

# NORDSTROM

—— INVESTOR DAY 2018 ——



**WELCOME TO  
INVESTOR DAY**

# AGENDA

## TOPICS

FINANCIAL PLAN AND COMMITMENTS

MACRO AND OVERALL JWN STRATEGY

FULL-PRICE

OFF-PRICE

SUMMARY

Q&A

## SPEAKERS

Anne Bramman, Chief Financial Officer

Erik Nordstrom, Co-President

Ken Worzel, Chief Digital Officer and President, Nordstrom.com

Blake Nordstrom, Co-President

Pete Nordstrom, Co-President

Management Team

# 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-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.

Free cash flow and return on invested capital are measures of performance which meet the definition of a non-GAAP financial measure. 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 on our investor relations site at [www.investor.nordstrom.com](http://www.investor.nordstrom.com).



# FINANCIAL PLAN AND COMMITMENTS

Anne Bramman, Chief Financial Officer





# CONTINUING TO LEAD THE FUTURE OF RETAIL

WE ASPIRE TO BE THE BEST FASHION RETAILER IN A DIGITAL WORLD

Our retail strategy is anchored in what will always matter most to customers:  
**compelling product & outstanding service backed by people who care**

We are reimagining the shopping experience to **fulfill customer needs in a digital world**

Our **Local Market Strategy** allows us to engage and serve our customers  
with the right product, in the right place, at the right time

Our **investment in our people and culture** differentiates us in the  
industry and remains a competitive advantage

Our **best-in-class capabilities** position us to deliver to customers,  
increase market share, and drive value for shareholders

# TARGETING HIGHER RETURNS TO SHAREHOLDERS

EXECUTING ON THREE KEY DELIVERABLES

## CONTINUING MARKET SHARE GAINS

Investments in new  
markets fueling growth

Market-leading digital presence

Core growth in Full-Price  
and Off-Price

## IMPROVING PROFITABILITY & RETURNS

Generational investments scaling

Leveraging digital capabilities

Strength in product margin

Improving return on invested capital

## MAINTAINING DISCIPLINED CAPITAL ALLOCATION

Capital efficiency and  
strong inventory management

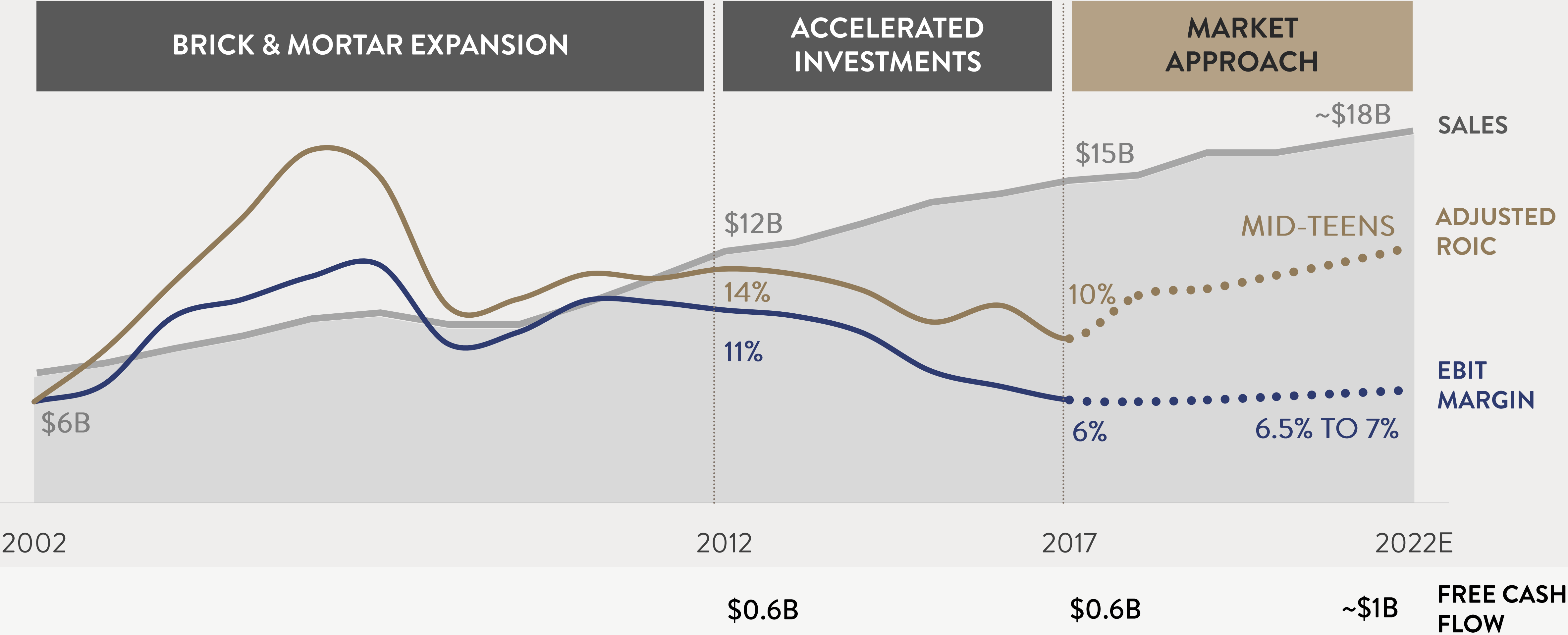
Disciplined capex

Accelerating cash flow generation

Excess cash returned to shareholders

# PLANNING FINANCIAL INFLECTION POINT IN 2018

EXITING ACCELERATED INVESTMENT CYCLE



Forecasted Adjusted ROIC does not include the impact from the adoption of lease accounting changes beginning in fiscal 2019. See reconciliation of non-GAAP measures on the company's investor relations website at [investor.nordstrom.com](http://investor.nordstrom.com)

# FOCUS ON INCREASING VALUE CREATION

## CAPITAL EFFICIENT MODEL DRIVING MID-TEENS RETURNS

	pre-2012	last five years	next five years (planned)
	BRICK & MORTAR	ACCELERATED INVESTMENTS	MARKET APPROACH
	<ul style="list-style-type: none"> <li>• 4-wall sales</li> <li>• Capital intensive</li> </ul>	<ul style="list-style-type: none"> <li>• Store + digital sales</li> <li>• Digital capabilities and generational investments</li> </ul>	<ul style="list-style-type: none"> <li>• Local market sales</li> <li>• Leverage digital capabilities</li> <li>• Capital efficient</li> </ul>
<b>SALES CAGR</b>	ABOVE MID-SINGLE DIGIT	MID SINGLE-DIGIT	3% TO 4%
<b>EBIT CAGR</b>	EBIT > SALES	EBIT < SALES	EBIT > SALES
<b>ADJUSTED ROIC</b>	MID-TEENS	LOW DOUBLE-DIGIT	MID-TEENS
<b>FREE CASH FLOW</b>	\$0.6B IN 2012	\$0.6B IN 2017	~\$1B BY 2022



# GROWING MARKET SHARE

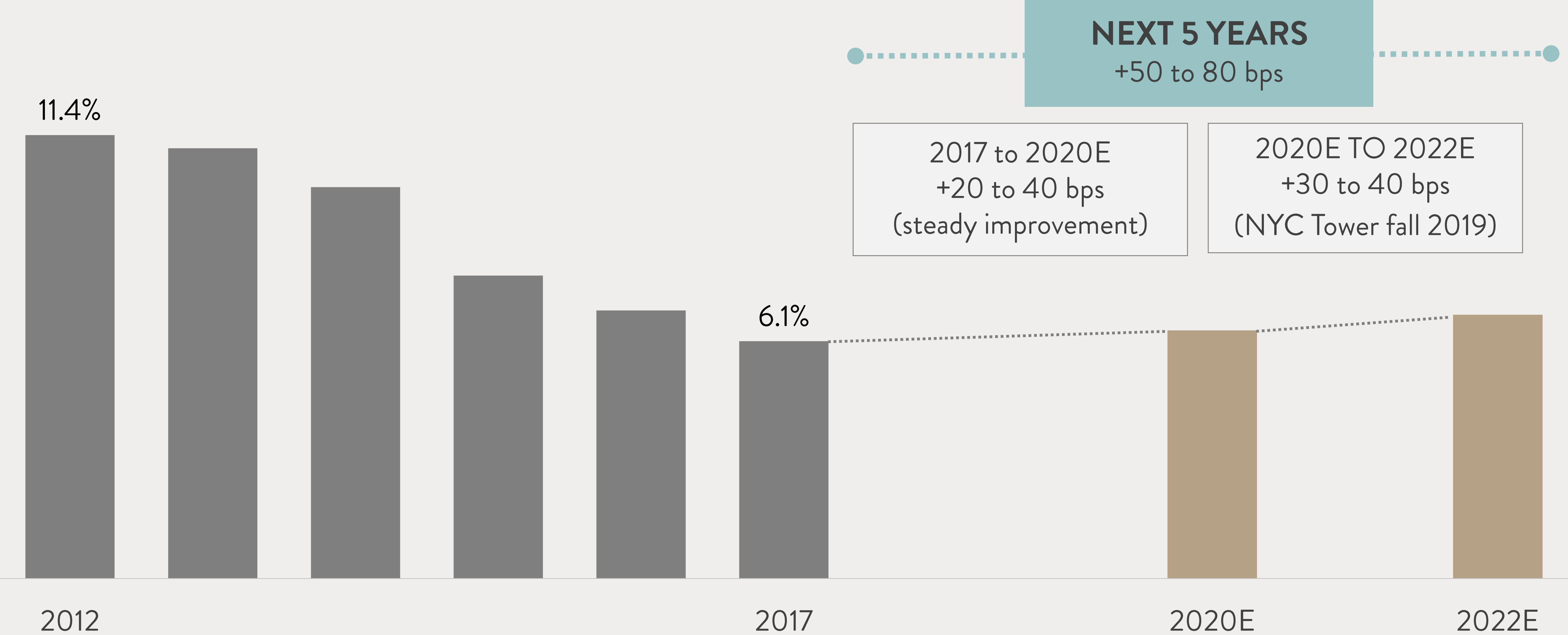
GENERATIONAL INVESTMENTS AND LEADING DIGITAL PRESENCE



\$0.2B	\$1.5B	~\$3.5B	SALES FROM GENERATIONAL INVESTMENTS
13%	26%	~40%	DIGITAL SALES PENETRATION
3.2%	3.9%	~4.4%	MARKET SHARE

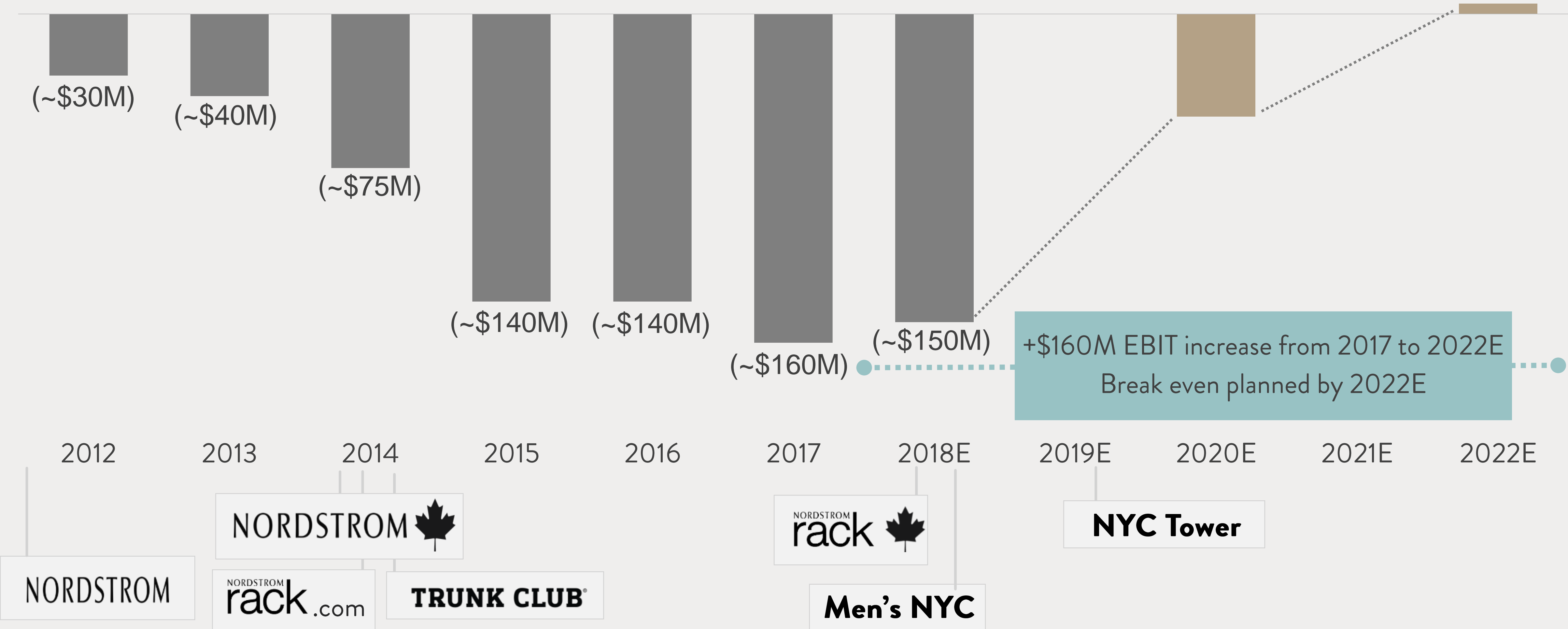
# 2018 PLANNED AS THE INFLECTION POINT

PROJECTING CONSISTENT IMPROVEMENT IN EBIT MARGINS



# GENERATIONAL INVESTMENTS SCALING

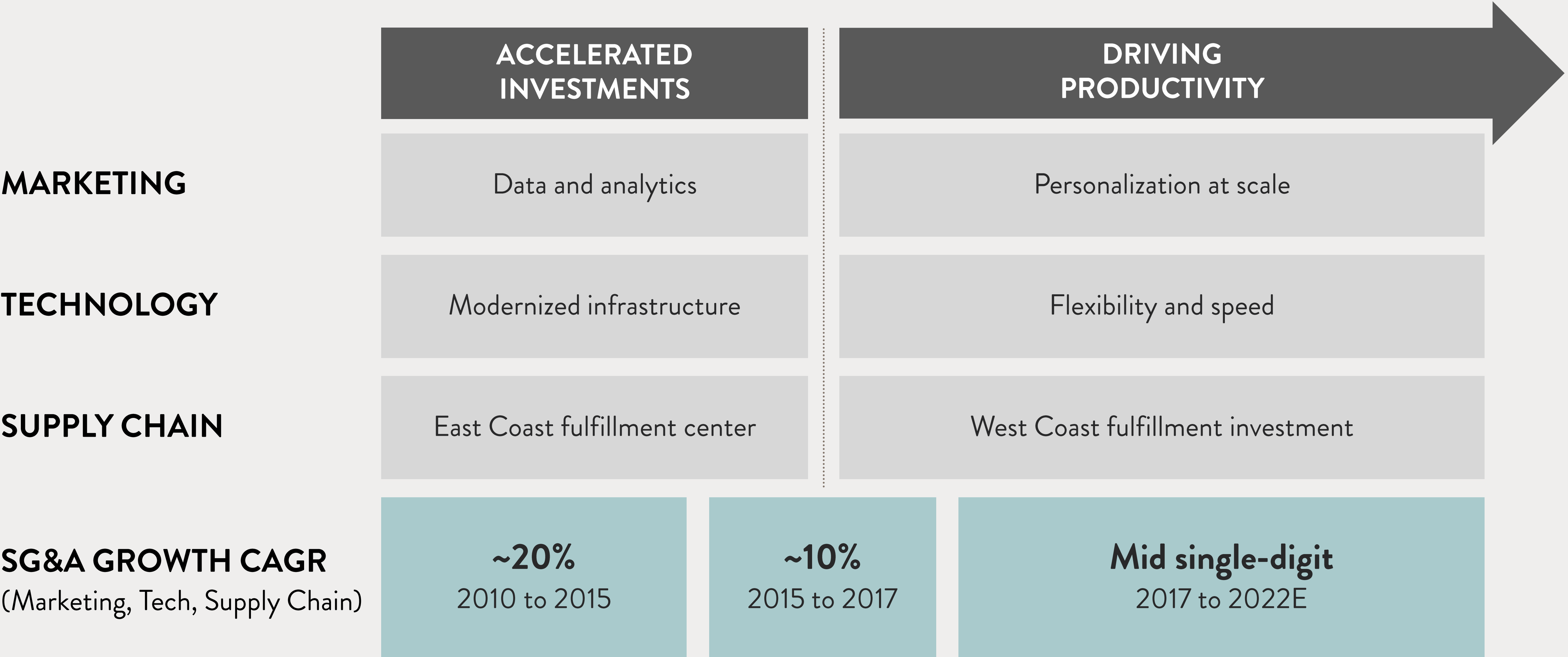
CONTRIBUTING TO FUTURE EBIT IMPROVEMENT



Generational investments include new markets (Canada, NYC flagship) and digital capabilities (Nordstromrack.com/HauteLook and Trunk Club)

# LEVERAGING DIGITAL CAPABILITIES

BENDING THE CURVE IN SG&A GROWTH



# PLANNING EBIT MARGIN IMPROVEMENT

LEVERAGE INVESTMENTS; STRENGTH IN PRODUCT MARGIN

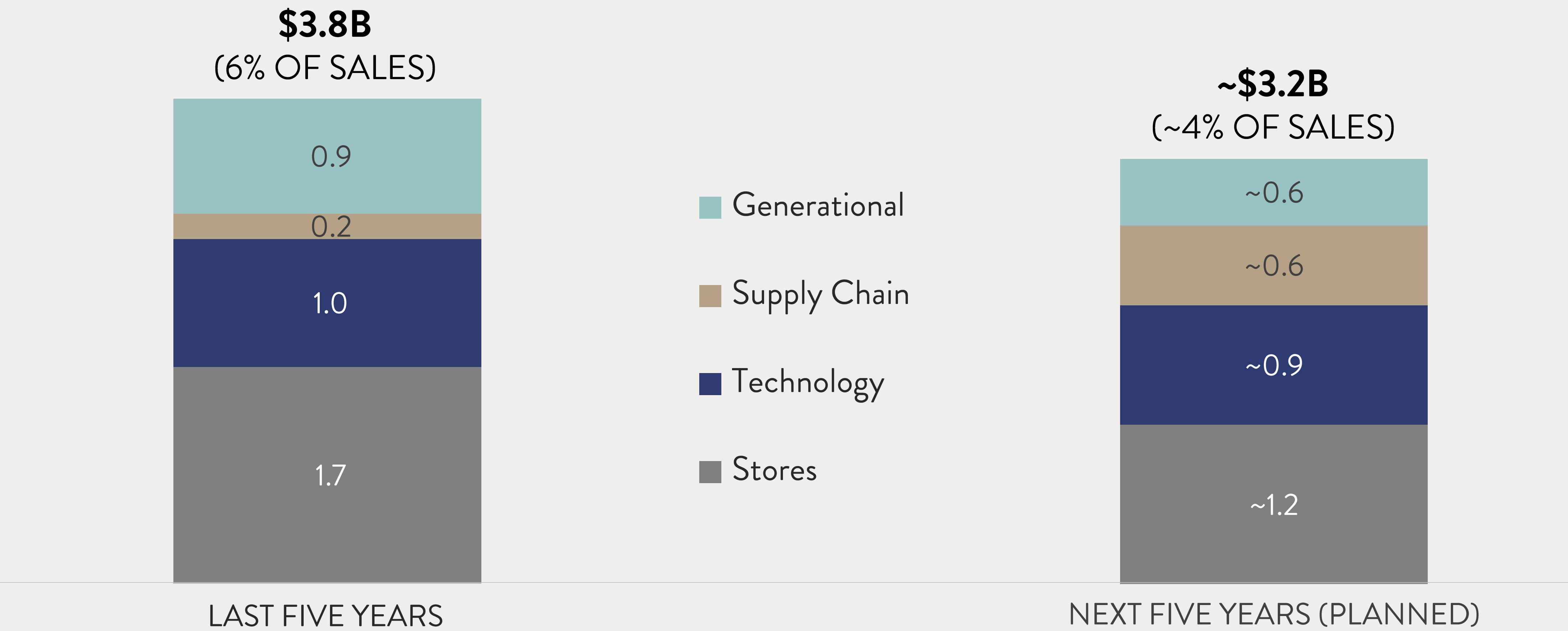


Generational investments include new markets (Canada, NYC) and digital capabilities (Nordstromrack.com/HauteLook and Trunk Club)



# CAPEX LEVELS EXPECTED TO NORMALIZE

MODERATING GENERATIONAL INVESTMENTS, SHIFTING TO DIGITAL CAPABILITIES



Represents net capex, calculated as gross capex less deferred property incentives. Generational investments include new markets (Canada, NYC) and digital capabilities (Nordstromrack.com/HauteLook and Trunk Club). Numbers may not foot due to rounding

# DISCIPLINED CAPITAL ALLOCATION

MAINTAIN INVESTMENT GRADE CREDIT RATING



TARGET ADJUSTED DEBT TO EBITDAR 1.5X TO 2.5X

\*Represents special dividend of \$0.9B related to sale of credit receivables in 2015

# FINANCIAL COMMITMENTS DRIVING SUPERIOR RETURNS

5-YEAR CAGR TARGETS: EBIT GROWTH 5-6% OUTPACING SALES GROWTH 3-4%

	2017	2020E	2022E
CONTINUING MARKET SHARE GAINS	5% SALES 5-YEAR CAGR	~3% SALES 3-YEAR CAGR	3% TO 4% SALES 5-YEAR CAGR
IMPROVING PROFITABILITY & RETURNS	6.1% EBIT MARGIN  9.7% ADJUSTED ROIC	+20 TO 40 BPS 2017 TO 2020E  MID-TEENS ADJUSTED ROIC	+50 TO 80 BPS 2017 TO 2022E  MID-TEENS ADJUSTED ROIC
MAINTAINING DISCIPLINED CAPITAL ALLOCATION	\$0.6B FREE CASH FLOW	~\$0.8B FREE CASH FLOW BY 2020	~\$1B FREE CASH FLOW BY 2022



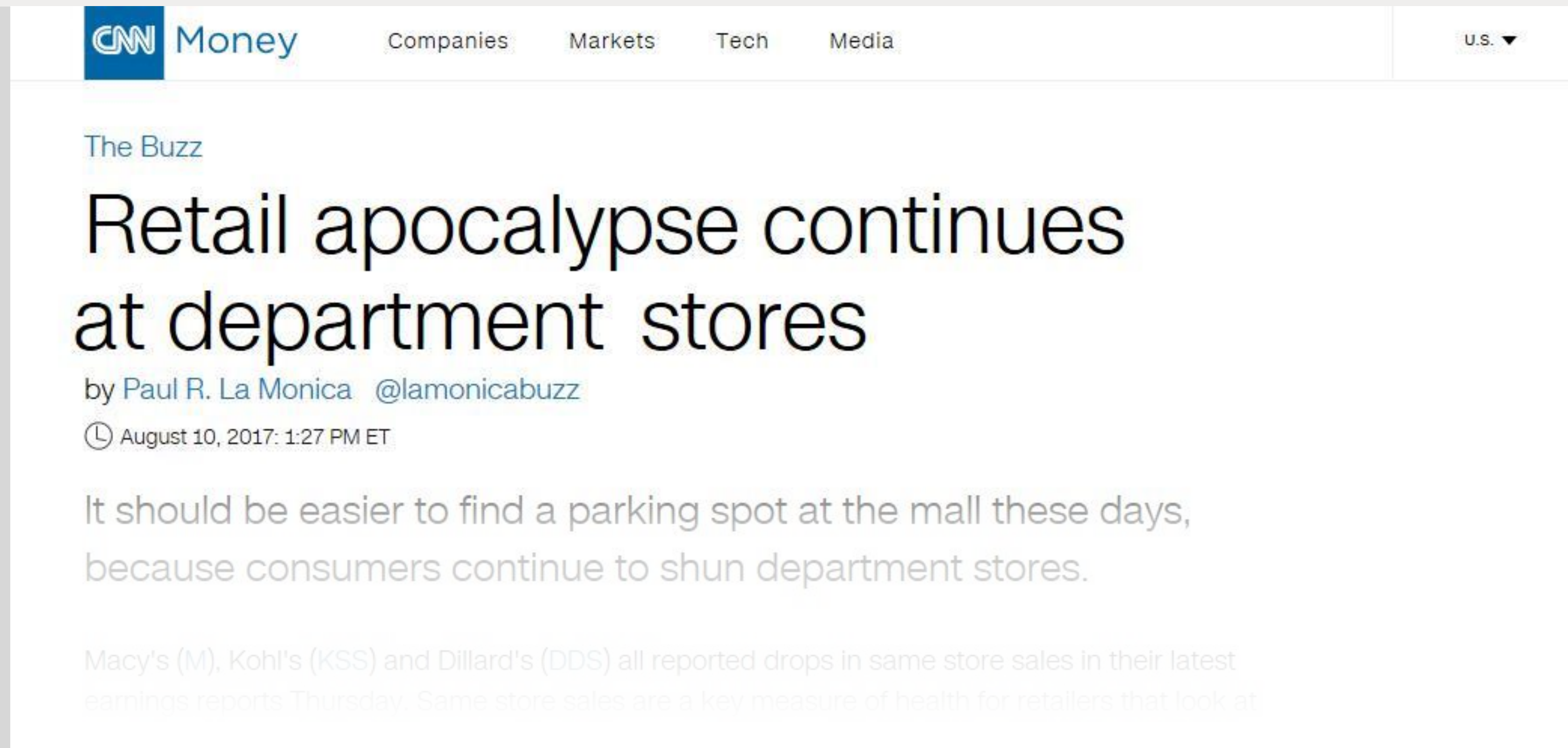
# MACRO ENVIRONMENT & OVERALL JWN STRATEGY

Erik Nordstrom, Co-President





# IN THE HEADLINES



The screenshot shows the top portion of a CNN Money website article. The header includes the CNN Money logo and navigation links for Companies, Markets, Tech, and Media. A dropdown menu for 'U.S.' is visible on the right. Below the header, the article is categorized under 'The Buzz'. The main headline reads 'Retail apocalypse continues at department stores'. The author is listed as Paul R. La Monica with the Twitter handle @lamonicabuzz. The publication date and time are August 10, 2017, at 1:27 PM ET. The first paragraph of the article states: 'It should be easier to find a parking spot at the mall these days, because consumers continue to shun department stores.' The second paragraph begins with 'Macy's (M), Kohl's (KSS) and Dillard's (DDS) all reported drops in same store sales in their latest earnings reports Thursday. Same store sales are a key measure of health for retailers that look at

**The reports of my  
death have been  
greatly exaggerated.**

- Mark Twain



# WE ARE LEADING THE RETAIL MODEL EVOLUTION

AND WE ARE POSITIONED TO WIN

High-quality, **healthy store footprint**

**Digital business is** driving profitability as well as top-line growth

**Differentiated merchandise** centered around the most compelling product

**Partner of choice** for strategic brands

We have a “**One Nordstrom**” **model** in which the whole is greater than the sum of the parts: Full-Price, Off-Price, Stores and Digital

# IN THE HEADLINES



POLITICS

BORDER CRISIS

TECH & MEDIA

BUSINESS

INTERNATIONAL

THINK

## Retail Wreck? Over 1,000 Stores Close in a Single Week

by Michael Cappetta and Stephanie Ruhle / Jun.03.2017 / 9:36 AM ET

It's been a tough week for the retail industry, with more than 1,000 stores closing their doors for good. Luxury retailer Michael Kors announced it would be closing over 100 locations, and electronics giant Radio Shack closed 1,000 locations across America.

# HIGH-QUALITY, HEALTHY STORE FOOTPRINT

WE ARE UNIQUELY POSITIONED WITH THE RIGHT NUMBER OF HIGH QUALITY STORES

## STORE PORTFOLIO

**122**  
FLS\* 95% located in “A” or better malls

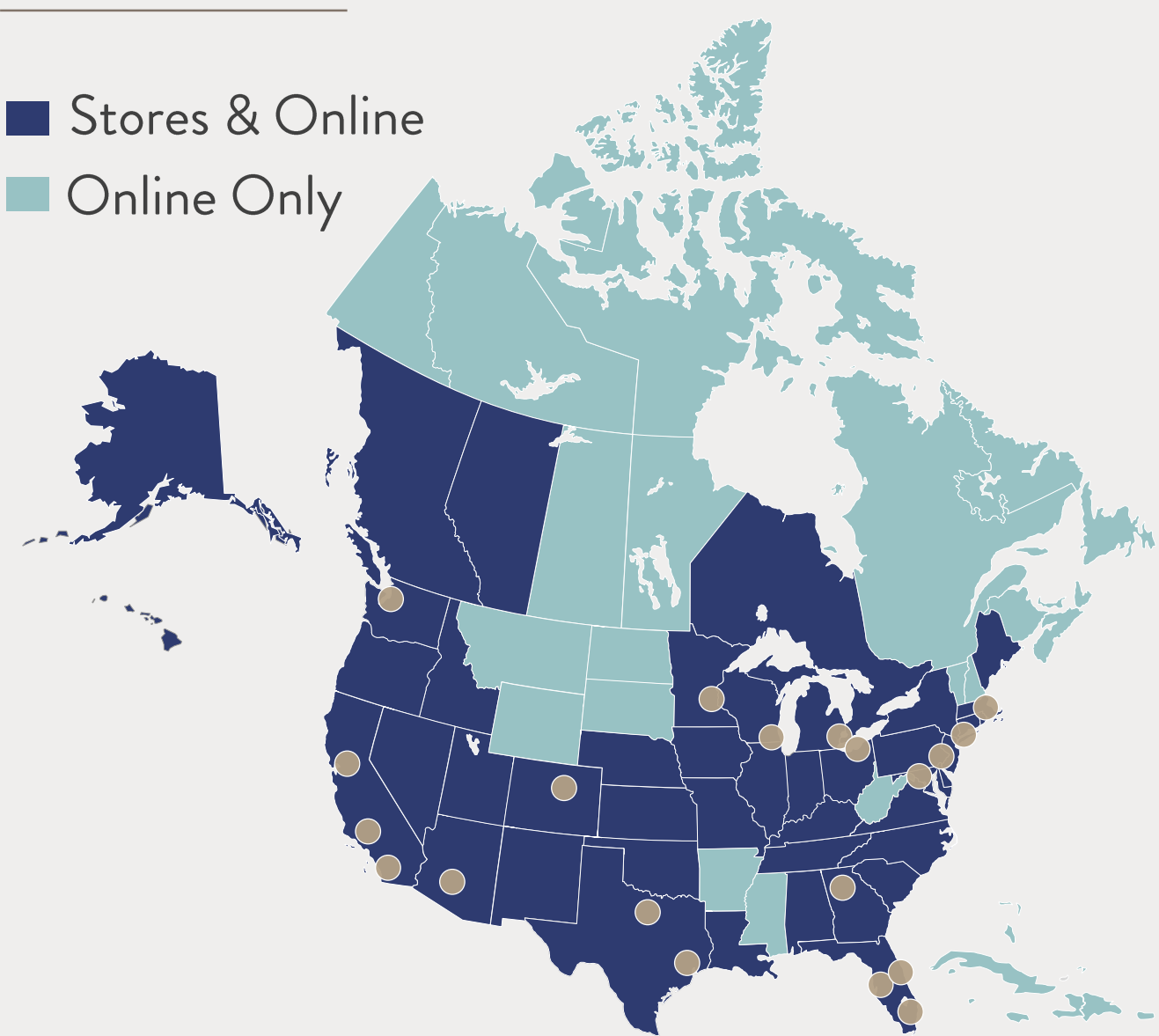
**239**  
Rack Majority of our Racks are located in convenient power center locations

**12**  
Other Trunk Club Clubhouses, Nordstrom Local, Jeffrey

**100%**

of U.S. comparable operating stores are cash flow positive

## MARKET PRESENCE



JWN present in **all top 20 markets** (by market size)

**~70%**

of JWN total stores are located in top 20 markets

\*FLS refers to Full Line Stores; Store count is of Q1 2018

# IN THE HEADLINES



Retail / #ShopTalk

MAR 17, 2017 @ 10:49 AM 29,190

## The Inconvenient Truth About E-Commerce: It's Largely Unprofitable



**Steve Dennis**, CONTRIBUTOR

The disruptive nature of e-commerce is undeniable. Entirely new business models are revolutionizing the way we buy. The transformative transparency created by all things digital has revolutionized product access, redefined convenience and lowered prices across a wide spectrum of merchandise and service categories. The radical shift of spending from brick & mortar stores to



# DIGITAL MARGINS ARE AT PARITY

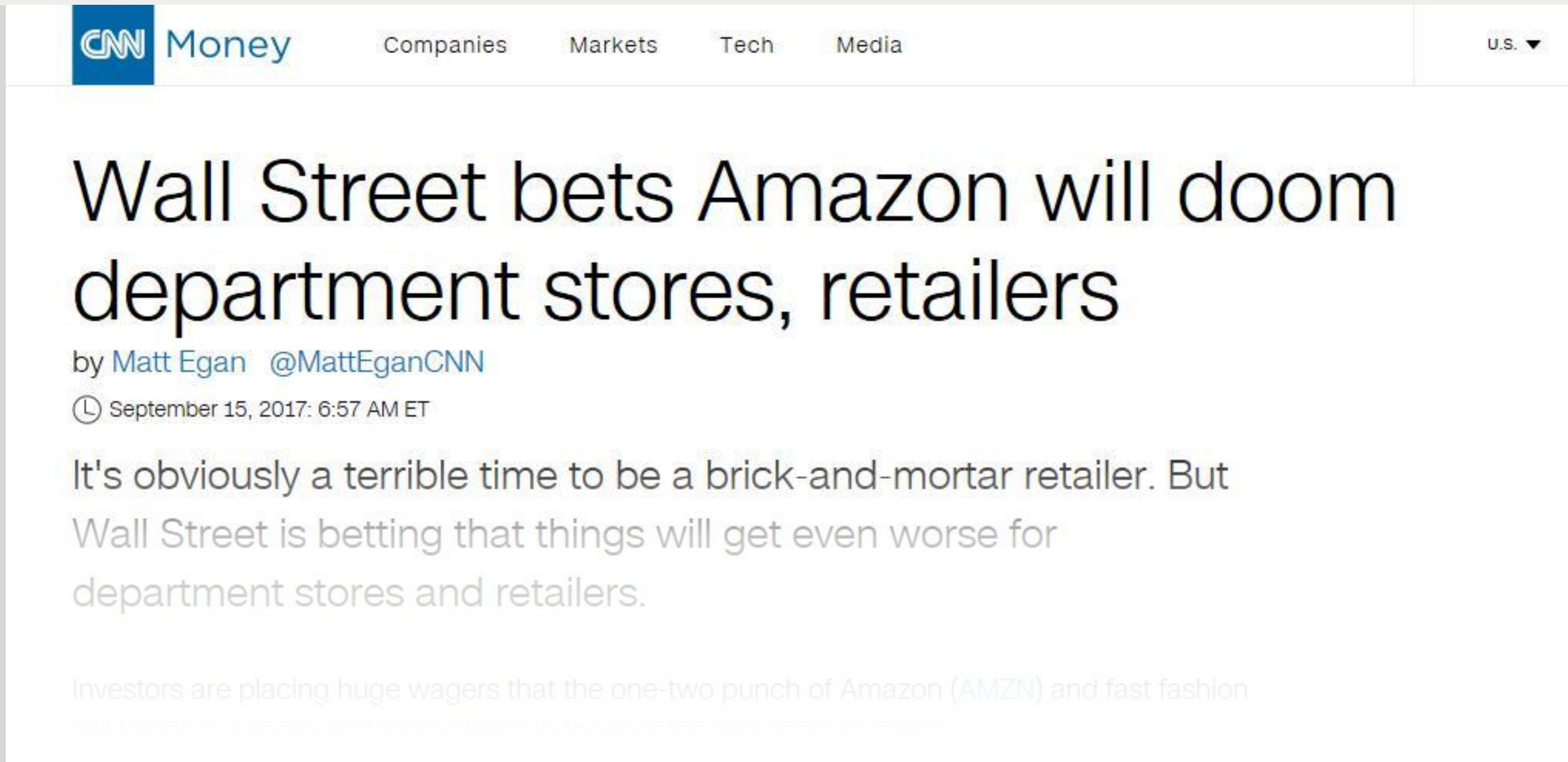
OUR ONLINE BUSINESSES ARE NOT DILUTIVE TO OVERALL PROFITABILITY

Full-Price Business				Key Online Economic Drivers
Current Economics	FLS U.S.	Nordstrom.com		
Net Order Value (Illustrative)	\$100	\$100	→	High Average Order Value Higher Online Return Rate
Product Margin	~45%		→	Shared inventory model
Selling & Labor	~\$12	~\$2	→	Store sales commission offset by online shipping expense
Distribution & Shipping	~\$2	~\$10	→	
Marketing, Customer Care & Other Variable	~\$1	~\$3		
Contribution Margin	~\$30	~\$30	→	Equal contribution margin

Product Margin approximates Gross Margin



# IN THE HEADLINES



The image is a screenshot of a CNN Money website article. The header includes the CNN Money logo, navigation links for Companies, Markets, Tech, and Media, and a dropdown menu for U.S. The article title is 'Wall Street bets Amazon will doom department stores, retailers'. The author is Matt Egan, with a Twitter handle @MattEganCNN. The publication date and time are September 15, 2017, at 6:57 AM ET. The lead paragraph states: 'It's obviously a terrible time to be a brick-and-mortar retailer. But Wall Street is betting that things will get even worse for department stores and retailers.' A sub-headline below reads: 'Investors are placing huge wagers that the one-two punch of Amazon (AMZN) and fast fashion will knock out more and more stores in the months and years to come.'

CNN Money

Companies Markets Tech Media

U.S. ▼

## Wall Street bets Amazon will doom department stores, retailers

by [Matt Egan](#) [@MattEganCNN](#)

🕒 September 15, 2017: 6:57 AM ET

It's obviously a terrible time to be a brick-and-mortar retailer. But Wall Street is betting that things will get even worse for department stores and retailers.

Investors are placing huge wagers that the one-two punch of Amazon (AMZN) and fast fashion will knock out more and more stores in the months and years to come.

# CUSTOMERS COME TO NORDSTROM FOR A DIFFERENT REASON

WE OFFER CURATED FASHION DISCOVERY AND OUTSTANDING SERVICE & EXPERIENCE

ONLINE MARKETPLACE	vs.	NORDSTROM
BROADEST POSSIBLE SELECTION	→	CURATED HIGH-LOW ASSORTMENT
SPECIFIC PRODUCT SEARCHES	→	DISCOVERY THAT INSPIRES
INDIVIDUAL ITEM EMPHASIS	→	BRAND EMPHASIS
SELF-SERVICE	→	PERSONALIZED SERVICE
SINGLE TOUCHPOINT ONLINE	→	SEAMLESS DIGITAL AND PHYSICAL EXPERIENCE

# IN THE HEADLINES

≡ **Forbes** Entrepreneurs / #IfIOnlyKnew

MAY 18, 2017 @ 01:35 PM 8,000

## Retailers Beware: More Companies Now Selling Direct



**Larry Myler**, CONTRIBUTOR

It used to be that the only companies touting, “Not Available in Stores,” were the infomercials urging you to BUY NOW!!! Lately, however, some prime

*Image placeholder for the article content.*



# BRINGING THE BEST BRANDS TOGETHER IN ONE PLACE

WE OFFER A CURATED AND COMPELLING HIGH-LOW ASSORTMENT

## HIGH-LOW ASSORTMENT

From Zella to Gucci

ZELLA Style Game Shine  
Hooded Jacket  
\$139

GUCCI Small GG  
Marmont 2.0 Matelassé  
Velvet Shoulder Bag  
\$2590

REFORMATION  
Hattie Off the Shoulder Dress  
\$218

NIKE Air Force 1  
Jester XX Sneaker  
\$110

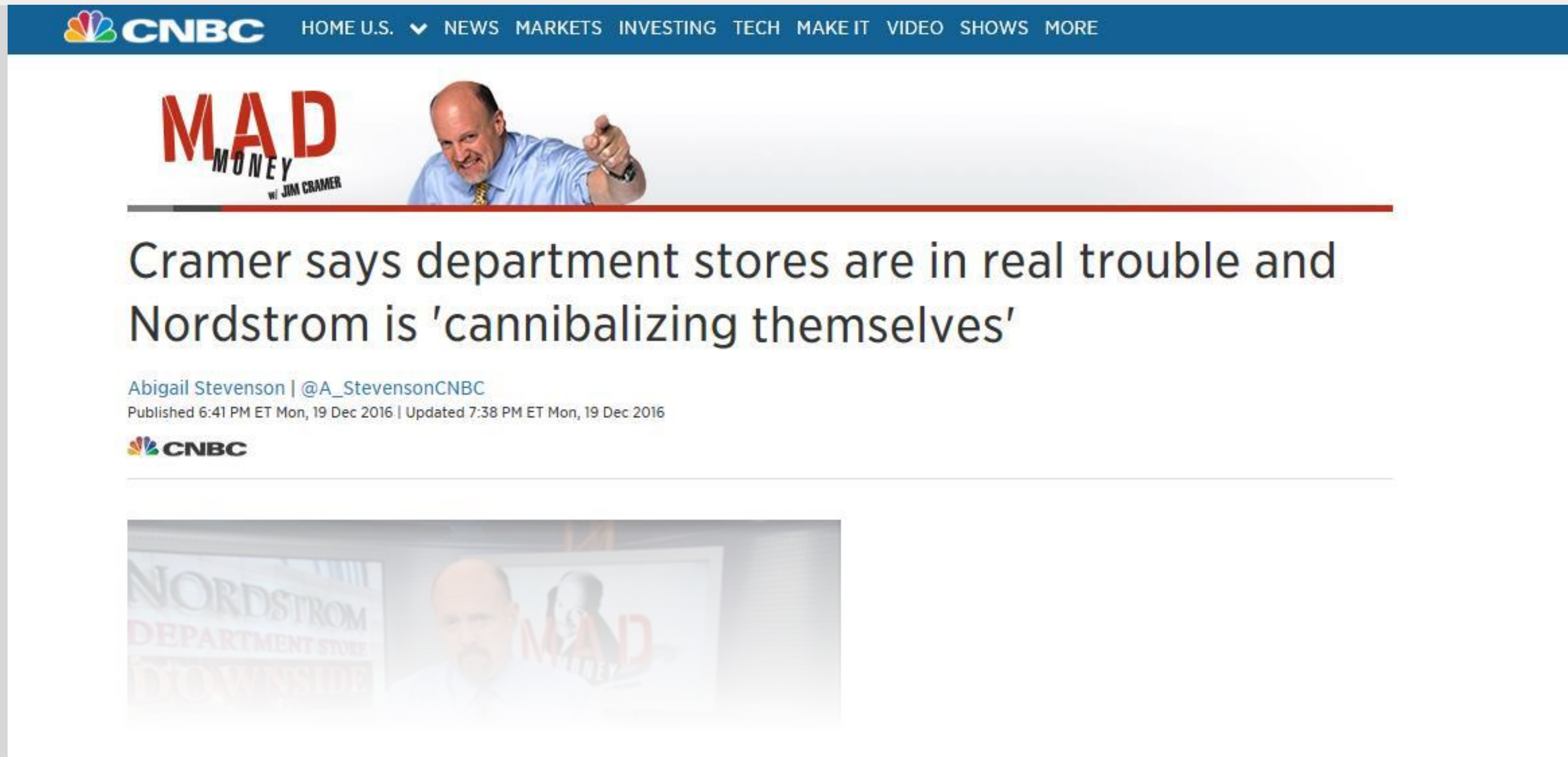
## BRAND DISCOVERY

From national brands (Nike) to  
limited distribution brands  
(Reformation)





# IN THE HEADLINES



The image is a screenshot of a CNBC news article. At the top, the CNBC logo is on the left, and navigation links for 'HOME U.S.', 'NEWS', 'MARKETS', 'INVESTING', 'TECH', 'MAKE IT', 'VIDEO', 'SHOWS', and 'MORE' are on the right. Below the navigation bar is a banner for 'MAD MONEY with JIM CRAMER' featuring a photo of Jim Cramer pointing. The main headline reads 'Cramer says department stores are in real trouble and Nordstrom is 'cannibalizing themselves''. Below the headline, the author is listed as 'Abigail Stevenson | @A\_StevensonCNBC', followed by the publication and update dates: 'Published 6:41 PM ET Mon, 19 Dec 2016 | Updated 7:38 PM ET Mon, 19 Dec 2016'. A small CNBC logo is positioned below the text. At the bottom of the article preview, there is a faded image of a Nordstrom Department Store sign and a 'DOWNSIDE' sign, with a small inset photo of Jim Cramer.

**CNBC** HOME U.S. ▼ NEWS MARKETS INVESTING TECH MAKE IT VIDEO SHOWS MORE

**MAD MONEY**  
with JIM CRAMER

## Cramer says department stores are in real trouble and Nordstrom is 'cannibalizing themselves'

Abigail Stevenson | @A\_StevensonCNBC  
Published 6:41 PM ET Mon, 19 Dec 2016 | Updated 7:38 PM ET Mon, 19 Dec 2016

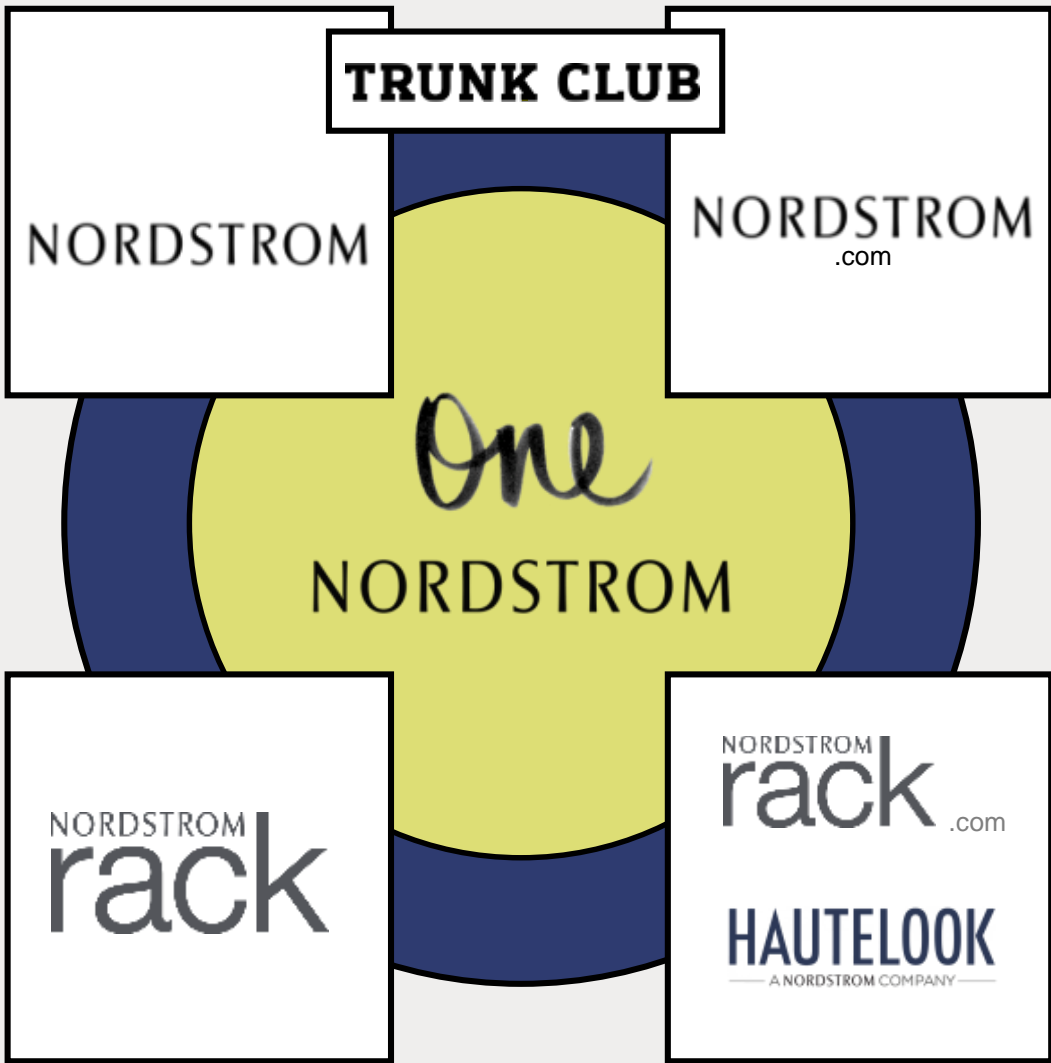
**CNBC**

NORDSTROM  
DEPARTMENT STORE  
DOWNSIDE

# ONE NORDSTROM: WHOLE > SUM OF THE PARTS

ENGAGEMENT ACROSS OUR FOUR BOXES ENCOURAGES MORE VISITS AND MORE SPEND

## OUR FOUR BOX OFFER



## PER CUSTOMER IMPACT BY CHANNELS SHOPPED



# ADVANTAGES OF THE ONE NORDSTROM MODEL

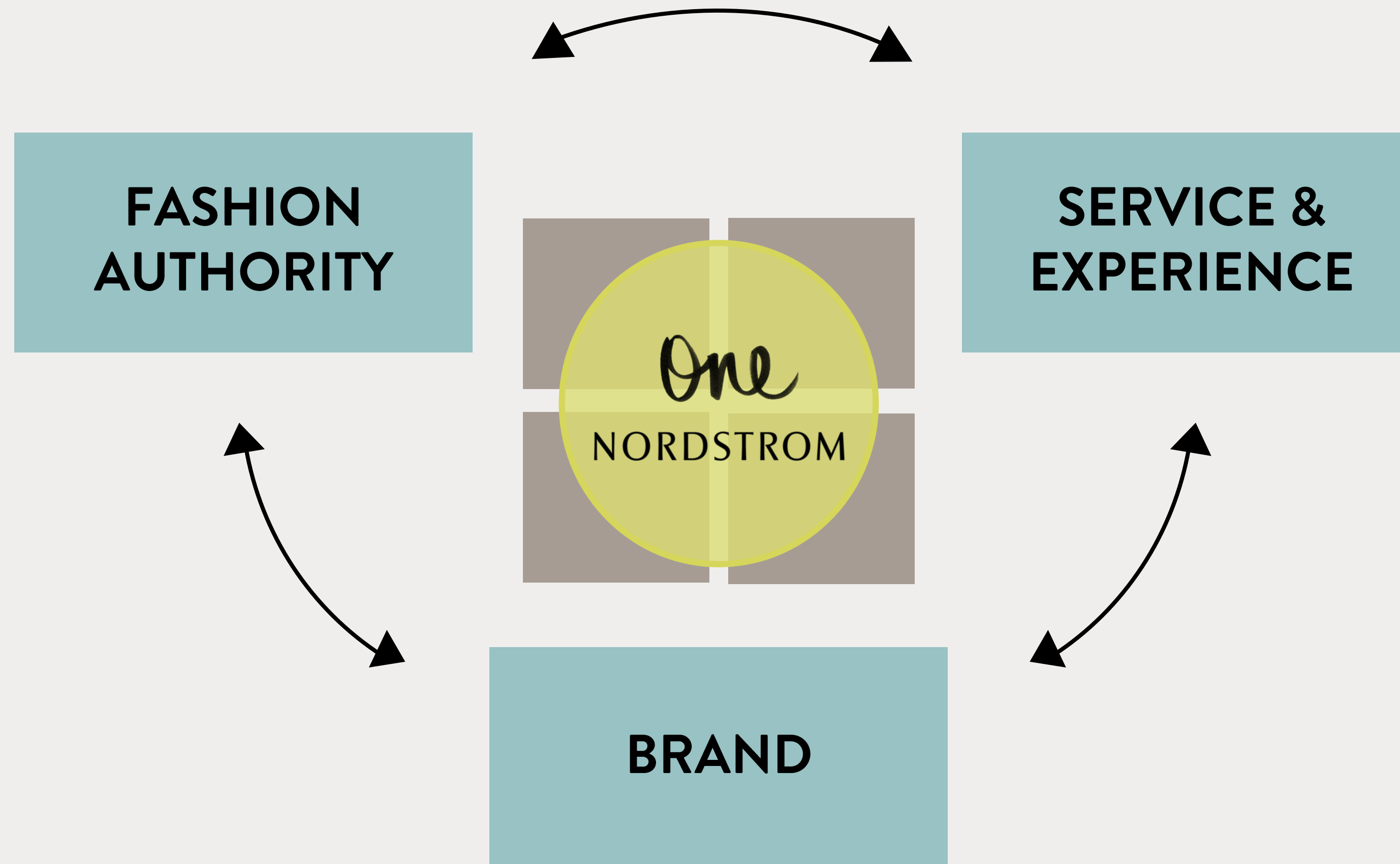
SYNERGIES ACROSS THE FOUR BOXES GENERATE VALUE AND POSITION US TO WIN

	FULL-PRICE & OFF-PRICE SYNERGIES	PHYSICAL & DIGITAL SYNERGIES
WIN WITH CUSTOMERS	Cross-box brand awareness and customer acquisition	Seamless shopping journeys that customers control
WIN AGAINST COMPETITORS	Industry-leading coverage across market segments	Differentiated combination of digital and physical
WIN FINANCIALLY	Financial resilience and maintenance of product margins	Fully utilized inventory and digitally assisted sales



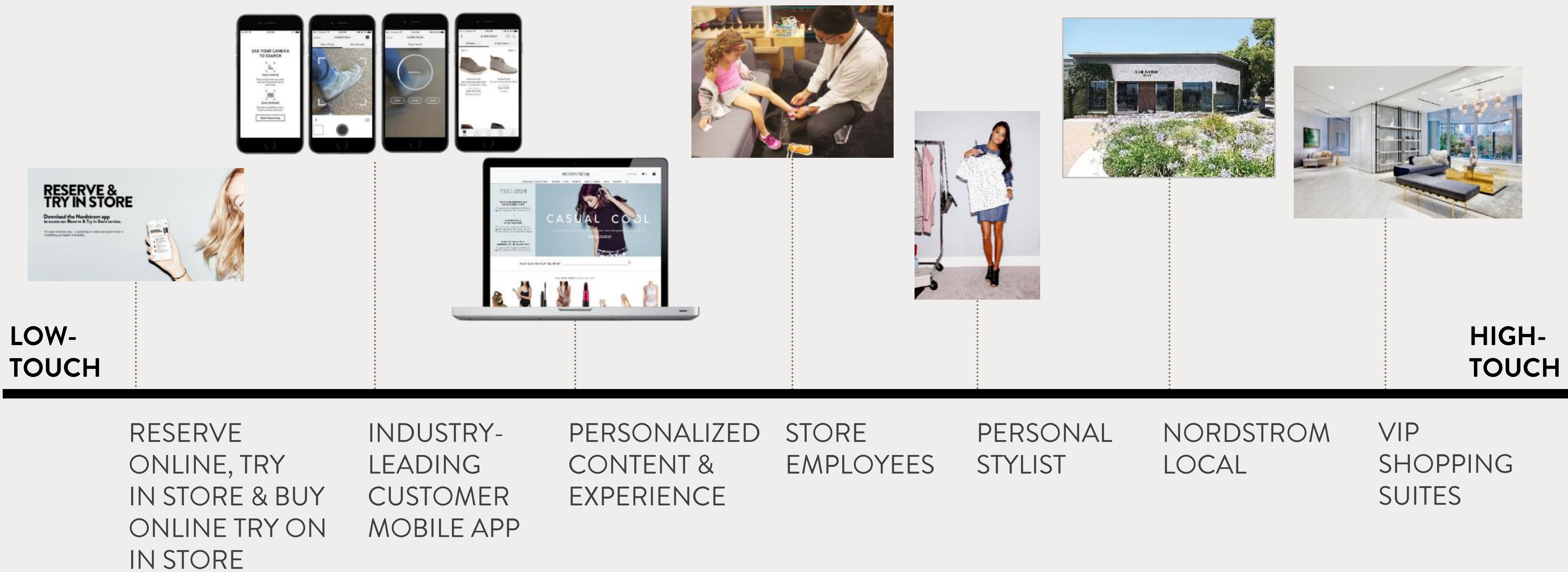
# WE ASPIRE TO BE THE BEST FASHION RETAILER IN A DIGITAL WORLD

WE REMAIN FOCUSED ON OUR CUSTOMERS, SERVING THEM THROUGH OUR 3 PILLARS



# WE SERVE CUSTOMERS ON THEIR TERMS

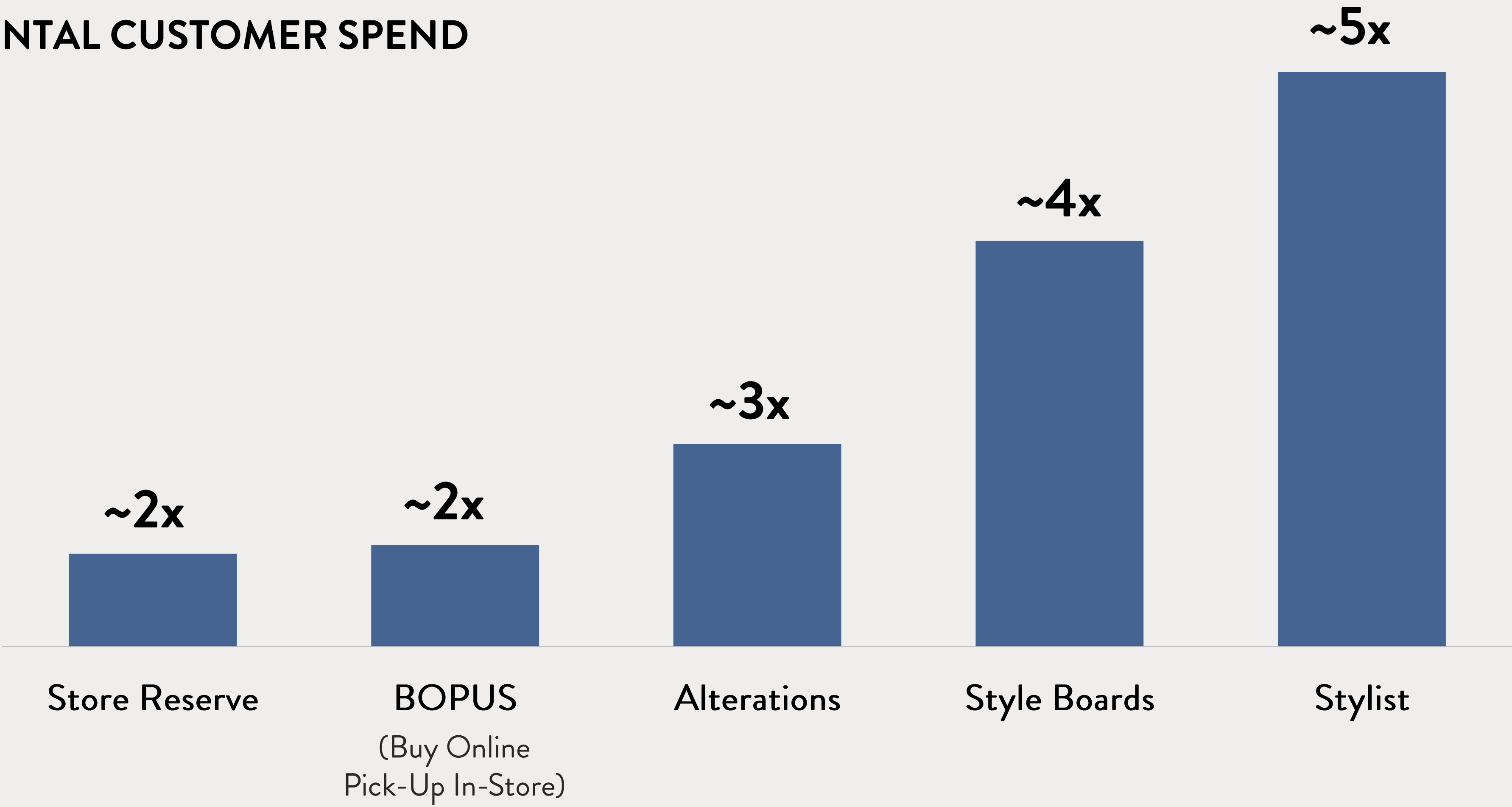
WE PROVIDE OPTIONS TO SERVE CUSTOMERS WHEN, WHERE, AND HOW THEY WANT



# ENGAGEMENT WITH OUR SERVICES DRIVES VALUE

OUR BEST CUSTOMER EXPERIENCES ARE ALSO OUR MOST VALUABLE

## INCREMENTAL CUSTOMER SPEND





# LEADING WITH COMPELLING PRODUCT & FASHION AUTHORITY

WE STRATEGICALLY PARTNER WITH RELEVANT & LIMITED DISTRIBUTION BRANDS



**PREFERRED**

TOPSHOP    TED BAKER LONDON

Madewell    Nike



**DESIGNER**

VALENTINO    YSL

GUCCI    BALENCIAGA



**EMERGING**

S É Z A N E    allbirds

GREATS    Reformation



**NORDSTROM  
PRODUCT GROUP**

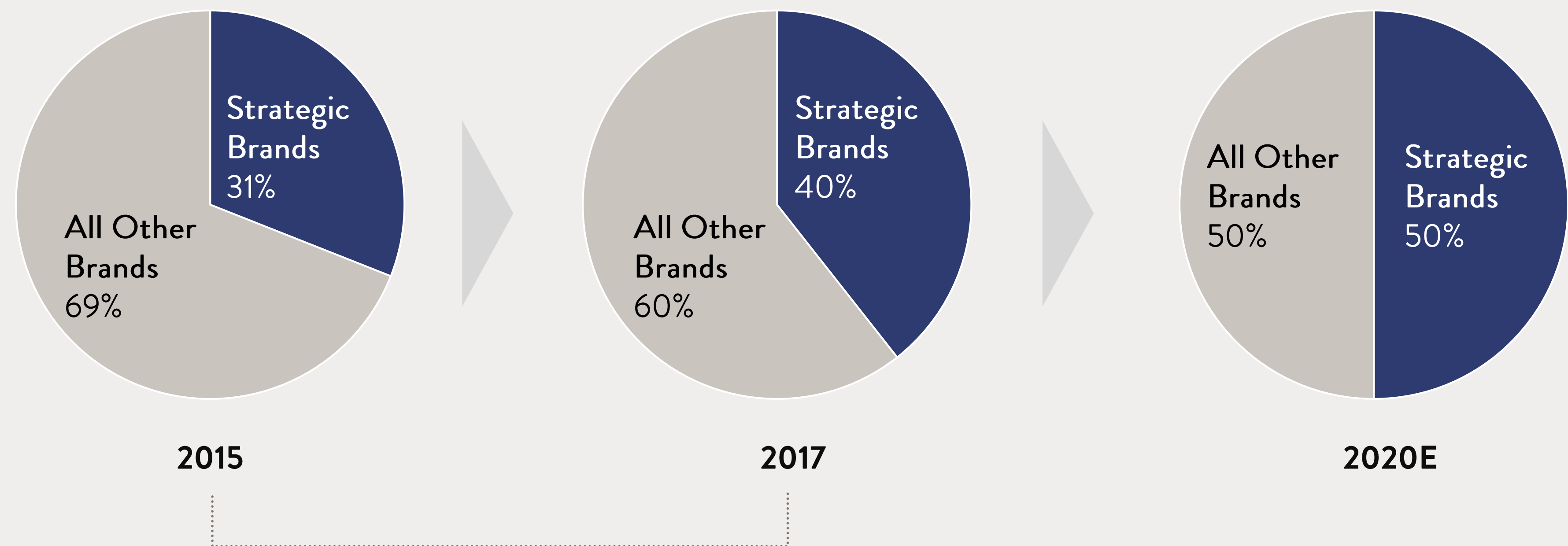
NORDSTROM · HALOGEN ·

TREASURE & BOND    zella

# STRONG PRODUCT MARGINS

STRATEGIC BRANDS DELIVER OUTSIZED SALES AND PRODUCT MARGIN

STRATEGIC BRANDS AS A % OF FULL-PRICE SALES



Strategic Brands delivered greater sales growth (+30%) and higher margins (+240 bps)



# OUR WORLD-CLASS BRAND IS BUILT BY OUR CUSTOMERS

WE HAVE A STRONG BASE OF YOUNG, AFFLUENT, AND FASHION-FOCUSED CUSTOMERS

## 2017 CUSTOMER DEMOGRAPHICS

### AGE

42

JWN average purchaser age

### YOUNG CUSTOMERS

36%

Customers that are 18-34 years old

### YC GROWTH (18-34)

+19%

Increase in Young Customers (YC) '17 vs. '15

### INCOME

>65%

Of JWN sales are from customers with Household Income >\$100K

## PARTNERSHIPS WITH KEY INFLUENCERS





# VALUABLE LOYALTY PROGRAM

OUR LOYALTY PROGRAM DRIVES SALES AND DEEPER ENGAGEMENT



## ACTIVE MEMBERS

**~10M**

~1/3 customers | +30% YOY

## SALES

**\$9B**

>50% of sales

## ENGAGEMENT

**3X**

trips

**4X**

spend

# CONTINUE TO GAIN MARKET SHARE

WE HAVE OUTPACED MARKET GROWTH, GAINING SHARE IN FULL-PRICE AND OFF-PRICE

**~5% CAGR**  
**JWN Sales Growth**  
(2012 – 2017)

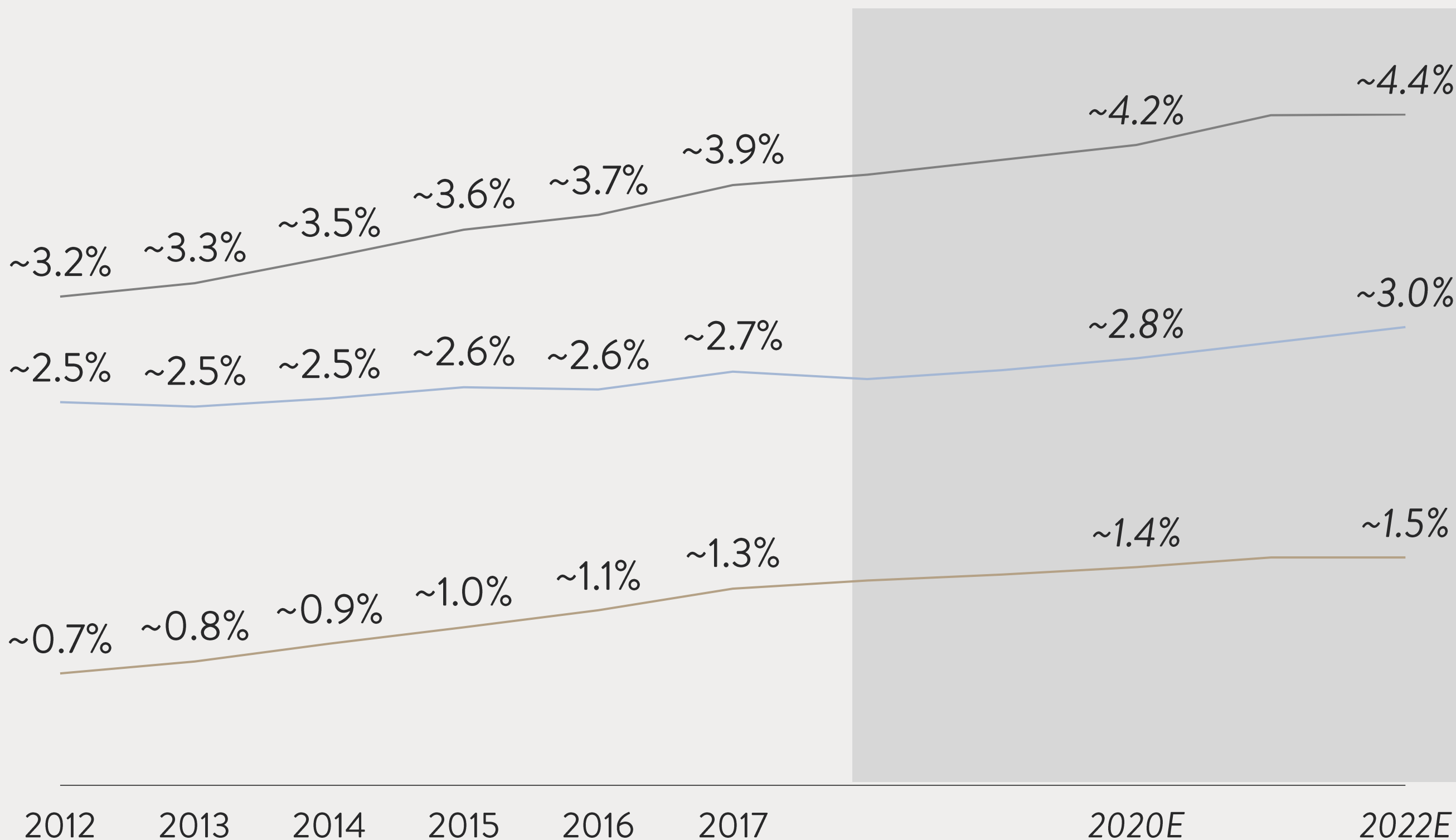
**~1 % CAGR**  
Overall Market Sales Growth  
(2012 – 2017)

## JWN MARKET SHARE

JWN

Nordstrom  
(Full-Price)

Nordstrom Rack  
(Off-Price)







# FULL-PRICE

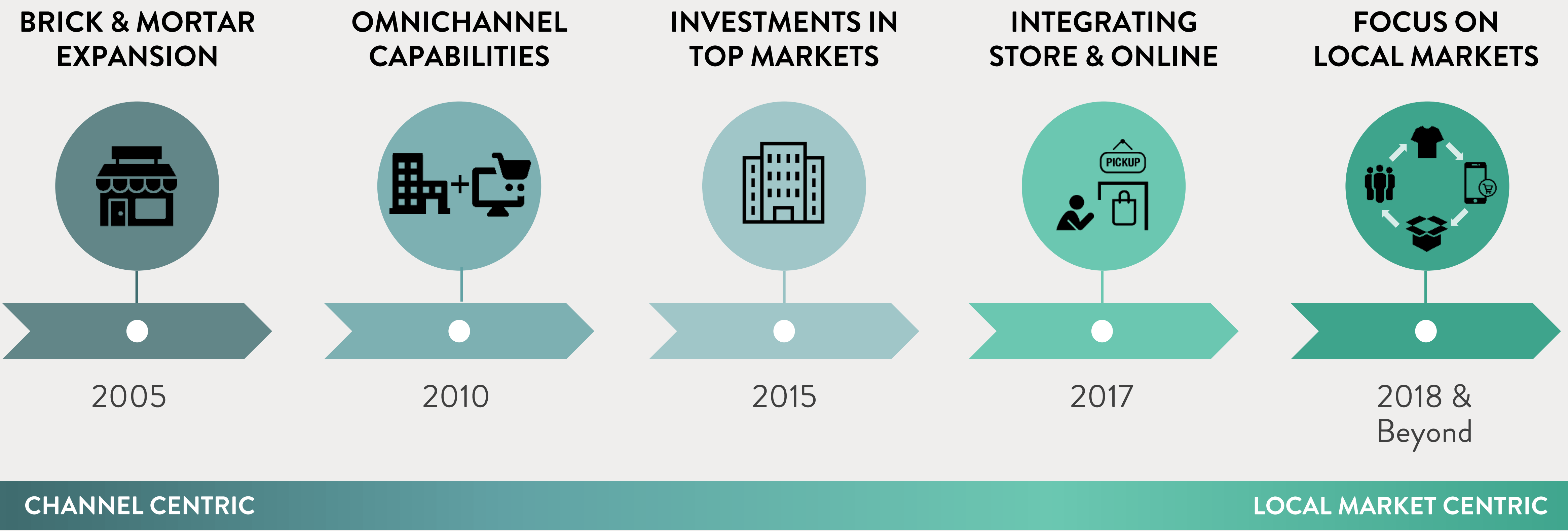
Ken Worzel

Chief Digital Officer &  
President Nordstrom.com



# DEFINING THE FUTURE OF FASHION RETAIL

OUR FULL-PRICE BUSINESS IS LEADING THE EVOLUTION



# POSITIONED TO WIN

WE HAVE BUILT A STRONG AND DIFFERENTIATED FOUNDATION

## STRONG CORE BUSINESSES



Stores

### Online



## MATURING GENERATIONAL INVESTMENTS



Manhattan



Canada



Trunk Club

## DIFFERENTIATED LOCAL MARKET STRATEGY



# OUR FULL-PRICE BUSINESS IS LARGE, HEALTHY, AND GROWING

OUR CORE BUSINESS COMBINES PHYSICAL AND DIGITAL ASSETS TO MEET CUSTOMER NEEDS

## OUR CORE BUSINESS IS STRONG AND GROWING

**\$10B**

Full-Price Sales

**800M+**

Unique Daily Visitors  
Annually to Website  
& Mobile

**\$1B**

Annual Mobile Sales

**Top 10**

US Ecommerce Retailer\*\*

**20M**

Full-Price Customers\*

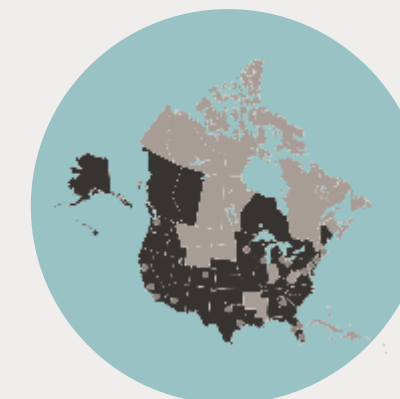
## WELL POSITIONED TO WIN



Delivering Financial Results



Driving Innovation



Focusing On Key Markets



# CANADA-POSITIONED TO ACHIEVE \$1B+ SALES POTENTIAL

BUILDING OUT OFF-PRICE AND ONLINE TO MAXIMIZE OUR MARKET OPPORTUNITY

## PACIFIC CENTRE –VANCOUVER



One of our top 5 stores

## STORE FOOTPRINT



- 6 Full Line Stores
- 6 Rack Stores opening in 2018

## STRATEGIC LEVERS FOR GROWTH



**Rack:** Grow market share; Profitably exhaust Full-Price; Acquire new customers



**Brand:** Create a Canada-first customer approach



**Digital:** Enhance the e-commerce experience



# MANHATTAN-\$700M+ FULL-PRICE MARKET OPPORTUNITY

2018 / 2019 WILL SEE THE LAST BIG INVESTMENT BEFORE WE REALIZE RETURNS

**MEN'S STORE**  
SPRING 2018



Focused on market, not just the 4-wall opportunity



Already the #1 market for online sales



Encouraged by early results

**TOWER  
(WOMEN'S)**  
2019



# TRUNK CLUB—\$500M+ MARKET POTENTIAL

LEVERAGING OUR BEST FULL-PRICE ASSETS: PRODUCT, SERVICE, AND DATA

## 2017 – RETOOLING FOR PROFITABLE GROWTH



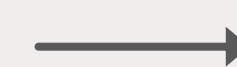
Customer focus shifted from *Men* to *Women*



Women's grew from ~33% to ~67% of business



Focused on trunk business



Trunk business went from 66% to 83% of business



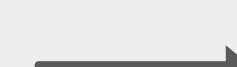
Built structured, scheduled salesforce



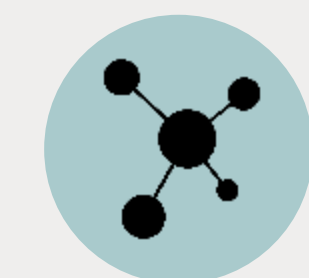
% non-commissioned stylists grew from 0% to 70%



Introduced trunk scheduling



Transactions/customer grew from ~3x to ~4x a year



Leveraged data science aggressively



34% increase in keep rate



# LOCAL MARKET STRATEGY: A SEAMLESS ECOSYSTEM

BRINGING ALL OF OUR ASSETS TOGETHER TO SERVE CUSTOMERS ON THEIR TERMS



# WINNING WITH CUSTOMERS, AND WINNING FINANCIALLY

WE WIN BY PROVIDING OUR BEST CUSTOMERS OUR BEST PRODUCTS IN OUR BEST MARKETS

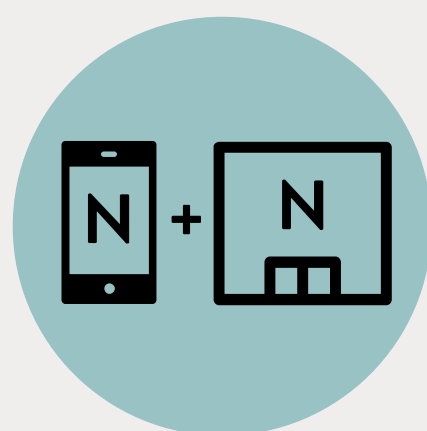
## OUR LOCAL MARKET STRATEGY



Leverages our people to support customers on their terms



Increases product selection and delivery speed



Connects physical and digital assets for discovery and experience

## DELIVERS THE BEST PRODUCTS TO THE BEST CUSTOMERS IN THE BEST MARKETS

**~60%**

JWN sales are in our top 10 markets

**5x**

Spend for customers shopping in-store and online

**2x**

Profit for customers in markets with stores

# WE'RE INVESTING \$600M+ IN SUPPLY CHAIN TO DRIVE LOCAL MARKET STRATEGY

SHIFTING OUR SUPPLY CHAIN FROM A COST CENTER TO A COMPETITIVE ADVANTAGE





# WE HAVE MANY OF THE PIECES WE NEED TO EXECUTE

OUR LOCAL MARKET STRATEGY COMBINES OUR BEST AND DIFFERENTIATED CAPABILITIES

## FASHION AUTHORITY



## SERVICE & EXPERIENCE



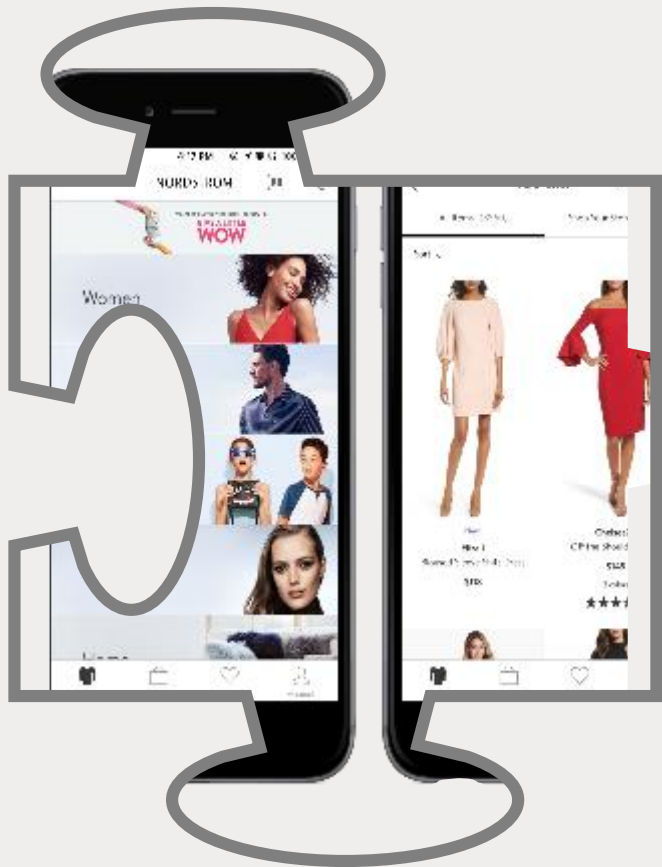
## BRAND / MARKETING



## SUPPLY CHAIN



## TECHNOLOGY



# BRINGING THE PIECES TOGETHER IN LA IN 2018

WE'RE STARTING IN LA – OUR LARGEST MARKET

**\$1B**

in Full-Price Sales

**4M**

JWN Customers

**16**

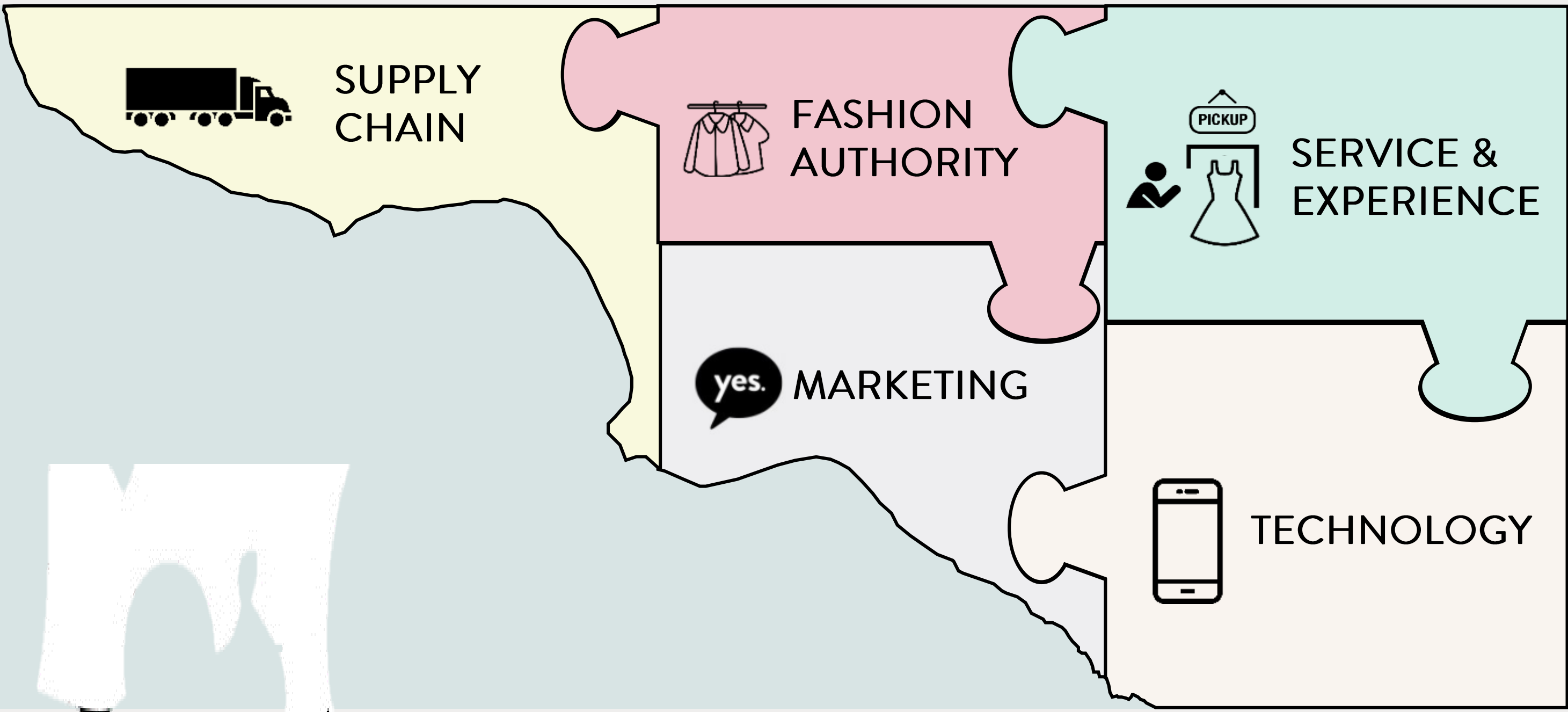
Full-Line Stores

**3**

Nordstrom Locals  
by 2019

**3**

Supply Chain  
Facilities in LA  
by 2019



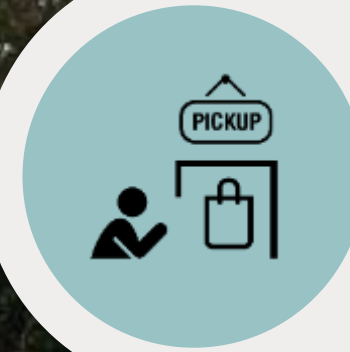


# NORDSTROM LOCAL SHOWCASES OUR BEST SERVICES

HYPER-LOCAL TOUCHPOINTS FOCUSING ON SERVICES AND DIGITAL-LINKED EXPERIENCES



Powered by shared local market inventory



Increases convenience for key services and experiences



Drives trips and engagement



Results in higher spend per customer



# WINNING WITH CUSTOMERS

OUR LOCAL MARKET STRATEGY ENABLES A DIFFERENTIATED CUSTOMER EXPERIENCE

FROM:

TO:



Inventory from one store



**All inventory** in my market



Limited fulfillment options



**Multiple options** for BOPUS /  
Store Reserve or **delivered to me**



One week for many online orders



**Same-day or next-day** in top markets



Appointment-based  
styling and services



Always-on (24/7), high- and low-touch **options for style  
expertise and services in-home, in-store, or in-Local**

# LOCAL MARKET STRATEGY TARGETS FASTER GROWTH AND HIGHER RETURNS

WE EXPECT SIGNIFICANT FINANCIAL UPSIDE IN LA AND OTHER TOP MARKETS THEREAFTER

## LOCAL MARKET STRATEGY EXPANSION

LA



2018

NYC



2019

OTHER TOP  
MARKETS

2020+

## FINANCIAL UPSIDE



Gain market share faster



Leverage working capital



Grow top and bottom-line  
faster in top markets vs.  
other markets



# OFF-PRICE

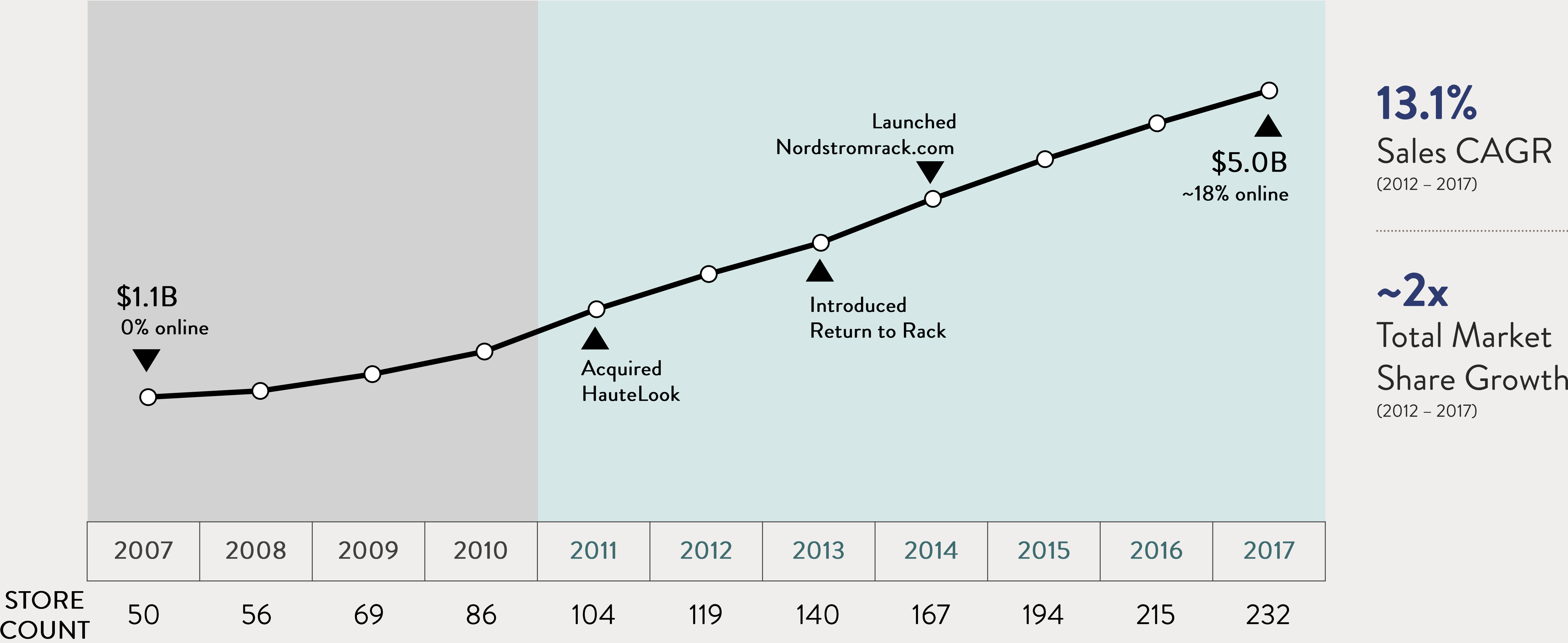
Blake Nordstrom, Co-President





# MARKET-LEADING OFF-PRICE BUSINESS

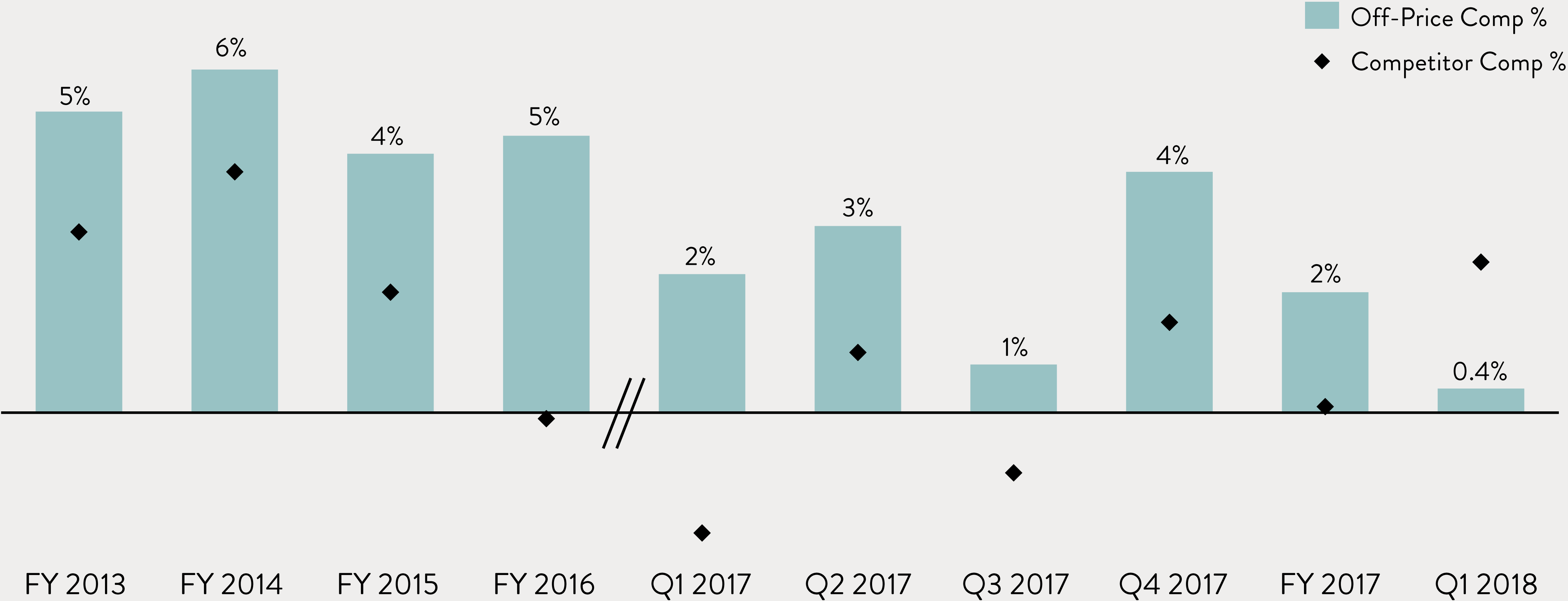
OFF-PRICE IS A MULTICHANNEL GROWTH BUSINESS



Store Count excludes Last Chance; Market share reflects the North American apparel and footwear market based on NPD data

# OUTPERFORMED COMPETITORS IN THE LAST 20 OF 21 QUARTERS

DRIVERS OF Q1 RESULTS ARE BEING ADDRESSED



All results shown on a 52 week basis; Weighted average competitors include TJMaxx, Ross, Burlington, Macy's, Hudson Bay Company Off-Price, DSW

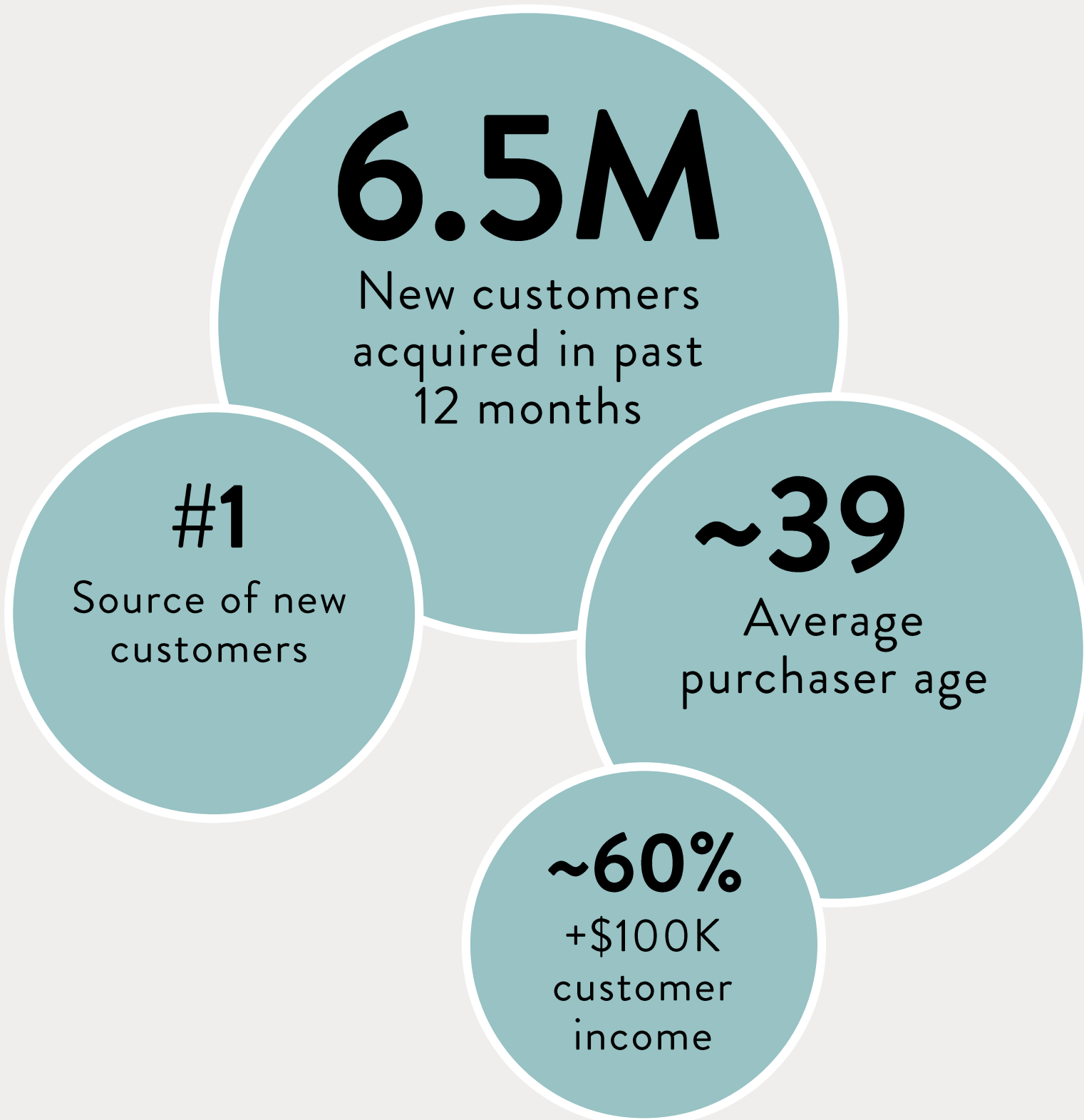


# OUR OFF-PRICE BUSINESS IS A CRITICAL GROWTH DRIVER

ATTRACTS A YOUNGER, AFFLUENT CUSTOMER



## NEW CUSTOMER ACQUISITION



## FULL-PRICE ENGAGEMENT

- 1/3**  
Off-Price customers become Full-Price customers over time
- ~2x**  
Increase in spend when Off-Price customers start shopping Full-Price as well



## FULL-PRICE PRODUCT EXHAUST

- ~90%**  
of top 200 Full-Price brands are sold in Off-Price
- ~10%**  
Off-Price inventory comes from Full-Price



# STRONG STORE PRESENCE

OUR RACK STORES ARE IN TOP MARKETS AND ARE TWICE AS PRODUCTIVE AS PEERS



BLOOR STREET STORE – TORONTO, CANADA

Competitors include TJMaxx, Ross, Burlington, Macy's, Hudson Bay Company Off-Price, DSW

## PRODUCTIVE STORES

**~\$500**

Sales per sq ft – 2x Nordstrom Rack vs. competitors

## TOP 20 MARKETS

**75%**

of Nordstrom Rack store sales come from top 20 markets



# FASTEST BUSINESS PROJECTED TO REACH \$1B IN COMPANY HISTORY

LARGE AND GROWING ONLINE, OFF-PRICE PRESENCE

## HIGH SALES GROWTH

**30%**

Off-Price online sales  
CAGR from 2012 to 2017

## GROWING NEW CUSTOMERS

**+17%**

Rolling 12 month growth  
in new customers

## HIGH ONLINE PENETRATION

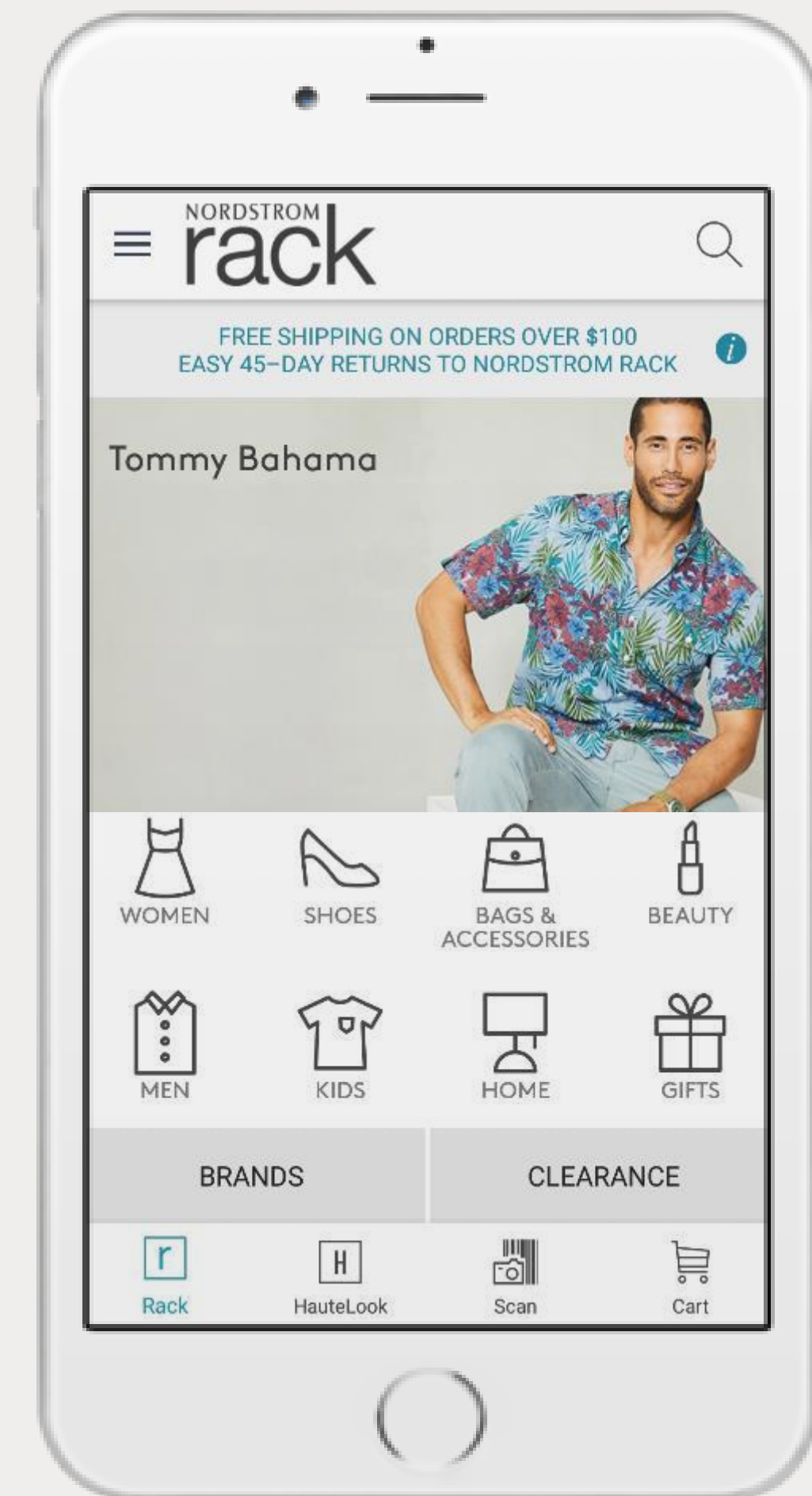
**18%**

Online sales % of total  
Off-Price sales

## HIGH SITE TRAFFIC

**~370M**

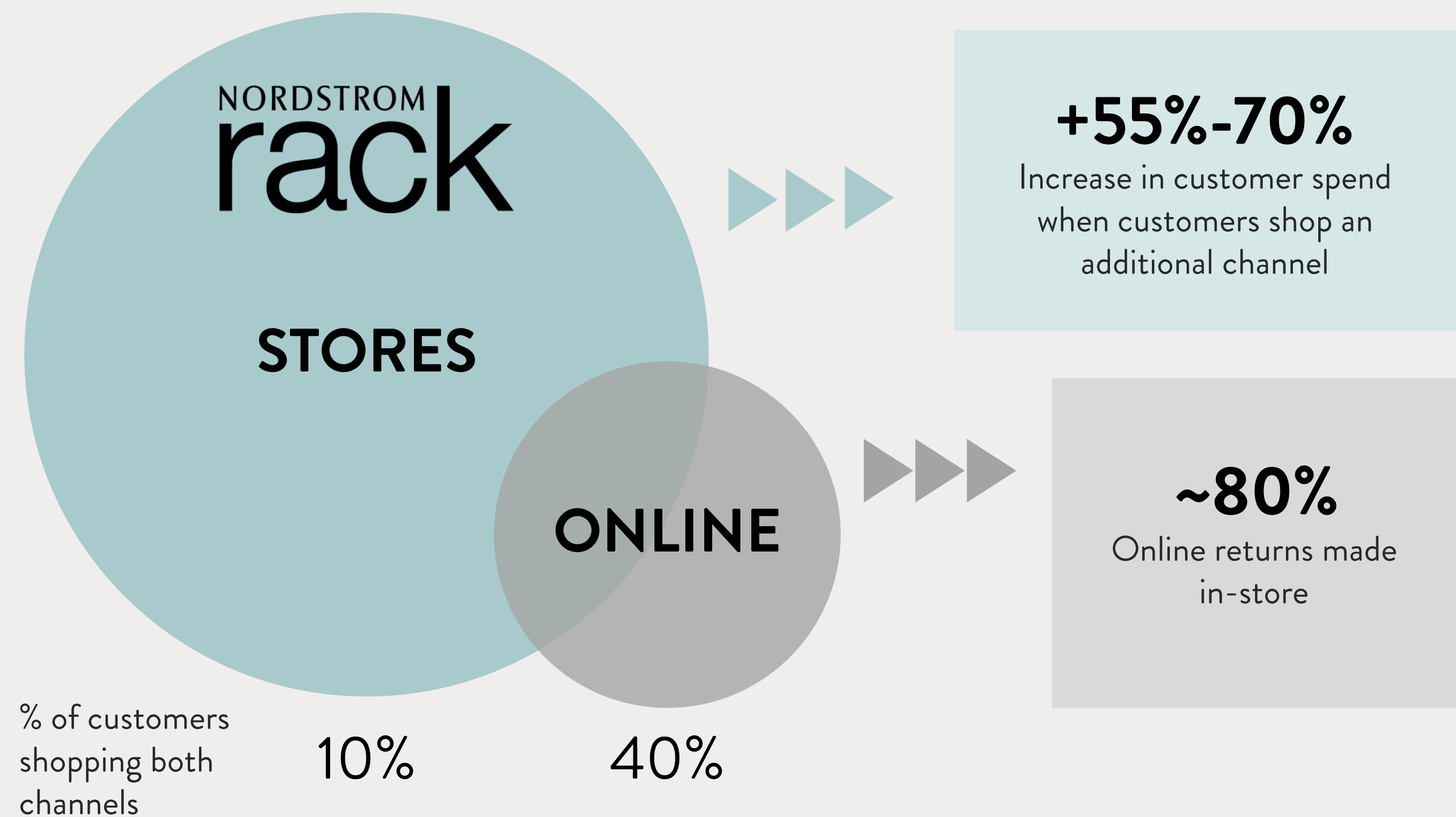
# of unique daily site  
visits in 2017



# DIFFERENTIATED STORE & ONLINE ECOSYSTEM

WE INVESTED EARLY TO BUILD A STRONG MULTICHANNEL OFF-PRICE BUSINESS

## CUSTOMER OVERLAP:



## MADE EASIER BY:



**IN-STORE RETURNS**  
Convenient store locations to drop-off online returns



**INNOVATIVE APP**  
Expanded access to compelling brands made easy through service offerings (e.g., Snap & Shop, Scan & Shop)



# OFF-PRICE DRIVES TOP AND BOTTOM-LINE GROWTH

WE ARE COMMITTED TO CONTINUED PROFITABLE GROWTH IN OFF-PRICE

## DRIVE TOPLINE SALES GROWTH

Achieve best-in-class performance and drive market share

## DELIVER PROFITABILITY

Continue to operate with financial discipline and guardrails

Efficiently scale our growing online business

## ENGAGE & ACQUIRE CUSTOMERS

Create value and increase JWN’s relevance with younger customers





# SUMMARY

Pete Nordstrom, Co-President



# FINANCIAL COMMITMENTS DRIVING SUPERIOR RETURNS

5-YEAR CAGR TARGETS: EBIT GROWTH 5-6% OUTPACING SALES GROWTH 3-4%

	2017	2020E	2022E
CONTINUING MARKET SHARE GAINS	<b>5% SALES</b> 5-YEAR CAGR	<b>~3% SALES</b> 3-YEAR CAGR	<b>3% TO 4% SALES</b> 5-YEAR CAGR
IMPROVING PROFITABILITY & RETURNS	<b>6.1%</b> EBIT MARGIN  <b>9.7%</b> ADJUSTED ROIC	<b>+20 TO 40 BPS</b> 2017 TO 2020E  <b>MID-TEENS</b> ADJUSTED ROIC	<b>+50 TO 80 BPS</b> 2017 TO 2022E  <b>MID-TEENS</b> ADJUSTED ROIC
MAINTAINING DISCIPLINED CAPITAL ALLOCATION	<b>\$0.6B</b> FREE CASH FLOW	<b>~\$0.8B</b> FREE CASH FLOW BY 2020	<b>~\$1B</b> FREE CASH FLOW BY 2022

# CONTINUING TO LEAD THE FUTURE OF RETAIL

WE ASPIRE TO BE THE BEST FASHION RETAILER IN A DIGITAL WORLD

Our retail strategy is anchored in what will always matter most to customers:  
**compelling product & outstanding service backed by people who care**

We are reimagining the shopping experience to **fulfill customer needs in a digital world**

Our **Local Market Strategy** allows us to engage and serve our customers with the right product, in the right place, at the right time

Our **investment in our people and culture** differentiates us in the industry and remains a competitive advantage

Our **best-in-class capabilities** position us to deliver to customers, increase market share, and drive value for shareholders



# NORDSTROM

—— INVESTOR DAY 2018 ——