

NORDSTROM

Q3 Earnings: Q&A with CFO Anne Bramman

November 25, 2020

We recently held our Q3 earning call to discuss progress made during the last quarter. With so much happening between our Anniversary Sale results, expansion of our market strategy and Rack offerings and continued strengthening of our financial position, we sat down with our CFO Anne Bramman to add some additional context to results. For a full breakdown of our results, visit press.nordstrom.com/investor-relations.

Overall, how do you feel about our Q3 results?

We had a good quarter, but it is also about what we did to get here. The discipline our teams showed during the first half of the year is really paying off now. We achieved our top-line expectations with a sequential improvement in sales relative to Q2 and exceeded expectations for profitability and cash flow. It was also really encouraging to see the continued expense discipline, healthy inventory levels and great mix of merchandise available that we know our customers love.

Overall, we're so proud of what our teams accomplished to get us in such a strong position. They really prioritized the areas of greatest returns while never losing focus on the customer, and it shows.

You mentioned actions taken during the first half of the year —what was done to get us to this strong financial position?

When COVID-19 first hit, we had to make really tough decisions to rebase our cost structure due to all of the uncertainty. We successfully reduced our perishable inventory, maximized digital capabilities and generated cash. The entire company rallied together and delivered on all these goals. We also changed the mix of our offering to ensure we had the relevant products customers wanted as well as addressing more of our seasonal, perishable inventory since we didn't know how long COVID would last. Our teams pivoted well and quickly ramped up our offerings in categories like active, beauty, wellness, and home.

How were the results for our Anniversary Sale this year?

Our Anniversary Sale was a success —customers really responded to our assortment. We saw the highest sell-through ever for the event. It was a great pivot point in changing up the assortment and our teams delivered. Our digital experience also performed well —customers created nearly 20 million wish lists, 30% of styling appointments were virtual and 60% of sales were made online. Overall, we were able to create a seamless experience while delivering products to customers with speed and convenience. We were also able to learn a lot from what customers put in their wish lists, which services were most utilized and the categories that resonated and apply it to our planning for Holiday.

How have we continued to lead the way with our digital offerings?

We've been investing in our digital capabilities for a while, always with a customer-first perspective to serve them how they want to shop. We've made some great strides this quarter to further that experience. Integrating the inventory between our Rack stores and online to enable store fulfill and order pickup was monumental and is now a great addition to our digital offering. About a decade ago, we linked our store and online inventory in our full-line stores and saw that we could turn inventory faster which helped us avoid markdowns and have better margins, all while offering more options to the customer. Now, can now pick up their Nordstrom.com, Nordstromrack.com and HauteLook orders at nearly 350 Nordstrom and Nordstrom Rack locations in the U.S.

The other big piece is the scale of our digital business —over half of our sales were done digitally in Q3 and we expect to see that continue. We have a similar cost structure between our stores and full-price online channels, which helps us deliver on profitability with our digital platforms. Having a channel-agnostic approach and the ability to source inventory across our entire fleet of stores and warehouses is an advantage as it gets the product closer to the customer.

How has the progress made in Q3 set us up for Holiday and 2021?

I really can't say enough about the amazing job our teams did to get us to where we are. Because of the discipline they showed during the first half of the year, we're in a strong financial situation in terms of liquidity and cash flow. This flexibility helps get the best product for our customers and invest in the business, which we continue to do in technology, supply chain and our store environment. You can't be agile and invest in ways to better serve customers without a strong financial foundation, which we achieved during the first half of the year.

This year hasn't been easy, but our teams helped us make meaningful progress to drive higher profitability, deliver strong cash flow, but most importantly, continue to focus on the customer. We have the right foundation, strategy and people in place to continue this momentum, and I'm excited for the opportunity that lies ahead.