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JWN - Q4 2017 Nordstrom Inc Earnings Call

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OVERVIEW:

Co. reported 4Q17 EPS of $0.89. Expects 2018 sales to be $15.2-15.4b and EPS to be $3.30-3.55.

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CORPORATE PARTICIPANTS

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

Blake W. Nordstrom *Nordstrom, Inc. - Co-President & Director*

Erik B. Nordstrom *Nordstrom, Inc. - Co-President & Director*

James F. Nordstrom *Nordstrom, Inc. - President of Stores*

Trina Schurman *Nordstrom, Inc. - Director of Investor Relations*

CONFERENCE CALL PARTICIPANTS

Bilun Boyner *RBC Capital Markets, LLC, Research Division - Associate VP*

Charles P. Grom *Gordon Haskett Research Advisors - Senior Analyst of Retail & MD*

Daniel Stroller *Nomura Securities Co. Ltd., Research Division - Research Associate*

Edward James Yruma *KeyBanc Capital Markets Inc., Research Division - MD & Senior Research Analyst*

Erinn Elisabeth Murphy *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Kimberly Conroy Greenberger *Morgan Stanley, Research Division - MD*

Mark R. Altschwager *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Matthew Robert Boss *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

Oliver Chen *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Paul Trussell *Deutsche Bank AG, Research Division - Research Analyst*

Tracy Jill Kogan *Citigroup Inc, Research Division - VP*

PRESENTATION

Operator

Greetings, and welcome to the Nordstrom Fourth Quarter Earnings Conference Call. (Operator Instructions) We will begin with prepared remarks followed by a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded.

At this time, I'll turn the call over to Trina Schurman, Director of Investor Relations for Nordstrom. You may begin.

Trina Schurman - *Nordstrom, Inc. - Director of Investor Relations*

Good afternoon, and thank you for joining us. Today's earnings call will last 45 minutes and will include 30 minutes for your questions.

Before we begin, I want to mention that we'll be referring to slides, which can be viewed by going to nordstrom.com in the Investor Relations section.

Our discussion may include forward-looking statements, so please refer to the slide showing our safe harbor language.

During today's call, the company does not plan to comment further on the exploration by the Nordstrom family of the possibility of a going private transaction or the process.

Participating on today's call are Blake Nordstrom, Co-President; and Anne Bramman, Chief Financial Officer, who will be -- who will discuss the company's fourth quarter performance and the guidance for 2018. Joining during the Q&A session will be Erik Nordstrom, Co-President; and Jamie Nordstrom, President of Stores.

With that, I'll turn the call over to Blake.

Blake W. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

Good afternoon, and thank you for joining us today. Before we get started on our results, we'd like to take a moment to provide context on our journey ahead as we aspire to be the best fashion retailer.

Our customer strategy is centered on 3 strategic pillars: providing a differentiated product offering, delivering exceptional services and experiences and leveraging the strength of our brand. As we continue to evolve with customers, we're combining our digital and physical assets to create new ways for them to shop.

We invested early in our omnichannel capabilities, integrating our inventory across our stores and online over a decade ago. This has enabled us to serve customers in multiple ways. Today, we have more than 60 combinations in which merchandise is ordered, fulfilled and delivered. Through these investments, we have strengthened our foundation to better serve customers and gain market share.

Turning to our performance in 2017. We had record sales of approximately $15 billion. This represented annualized growth of 5% over the last 5 years, reflecting the investments we've made to expand our reach and improve the customer experience. We're encouraged by a number of key achievements over the past year.

First, we continue to see positive customer trends. At the close of 2017, we had 33 million customers who shopped with us during the year. Additionally, 9 million customers shopped in multiple ways, a 6% increase over the previous year. It's noteworthy that customers spend nearly 70% more when shopping us through multiple touch points.

In our Nordstrom business, we made meaningful progress in meeting customers' expectations around speed, convenience and personalization. We offer a number of ways to serve them on their terms, seamlessly across stores and online. Our services such as Buy Online Pick Up in Store, Reserve Online and Try In-Store and Style Board grew by more than 30% over last year. Nordstrom Local is a recent example of how we are testing new ways to engage and provide customers with convenient access to our service offerings. And our accelerated investments in our digital platform continue to pay off, with digital sales representing 30% of our full-priced business.

Nordstrom.com has 700 million annual site visits, offering expanded selection in key brands and categories. Our Nordstrom Rack business continues to be our leading source of customer acquisition, getting 6 million new customers in 2017. Over time, about 1/3 of our off-price customers cross-shop in our full-price business. In addition, Nordstromrack.com and HauteLook represent our fastest-growing business to reach $1 billion. In 2017, it accounted for 18% of off-price sales and had new customer growth of 45%. Its integrated digital and physical experiences led to 85% of online returns being made in store, which drove more than 4 million store trips in 2017.

We continue to evolve and grow our strategic brand partnerships with a focus on establishing Nordstrom as the partner of choice. Benefits of this strategy include creating a source of newness and discovery for customers, strengthening regular-price selling and driving long-term collaborations with preferred brands. These brands, including Designer, product with limited distribution and our private label, delivered outsized sales growth of 14% in 2017 with healthy gross margins. Over 60% of full-price brands have limited promotional exposure, a 17 percentage point improvement from 2 years ago.

Our Nordstrom Rewards loyalty program continues to drive engagement while providing valuable customer insights. In May 2016, we expanded our program so that all our customers can participate regardless of how they choose to pay. We continue to reap the benefits with more than 10 million active Nordstrom Rewards customers, an increase of 35% year-over-year.

As we look ahead to 2018, we're executing on our strategic pillars through a series of initiatives. First, we're excited to announce that we'll be opening the doors to our Men's New York City store on April 12. Together with our Women's store, which is slated to open in fall 2019, this flagship is our largest project to date. We expect the store to be the biggest and best statement of the Nordstrom brand serving as a gateway to new customers, both in the U.S. and internationally. It will be our highest-volume store in one of our top markets. Based on our experience of introducing full-line stores in a new market, we also expect the store to drive a material lift to online sales and market share gains.

Second, we're focusing on further integrating our digital and physical assets in our top markets to deliver best-in-class services and experiences. We will bring our capabilities together across supply chain, technology, marketing, product and services to create a digitally connected and differentiated experience for customers to shop on their terms. We're starting our integration in L.A., our largest market, where we serve 4 million customers online and through our local assets, including 16 full-line stores, 27 Nordstrom Racks, distribution and fulfillment centers, Nordstrom Local and Trunk Club. We believe that we will gain terrific learnings from our experience in L.A. that we can apply to other markets.

Another key initiative for 2018 is the introduction of Nordstrom Rack in Canada, where we completed our full-line store expansion plans with our sixth store opening in Sherway Gardens, Toronto last September. This year, we're planning to open 6 Nordstrom Rack stores in the Toronto, Calgary, Edmonton and Ottawa areas.

Similar to our experience in the U.S., we expect strong synergies between our full-price and off-price businesses and plan to grow our total Canada business to $1 billion.

Finally, we'll continue to curate our assortment to provide newness and the opportunity for discovery for our customers. In our full-price business, our focus is on strategic brand growth through new launches and our existing partners. In our off-price business, leveraging our vendor partnerships enables us to offer the best brands at the best prices.

We have made meaningful progress in laying the groundwork to better serve customers and look forward to our opportunities. We believe we have unmatched local market assets, our people, product and place, that combined with the strength of our digital capabilities, make us uniquely positioned in the market.

I'll now turn the call over to Anne, who will provide additional insights into our financial performance and thoughts about the year ahead.

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

Thanks, Blake, and good afternoon, everyone. Our fourth quarter earnings demonstrated our solid holiday execution, ending the year with clean inventories and stable merchandise margins. We maintained a strong financial position, marking the ninth consecutive year of generating more than $1 billion in operating cash flow.

We had a strong finish to the year. For 2017, total sales growth increased 4.4%, and comps increased 0.8%, which were slightly ahead of our expectations.

In our Nordstrom brand, fourth quarter sales reflected both favorable store trends and double-digit online growth. In our Nordstrom Rack brand, we had a meaningful improvement from the third quarter, a direct result of our focused efforts to provide good inventory flow and fashion right merchandise.

Fourth quarter retail gross profit was down roughly 40 basis points from the prior year due to occupancy expenses associated with our growth plans. Merchandise margins were consistent with both our expectations and the prior year, reflecting continued strength in our regular-priced selling. Ending inventory of 7% was in line with our plan and included a shift in timing of in-transit receipts. When normalizing for this, inventory growth was consistent with sales growth.

Our SG&A rate increased approximately 240 basis points, which included roughly 90 basis points of nonoperational items. We had a onetime contribution to our employee profit sharing plan associated with tax reform as well as legal settlement gain in 2016. The remaining increase primarily reflected planned supply chain, marketing and technology expenses.

We reported EPS of $0.89 for the fourth quarter and $2.59 for the full year. The impacts associated with tax reform were not contemplated in our prior outlook. This consisted of a onetime charge of $0.25, primarily related to the revaluation of our deferred tax assets. Additionally, we made an investment to employees of $0.06 mentioned earlier. Our results also included year-end adjustments to our incentives based on our top line performance, bringing earnings to the lower end of our expectations.

Now I'd like to provide our perspective on how we're measuring success as our business model continues to evolve. The economics of serving customers are greatly enhanced by having combined digital and physical assets in a given market. In our full-price business, we have a high-quality portfolio of around 120 full-line stores in roughly 50 markets across the U.S. In these markets, the profit per customer is more than double that of markets without a Nordstrom store presence. This market-focused approach informs how we allocate capital, leverage our capabilities and measure our success.

As we previously shared over the past several quarters, we're increasingly managing our business primarily through 2 brands, Nordstrom and Nordstrom Rack, rather than by channel. This includes migrating our metrics from a legacy store view to those that are more relevant to how customers are engaging with us. We continue to further align our incentives based on markets rather than individual channels.

Beginning in 2018, we will make a number of reporting changes and introduce additional metrics around our customer and market performance as indicators of the underlying health of our business. These changes, which are outlined in today's release, will impact our segment and sales reporting. Specifically, this means that we'll be allocating our credit business to our full-price and off-price businesses. Additionally, our sales reporting will represent a combined stores and online view and will include allocated corporate adjustments such as estimated sales returns. As the year progresses, we will be providing clarity and transparency to help make this reporting transition go smoothly.

Next, I'd like to discuss our path forward to achieving long-term profitable growth. We have now reached a point where our full-price digital business is at a scale in which costs to serve customers are comparable across our stores and online channels. This year, we are planning for a turning point in improved profitability as we scale our generational investments and leverage our enterprise capabilities.

In 2017, generational investments in Canada, HauteLook and Trunk Club contributed roughly $1.5 billion in sales. As these investments continue to scale, we anticipate profit improvements.

We accelerated investments in our foundational capabilities for supply chain, technology and marketing, resulting in an annualized expense growth of approximately 20% from 2010 to 2015 in these areas. Over the past 2 years, we have cut this growth in half through our focused effort to drive productivity and plan to further reduce it to a mid-single-digit range in 2018.

We're planning to maintain our marketing expense as a rate to sales, focusing on personalization and scale through our data and analytics capabilities. With the speed and agility enabled by our modernized technology infrastructure, we expect to incur cash spend of $525 million towards technology, consistent with the prior year. And in supply chain, we have maintained our cost per unit with further opportunity to optimize our network.

Finally, I'd like to turn to our 2018 guidance. Our EPS range of $3.30 to $3.55 includes a benefit from corporate tax reform of around $0.55, partially offset by an EBIT reduction from revenue recognition changes of approximately $30 million.

In terms of top line performance, we expect a continuation of underlying trends, yielding total sales of $15.2 billion to $15.4 billion and comps of 0.5% to 1.5%. This incorporates sales from generational investments of roughly $1.8 billion and 12 new Nordstrom Rack stores, 6 in the U.S. and 6 in Canada.

Our gross profit rate assumes modest improvement in merchandise margins. Occupancy expenses as a rate to sales are expected to be relatively consistent with last year, with higher expenses in the first half due to timing of new store openings.

Preopening expenses for our New York City flagship are estimated to be $25 million in 2018, consistent with 2017.

Additionally, SG&A expense growth is expected to be in the mid-single-digit range.

From an EBIT perspective, these drivers are expected to result in flat to a slight improvement in margin rate at the midpoint of our guidance.

The 2017 estimated EPS impact at the 53rd week is approximately $0.05.

Our income tax rate, including state and local taxes is estimated at around 27.5%, down from 39% due to tax reform.

Given the impacts related to the 53rd week, tax reform, revenue recognition and event shift, please refer to the appendix section in today's slides for additional color.

Moving to our capital plan. We expect to invest roughly $3.2 billion over the next 5 years or 4% of sales. Technology and supply chain are key enablers of the customer experience, representing nearly 50% of our plan.

Canada and our New York City flagship investments, making up 17%, will moderate as they near completion. For 2018, net CapEx is expected to be approximately $740 million, an increase of $70 million from 2017, primarily due to our New York City flagship and the buildout of an additional West Coast fulfillment center we shifted from 2017.

In closing, our strategic brand partnerships and combined digital and physical assets make us uniquely positioned in the marketplace. We believe our diversified and resilient business model will continue to serve us well while creating value for our shareholders, customers and employees.

And now I'll turn the call over to Trina for Q&A.

Trina Schurman - *Nordstrom, Inc. - Director of Investor Relations*

Thanks, Anne. (Operator Instructions)

Again, we'd like to remind you that we will not be commenting on the privatization. We'll now move to the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is coming from the line of Oliver Chen with Cowen and Company.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

The turning point plan in 2018 is really remarkable in terms of taking a stand now here. The environment is still very dynamic with Amazon and mobile and voice and digital. So what's context for why this is a right time to do this? And what kind of underpins your feelings that the improvement is here and will happen?

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

Thanks, Oliver. This is Anne. So there's a couple of things. As you look at our guidance, and I'll take it in different sections. So for the sales part of our guidance, we're really being very consistent with what we've seen with trends over the last several quarters. So we don't feel like we are -- even though the industry is in disruption, we feel like we're being pretty consistent with what we've seen in the top line of the business. The 2 biggest components of where we're getting that turning point is one, we've got our generational investments starting to come online. As Blake mentioned, we're opening our New York men's store this year. And additionally, we continue to open our Rack stores in Canada and continue to get scale and productivity out of those investments. The second component is we've been investing for a long time really ahead of the curve in our core capabilities to serve our customers. And we're -- as I mentioned, we are continuing to bend the curve in those investments and getting scale and productivity really on the marketing and technology, and we're continuing to optimize our supply chain.

Operator

Next is Ed Yruma with KeyBanc Capital Markets.

Edward James Yruma - *KeyBanc Capital Markets Inc., Research Division - MD & Senior Research Analyst*

You mentioned strategic brand partnerships a number of times during the script. Historically, you guys have maintained more open to buy than maybe some of your peers, less reliance on hard shop in shops. But over time, you started to add some brand exclusives. I guess, is this a step change from what you've done previously? Or is this just a continuation of that trend?

Erik B. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

This is Erik. I'll take that. A couple of things. We really haven't changed on the hard shops. We have very little of that in our stores. But we do have a trend, a multi-year trend of having more strategic relationships. And I would clarify, it's not necessarily exclusive brands. It's -- we're not looking to have commercialized exclusive for the sake of exclusivity. We're looking to have the most current, relevant, sought-after brands. And we believe in brands that's out there. So we think the appropriate thing, given the changing dynamics in our industry, is to have more strategic partnerships with brands that are not widely, widely distributed. So that's been very successful from both a sales growth standpoint and a gross margin standpoint. And we do plan on growing our strategic brand business at a faster rate than our overall business.

Operator

Next is Paul Trussell with Deutsche Bank.

Paul Trussell - *Deutsche Bank AG, Research Division - Research Analyst*

Just wanted to maybe flesh out a little bit more detail regarding the plan for retail EBIT in 2018 and very specifically, to what extent you're able to get an improvement from those initiatives such as Canada and Trunk Club. If you can give some color on that, that'll be helpful.

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

Yes. As I mentioned in my comments, we're changing our reporting metrics so we'll no longer split out -- we're just going to have one JWN component to how we're looking at the business going forward. As far as the components of our generational investments, there is a slide in the materials that we showed the total of what we're going to get contribution from under generational investments. It included all of those items.

Operator

Next is Mark Altschwager with Robert W. Baird and Company.

Mark R. Altschwager - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

In terms of the integration of the digital and physical assets, it sounds like an exciting initiative. Just curious what you're hoping to learn from the L.A. test. This seems like a natural evolution of the capabilities you've been building for some years. Just curious how quickly you could roll this out to other key markets.

Erik B. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

Mark, this is Erik. We're excited about it for a couple of reasons, one being that, as you know, we've been investing pretty significantly against adding capabilities, certainly, digital capabilities, but also capabilities in our stores to serve customers in the new ways they want to be served. Many of these capabilities are in place, yet they're not linked. So we see the opportunity in, first, we think we can move faster for the whole company by focusing our efforts in Los Angeles to learn quickly. But we see the opportunity to link many of these capabilities to really make a difference with customers. So our focus is, this year, to move fast in Los Angeles, to connect these capabilities, both physical and digital and learn a lot to where we can start skimming out to the rest of the company in '19 and '20.

Operator

Next is Simeon Siegel with Nomura.

Daniel Stroller - *Nomura Securities Co. Ltd., Research Division - Research Associate*

This is Daniel Stroller on for Simeon. Could you talk a bit about the Beauty category? We're curious about performance there and any initiatives going forward and also how you view the promotional environment within this category.

Erik B. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

Okay, this is Erik. I'll take that. Beauty continues to be very strong for us, very solid business. A lot of it is, if I compare parts of our business, driven by new or not highly distributed brands and brand launches. So that business continues to be very healthy and solid. The promotional environment -- you're asking about Beauty promotional environment specifically?

Daniel Stroller - *Nomura Securities Co. Ltd., Research Division - Research Associate*

Yes, specifically.

Erik B. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

Okay. Well, as you know, Beauty is traditionally not a very promotional category for us. It's been a bit more in the last year, but not in a real impactful way for us.

Operator

Next is Erinn Murphy with Piper Jaffray.

Erinn Elisabeth Murphy - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

I guess, just bigger picture, as you think about your comp guidance for the year of up 0.5 point to 1.5%, I guess, what gives you the confidence in the continued momentum built in this past year? And then within that guide, could you just talk about what you're assuming for transactions or traffic? And then just finally, just again to the comp. Some of your competitors are talking about a stronger first half. Any nuances in terms of when we're shaping the comp guidance?

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

Yes. So when we look at the comp guidance, if you look at where we finished the year at 0.8% and our guidance really puts the midpoint around that point. So when we looked at our guidance again, it's based on a trend over the last several quarters, and that's how we got comfortable with our top line. As far as the transaction piece to it, what was coming out in '17 has been really pretty consistent. And so we're assuming a pretty consistent trends on that as well. And then as far as the top line comp performance, there is a slide in the appendix of the deck that we gave you guys. We don't normally give comp or guidance, or even quarterly guidance, but we did try to lay out some of the event shifts with the Anniversary Sale and what some of the comp impacts are going to be first half and second half.

Operator

Next is Chuck Grom with Gordon Haskett.

Charles P. Grom - *Gordon Haskett Research Advisors - Senior Analyst of Retail & MD*

Question is on the full-line comp. Still down here in the fourth quarter, but I believe it's the best in a couple of years. Just wondering how we should think about the sustainability of that momentum into 2018. And then, Anne, just on the EBIT guide for 2018. Any color between retail and credit? Clearly, credit -- looks like credit EBIT dollars in '17 doubled. Do you think that can continue?

James F. Nordstrom - *Nordstrom, Inc. - President of Stores*

Chuck, this is Jamie. I'll take the first part of that. As we've been talking for the last few quarters, and particularly going forward around our full-price performance, we're really focusing on how to better serve customers market by market. And so we're less as focused on the full-line store comp as opposed to how we can gain market share in every market that we compete in. And that means continuing to break down the barriers between the digital experience and the store experience. Erik mentioned some of the things that we're going to be focusing in -- on L.A. going faster at that. And so our plan is to continue to grow market share by leveraging all these investments that we've made and the capabilities that we've rolled out, mostly by connecting them together and creating a better experience for our customers in every market that we do business in.

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

Yes. And for the EBIT and the credit piece, we do have, in the appendix of the guidance assumptions, we refer to the credit revenue growth. We gave some guidance on that. And again, as we go forward, we are combining our EBIT number to be one JWN.

Operator

Next is coming from Paul Lejuez of Citi.

Tracy Jill Kogan - *Citigroup Inc, Research Division - VP*

It's Tracy Kogan filling in for Paul. I had a question about the SG&A in the fourth quarter. I think you said they were -- there was 90 basis points of onetime charges. And I was just wondering, aside from the $16 million, what the other onetimers were. I didn't know -- I know you mentioned something about incentive comp, but I don't think that's the onetime you're talking about so just more clarity there.

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

Yes. So part of it is we're anniversary-ing a legal gain, a settlement of a gain in 2016. So that has a negative impact on the year-over-year comparison.

Tracy Jill Kogan - *Citigroup Inc, Research Division - VP*

Got you. So that was the 90 basis points...

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

That was part of the 90 -- yes, so there was the onetime -- yes, and then the comping of the legal gain.

Tracy Jill Kogan - *Citigroup Inc, Research Division - VP*

And then how much was the increase in incentive comp? I think that's what you said took you to the low end of the range that you expected back in January.

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

Yes. So I think if you look at the range, you can get pretty close to where we would have been.

Operator

Next is Brian Tunick with RBC Capital Markets.

Bilun Boyner - *RBC Capital Markets, LLC, Research Division - Associate VP*

This is Bilun Boyner on for Brian. So for Rack store, comp there was a really nice improvement here from Q3. Can we talk about maybe some of the drivers there? What did you do differently toward the holidays maybe that led to this improvement? And then last year, I believe you had mentioned that the team was maybe too optimistic at the beginning of the year with Rack inventory plans compared to how it actually played out at least the first half of the year. So as we look into fiscal '18, how are you planning Rack inventories or maybe buys?

Blake W. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

This is Blake. I'll take that. Yes, we were pleased that Q4 was an improvement and kind of back towards a more historical trend. No question, in Q3, we were disappointed and underperformed our plans. As we've said, or I've talked about the last couple of quarters, there's a number of factors, but one of the biggest we've felt and that you alluded to in the last part of your question is our management of the inventories, the balance, the content, the flow and are in market in a fluid manner and reacting to the business in a timely way to have trend right merchandise with great values. And we felt like, part in hindsight, that and out plans weren't as grounded as they could be and as we weren't meeting those plans, we weren't making the necessary adjustments. And so we literally went 3 quarters where we were slightly overbought and not in market the way we'd like to be. The team worked hard on that, and we think that was reflective in the Q4 numbers. And we got back to kind of historical approach to inventories in Q4. We're particularly excited about where we are today and how we start the year in 2018. Both full-price and off-price, that was very solid inventory management. The aging of it is good. We think we're in a very good position to achieve the goals we've laid out for this year.

Operator

The next question is coming from the line of Matthew Boss with JPMorgan.

Matthew Robert Boss - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

On the gross margin front, I guess, can you speak to some of the headwinds that impacted the fourth quarter? And then for this year, what are the drivers behind the modest merchandise margin expansion? And what comp is needed to lever the underlying buying and occupancy this year?

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

So in my comments and in my script, I mentioned that our March margin was pretty consistent year-over-year for 2017 as well as Q4. And really, the big headwinds were in our occupancy expenses with some of the preopening costs we've had in Canada with the Rack stores as well as New York City. So when we look at it, those were really what was driving the fourth quarter. As far as the modest improvement in '18, it's really 2 different pieces to it. One, as we talked about our journey for fashion authority as we continue to grow our limited distribution assortment, it has a higher margin rate for us. And so that's helping some of the improvement that we're calling out in '18. The other piece to it is Blake just referred to in discussing the Rack performance. We expect to see some improvement in that area as well as we start the year in a better inventory position as well as having a pretty disciplined look on our buy.

Operator

Our last question is from the line of Kimberly Greenberger with Morgan Stanley.

Kimberly Conroy Greenberger - *Morgan Stanley, Research Division - MD*

And if there's more detail in the slides, feel free to refer me there. I haven't had the chance to get through every single one of them. But I'm wondering if you can just help us understand what defines a general -- generational investment for you. I'm just not familiar with that term. And how you distinguish which investments are categorized as generational versus otherwise? Let's just start with that one.

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

Yes. So for us, generational investments, there's really just a couple of very big items that we've been investing along the way in and done some acquisitions. So it's HauteLook, which is now Nordstrom.com/HauteLook, our Trunk Club acquisition...

Blake W. Nordstrom - *Nordstrom, Inc. - Co-President & Director*

Nordstromrack.com.

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

I'm sorry, Nordstromrack.com, thank you. It's our investment in Canada as well as our investment in New York City.

Kimberly Conroy Greenberger - *Morgan Stanley, Research Division - MD*

Okay, got it. And then in terms of the new reporting structure, are we going to be getting a Nordstrom full-line division report separate from the Rack division report? I'm not sure I totally understand what pieces of financial transparency are being removed.

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

So we will continue to highlight, and we're giving guidance on a JWN perspective. And we'll give color commentary on off-price, full-price business.

Kimberly Conroy Greenberger - *Morgan Stanley, Research Division - MD*

Okay. So no reporting for each of the 2 divisions separately?

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

We will do off-price and full-price. We're no longer going to give you channel-specific numbers.

Kimberly Conroy Greenberger - *Morgan Stanley, Research Division - MD*

Okay, got it. And then lastly, are you reporting credit revenue separately? I guess, there's new guidelines on credit, and so a lot of retailers are pulling it out the credit income into a separate revenue line. Will we continue to see that separately?

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

So we will have credit revenue, but the actual EBIT piece to it will be combined as a JWN.

Trina Schurman - *Nordstrom, Inc. - Director of Investor Relations*

Again, thank you for joining today's call. A replay, along with the slide presentation and prepared remarks, will be available for 1 year on our website. Thank you for your interest in Nordstrom.

Operator

This concludes today's teleconference. You may disconnect your lines at this time, and we thank you for your participation.