



# Q2 2023 EARNINGS CALL

NORDSTROM

# 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 event, in the comments made during this presentation, and in the risk factors section of our Form 10-K, Form 10-Q 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.

Adjusted EBIT and adjusted EPS are non-GAAP financial measures. These measures should be used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are found in the back of this presentation.

**ERIK NORDSTROM**

**CHIEF EXECUTIVE OFFICER**

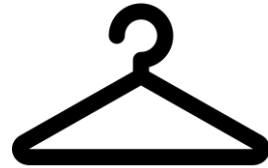


# SOLID Q2 RESULTS



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**EPS up vs Q2 '22**  
\$0.84 vs \$0.81<sup>1</sup>



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**Sales down (8%)**  
Down (~4%) when excluding  
Canada and Anniversary Sale  
timing shift<sup>2</sup>



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**Lower inventory  
position**  
Down (18%)



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**Pleased with  
Anniversary**

<sup>1</sup>Excludes impact from Q2 '22 costs from wind-down of Trunk Club.

<sup>2</sup>Excludes 275bps from wind-down of Canadian operations and ~200bps from timing shift of Anniversary Sale.

# SUCCESSFUL ANNIVERSARY SALE

**One-of-a-kind event, with brand new merchandise sold at reduced prices, before going to full-price after the sale**

- **Customers attended 740+ events**
- **90%+ of highest level Nordy Club members shopped the sale**
- **Strong event sell-through, up 15% vs '22<sup>1</sup>**



<sup>1</sup>Includes 8 days of Anniversary Sale that fell in Q3 '23.

# 2023 ACTIONS TO EXPAND MARKET SHARE AND IMPROVE PROFITABILITY

Enhancing **customer experience** by:

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Improving  
**Rack performance**

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Increasing  
**inventory productivity**

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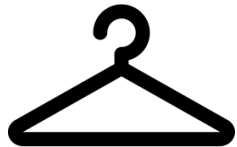
Optimizing  
**supply chain capabilities**



# IMPROVING RACK PERFORMANCE

**Prioritizing strategic brands to drive sales and grow market share**

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**Expanding reach and convenience for customers with new Rack stores**

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**Driving greater engagement and profitability at NordstromRack.com**

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# INCREASING INVENTORY PRODUCTIVITY



Gross margin on par with Q2 '22, last year's highest margin quarter:

- Leaner inventories
- Improved sell-through
- Faster turns across most categories



Total inventory down (18%), versus sales decrease of (8%)





# OPTIMIZING SUPPLY CHAIN CAPABILITIES



Building on momentum to improve customer experience and drive expense efficiency, getting orders to the customer faster and at lower cost



**4<sup>th</sup> consecutive quarter of 100bps+ improvement in variable supply chain costs in Q2**

# PETE NORDSTROM

PRESIDENT & CHIEF BRAND OFFICER



# TOP Q2 CATEGORY PERFORMANCE

## Active

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## Beauty

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## Kids' apparel

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## Men's apparel

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# HAPPY ANNIVERSARY

- Improved product availability at start of event
- Total event in line with expectations<sup>1</sup>
- 60%+ digital sales penetration, with 40%+ of digital sales enabled by stores<sup>1</sup>
- All-time highest demand hour on Nordstrom.com during early access

**ANNIVERSARY SALE**

<sup>1</sup>Includes 8 days of Anniversary Sale that fell in Q3 '23.

# INCREASING INVENTORY PRODUCTIVITY

Favorable inventory position entering H2:

- Strong Anniversary sell-through
- Driving faster turns
- Managing with discipline
- Maintaining reserves against buy plans
- Increased strategic brand penetration at Rack



# SUPPLY CHAIN OPTIMIZATION INITIATIVES



**Continue work on  
inventory productivity**

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**Improve returns processing  
& transportation**

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**Ramp up RFID initiatives**

**CATHY SMITH**

**CHIEF FINANCIAL OFFICER**



# Q2 SALES IMPROVE SEQUENTIALLY FROM Q1



## Total JWN

**8% ↓**

decrease in net sales  
incl. negative impacts of 275bps  
from wind-down of Canadian  
operations and ~200bps from  
Anniversary Sale timing shift

**13% ↓**

decrease in digital sales  
incl. negative impacts of ~500bps  
from Rack store fulfill elimination  
and Trunk Club sunset and ~300bps  
from Anniversary Sale timing shift

## Nordstrom Banner

**10% ↓**

decrease in net sales  
incl. negative impacts of 400bps  
from wind-down of Canadian  
operations and ~300bps from  
Anniversary Sale timing shift

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## Rack Banner

**4% ↓**

decrease in net sales  
incl. ~500bps negative impact  
from Rack store fulfill  
elimination



# SOLID Q2 '23 RESULTS

	Actuals	Change
<i>Better / (Worse)</i>		vs Q2 '22
<b>NET SALES</b>	\$3.66B	(8.3%)
<b>GROSS PROFIT %</b>	35.0%	(20bps)
<b>SG&amp;A %</b>	32.8%	flat
<b>EBIT %</b>	5.3%	20bps
<i>Ex-Q2 '22 one-timers<sup>1</sup></i>		<i>flat</i>

<sup>1</sup>Excludes impact from Q2 '22 costs from wind-down of Trunk Club.

# REAFFIRMING 2023 OUTLOOK

	FY23
<b>Revenue</b> <i>YoY growth (decline)</i>	(4%) to (6%)
<b>EBIT</b> <b>Adjusted EBIT<sup>1</sup></b> <i>% of sales</i>	1.5% to 2.0% 3.7% to 4.2%
<b>Income tax</b> <b>Income tax ex-Canada charges<sup>2</sup></b>	~6% ~27%
<b>Earnings per share</b> <b>Adjusted earnings per share<sup>1</sup></b> <i>Excluding share repurchases, if any</i>	\$0.60 to \$1.00 \$1.80 to \$2.20

## Considerations

### Revenue

- Expect sequential improvement in H2
- Anniversary Sale shifts into Q3 by 1 week, ~200bps impact
- Expect credit card revenue pressure in H2 and into FY24

### EBIT

- Expect year-over-year adjusted EBIT margin expansion in H2

<sup>1</sup>Adjusted EBIT and Adjusted EPS are non-GAAP financial measures. Refer to the “Forward-Looking Non-GAAP Measures” slide of this presentation for additional information as well as reconciliations between the Company’s GAAP and non-GAAP financial outlook.

<sup>2</sup>Excludes ~2,100bps impact from Canada wind-down costs.

# OUR CAPITAL ALLOCATION PRIORITIES REMAIN UNCHANGED

1

## REINVEST IN THE BUSINESS

- CAPEX of 3% to 4% of net sales

2

## REDUCE LEVERAGE

- Targeting leverage ratio below 2.5x over time
- Through combination of earnings improvement and debt reduction

3

## RETURN CASH TO SHAREHOLDERS

- Paid quarterly dividend of \$0.19 per share
- \$438M remaining on May 2022 repurchase authorization

**We remain committed to an investment grade credit rating**



Q&A

**NORDSTROM**



# FORWARD-LOOKING NON-GAAP MEASURES

	Year ended February 3, 2024	
	Low	High
Expected net earnings as a % of net sales	0.7%	1.1%
Income tax expense	0.0%	0.1%
Interest expense, net	0.8%	0.8%
Expected EBIT as a % of net sales	1.5%	2.0%
Canada wind-down costs	2.2%	2.2%
Expected adjusted EBIT margin	3.7%	4.2%
Expected EPS	\$0.60	\$1.00
Canada wind-down costs	1.89	1.89
Income tax impact on adjustment	(0.69)	(0.69)
Expected adjusted EPS	\$1.80	\$2.20