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EDITED TRANSCRIPT

JWN.N - Nordstrom Inc at Goldman Sachs Global Retailing Conference (Virtual)

EVENT DATE/TIME: SEPTEMBER 09, 2021 / 4:50PM GMT

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PRESENTATION

Brooke Siler Roach *- Goldman Sachs Group, Inc., Research Division - Research Analyst*

Good afternoon, and thank you for joining us for this next session of the Goldman Sachs Global Retailing Conference. My name is Brooke Roach, and I cover the apparel, accessories and brand sector here at Goldman Sachs. We're coming back from lunch with Nordstrom. Nordstrom is a leading retailer with a strong digital presence and over 350 Nordstrom, Nordstrom Local and Nordstrom Rack stores. Here to speak with us today are Erik Nordstrom, CEO; and Anne Bramman, CFO. Welcome, Anne, and Erik, and thank you for joining us. Erik, would you like to kick it off with a few opening remarks?

Erik B. Nordstrom *- Nordstrom, Inc. - CEO & Director*

Sure. Thanks, Brooke. We're happy to be here today and appreciate you having us. I want to start with just a look ahead. We feel great about the strategy we laid out at our Investor Day last February. And consider today, very confident in delivering the results that we committed to. As a reminder, our strategy that we use Closer to You, it's really centered around 3 priorities: one, winning our most important markets; two, broadening the reach of Nordstrom Rack; and three, increasing the velocity of our digital business. While we are still in the early innings with much work to be done, we've seen strong proof points that our strategy is working.

First of all, market strategy. Customers have responded really well, especially as we connect our digital and physical assets and leverage our 2 brands of Nordstrom and Nordstrom Rack at the market level. For example, during our recent Anniversary Sale, nearly 40% of our Nordstrom next day online order pickups happened at Rack stores. We're particularly pleased with our digital business. The velocity of our digital business continues, and that's particularly encouraging in the last quarter. We had a 29% increase compared to prepandemic levels, and that occurred as stores were recovering. So lots going on there that we feel good about.

We've also made significant progress in transforming our merchandising approach. A good example, again, during Anniversary, the successful expansion of our customer choice was really a big driver of the gains we had during that event. So we like what we're seeing from the customer in terms of engagement, both in store and online. We are not satisfied with where we are, not at all. We see opportunities to accelerate our progress, and we're holding ourselves accountable to deliver. Our Rack performance has been challenged by inventory flow, particularly with branded product and women's apparel and shoes. We're working with urgency to get after that. Things we're doing, we're leveraging our strong brand partnerships. And what's unique about our brand partnerships in the off-price space is the partnership we have in the full price space. For the most part, these are the same vendors we have in our Nordstrom brand. And by working with these brands across full price and off-price, we have opportunity to improve inventory access and flow.

We're also broadening the reach of Nordstrom Rack by expanding our price range and are implementing plans to drive awareness and traffic. And while we have a financially healthy customer in many ways, we still haven't seen the full benefit of customers returning to work, of tourism, of social functions, especially in more urban locations where we have our best stores. As customer mobility increases, we've seen the largest sequential improvements in shoes, apparel and accessories. Those categories are still below 2019 levels. We see continued strength in pandemic categories. In Q2, for example, our Home category sales grew more than 70% versus 2019, but Home accounts for only low single digits percent of our business. We believe these product mix shifts are transitory, and we'll see growth accelerate in our core categories as customers return to the office, travel and just get out there more often. And while we're certainly focused on the near term, we're also accelerating our strategic transformation to win market share over the long term.

We have a strong foundation and some really important unique competitive differentiators, and are working diligently to build on these advantages to win with customers by serving them on better terms. We have tremendous opportunities to capitalize on the disruption in the retail sector to capture market share and drive profitable growth. All said, we are on track to achieve the top and bottom line goals we set forth at our investor event and continue to build capabilities to profitably grow market share beyond that. We're very excited about the path forward.

QUESTIONS AND ANSWERS

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Erik, thank you so much for those opening comments. I'd love to kick off our Q&A session today with the discussion about the transformation that you've made throughout the past 18 months of the disruption. In your view, what are the most important strategic changes that Nordstrom has made to strengthen the business? Where have you gained the most agility? And how is Nordstrom positioned as you look ahead?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Well, our company has been around a long time. And I think if there's one thing that our reputation is known for is taking care of the customer. We've always put the customer first. But over the last 2 years, we have seen a transformation in who the customer is, what the customer wants and where and how the customer shops. We've been investing against that for quite some time. And those capabilities that we've added to serve the customer better are paying off. The way the customer shops from discovery to fulfillment is increasingly digital and the pandemic certainly accelerated those changes in behavior. In response, we charted a new course, our company which is what our Closer to You strategy is all about. We see significant opportunity ahead as we lean into our digital-first approach to expand the aperture of who we serve and how we serve them.

Our digital penetration has more than doubled over the last 4 -- 5 years. Last year, it was over half of our business, and we have a healthy fleet of stores in desirable high-traffic locations. We've made meaningful progress in connecting both our digital and physical to deliver really differentiated customer service.

Core to our brand promise is delivering the best selection across the brands that matter most to our customers. We are the preferred brand for the -- preferred partner for the best brands in the world. And these brands not only resonate with our customers, but they play a central role in discovery. We're significantly expanding our product assortment with the intention of continuing to grow customer choice more than 5x over the next few years. We are uniquely positioned to deliver on this by building on the deep relationships we have with the best brands, while also extending the strength of our own brands.

As we survey the landscape, we think there's just tremendous opportunity to win on digital discovery in our categories. We believe we're uniquely positioned to do so given our assortment breadth and depth as well as the customer data that we have to help us translate it into a curated personalized shopping experience and make discovery relevant for each individual customer. We're building on the outstanding service for which our banners are known. In today's environment, the bar is continuously being raised, requiring us to deliver convenience and connection, primary in digital and physical assets and providing a customized services experience. Looking ahead, we are well positioned to capture market share and drive profitable growth as we are laser-focused on accelerating the implementation of our strategy.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. That's great to hear. As we think about some of the intro comments that you just made and about capturing that market share, I'd love to get your thoughts on the state of the overall consumer environment and the market. On your latest earnings call, you talked to some sequential improvement in trends across the business that are fueling some of your optimism for second half. Can you talk a little bit more about your outlook for overall consumer demand for the rest of the year, particularly as we get a little further away from some of these stimulus payments and also as we see some of the Delta case counts rise across the U.S.?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. It certainly improved. We're pleased with the activity and engagement we're seeing from customers. Q2 was significant sequential improvement from Q1 and going into last year. And we saw growth across both digital and stores. And even as store traffic improved to see the continued momentum in our digital business is certainly encouraging. But while the consumer spend certainly has benefited from things like stimulus payments, demand for our biggest categories, still have lots of room for headroom. As customers get out there more, could be returning to work, could be travel or just simply interacting more in person. The biggest categories we have are rebounding, but are still a ways away from where they were prepandemic. And we just see lots of momentum for those categories to continue to rebound with the customer.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Got it. One of the questions that we get from investors quite often is how to think about weighing that rebound into 2022 and how to think about that consumer environment. I'd love your perspective on the medium-term consumer outlook, particularly the strength in luxury that we've seen this year. As we move beyond kind of the initial COVID-19 recovery and move into '22, how are you thinking about those puts and takes?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Well, luxury has been a real source of strength. And it has been for us for a number of years. And just to level set, luxury is a big, important part of our business. And we see luxury, we mean true designer business. We talk about our breadth of being from Vans to Valentino. That is unique and differentiates us from a number of competitors. And we think really increasingly fits with how a modern customer shops. Customers don't just buy one brand head to toe. They mix high and low in particular, and want to build their closet that way. So luxury, we've put a lot of focus in for the last 5 to 10 years. And it's been our biggest category of growth over that time.

Designer business has been strong during the pandemic. It continues to be strong. And we think we're positioned to be the partner of choice there. And there's been a lot of disruption in that end of the marketplace. So that's an important part of our focus. But again, for us, to really capitalize on the customer, and I think this fits with where -- to your question of where the customer is at, both near and mid-term? Is to have that breadth of product that we have, the breadth of categories. We've added a lot of growth in pandemic-favored categories, things like Home and Beauty and Active. And those are becoming big businesses for us, particularly Active, which has been a pretty darn big business. So there's momentum there, but we are seeing and saw in Q2, the beginning of the rebounding of these other categories, more dressier categories. There's no getting around it. They're just big, big categories for us.

And as strong as a lot of the economic indicators have been in Q2, there's still a long ways to go for particularly urban areas to recover. I'm sitting above our Downtown Seattle store right now and to look out on the street. It's not nearly as busy as it was prepandemic. And very few businesses have come back to work. That's been delayed pretty much across the country. But we are seeing -- starting to see recovery in those categories and feel confident that, that will continue.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. One final question on categories before we move on. Home, Active and some of these new merchandising initiatives like your partnership with Tonal have been a new growth area for Nordstrom over the course of the past few years. Can you talk about your expectations for the growth in those categories? How will that assortment -- how the assortment evolve as you move forward? And how big of a growth driver is that for Nordstrom?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Well, newness is always important. Our business is -- we're not a price promotional business. Our business is driven on newness. And it's not only about newness of styles, but it's also newness in categories. I think the -- you brought up Tonal. I think that's a good example of -- we have a big Active business. In particular, our own brand of Zella is a big top 10 powerful brand for us. We see a lot of growth there. But bringing in a partner like Tonal does a couple of things. It certainly brings more legitimacy, authority to an important growing category like Active, which we're committed to doing, but it also leverages our store environment and makes them better. The Tonal product is something that customers just love to engage with. It's a very participatory element in our stores. And that is part of the kind of the magic of stores. It isn't kind of always a sales per square foot. It is about engagement activity and being a place where customers see something new, and it's through things -- partnerships like Tonal.

We've done a lot of partnerships with -- in particular, brands that's really born online and digital brands. We've done a lot with our pop-in shops both for men and women. And these are centered in our biggest stores, which tend to be these more urban locations. But that is something that we've had a lot of good experience in these last couple of years of bringing engagement to the stores. And that is a different way of looking at our store business and some of these partnerships is we know the more we can engage with a customer across our 2 brands in Nordstrom and Nordstrom Rack, across digital and physical, it really doesn't matter much what that engagement is. It could be in alterations. It could be a pop-in shop. That increased engagement just leads to good things for us and more trips and more spend from the customers.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Fantastic. I'd love to pivot for a moment to inventory and pricing. And maybe first, we can start with the Rack business. As there's been a little bit of an inventory challenge at that business recently, can you talk to the path to driving positive sales growth versus 2019 in the Rack business? What those key proof points are? And how you're thinking about the supply chain issues versus the core momentum of Rack?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. I always start with -- we're not happy with the performance of our Rack business. Overall, there's a lot of strong proof points to our overall strategy. But the near-term results in Rack, we're not happy with because we can see they can be much better. And one of the big headwinds we've had last quarter was inventory flow, particularly in our big categories of shoes and women's apparel. And some of that comes from our source of products. The vast, vast majority, almost all of our top 200 brands that are in our Nordstrom banner are also participating in our Nordstrom Rack business. It's a very branded off-price strength that we have there. That's been more challenging to get that branded product, particularly in those categories. So what do we do about it? We've -- we do work as one company with these top brands. Our merchants go to market, meet with these brands, And they're not just talking about Nordstrom business or Nordstrom Rack business. They really talk about end-to-end.

And these -- all brands have full price and off-price business. And for most of these brands, we're their biggest partner in the full-price business, and we should be their biggest partner in the off-price business as well. So we can work with brands to get access to this product. And given the supply chain disruptions going on globally, it does demand that we have more strategic interaction and partnerships with these brands to get access and flow that product in there.

We've also have -- feel much better about the plans we have in the back half. Frankly, the shift in categories was faster than we had planned for and some of the shift of just customer behavior. So our mix is a little off in our Rack business the last quarter. And so we're working on that and see some pretty easy adjustments that give us confidence there.

And the other part I'd mention would be we are encouraged with the early results and expanding the aperture of our price offering, layering on some lower-priced product to complement the more branded product we have in our Rack business, but we're early in that. And we don't have that mix right by category, by store location. And so again, these are expected adjustments to make, but we're not happy at all about the pace. We're really holding our own feet to fire on moving quickly to get after these opportunities to accelerate.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Excellent. I would love to follow up on that on a question of supply chain and availability generally. Supply chain has been top of mind for investors. The industry is navigating a number of headwinds, including production facility closures, bottlenecks at port, freight shipping delays. Can you talk to your receipt and timing inventory outlook across your family businesses, the areas or categories where we might see some tight availability and the impact that has on the financial results of Nordstrom?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes, it's -- it's an issue. There's no ducking around it. It's -- and part of the issue is the volatility and the unpredictability. There's -- we have some fallout in orders that we've seen. We had more fallout in our Rack business than we've had in our Nordstrom business. And some of that goes -- again, what can we do to mitigate that? We can build that into our plans. And part of the flexibility that our model provides us that is all unique. Again, you get the 2 brands, Nordstrom, Nordstrom Rack, is we can move product around within there. So we think we can be a little more aggressive in our planning and our on order and anticipate some of these -- some of the fallout from the orders that we have there, and we think we need to do that. We do think we've left some sales on the table by just not simply having enough in some key categories. And that's where there are -- certainly, there's external supply chain factors that are out of our control. But there are things within our control that we're very focused on, on getting after, and we certainly have seen some evidence.

And we break our Rack business down by store. Those stores that have had the best full product, have had the best business. And we have a number of stores that are exceeding 2019 levels. And again, they have the best inventory flow. So we ought to be able to scale that across our network, and that's what we're really focused on in the back half of the year.

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Yes. And Erik, I might add a couple of things on that as well. You've heard us talk about in our earnings calls that in transit, we're pulling forward receipts as much as possible to ensure that we've got a flow of goods for holiday, in particular, we know that free challenge coming in particular in the categories that we're very strong in. And the other piece to it is we are really working with our brand partners to be sure to deliver on those as well. We are within our own logistics pieces to it, right, with the inbound, and it's also the domestic piece. We're really working to increase flow to stores. We are increasing the availability of the product. And we're also working on our current ownership models as well in order to supplement where we might have some opportunities to support customer demand.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

That's really helpful. And one kind of offset that we've heard pretty consistently is that some of the supply chain challenges and the freight logistics delays have actually provided a more favorable promotional environment and a more favorable opportunity for pricing. Nordstrom is known to not be a particularly promotional retailer, but I'd love to hear your thoughts about the promotional environment into second half, maybe early into 2022. Does Nordstrom have opportunity to increase price to offset some of these inflationary cost pressures?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Well, a couple of things on that. Yes, we're not, again, a real price promotion-driven company. But promotional pricing has been significantly lower throughout the industry. And we do match price on the same product when that gets marked down elsewhere. So that's been helpful. It's certainly helpful for our margin. And we see that continuing certainly in the near term.

The other part of your question about opportunities to raise price, we are a retailer of brands. It's the vast, vast majority of our business is third-party brands. Those brands have a suggested retail price. And again, our business is driven by newness, not from discounting. So we do work with our brands on pricing, but for those branded product, it really is the brands suggested retail that we follow. So we don't see a lot of opportunity or think it makes sense for us to veer from that.

Anne L. Bramman - *Nordstrom, Inc. - CFO*

I think for us also, as we look at the second half, in particular holiday, in general, that is a promotional time in the industry. And I know there's been a lot of comparisons against 2019. We should -- I think all of us will see some helpful margin improvements in holiday season because there's just a lot of demand. And as we talked about earlier, the supply chain constraints and flow will be an opportunity of driving more sell-through. And I think even our Anniversary was a huge example of really getting better sell-through, lower markdowns and really ending in a good inventory situation as well.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

I'd love to get your thoughts on your digital and omnichannel business as you head into the holiday. As you think about digital penetration into second half and then again into '22, do you think that digital penetration is going to be higher, lower or about the same as what we saw in 2020 and 2021? And what are the most important initiatives for that digital and omni business into the back half that investors should be focused on?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. We'll start with as a north star for us, we do focus on that digital is going to continue to be an increasing part of our business. Last year, it was over half of our business. It's dipped a little under the 50% mark this year as stores have recovered. But that was -- it was really a good milestone for us to have the majority of our business be digital because it really helped make concrete that we see ourselves as a digital-first business. And okay, what was the implications of that? Things like customer choice. I mentioned growing customer choice by 5x. And being digital-first is, it's kind of a 2-step there.

One is having that product selection -- real broad product selection that customers want and helps drive traffic to our sites. But the second piece is, curation is still important. Customers just don't want an endless choices thrown at them. But that curation comes from -- not from the buying decision. It really comes from the point of the customer engagement and leverages customer data. And the customer data we have across our 2 banners and across our digital and physical stores, put us in a position to offer a personalized curated experience while having this broad, broad choice. So we continue to believe in digital. Digital is -- it's a big, big part of our business. It's not a small part that's growing fast. It's a big part of our business. and we will continue to invest in that.

To your omnichannel point, those capabilities have been important for a number of years, and we've been investing against those and connecting our digital and physical. Certainly, COVID accelerated the importance. Buy Online & Pick Up in Store is a great example of that. We've had a tremendous increase in our Buy Online & Pick Up in Store. That is one of the very most profitable customer journeys we have. It's also one of the highest satisfaction journeys we have with customers, and it really puts a -- to leverage the connected inventory we have, the connected assets of digital and physical. And again, we know if we can engage with customers more particularly, if we can engage with them across digital and physical parts of our business, that customer spend increases significantly.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

That's great to hear. One of the aspects of some of that consumer connection and driving that digital business is the investments that you're making. And Nordstrom has talked to making investments in wages, supply chain capabilities and distribution centers. Can you talk about how you're thinking about each of those investment areas? And how are you thinking about that impact on second half SG&A leverage capability?

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Yes. So in general, our investments and we've talked about this, we generally reinvest about 3% to 4% of top line sales in our capital. There's certainly a big component of our technology that is not capitalized that does flow through the SG&A component to it. But in general, we reinvest about 3% to 4% back into the business. And that is -- that was the guidance we gave for '21, and that's the longer-term guidance we gave in our investor event earlier this year. And the vast majority has really shifted over time. So we're still investing in stores and making them fresh and relevant to customers, but the vast majority, a significant majority of our investment is going into technology and supply chain capabilities.

In an earlier question and Erik's comment about being a digital-first company, it's really about opening up the capabilities, the network optimization to serve the customers as they continue to really drive that digital business as well as leveraging the physical assets we've got in different markets.

As we think about the second half, clearly, we're all facing headwinds on some of the labor pieces to it and the supply chain freight costs and some of the supply chain costs across the board. I think everybody is facing those, not just this industry, but multiple industries. And we're really looking at offsets to those. And so we're pulling a number of levers as far as how do we get more scale in the current investments that we've got in the supply chain, particularly in the West Coast, we're opening up some facilities out there. We're continuing to bend the curve on getting scale out of those investments. But we're also looking at productivity opportunities, including looking at local and regional deliveries for last mile and really deploying inventory in markets. It's closer to the customer, it's a better customer experience and it also optimizes the amount that it costs to deliver to the customer as well. So there's a number of levels we're pulling.

But we do -- the guidance we gave, and we continue to have very strong fixed expense leverage and are continuing to see that coming through in the businesses. The guidance we gave for Q2 and the guidance for second half really is delivering and meeting those commitments -- those medium-term commitments we laid out from both the top and bottom line perspective and unlocking shareholder value as well.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Fantastic. I'd love to shift into how you're thinking about some of those things more towards the longer-term margin opportunity. Can you talk to your outlook for the path for improving operating margins over the course of the next few years? What do you think are the most important levers to driving that sequential improvement? And how should we be thinking about the pace and the path to that improvement?

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Yes. So we think that the investments we've made is really to drive scale in our business. And so it's really about leveraging the information -- the data we have from a customer product and inventory perspective as a digital player is really expanding the choice count, but using it in different alternative ownership inventory model. So it doesn't necessarily mean there's a wholesale model that we're expanding to win count. It's about partnering with our brand partners to ensure that we're -- we have an expanded catalog for the customer, but doing it in a way that we're sharing the economics and sharing the risk. So it doesn't necessarily mean that we're taking on more risk, but it's about sharing that and expanding these choices. So that's a big piece of it.

The third piece to it is continuing to drive top line market share gains. For us, it is very much a focus of getting market share gains as well as driving that profitability flow through. And as we normalize in our mid-term guide is that we laid out at 2019 EBIT levels, we need about $1 billion less of revenue on an ongoing run rate basis and delivering a 6% plus capability from our medium term and a low-teen ROIC. We are on that path. We are actually a little bit ahead of where we thought we'd be at this point in time 6 months ago. But it has certainly been implied in our guidance that we're on track to delivering the mid-teens target. It doesn't mean that we're stopping there. It means that, that is the minimum threshold mid-term, and we'll continue to get more scale out of the investments that we're making as well.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. One of the questions that we've been getting consistently from some of the people on the webcast. It is a little bit more of a follow-up on your capital allocation policy. Can you discuss that in a little bit more detail? And whether or not that capital allocation and policy has changed at all in light of the recent downgrade with the credit rating?

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Yes. So our capital allocation policy, pre-COVID and coming out of COVID, has not changed. It's the first thing that we look at doing is reinvesting in the business of 3% to 4%. The second thing we do is we're looking at having a very strong balance sheet. And we've made an enormous amount of progress on our balance sheet. In fact, we're in such better shape than we were 6 months ago. We paid down debt. We're generating $1 billion-plus operating cash flow, and we are continuing to get our leverage ratios back in line. This year we're on a 3x EBIT or leverage ratio and on path to hit 2.5x or better next year. So in our mind, that is the right play. That is the way that we think about the business. Any excess cash after that gets returned to shareholders, and we believe we'll be in a position to start doing that by the end of this year.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. Another question that we've gotten a few times is a little bit more color on your store traffic. Can you talk a little bit to what you're seeing in store traffic, both in terms of full price and off-price? How did that trend throughout the summer? Are customers still reengaging at the same rate, especially in light of some of the Delta variant case count increases in the U.S.?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes, traffic. We saw improvement in traffic across our Nordstrom and Nordstrom Rack banners. Traffic has rebounded a little more strong in our Nordstrom banners. And neither are back to 2019 levels. But we have seen significant gains in conversion. And so we have a number of stores that are ahead of their 2019 levels. And it's a combination of improved traffic and improved conversion, but still room to go on and looking at prepandemic. We do see some difference geographically. We've seen a difference between the more urban locations versus the more suburban or outlying areas, the urban locations. While the rate of improvement in traffic has been higher than our fleet average, it's still lagging those more outlying areas.

We've also seen our stores in the southern part of the country come back a little stronger than the northern part. For us, that's -- there's some good news in there. We see that as Q2 is far from the peak -- far from the best as things can ever be. We see a lot of headroom to get back to some level of normalcy traffic-wise, and the conversion numbers are encouraging with us as that happens.

And just on the Delta question, we really haven't seen really a meaningful difference in our store traffic or store business over the last month or so.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

That's really helpful. One other question that we've gotten a few times is how to think about the margins that you're seeing between your key lines of business, full price versus off-price. Can you give us an update on how these 2 businesses are comparing in terms of margin in the current environment? How do you expect this differential to play out as the recovery continues? And how has your thinking changed on the outlook for these margins as you move through 2021?

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Yes. In general, between our Nordstrom banner and our Rack banner businesses, from an EBIT perspective, they've been pretty much at parity with each other going into COVID. And there's puts and takes across the board, but even throughout this year and into next year, we expect those businesses to continue to be relatively at parity with each other from an EBIT perspective. There, as you think about the different businesses, you're certainly going to have a little bit lower gross margin in the Rack business. It's typically a lower merchandise margin business. We do have more rent in that line as well. But in general, their SG&A expenses are much less. So it kind of balances out between the 2 businesses. And we expect to continue to see that.

Brooke Siler Roach - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Thank you so much for sharing those thoughts. We're coming up on time. And so with that, I will say thank you to Erik. Thank you to Anne. We really appreciate you joining us today. And we're hoping everyone who's joined us on the line can also join us for the next session. Thank you all, and have a great day.

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Thank you.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Bye.
