

NORDSTROM

CEO Erik Nordstrom and CFO Anne Bramman Discuss Closer to You at the Goldman Sachs 29th Annual Global Retailing Conference

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Last week, our CEO Erik Nordstrom and CFO Anne Bramman spoke at the Goldman Sachs 29th Annual Global Retailing Conference in New York. Together they discussed our Q2 performance, the progress we've made advancing our Closer to You strategy and our continued commitment to meeting customers on their terms. Check out some key takeaways from their session below.

**We continue to see strength in our Closer to You strategy and are committed to serving customers on their terms.** Looking at the second quarter, we made important strides in strengthening the connections between our digital and physical assets: we expanded next-day order pickup to more than 10 additional Rack stores in our top 20 markets and during Anniversary Sale, order pickup in stores increased 9 percent compared to last year's event.

"With a couple of years into our Closer to You strategy and we continue to see real strength. We're leveraging the assets we have—both digital and physical—to bring our customers more choices, more ways of getting product, and more ways of serving them on their terms. We see a lot of benefits from that. The more we can engage our customers, the better. What we can engage customers across the Nordstrom banner, the Rack banner, online and in-store, customer spend goes up 12x." —Erik Nordstrom

"It's about getting the inventory and using data analytics to place it, using more of a pull versus a push model in the different markets to support Closer to You. It's also about shortening the time frame on customer delivery when they order online, whether you pick up in a store, you pick it up in a Rack or you get it delivered, making sure that we're driving that efficiency and a better customer experience." —Anne Bramman

**We saw strength in occasions and other core categories during the second quarter.**

"Touching on our two banners, in the Nordstrom banner, we had 15% triple-digit growth. We continue to see real strength in occasion-based categories, which are very strong for us. Our core categories, women's apparel, men's apparel, shoes, beauty, and designer, all had double-digit increases in the Nordstrom banner. So we continue to see a lot of customer strength there." —Erik Nordstrom

**We saw sequential improvement at our Nordstrom Rack banner during the second quarter and continue to improve our Rack assortment.**

"In the Rack banner, we've had the third quarter in a row of sequential top-line improvement versus pre-pandemic levels. And I'd say we're still in the early innings of getting our Rack inventory balance what we want to be. And what I mean by that is we know what customers think of at Nordstrom Rack is great brands at great prices. And access to those premium brands was challenged during the pandemic, but now getting better. Our assortment there is getting better. We still have a ways to go there, but encouraging results for us. In that our top 100 brands at Rack banner had a 17% increase over Q2. So we're seeing pockets of strength there to build upon." —Erik Nordstrom

**We continue to make progress toward our 2021 Investor Day targets.**

"We had an investor event in early '21, and we laid out a 6% plus EBIT margin, which we think is very achievable for us. I would just highlight that we had over 200 basis points of improvement in our adjusted EBIT margin in the first half of the year. So we were definitely on a trajectory to be hitting our Investor Day targets. I think if you step back, there's a number of levers we've pulled. Our Nordstrom banner was up 15% in Q2. And as Erik talked about, the core categories are really recovering. We've had 3 consecutive quarters of growth and continuous improvement in Rack, before we saw a slowdown in late June. We're using analytics to improve our merchandise margin and we're seeing a lot of progress on the supply chain initiatives and expect to continue that in 2023. So when we look at the 2022 guidance revision, it was a slight revision to sales, but more about the anticipated markdown impacts on the EBIT margin. And if you put out the incremental markdowns we anticipate for the promotional environment in the second half, we're pretty close to hitting that 6% plus EBIT margin target." —Anne Bramman

**We are scaling our styling program, and customers who use our digital styling offering spend five times more than an average Nordstrom customer.**

"Styling is a real strength for us. We continue to see a lot of customer demand for styling services. But what's changed over the years is that demand being on the customer's terms. In-store styling is still super important and a big part of our business, and we continue to see a lot of customer demand for that. But there are times when a customer wants some styling services but may not want the time commitment of an in-store appointment. So having a range of digital styling services that are really driven through data and AI is an important part of our business, and we're contributing to see good growth from that." —Erik Nordstrom

**We are leveraging Nordstrom Media Network to help our brand partners reach more customers.**

"There's always newness in fashion. And increasingly, that newness starts online with brands that are digitally native brands, that reach a point where they need to expand their audience beyond their direct channels. And that's been a real strength for us to be that partner of choice. The Nordstrom Media Network allows brands to have another way of telling their story directly and getting to our customers. And when we talk to brands and why they should partner with us, it always starts with our customer base. We have a very strong customer base that is different than what brands can get on their own, and that leads into that overall story. And so we'll continue to grow that. And it's really been one element of the path of our vendor negotiations which continues to be more strategic." —Erik Nordstrom