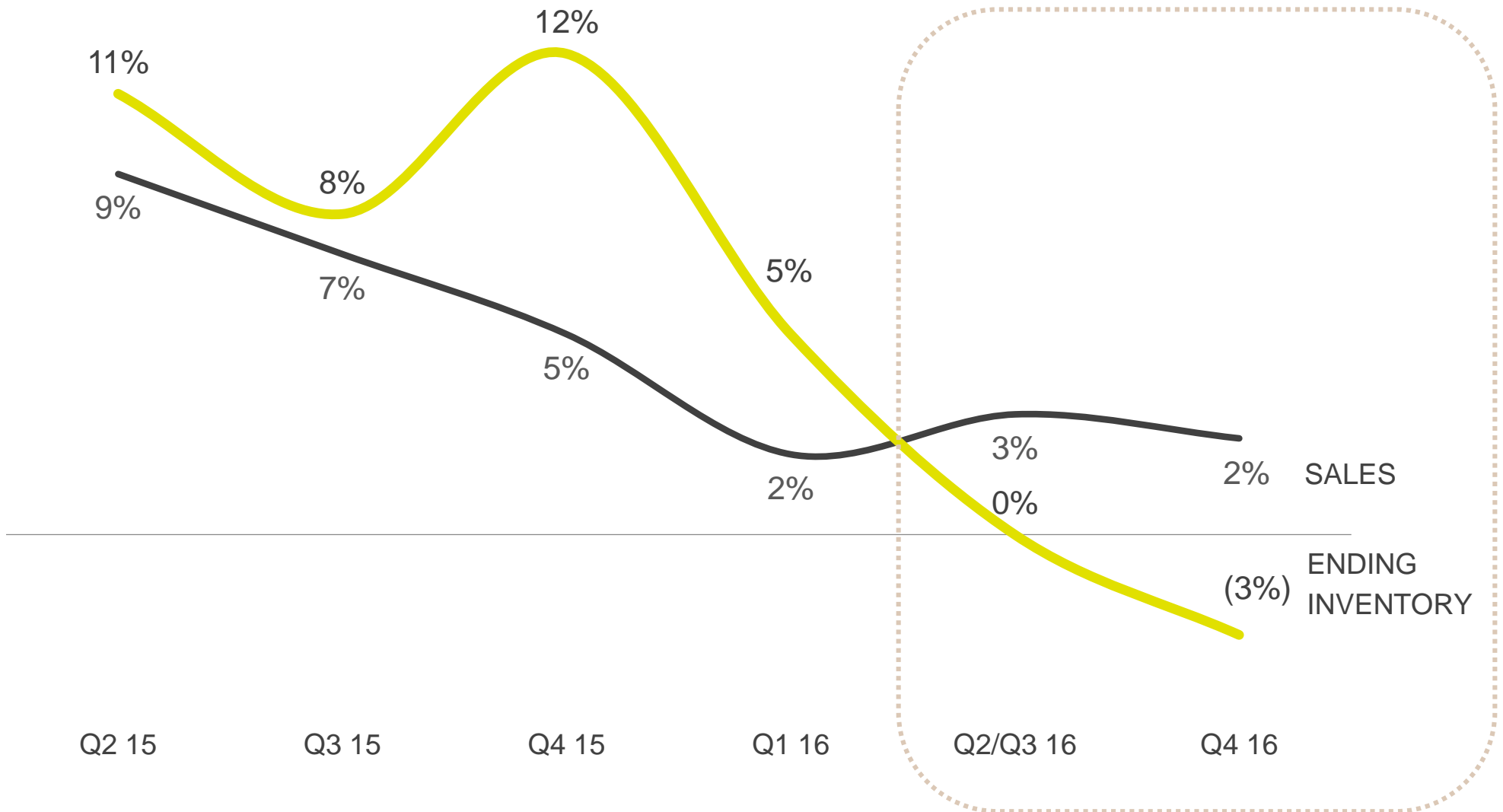
# COMP SALES TRENDS

Q4 CONSISTENT WITH RECENT TRENDS



# INVENTORY EXECUTION

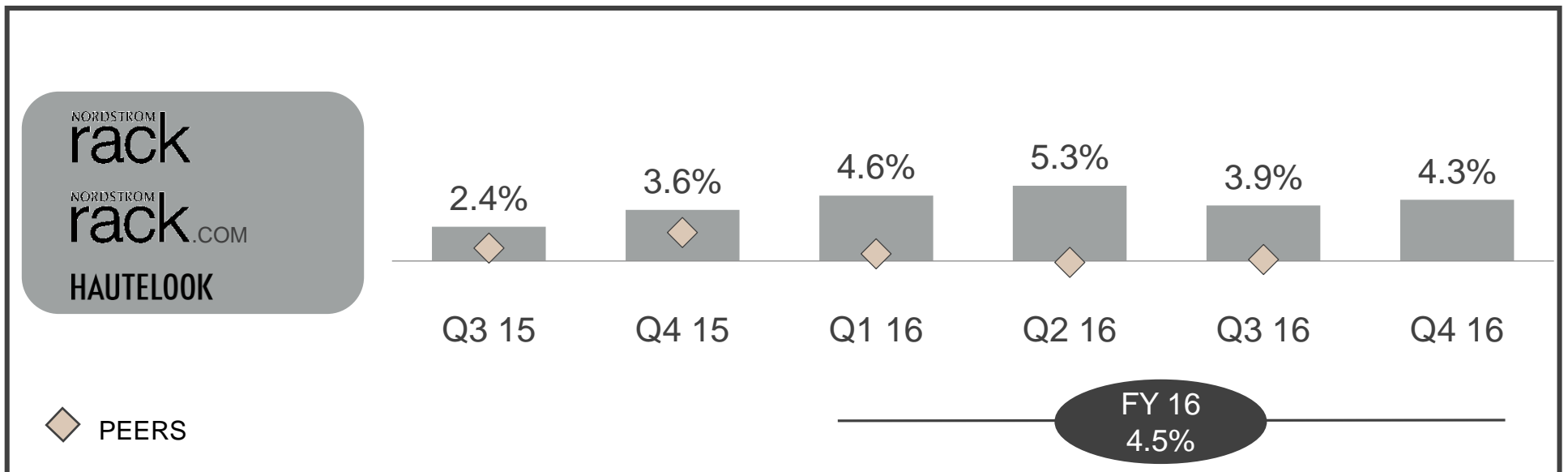
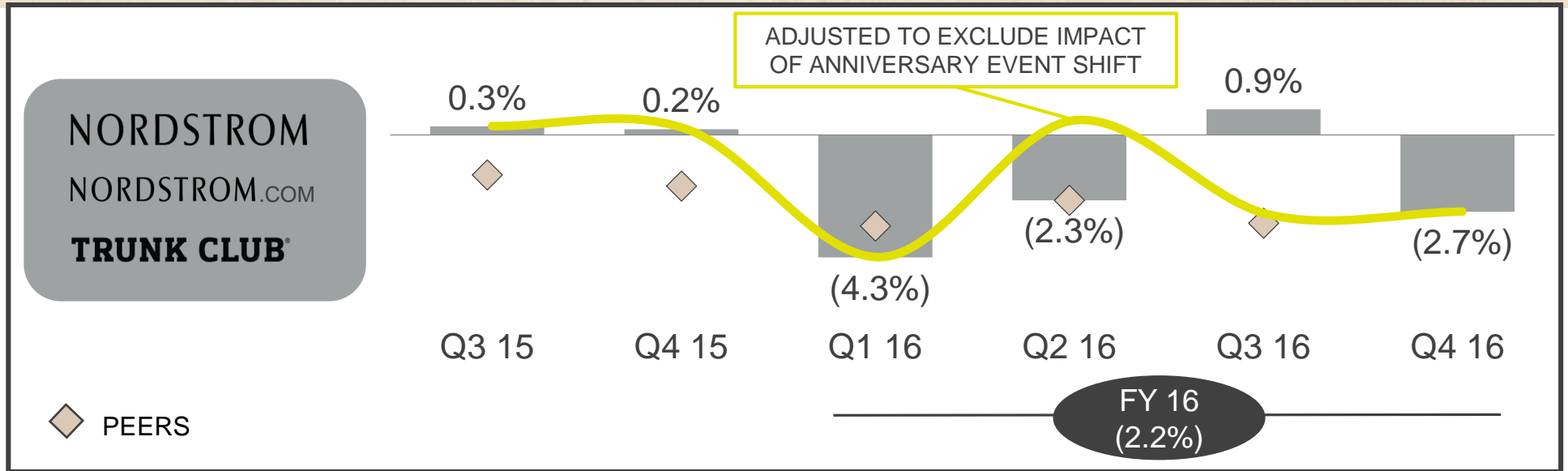
## SALES GROWTH OUTPACED INVENTORY GROWTH



Q2 and Q3 2016 combined to remove impact of the Anniversary Sale event shift

# COMP SALES PERFORMANCE

## CONSISTENT TRENDS



Nordstrom includes U.S. and Canada full-line stores  
 Full-price peers: ANF, CHS, DDS, GPS, LB, M, HBC, SAKS, TIF, URBN  
 Off-price peers: BURL, DSW, ROST, SAKS OFF FIFTH/GILT, SMRT, TJX

# IMPROVE CUSTOMER EXPERIENCE

DIFFERENTIATED AND SEAMLESS SHOPPING JOURNEY





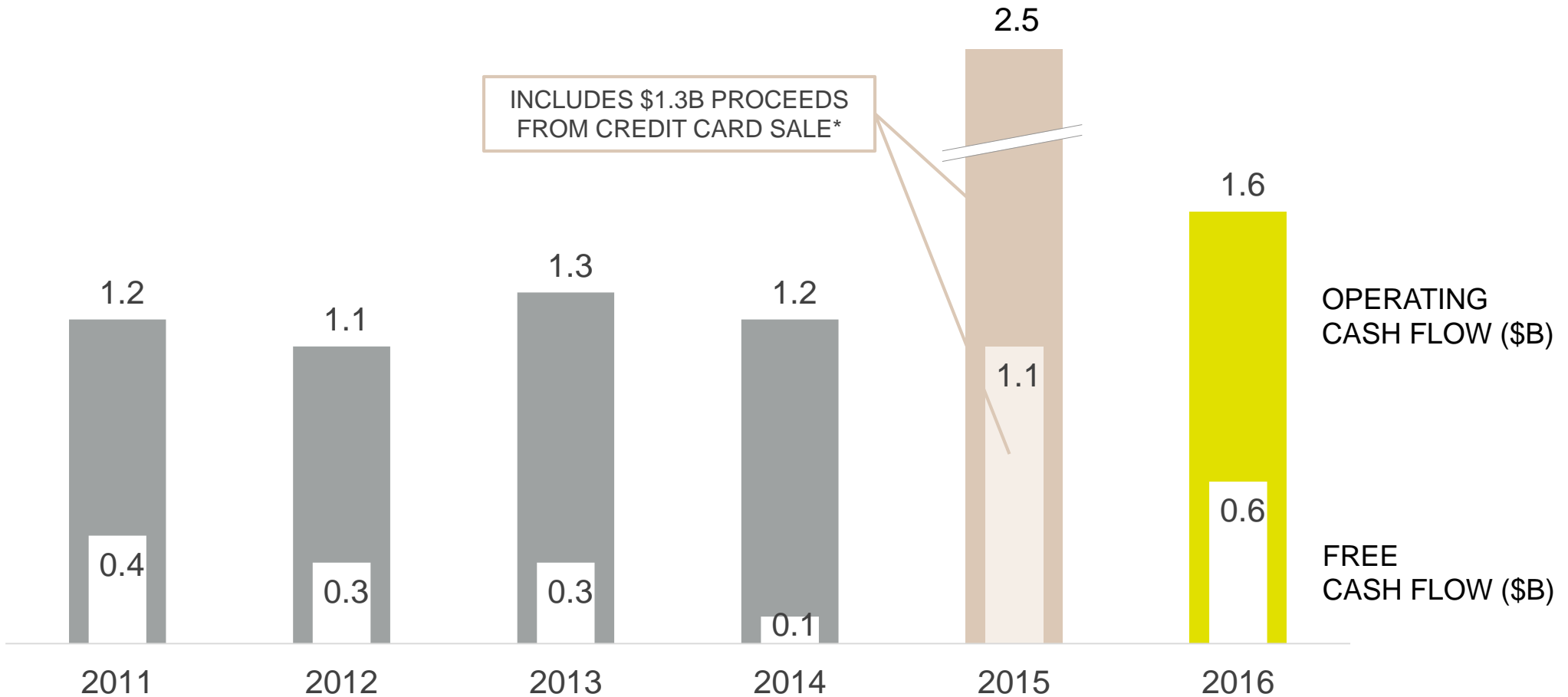
# **MIKE KOPPEL**

EVP & CFO, NORDSTROM, INC.



# STRONG FINANCIAL POSITION

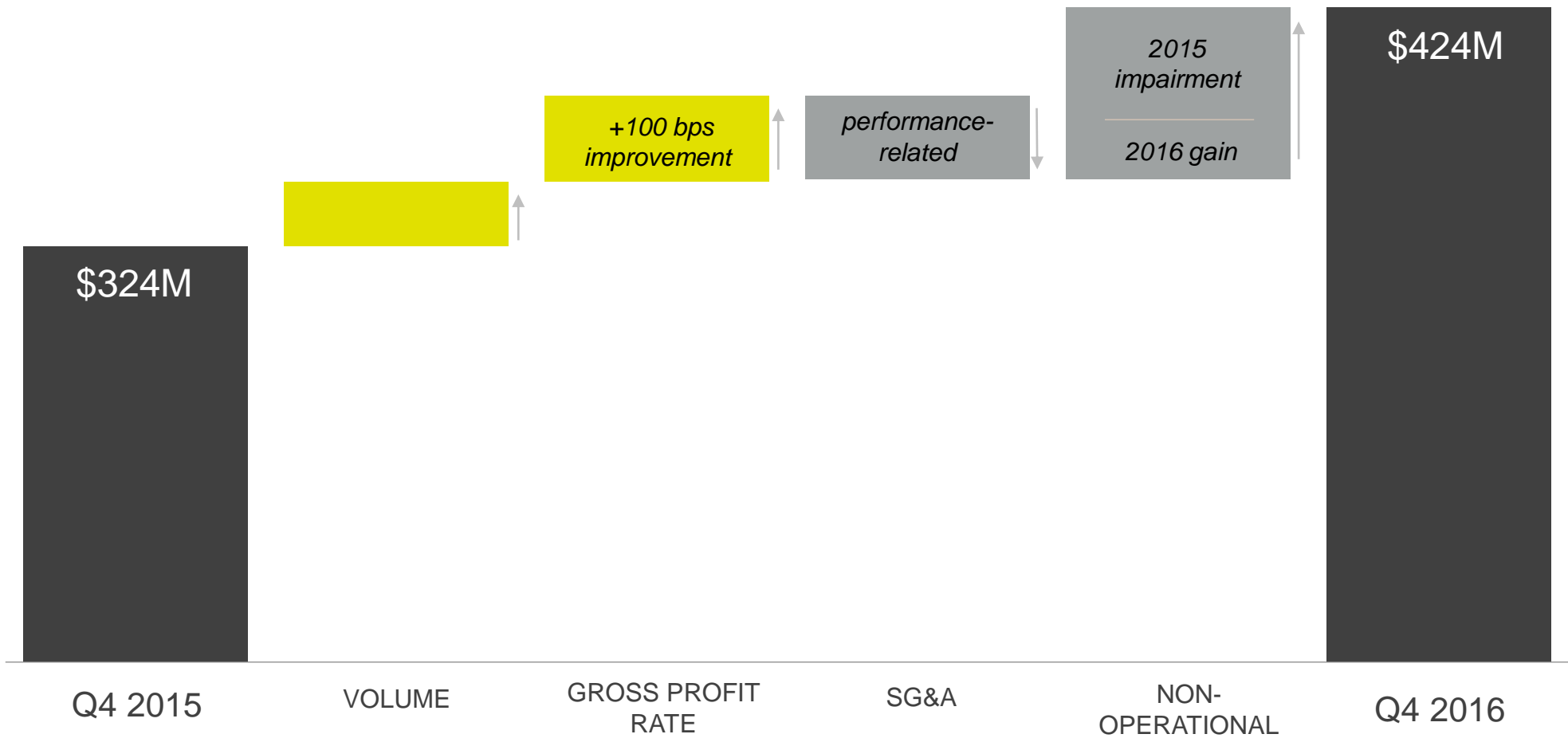
## IMPROVED CASH FLOW



\* Total net proceeds of \$1.8B, of which \$1.3B was attributable to the sale of credit card receivables originated at Nordstrom  
See appendix for reconciliation of non-GAAP measures

# Q4 EBIT PERFORMANCE

STRONG INVENTORY EXECUTION



Non-operational items represent impairment charges \$50M in 2015; non-operational gain \$22M in 2016

# EXECUTING GROWTH

RECORD SALES OF \$14.5B IN 2016

FULL-PRICE  
\$10.0B SALES

## NORDSTROM

CONTINUED EXPANSION  
INTO CANADA 

**\$300M** TOTAL SALES

## NORDSTROM.COM

**\$2.5B** SALES

**25%** OF FULL-PRICE SALES

**7.8M**  
NORDSTROM  
REWARDS  
CUSTOMERS

## NORDSTROM RACK

**8%** TOTAL SALES GROWTH

LARGEST SOURCE OF  
NEW CUSTOMERS

## NORDSTROMRACK.COM + HAUTELOOK

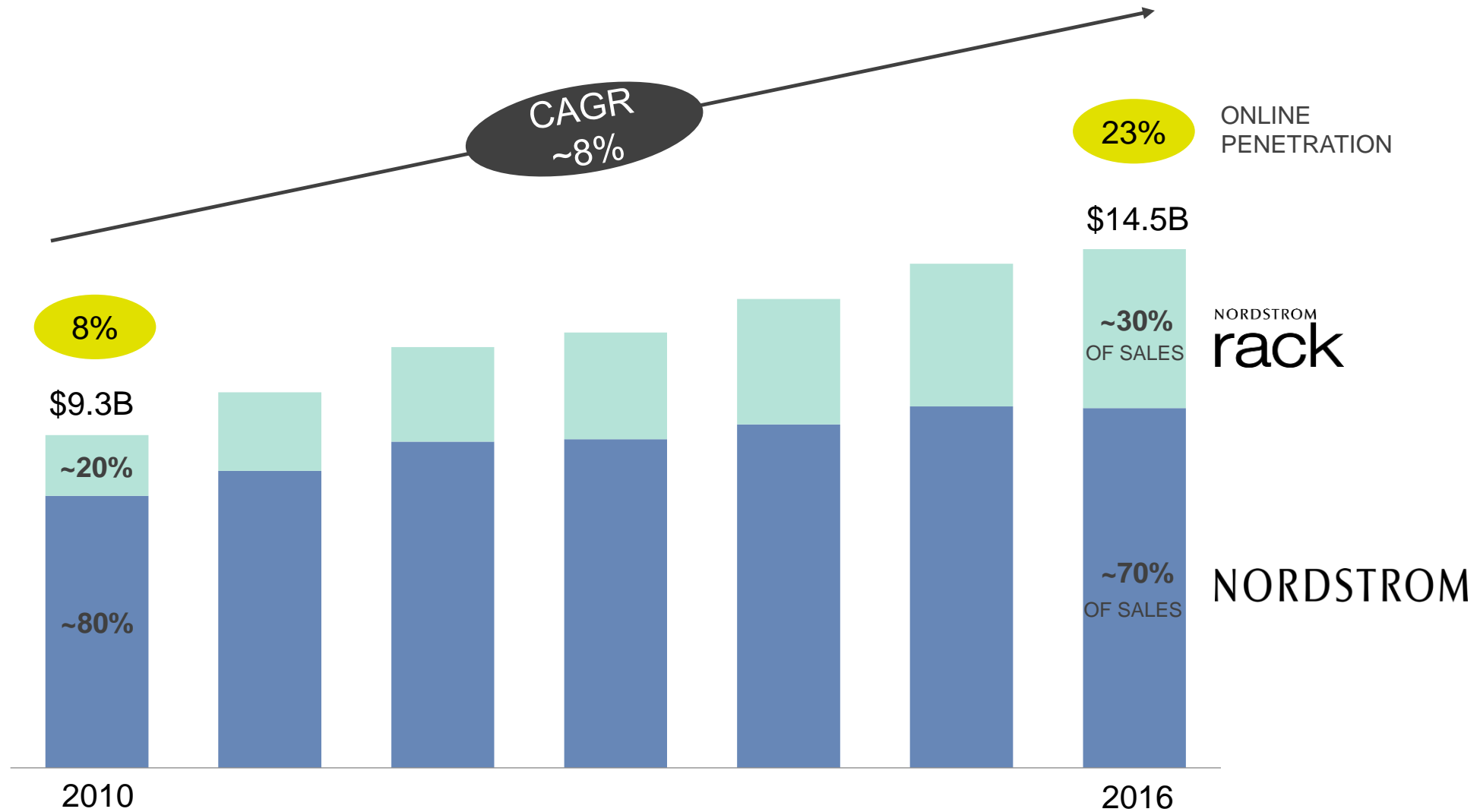
**\$700M** SALES

**32%** SALES GROWTH

OFF-PRICE  
\$4.5B SALES

# SUSTAINABLE GROWTH

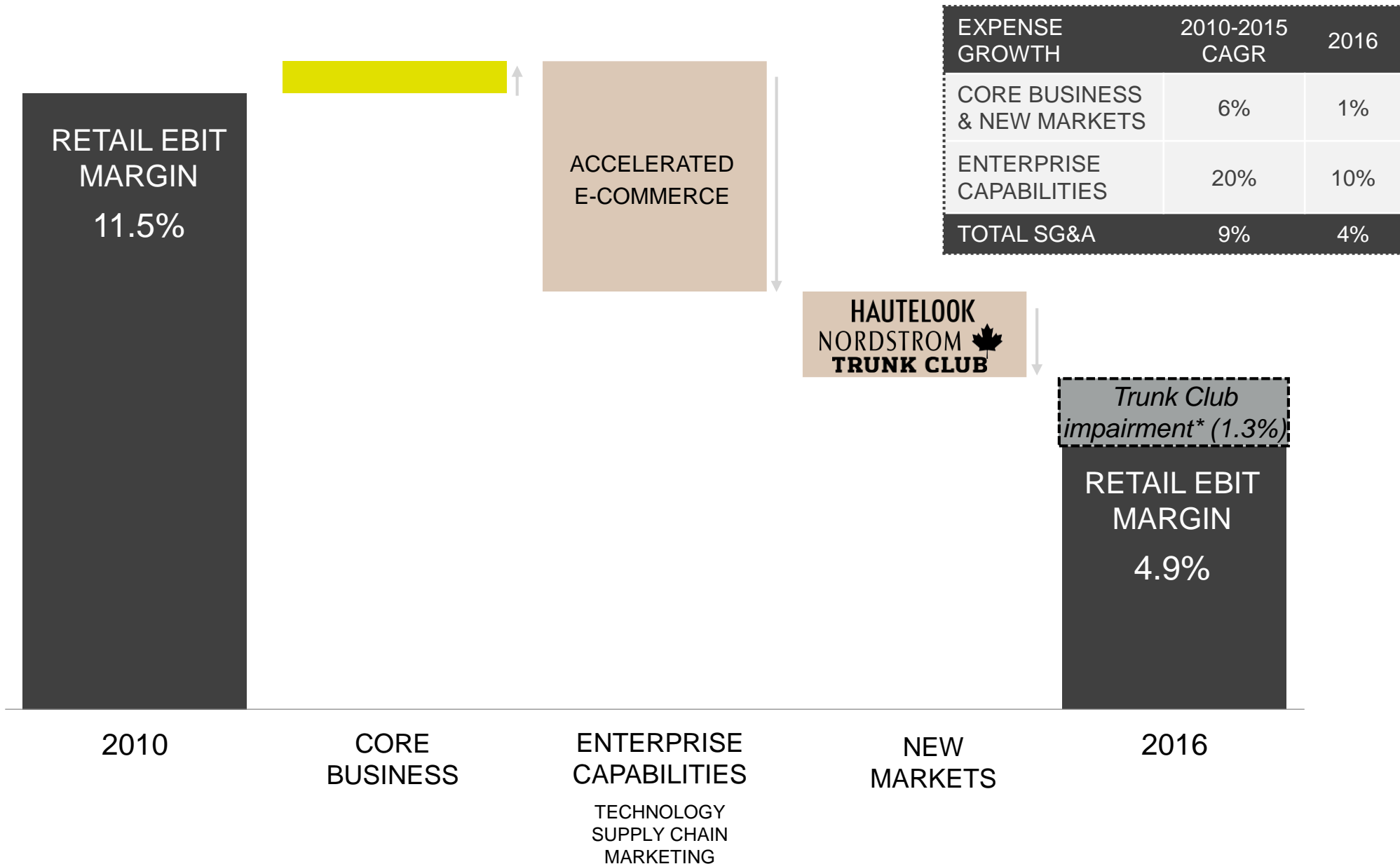
NET SALES INCREASED ~55% SINCE 2010



Nordstrom includes full-line stores (U.S. and Canada), Nordstrom.com, Trunk Club; Nordstrom Rack includes Rack stores and Nordstromrack.com/HauteLook  
Online penetration includes Nordstrom.com, Nordstromrack.com/HauteLook, and Trunk Club

# EVOLVING BUSINESS MODEL

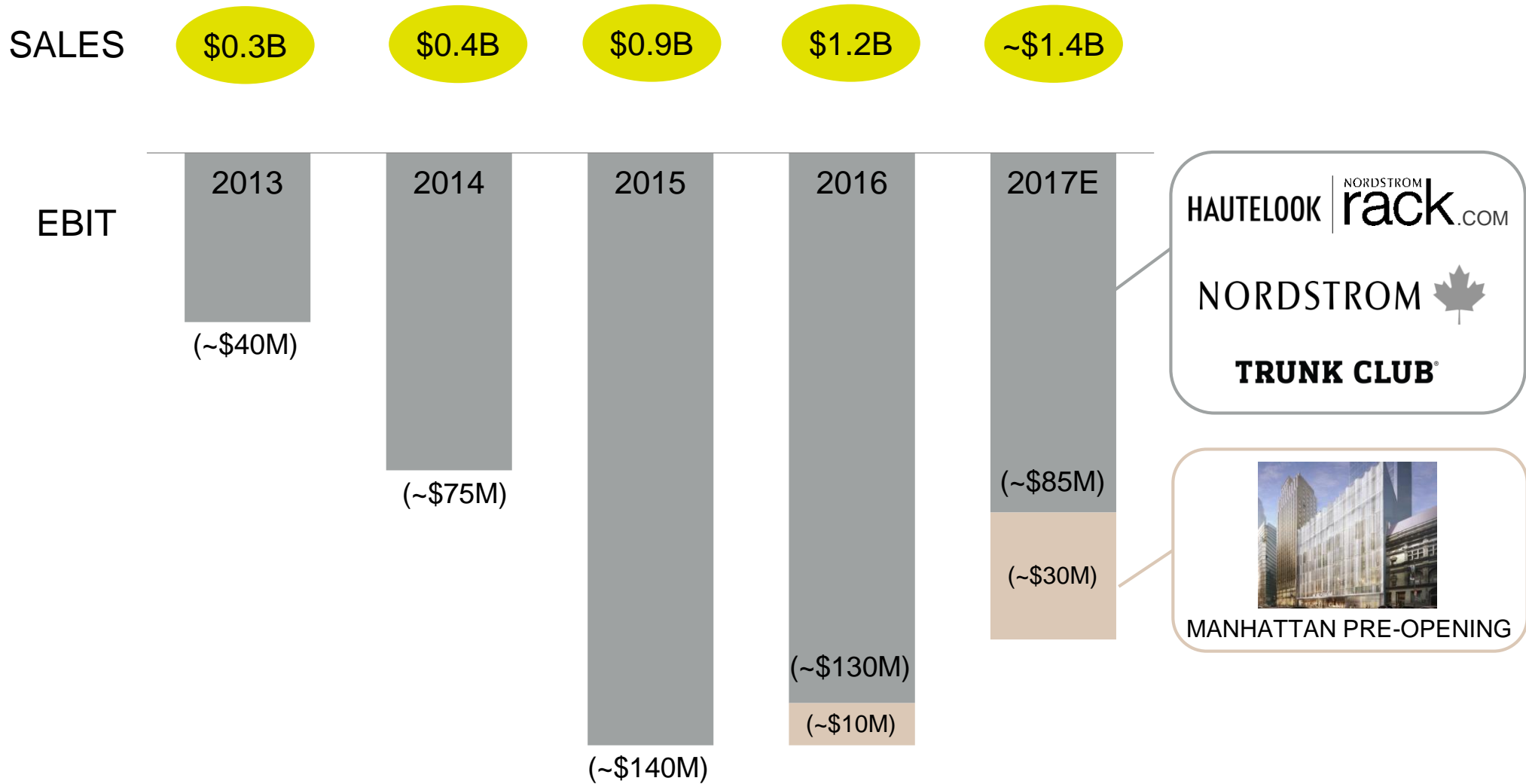
## ACCELERATED E-COMMERCE AND MARKET GROWTH



Represents goodwill impairment of \$197M related to Trunk Club in Q3 2016  
 NORDSTROM

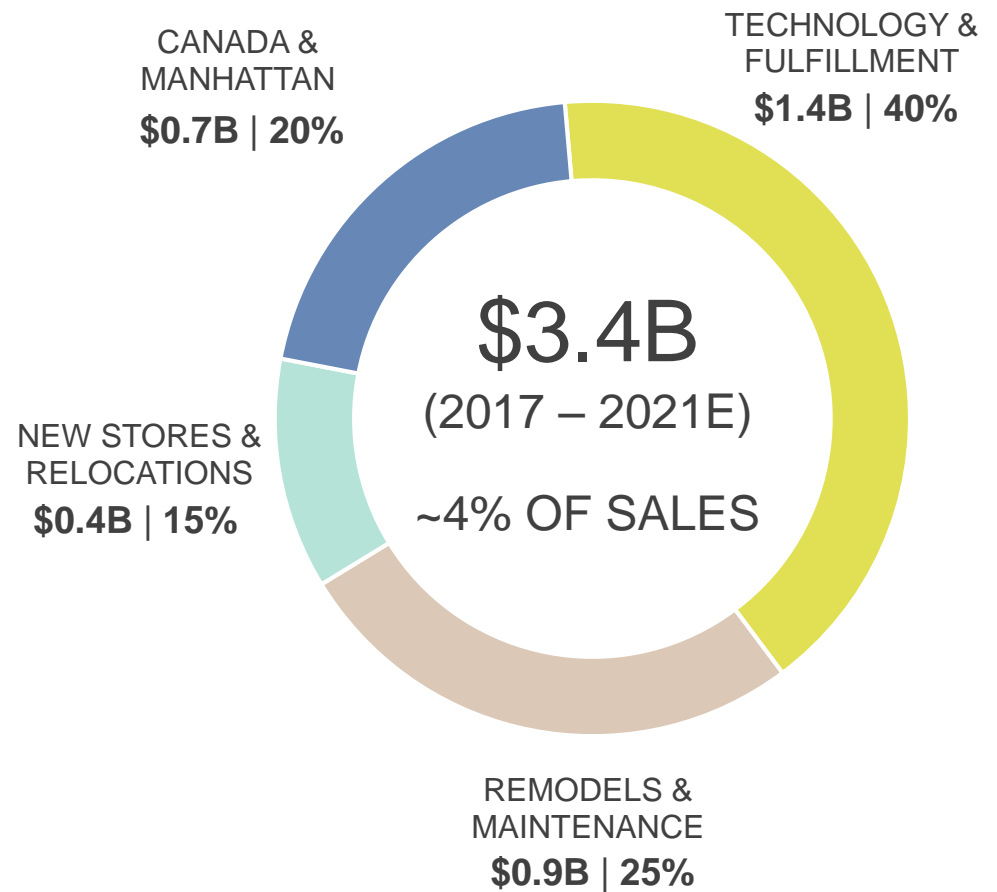
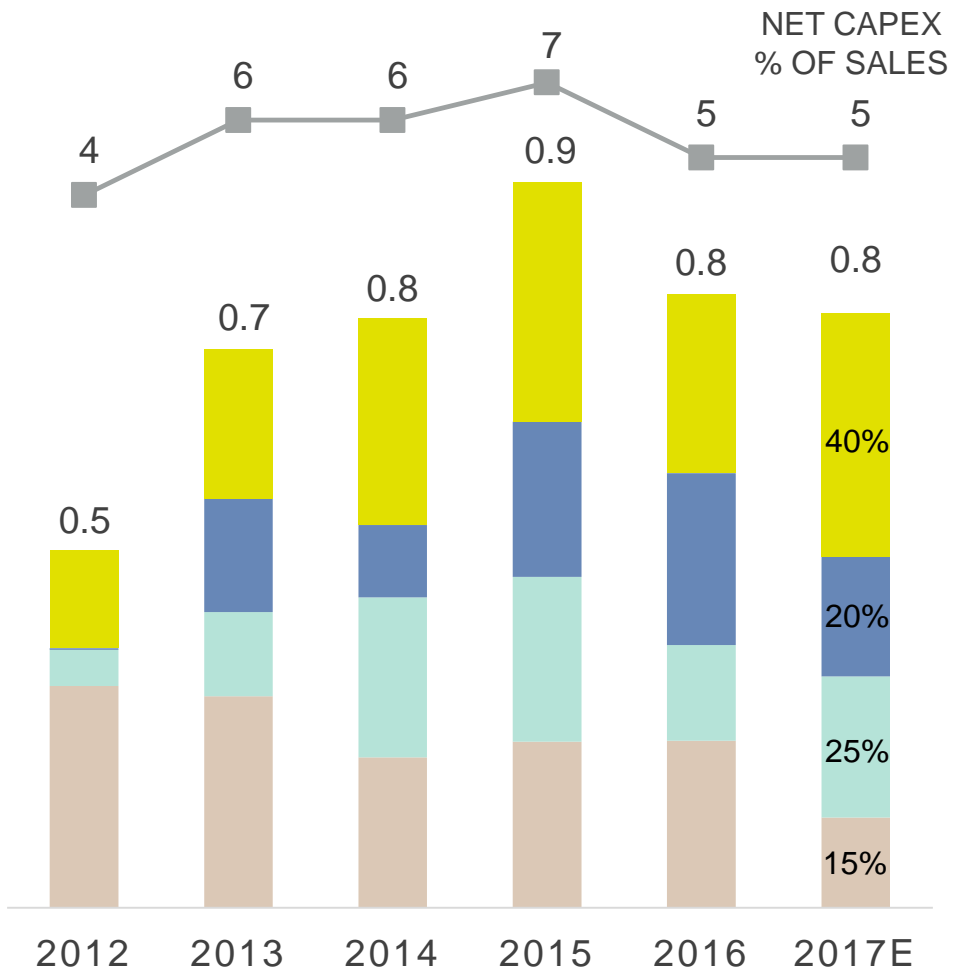
# GROWTH INVESTMENTS

EXPECT IMPROVED OPERATING PERFORMANCE FROM GAINING SCALE



# CAPITAL INVESTMENTS

## ALIGNED WITH EVOLVING CUSTOMER EXPECTATIONS




Net capex reflects gross capex net of deferred property incentives

# FY 2017 OUTLOOK

## CONTINUATION OF TRENDS

2017 OUTLOOK		ASSUMPTIONS
TOTAL SALES	3% TO 4%	Includes estimated 53 <sup>rd</sup> week impact of ~\$200M Expect no significant event shift on a quarterly basis vs. LY
COMP SALES	~ FLAT	Consistent trends with 2016
RETAIL EBIT	\$780M TO \$840M	
CREDIT EBIT	~\$135M	Increase vs. 2016 partially due to lower amortization expense related to sale of credit card portfolio
EPS	\$2.75 TO \$3.00	Effective tax rate 39% Share count of ~174M (does not include future share repurchases)



A blurred, high-angle photograph of a busy city street with several pedestrians walking. The image is intentionally out of focus to create a sense of motion and a busy urban environment. A white rectangular box is centered over the image, containing the text 'Q&A'.

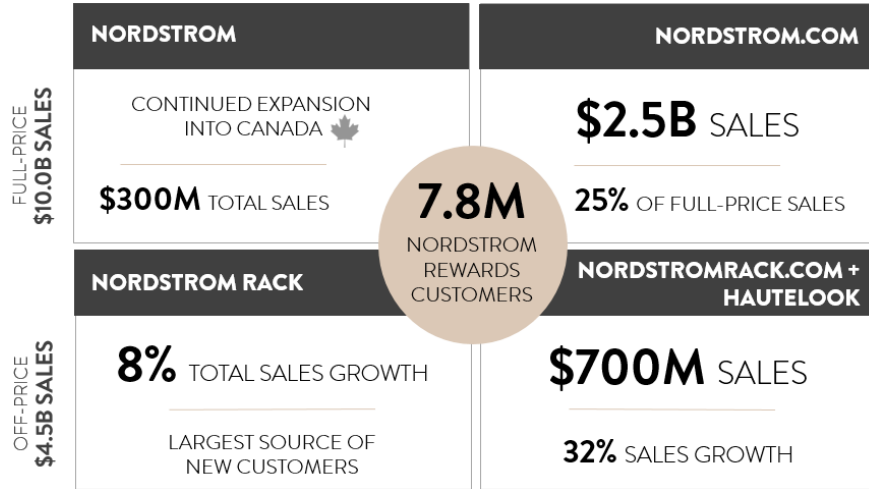
# Q&A

# FY 2016 OVERVIEW

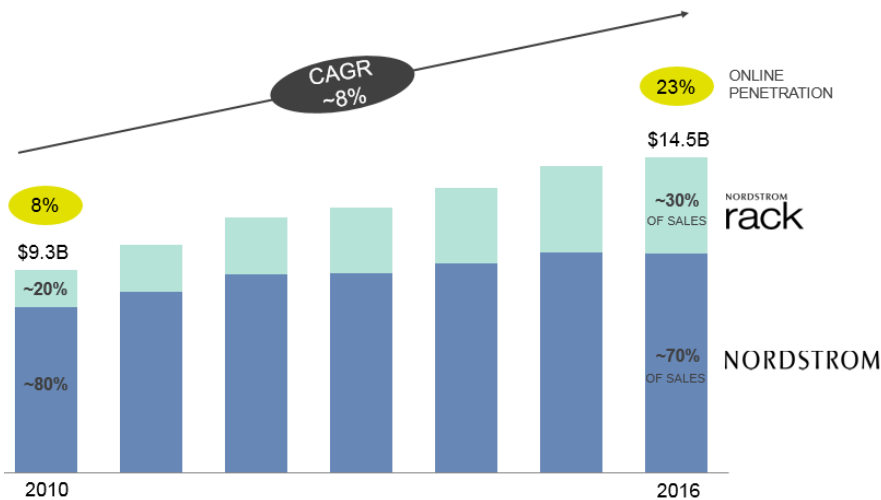
## EVOLVING WITH CHANGING CUSTOMER EXPECTATIONS

### BUSINESS UPDATE

#### EXECUTING GROWTH



#### SUSTAINABLE TOP-LINE GROWTH

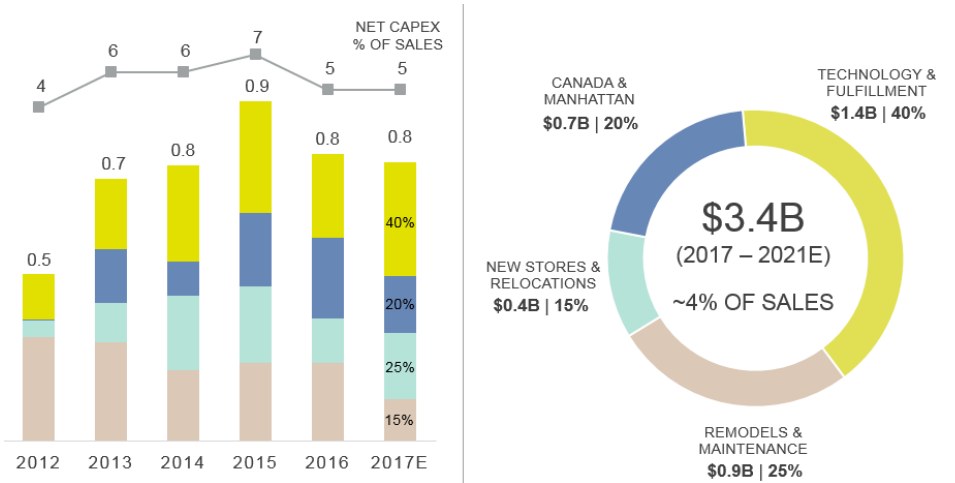


### GOING FORWARD

#### DIFFERENTIATED AND SEAMLESS EXPERIENCE



#### INVESTMENTS ALIGNED WITH CUSTOMER EXPECTATIONS



# NORDSTROM BUSINESS OVERVIEW

- Leading U.S. fashion specialty retailer with a growing presence in Canada
- Record ~\$14.5B in annual revenue with 6.2% CAGR since 2000
- Diverse network of 349 stores in attractive markets
- Innovative omni-channel platform with over 20% online penetration
- 115-year legacy of delivering exceptional customer service
- Broad and diverse mix of top brand names and private label merchandise
- 7.8 million active Nordstrom Rewards loyalty program members

## SERVING CUSTOMERS WHEREVER THEY SHOP



123  
Full-line Stores



215  
Rack Stores



Nordstrom.com



Nordstromrack.com  
HauteLook

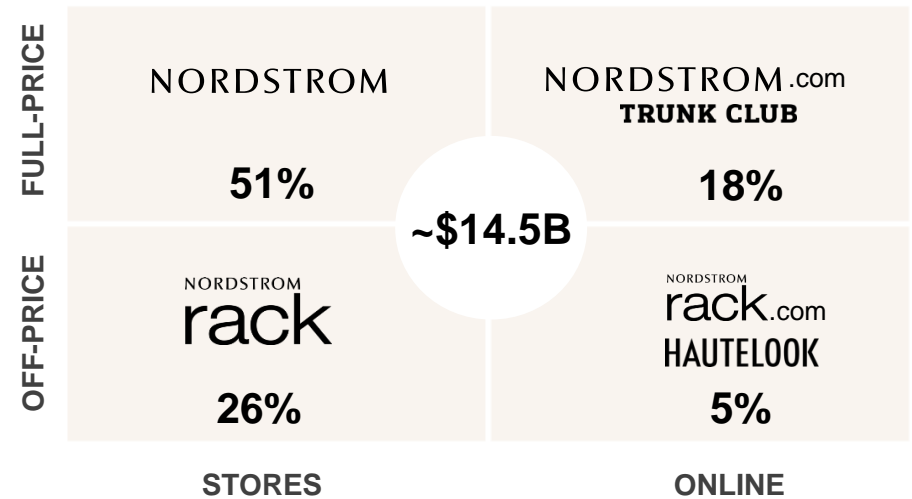


Trunk Club,  
7 Clubhouses

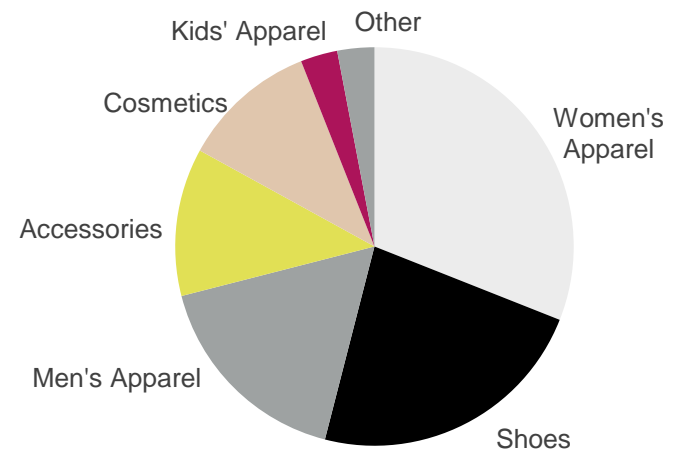


2  
Jeffrey Boutiques

## 2016 SALES BY CHANNEL



## SALES BY CATEGORY



# APPENDIX: FREE CASH FLOW RECONCILIATION

## NORDSTROM, INC. FREE CASH FLOW (NON-GAAP FINANCIAL MEASURE)

*(unaudited; amounts in millions)*

We use various financial measures in our conference calls, investor meetings and other forums which may be considered non-GAAP financial measures within the meaning of Regulation G of the Securities and Exchange Commission. The following disclosure provides additional information regarding our Free Cash Flow for the years ended January 28, 2017, January 30, 2016, January 31, 2015, February 1, 2014, February 2, 2013 and January 28, 2012.

Free Cash Flow is one of our key liquidity measures, and when used in conjunction with GAAP measures, provides investors with a meaningful analysis of our ability to generate cash from our business. Free Cash Flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Free Cash Flow is net cash provided by operating activities. The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

Fiscal year	2016	2015	2014	2013	2012	2011
<b>Net cash provided by operating activities</b>	<b>\$1,648</b>	\$2,451	\$1,220	\$1,320	\$1,110	\$1,177
Less: capital expenditures	(846)	(1,082)	(861)	(803)	(513)	(511)
Less: cash dividends paid	(256)	(1,185)	(251)	(234)	(220)	(197)
Add: proceeds from sale of credit card receivables originated at third parties	—	890	—	—	—	—
Add (Less): change in credit card receivables originated at third parties	—	34	(8)	(6)	(42)	(7)
Add (Less): change in cash book overdrafts	4	23	(4)	47	5	(30)
<b>Free Cash Flow</b>	<b>\$550</b>	\$1,131	\$96	\$324	\$340	\$432