



# Q4 2022 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



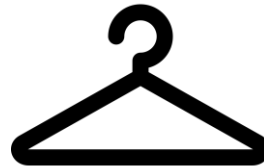
# Q4 THEMES



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## Executing with agility

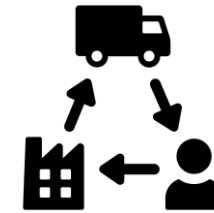
in an uncertain environment



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## Healthier inventory position

down (15%) vs '21  
and in line with '19 levels



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## Delivering supply chain efficiencies

and lower cost per unit,  
resulting in 200bps+ SG&A  
leverage

# 2023 ACTIONS TO EXPAND MARKET SHARE AND IMPROVE PROFITABILITY



Enhancing  
**customer experience**

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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



Relevant and new assortments from the world's best brands for customers



Higher earnings and ROIC through increased inventory productivity



Stabilized inventory management following pandemic supply chain disruptions



# OPTIMIZING SUPPLY CHAIN CAPABILITIES



Building on momentum to improve customer experience and drive expense efficiency



**200bps+ improvement in Q4 SG&A rate, despite lower sales leverage and continued inflationary pressure**



**PETE NORDSTROM**

**PRESIDENT & CHIEF BRAND OFFICER**



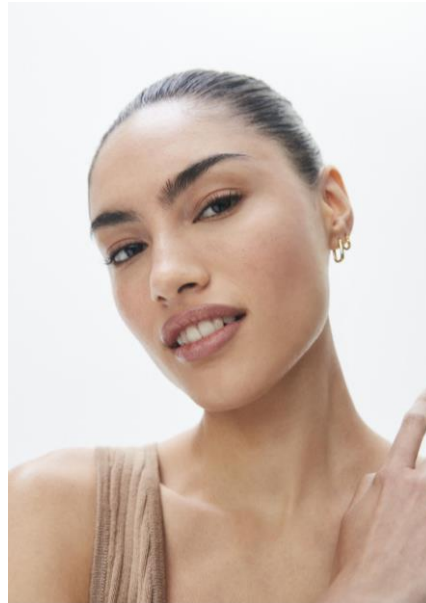
# CATEGORY STRENGTH IN Q4

## Growth in Men's Apparel



Particularly in dresswear

## High single-digit growth in Rack Beauty



Positive response to expanded brand offering

## Strong sell-through in seasonal categories



Including outerwear, sweaters, boots

# PROGRESS IN UNOWNED INVENTORY MODELS, NORDSTROM MEDIA NETWORK



**12%**

Nordstrom banner unowned  
inventory model GMV penetration,  
up from 10% in Q4 '21

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**50%+ ↑**

growth in Nordstrom Media Network  
vs. FY21

# IMPROVING RACK PERFORMANCE

## Initiatives

- Prioritize 100 well-known strategic brands
- Open new Rack stores
- Drive greater engagement and optimize operational model at NordstromRack.com



## Outcomes

- Make up 60% of on-order for H1, were half of FY22 Rack sales
- 3 newest stores' performance exceeding fleet average
- Enhanced Rack omnichannel experience and profitability

# INCREASING INVENTORY PRODUCTIVITY

- **Entering FY23 with healthier inventory position**
- **Utilizing conservative buy plans and maintaining increased reserves**
- **Driving newness and flow via faster inventory turns; goal of 10%+ increase**



# OPTIMIZING SUPPLY CHAIN CAPABILITIES



## Better

inbound process  
implemented with vendor  
partners

## 20%+

improvement in  
productivity and  
throughput using data-  
driven decisions

## 40%↑

increase in share of orders  
delivered in 4 days or less  
vs. FY21

## Benefits

expected to continue  
throughout FY23



**MICHAEL MAHER**

**INTERIM CHIEF FINANCIAL OFFICER**



# Q4 RESULTS IN LINE WITH EXPECTATIONS



## Total JWN

4%↓

decrease in net sales

13%↓

decrease in digital sales,  
incl. ~500bps negative impact from  
Rack store fulfill elimination and  
Trunk Club sunset

## Nordstrom Banner

2%↓

decrease in net sales

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## Rack Banner

8%↓

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



# Q4 '22 RESULTS

	Q4		FY22	
	Actuals	Change vs Q4 '21	Actuals	Change vs FY21
<i>Better / (Worse)</i>				
<b>NET SALES</b>	\$4.20B	(4.1%)	\$15.09B	4.8%
<b>GROSS PROFIT %</b>	33.2%	(~525bps)	33.6%	(~150bps)
<b>SG&amp;A %</b>	31.5%	~240bps	33.4%	~95bps
<b>EBIT %</b>	4.5%	(~235bps)	3.1%	(~35bps)
<b>ADJUSTED EBIT %<sup>1</sup></b>	4.5%	(~235bps)	3.3%	(~10bps)

<sup>1</sup>Adjusted EBIT is a non-GAAP financial measure. Refer to the “Adjusted EBIT (Non-GAAP Measure)” slide of this presentation for additional information as well as reconciliations between the Company’s GAAP and non-GAAP financial results.

# 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>	1.2% to 2.1% 3.7% to 4.2%
<b>Income tax</b>	~32%
<b>Earnings per share</b> <b>Adjusted earnings per share<sup>1</sup></b> <i>Excluding share repurchases, if any</i>	\$0.20 to \$0.80 \$1.80 to \$2.20

## Considerations

### Revenue

- (2.5ppt) or (~\$400M) negative impact from Canadian wind-down
- 1.3ppt or ~\$200M positive impact from 53<sup>rd</sup> week in FY23
- Anniversary Sale shifts into Q3 by 1 week

### EBIT

- \$35M positive impact from Canadian wind-down
- Expect margin increases in H2, offsetting decreases in H1 from lower sales

<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.

# OUR CAPITAL ALLOCATION PRIORITIES REMAIN UNCHANGED

1

## REINVEST IN THE BUSINESS

- CAPEX of 3% to 4% of net sales
- Investments primarily in supply chain and technology capabilities

2

## REDUCE LEVERAGE

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

3

## RETURN CASH TO SHAREHOLDERS

- Paid quarterly dividend of \$0.19
- Repurchased \$62M in stock in FY22 under May 2022 \$500M repurchase authorization

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



Q&A

**NORDSTROM**



# ADJUSTED EBIT (NON-GAAP MEASURE)

	Year ended January 28, 2023	
	\$M	% of Sales
Net sales	\$15,092	
Net earnings	\$245	1.6%
Income tax expense	92	
Interest expense, net	128	
EBIT	\$465	3.1%
Supply chain technology and related asset impairment	70	
Trunk Club wind-down costs	18	
Gain on sale of interest in corporate office building	(51)	
Adjusted EBIT	\$502	3.3%

# FORWARD-LOOKING NON-GAAP MEASURES

	Year ended February 3, 2024	
	Low	High
Expected net earnings as a % of net sales	0.3%	0.9%
Income tax expense	0.1%	0.4%
Interest expense, net	0.8%	0.8%
Expected EBIT as a % of net sales	1.2%	2.1%
Wind-down of Canadian operations	2.5%	2.1%
Expected adjusted EBIT margin	3.7%	4.2%
Expected EPS	\$0.20	\$0.80
Wind-down of Canadian operations	2.15	1.84
Income tax impact on adjustment	(0.55)	(0.44)
Expected adjusted EPS	\$1.80	\$2.20