

# Q4 2019 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.

# ERIK NORDSTROM

CHIEF EXECUTIVE OFFICER



# 2019 WINS



## CUSTOMER SATISFACTION

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**Improved**

scores across business



## MARKET STRATEGY

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**80 bps**

sales lift outpacing other markets

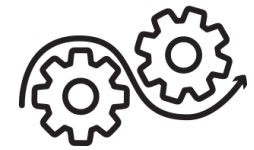


## SALES TRENDS

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**400 bps**

improvement in second half



## OPERATING DISCIPLINE

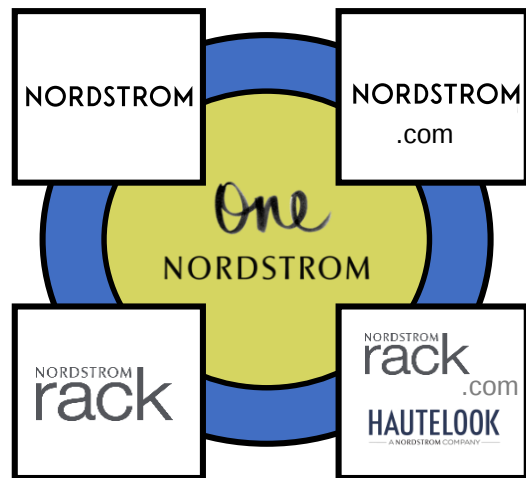
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**10%**

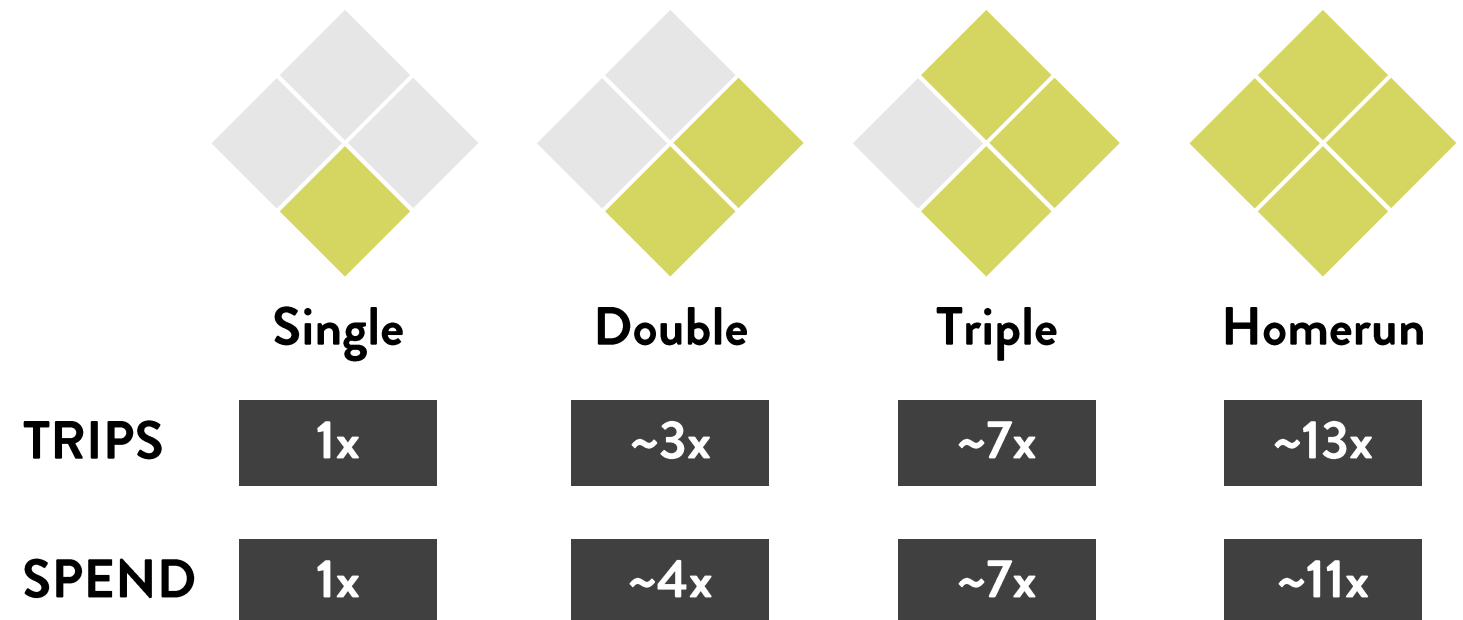
above expense savings plan

# OUR COMPETITIVE ADVANTAGE

## OUR FOUR BOX OFFER



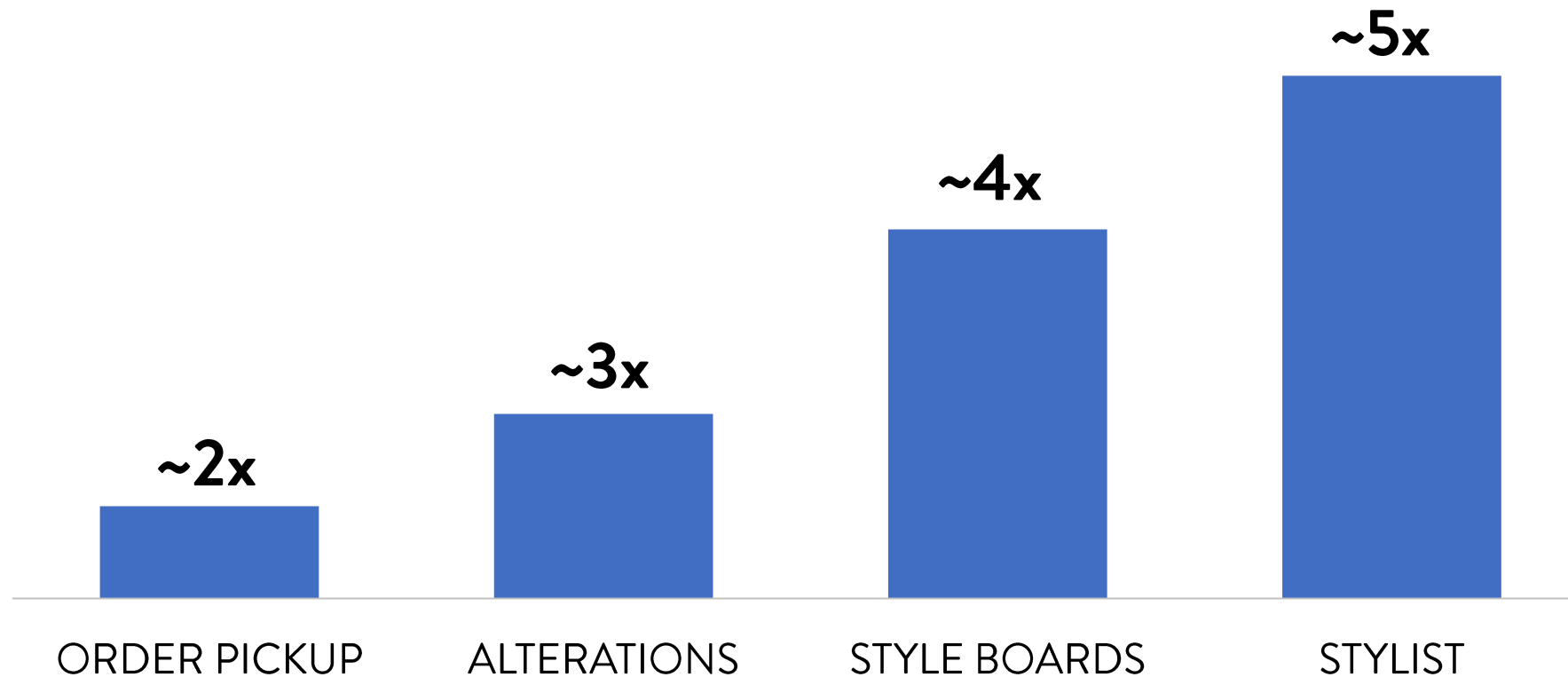
## PER CUSTOMER IMPACT BY CHANNELS SHOPPED



# DRIVING ENGAGEMENT THROUGH SERVICES

## INCREMENTAL CUSTOMER SPEND

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Source: Investor Day Presentation July 2018

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# INNOVATING THROUGH PARTNERSHIPS

**DIGITALLY NATIVE  
& EMERGING BRANDS**

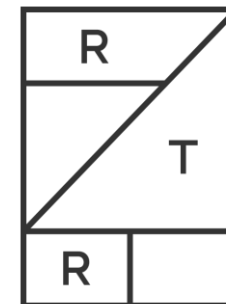
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***SKIMS***  
***Glossier.***

**NEW CONCEPTS**

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**SEE Y O U TOMORROW**



# HOLIDAY EXECUTION



Increased  
gifting assortment



Strong customer response  
to holiday offers

# OFF-PRICE HIGHLIGHTS



Improved sales trends

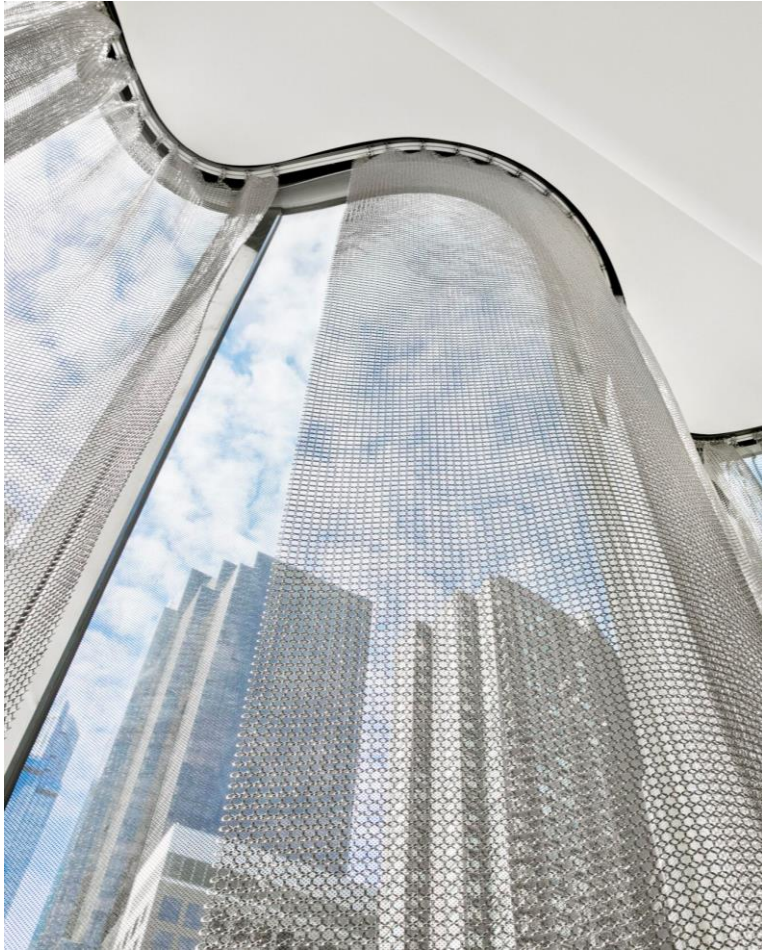


Increased profitability



Increased inventory turns  
for 9<sup>th</sup> consecutive quarter

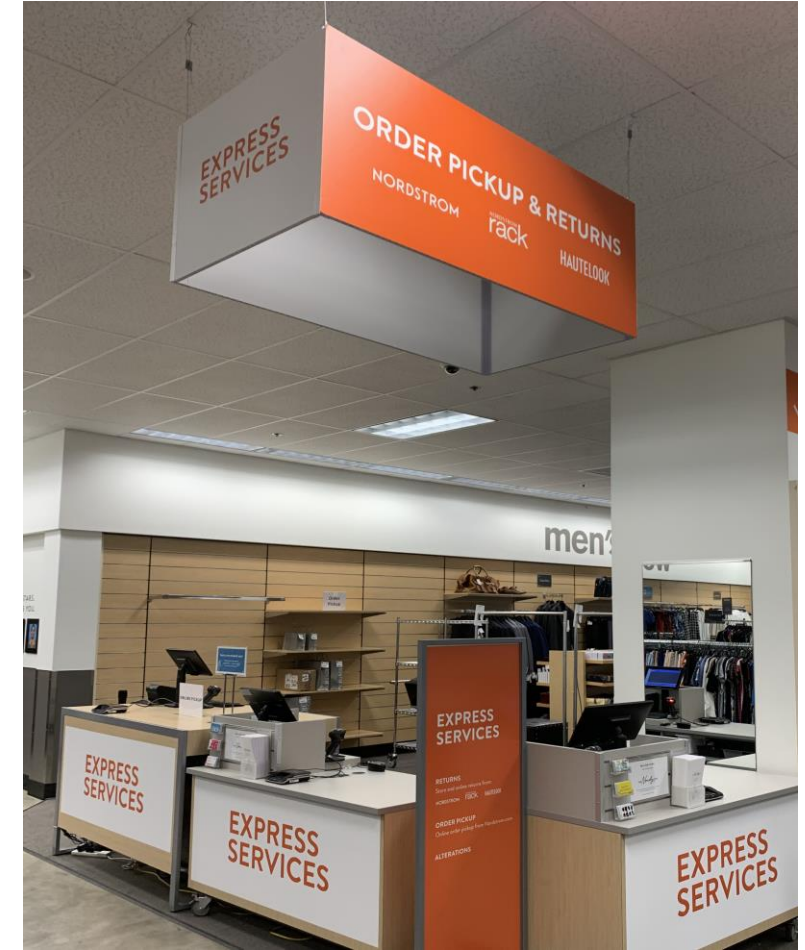
# EXPANDED PRESENCE IN NYC



**NYC FLAGSHIP**

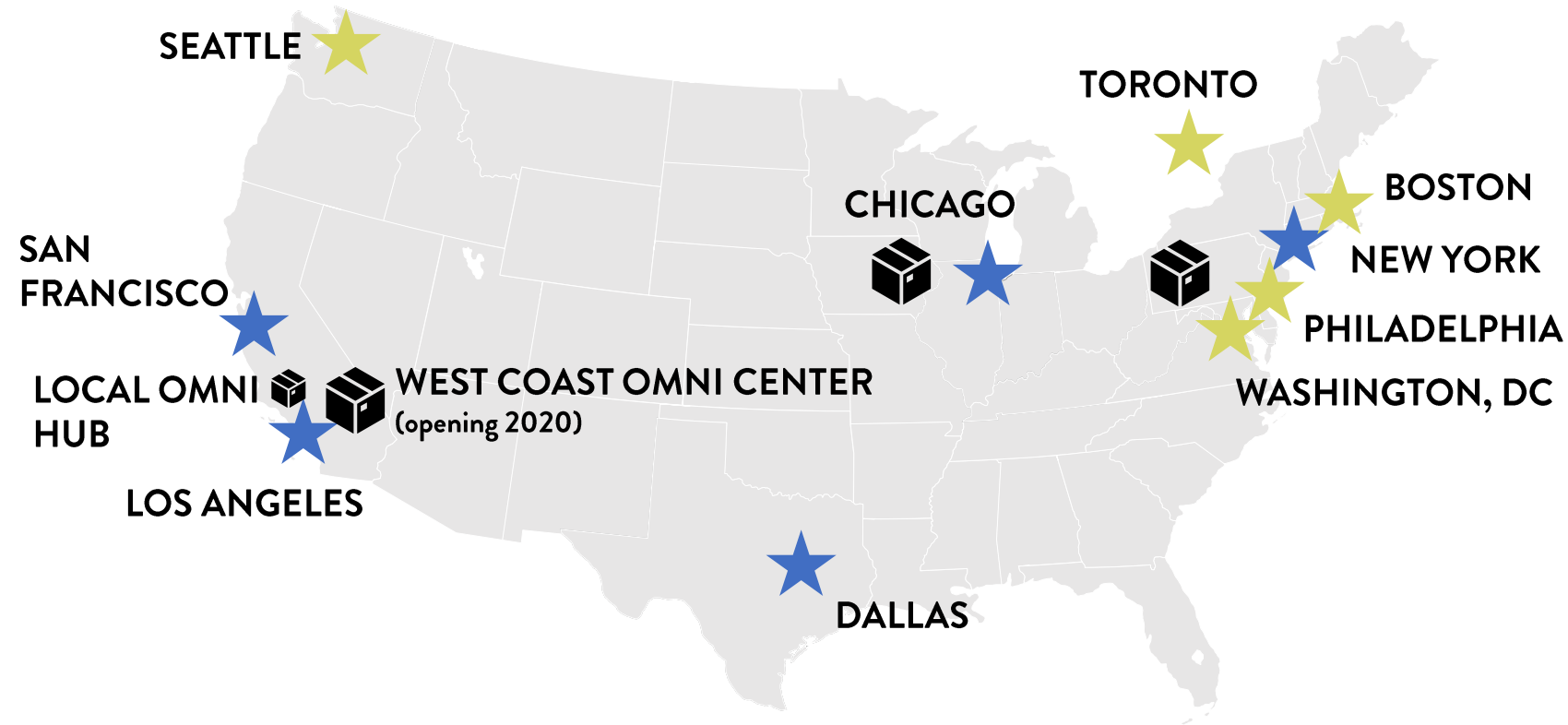


**NORDSTROM LOCAL**

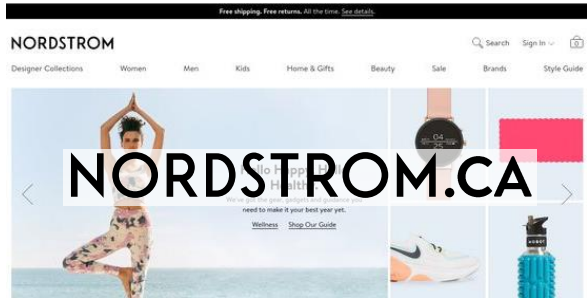


**RACK EXPRESS SERVICES**  
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# SCALING MARKET STRATEGY IN 2020



-  Fulfillment Center
-  2019 Rollout
-  2020 Rollout



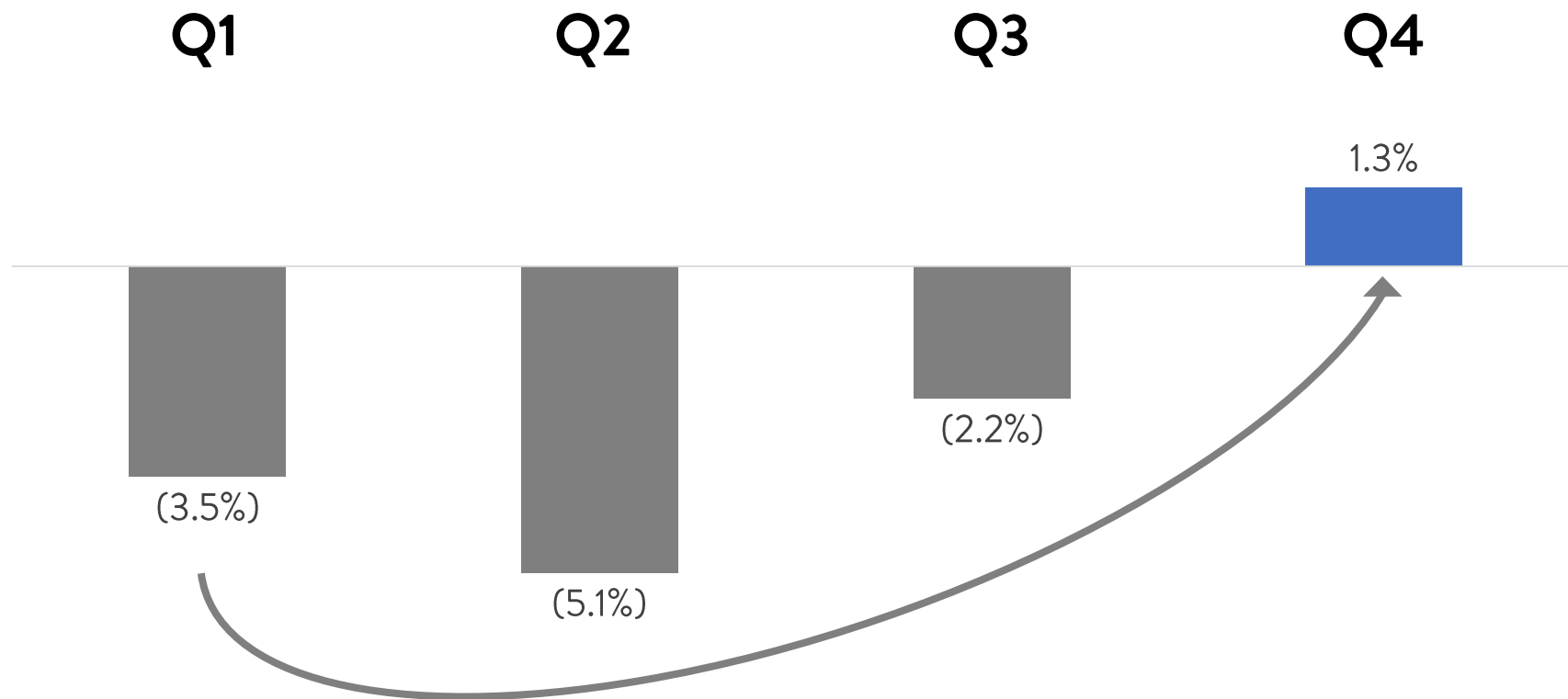
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**ANNE BRAMMAN**

**CHIEF FINANCIAL OFFICER**



# 2019 SALES



## DRIVERS:

- Loyalty
- Marketing
- Merchandise
- NYC Flagship opening

(5.1%)

(6.5%)

(4.1%)

1.0%

**FULL-PRICE**

(0.6%)

(1.9%)

1.2%

1.8%

**OFF-PRICE**

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# Q4 2019 RESULTS

| <i>Better/(Worse) than LY</i>  | Q4       | Q4<br>(ex. charges*) |
|--------------------------------|----------|----------------------|
| <b>TOTAL SALES</b>             | 1.3%     | 1.3%                 |
| <b>GROSS PROFIT % OF SALES</b> | (9 bps)  | (~10 bps)            |
| <b>SG&amp;A % OF SALES</b>     | (70 bps) | flat                 |
| <b>EBIT % OF SALES</b>         | (90 bps) | (~10 bps)            |
| <b>INVENTORY DECREASE</b>      | (2.9%)   | (2.9%)               |

\*Excluding \$32M of charges primarily related to Trunk Club integration

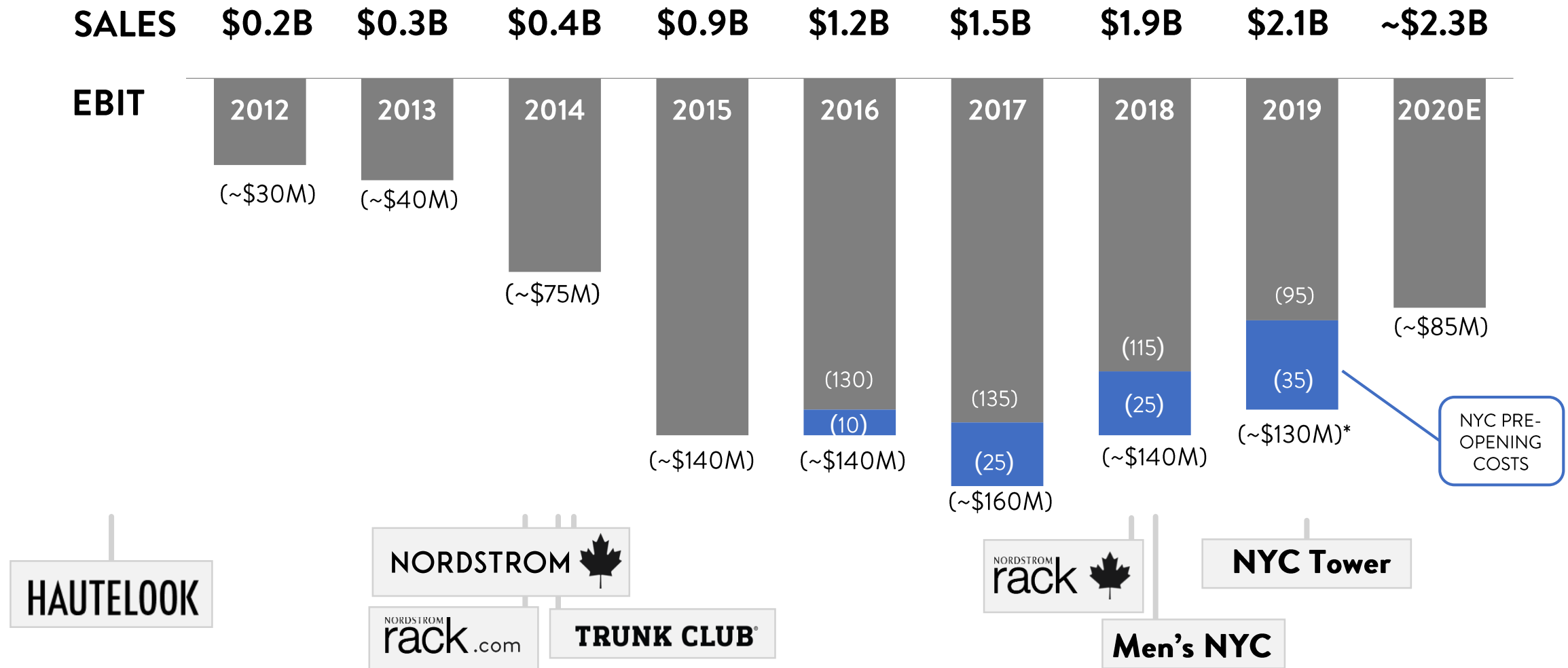
# H2 MOMENTUM

| <i>Better/(Worse) than LY</i>  | H1        | H2     | H2<br>(ex. charges*) |
|--------------------------------|-----------|--------|----------------------|
| <b>TOTAL SALES</b>             | (4.3%)    | flat   | flat                 |
| <b>GROSS PROFIT % OF SALES</b> | (55 bps)  | 41 bps | ~40 bps              |
| <b>SG&amp;A % OF SALES</b>     | (93 bps)  | 23 bps | ~(30 bps)            |
| <b>EBIT % OF SALES</b>         | (125 bps) | 68 bps | ~20 bps              |

\*Excluding \$32M of charges primarily related to Trunk Club integration in Q4 2019 and credit-related charge of \$72 million in Q3 2018

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# EXITING GENERATIONAL INVESTMENTS



# 2020 OUTLOOK

|                                  | 2019   | 2019<br>(ex. charges*) | 2020                    |
|----------------------------------|--------|------------------------|-------------------------|
| <b>NET SALES</b>                 | (2.2%) | (2.2%)                 | 1.5% to 2.5% increase   |
| <b>CREDIT REVENUE</b>            | 3%     | 3%                     | Mid-single-digit growth |
| <b>EBIT</b> <i>(in millions)</i> | \$784  | \$816                  | \$815 to \$855          |
| <b>EBIT MARGIN</b>               | 5.2%   | 5.4%                   | 5.3% to 5.5%            |
| <b>EPS</b>                       | \$3.18 | \$3.37                 | \$3.25 to \$3.50        |

The Company's guidance also incorporates the following estimated assumptions:

- Increase in free cash flow of ~2.5 times relative to fiscal 2019
- Capital expenditures of ~4 percent of sales
- Net interest expense of ~\$120 million
- Effective tax rate of ~27 percent
- Future share repurchases of \$300 million to \$400 million

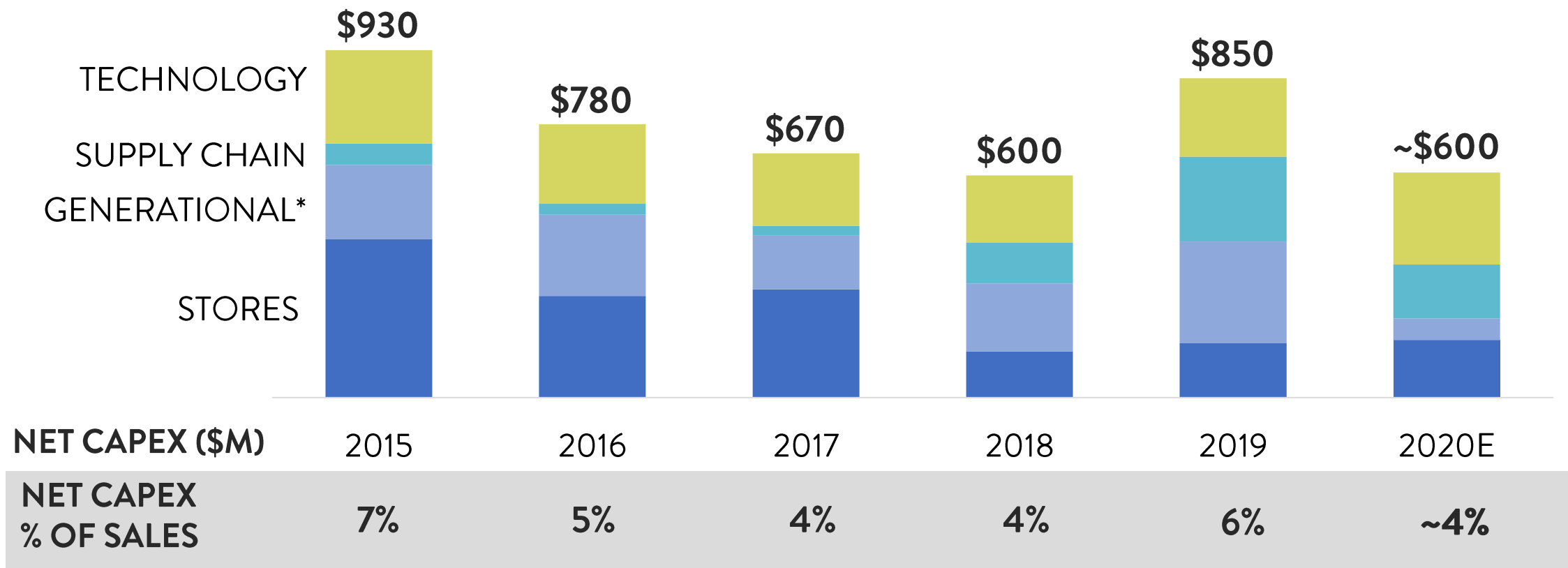
\*Excluding \$32M integration charge and debt refinancing costs of \$8M in interest in Q4 2019

# 2020 OUTLOOK CONSIDERATIONS

|                                                 | H1 2020                                                                                                                                                                                                        | H2 2020                                                                                                                                                                                                                         | FY 2020          | FY 2020<br>(ex. charges*) |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------|
| <b>SALES GROWTH VS. LY</b>                      | 2.5% to 3.5% <ul style="list-style-type: none"> <li>• Lapping softer H1 2019 sales trends</li> <li>• Annualizing NYC flagship sales</li> </ul>                                                                 | 0.5% to 1.5% <ul style="list-style-type: none"> <li>• Lapping improved H2 2019 sales trends</li> <li>• Lapping NYC flagship opening in Q4 2019</li> </ul>                                                                       | 1.5% to 2.5%     | 1.5% to 2.5%              |
| <b>EBIT MARGIN INCREASE / (DECREASE) VS. LY</b> | Flat at midpoint to last year* <ul style="list-style-type: none"> <li>• Productivity initiatives</li> <li>• NYC flagship depreciation</li> <li>• Lapping performance related adjustments in Q2 2019</li> </ul> | Flat at midpoint to last year* <ul style="list-style-type: none"> <li>• Productivity initiatives</li> <li>• Lapping NYC flagship preopening costs in Q3 2019</li> <li>• West Coast supply chain network depreciation</li> </ul> | 10 bps to 30 bps | (10 bps) to 10 bps        |

\*Excluding \$32M of charges primarily related to Trunk Club integration in Q4 2019

# NET CAPEX



*Net capex reflects gross capex less deferred property incentives*

*\*Generational investments include Nordstromrack.com/HauteLook, Canada, Trunk Club and Nordstrom NYC*

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# BALANCED & DISCIPLINED CAPITAL ALLOCATION

1

## REINVEST IN BUSINESS

Investments in technology and  
supply chain capabilities

2

## DIVIDENDS

Target dividend payout 30-40%

3

## SHARE REPURCHASES

## MAINTAIN INVESTMENT GRADE CREDIT RATING

Target adjusted debt to EBITDAR 1.5X to 2.5X



Q&A



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