

# INVESTOR PRESENTATION | OCT 2019



**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.

Free cash flow and return on invested capital are measures of performance which meet the definition of a non-GAAP financial measure. These measures should be used in addition to and in conjunction with results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are found on our investor relations site at [www.investor.nordstrom.com](http://www.investor.nordstrom.com).



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We aspire to be the best fashion retailer in a digital world by remaining focused on our customers

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**WE PROVIDE COMPELLING PRODUCTS,  
OUTSTANDING SERVICES AND A  
SEAMLESS CUSTOMER EXPERIENCE**

**The Nordstrom Brand**

We leverage a unique business model to serve customers through our digital and physical assets, across Full-Price and Off-Price businesses

**NORDSTROM** NORDSTROM **rack**  
**HAUTELOOK** **TRUNK CLUB**



# CUSTOMER STRATEGY

# KEY INVESTMENT HIGHLIGHTS

## #1 Goal is to Provide Customers with the Best Shopping Experience



### **Leader in Fashion Supported by Outstanding Service and Innovation**

Differentiated business model provides customers with curated merchandise leveraging strategic brand partners, a high-quality store footprint, robust online presence, engaging customer loyalty program, and outstanding service.

### **Gaining Share in a Digital World**

Market-leading digital capabilities provide a seamless experience for our customers across our business model. Our local market strategy provides customers with a differentiated experience across our online and full-line platforms.

### **Strategic Investments in Top Markets and Digital to Drive Growth**

Focused store investments in key markets and online scaling to drive margins and improve return on invested capital.

### **Strong Balance Sheet and Cash Flow Generation**

Solid balance sheet to support our growth strategy and return cash to shareholders.

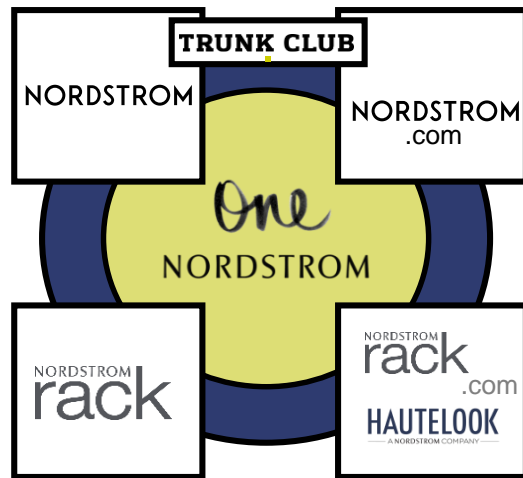
### **Experienced Leadership Team and Board**

Experienced cross-disciplinary management team, including new CFO in 2017 and CTO in 2018. Refreshed and diverse Board with 7 new appointments since 2015 including 2 in 2019.

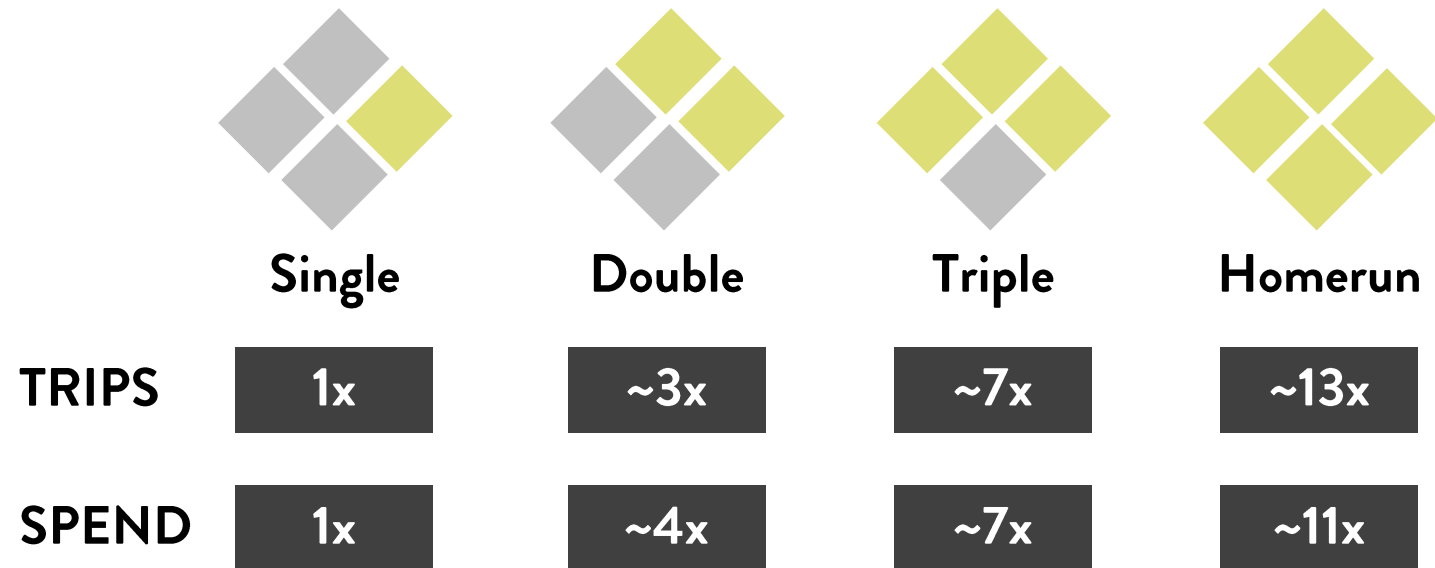
# ONE NORDSTROM: WHOLE > SUM OF THE PARTS

Engagement Across Our Four Boxes Encourages More Visits and More Spend

## OUR FOUR BOX OFFER



## PER CUSTOMER IMPACT BY CHANNELS SHOPPED



Our Services Drive Incremental Customer Spend Within Each Channel (e.g., BOPUS ~2x, Alterations ~3x, Style Boards ~4x, Stylist ~5x)

# HOW NORDSTROM WINS

We Win by Providing Our Best Customers Our Best Products in Our Best Markets



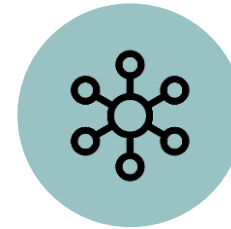
**Strategic brand partnerships**



**Exceptional customer service**



**Growing loyalty program**



**Seamless omni-channel platform**



**Customer experiences and services  
(e.g., BOPUS, alterations)**



**Local market strategy**

# OUR FULL-PRICE BUSINESS IS LARGE & FOCUSED

Our Core Business Combines Physical & Digital Assets to Meet Customer Needs

## OUR CORE BUSINESS IS STRONG

**\$10B**

Full-Price Sales

**800M+**

Unique Daily Visitors  
Annually to Website  
& Mobile

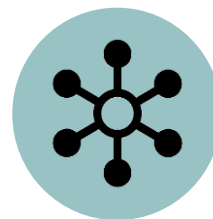
**\$1B**

Annual Mobile Sales

**20M**

Full-Price Customers\*

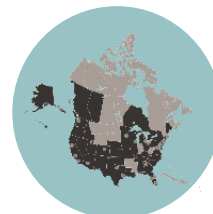
## WELL POSITIONED TO WIN



Multiple Channel Capabilities



Driving Innovation



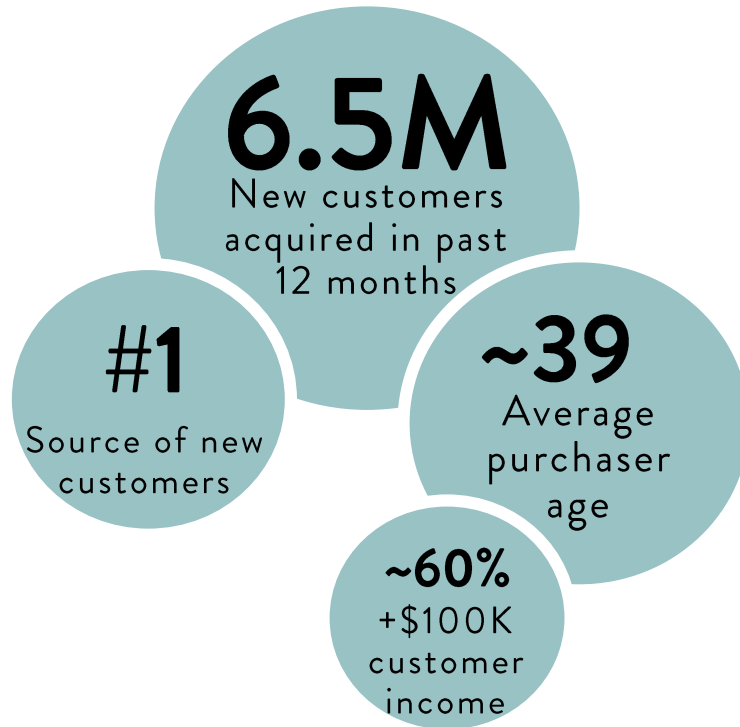
Focusing On Key Markets



# OUR OFF-PRICE BUSINESS IS A CRITICAL GROWTH DRIVER

Attracts a Younger, Affluent Customer

## NEW CUSTOMER ACQUISITION



## FULL-PRICE ENGAGEMENT

**1/3**

Off-Price customers become Full-Price customers over time

**~2x**

Increase in spend when Off-Price customers start shopping Full-Price as well

## FULL-PRICE PRODUCT EXHAUST

**~90%**

of top 200 Full-Price brands are sold in Off-Price

**~10%**

Off-Price inventory comes from Full-Price

# HIGH-QUALITY, HEALTHY STORE FOOTPRINT

We are Uniquely Positioned with the Right Number of High-Quality Stores

## STORE PORTFOLIO

**119 FLS\*** 95% located in “A” or better malls

**248 Rack** Majority of our Racks are located in convenient power center locations

**14 Other** Trunk Club Clubhouses, Nordstrom Local, Jeffrey

**100%**

of U.S. comparable operating stores are cash flow positive

## MARKET PRESENCE

■ Stores & Online  
■ Online Only



Nordstrom present in **all top 20 markets** (by market size)

**~70%**

of Nordstrom total stores are located in top 20 markets

# MARKET-LEADING ONLINE PRESENCE

Driving Outsized Growth

## ONLINE PORTFOLIO

**NORDSTROM**  
.com

NORDSTROM  
**rack**  
.com

**HAUTELOOK**  
— A NORDSTROM COMPANY —

**TRUNK CLUB**

## LARGE AND HIGH GROWTH ONLINE BUSINESS

Digital Sales  
Penetration

24%

27%

30%

Digital Sales  
(\$B)

\$3.5

\$4.0

\$4.7

FY16

FY17

FY18

Digital Sales  
Growth (YoY)

15%

16%

16%

# OUR WORLD-CLASS BRAND IS BUILT BY OUR CUSTOMERS

We Have a Strong Base of Young, Affluent and Fashion-Focused Customers

## 2017 CUSTOMER DEMOGRAPHICS

### AGE

**42**

JWN average purchaser age

### YOUNG CUSTOMERS

**36%**

Customers that are 18-34 years old

### YC GROWTH (18-34)

**+19%**

Increase in Young Customers (YC) '17 vs. '15

### INCOME

**>65%**

Of JWN sales are from customers with Household Income >\$100K

## HIGH-LOW ASSORTMENT OF STRATEGIC BRANDS

### HIGH-LOW ASSORTMENT

From Zella to Gucci

ZELLA Style Game Shine Hooded Jacket  
\$139

GUCCI Small GG Marmont 2.0 Matelassé Velvet Shoulder Bag  
\$2590

REFORMATION Hattie Off the Shoulder Dress  
\$218

NIKE Air Force 1 Jester XX Sneaker  
\$110

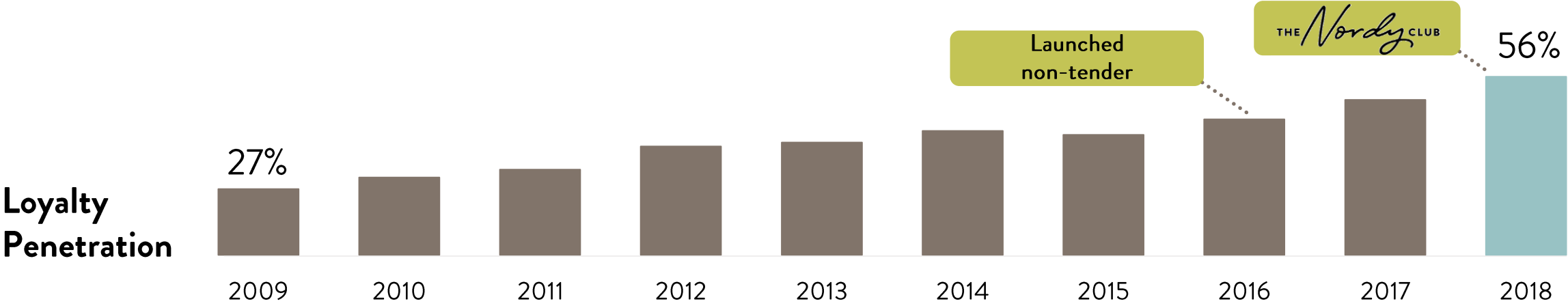
### BRAND DISCOVERY

From national brands (Nike) to limited distribution brands (Reformation)



# EVOLVING LOYALTY WITH CUSTOMER EXPECTATIONS

Higher Engagement & Customer Spend



### ACTIVE MEMBERS

**~12M\***

~1/3 customers | 12%+ YOY FY 2018

### 2018 SALES

**\$9B**

>50% of sales

### ENGAGEMENT

**3X**

trips

**4X**

spend

Source: Investor Day Presentation July 2018, Q4 2018 Earnings Materials  
\*As of Q2 2019

# EVOLVING LOCAL MARKET STRATEGY

Our Local Market Strategy Enables a Differentiated Customer Experience

## FROM:



Inventory from one store



## TO:

All inventory in my market



Limited fulfillment options



Multiple options for BOPUS or delivered to me



One week for many online orders



Same-day or next-day in top markets



Appointment-based styling and services



Always-on (24/7), high- and low-touch options for style expertise and services in-home, in-store, or in-Local



“Push” inventory based on initial allocation



“Pull” inventory based on customer demands

# LOCAL MARKET STRATEGY DRIVING GROWTH IN LA

Success Scaling in LA Informs Strategy in NYC

**\$1B**  
in Full-Price Sales

**4M**  
JWN Customers

**16**  
Full-Line Stores

**3**  
Nordstrom Locals

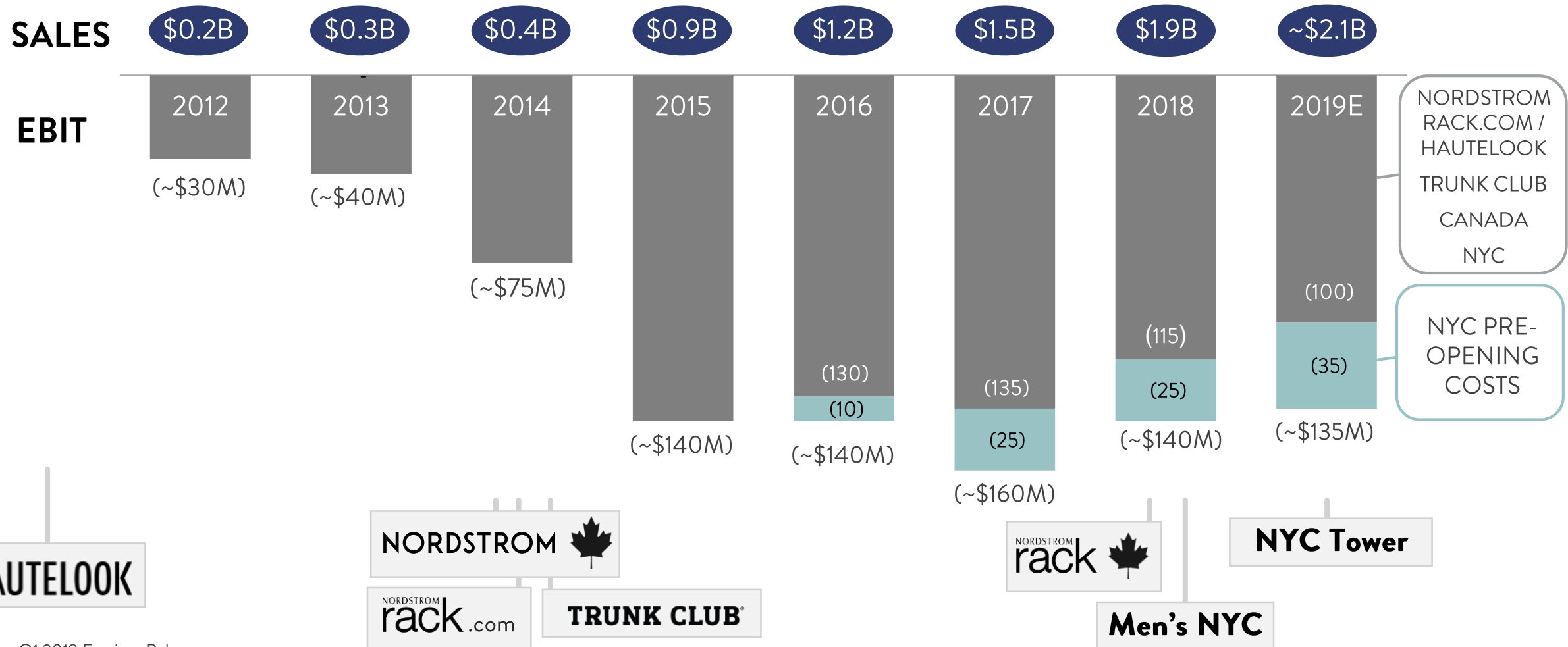
**3**  
Supply Chain  
Facilities in LA  
by 2019



Source: Q1 2019 Earnings Release

# SCALING GENERATIONAL INVESTMENTS

Nearing Conclusion of Heavy Investment Period



Source: Q1 2019 Earnings Release  
2019E represents estimated sales and EBIT

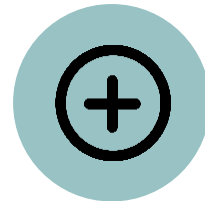


# MANHATTAN - \$700M+ FULL-PRICE MARKET OPPORTUNITY

## Last Year of Generational Investment Cycle

### MEN'S STORE

Opened  
Spring 2018



Focused on market, not just the 4-wall opportunity

### TOWER (WOMEN'S)

Opening  
Oct 24, 2019



Already the #1 market for online sales

### NORDSTROM LOCAL

Opened Sept 2019 in  
the West Village &  
Upper East Side



Encouraged by early results



# FINANCIAL OVERVIEW

# LONG-TERM VALUE CREATION

## **GAIN MARKET SHARE**

Local market strategy  
Generational investments

## **IMPROVE PROFITABILITY & RETURNS**

Leveraging inventory  
Bending expense curve

## **MAINTAIN DISCIPLINED CAPITAL ALLOCATION**

Moderating capex  
Accelerating free cash flow

# Q2 PROGRESS

## SALES DRIVERS

### LOYALTY

Improved note redemptions

### DIGITAL MARKETING

Increased traffic

### MERCHANDISE

Continue to re-balance assortment



## OUTCOMES

### ANNIVERSARY

(+) *Increase customer satisfaction*

(-) *Drive sales*

(+) *Improve event economics*

### OFF-PRICE

(+) *Strong inventory & expense execution*

(-) *Further accelerate marketing*

# Q2 2019 RESULTS

<i>Better/(Worse) than LY</i>	Q1	Q2	H1
<b>Total Sales</b>	(3.5%)	<b>(5.1%)</b>	(4.3%)
<b>Inventory Decrease</b>	5.3%	<b>6.5%</b>	6.5%
<b>Gross Profit % of Sales</b>	(60 bps)	<b>(50 bps)</b>	(55 bps)
<b>SG&amp;A % of Sales</b>	(168 bps)	<b>(26 bps)</b>	(93 bps)
<b>EBIT % of Sales</b>	(212 bps)	<b>(47 bps)</b>	(125 bps)

# FY 2019 GUIDANCE

## PRIOR OUTLOOK

## UPDATED OUTLOOK

**Net sales**

2% decrease to flat

**~ 2% decrease**

**Credit revenue growth**

Low to mid single-digit

**Low to mid single-digit**

**EBIT**

\$805M to \$890M

**\$805M to \$855M**

**EBIT margin**

5.3% to 5.8%

**5.3% to 5.6%**

**EPS**

\$3.25 to \$3.65

**\$3.25 to \$3.50**

# EBIT MARGIN IMPROVEMENT INITIATIVES

## SG&A Optimization to Supplement Historical Initiatives

### KEY PROFITABILITY INITIATIVES

### COMMENTARY

#### Scale Generational Investments

- Manhattan Tower opening October FY 2019

#### Local Market Strategy

- 60% of sales are in our top 10 markets

#### Strength in Product Margin

- Targeting 50% of Full-Price sales from strategic brands and improved inventory turns

#### SG&A Optimization

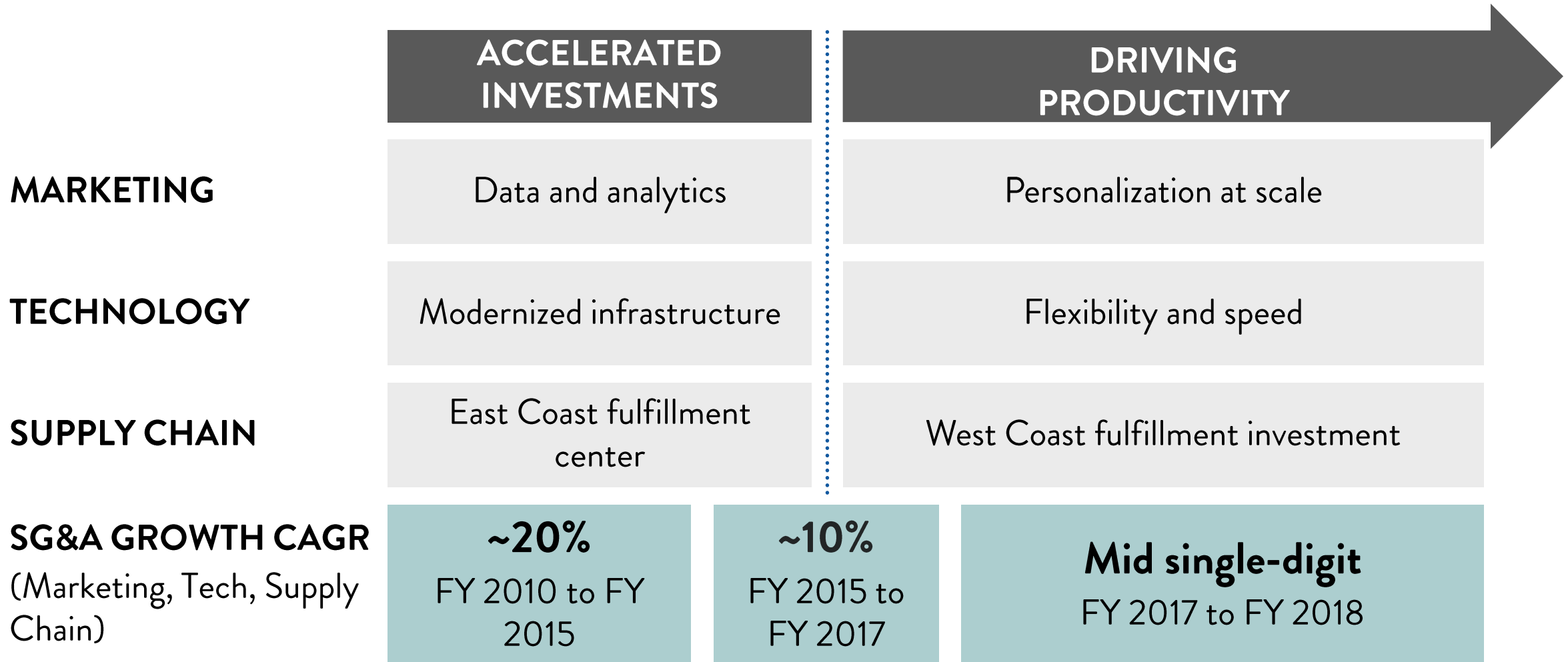
- Tracking ahead of plans to achieve \$150-\$200M savings goal in FY 2019

#### Leverage Digital Capabilities

- Improved data and analytics, modernized technology infrastructure, and scaling supply chain network

# BENDING THE CURVE IN SG&A GROWTH

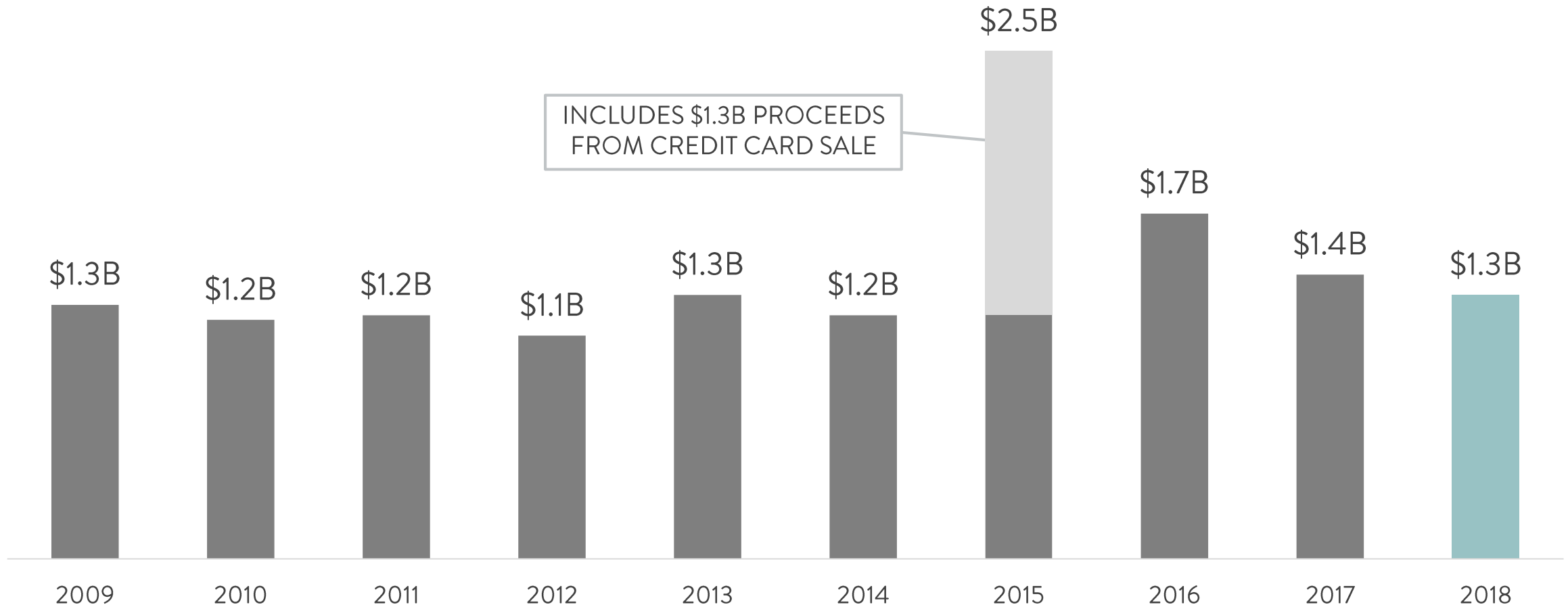
Leveraging Digital Capabilities





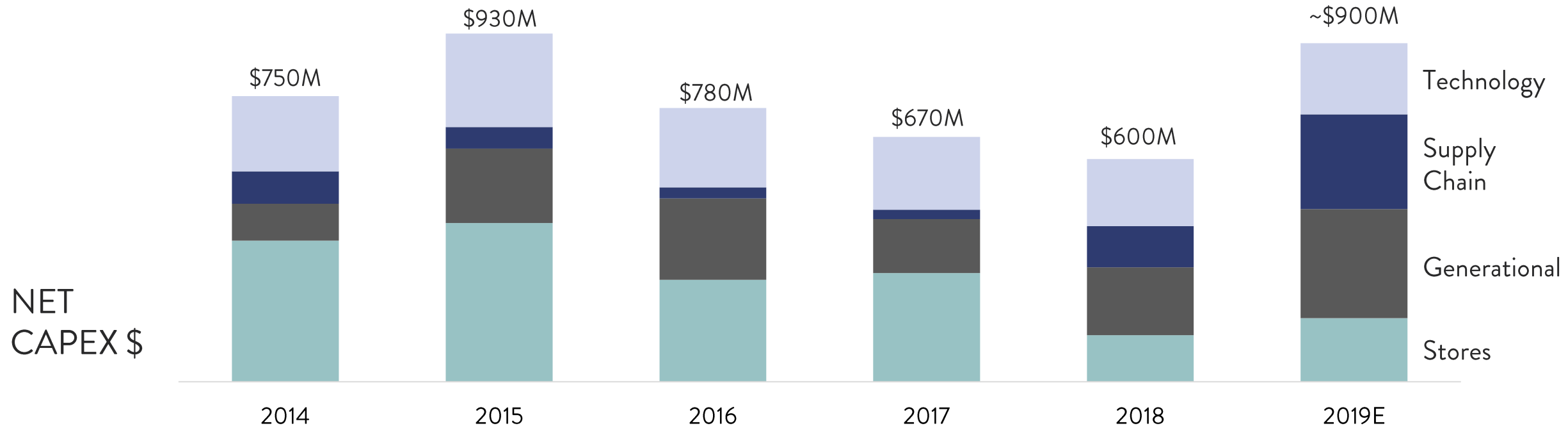
# CONSISTENT CASH FLOW GENERATION

Ten Consecutive Years of \$1B+ Operating Cash Flow



# INVESTING IN DIGITAL CAPABILITIES

Expect Capex to Moderate to 3-4% Of Sales in FY 2020



NET CAPEX  
% OF SALES

6%

7%

5%

4%

4%

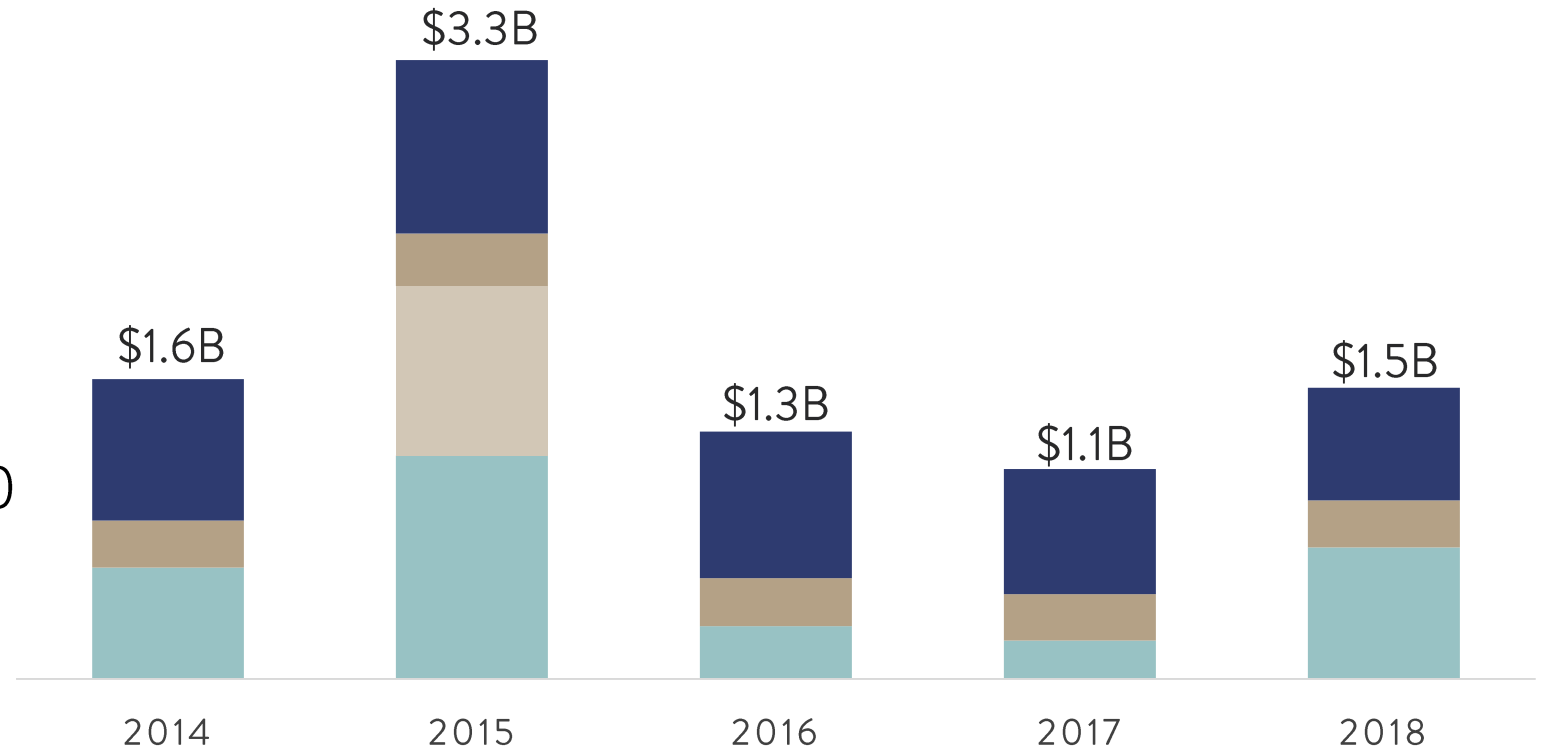
**<6%**

# DISCIPLINED CAPITAL ALLOCATION

Maintain Investment Grade Credit Rating

## PRIORITIES

- 1 BUSINESS REINVESTMENT
- 2\* DIVIDENDS (TARGET PAYOUT 30-40%)
- 3 SHARE REPURCHASES



TARGET ADJUSTED DEBT TO EBITDAR 1.5X TO 2.5X



# APPENDIX

# MANAGEMENT TEAM

## Significantly Experienced and Diverse Team



**Erik B. Nordstrom**

- Co-President, Nordstrom, Inc.
- Mr. Nordstrom served as Executive Vice President and President, Nordstrom.com from May 2014 to May 2015



**Peter E. Nordstrom**

- Co-President, Nordstrom, Inc.
- Mr. Nordstrom served as Executive Vice President and President, Merchandising for the Company from February 2006 to May 2015



**Anne L. Bramman**

- Chief Financial Officer
- From March 2015 to March 2017, Ms. Bramman served as Senior Vice President and Chief Financial Officer of Avery Dennison Corporation



**Kenneth J. Worzel**

- Chief Operating Officer
- Mr. Worzel previously served as Chief Digital Officer and President, Nordstrom.com. From 2010 to 2016, Mr. Worzel served as EVP, Strategy and Development.



**Edmond Mesrobian**

- Chief Technology Officer
- Previously Mr. Mesrobian was Chief Technology Officer for multi-national grocery retailer Tesco PLC from 2015 to July 2018



**Christine F. Deputy**

- Chief Human Resources Officer
- Ms. Deputy previously served as Group Human Resources Director at Aviva plc from March 2013 to June 2015



**Scott A. Meden**

- Chief Marketing Officer
- From February 2010 to August 2016, Mr. Meden served as Executive Vice President and General Merchandise Manager, Shoe Division



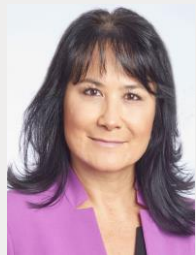
**James F. Nordstrom, Jr.**

- President, Stores
- From 2005 to 2014, Mr. Nordstrom served as Executive Vice President and President, Nordstrom.com



**Geevy S.K. Thomas**

- President, Nordstrom Rack
- Mr. Thomas previously served as Chief Innovation Officer since January 2017. From 2010 to 2017, he served as Executive Vice President and President, Nordstrom Rack



**Ann Munson Steines**

- Executive Vice President, General Counsel and Corporate Secretary
- Ms. Steines previously served as Macy's Senior Vice President, Deputy General Counsel and Assistant Secretary from 2009 to 2019



**Teri Bariquit**

- Chief Merchandising Officer
- From 2012 to 2019, Ms. Bariquit served as Executive Vice President, Merchandise Planning and Solutions.




**Kelley K. Hall**

- Chief Accounting Officer and Treasurer
- From October 2008 to August 2017, Ms. Hall held various senior finance leadership positions at NIKE, most recently as Vice President and CFO for Enterprise Operations

# BOARD OF DIRECTORS

Strategy Driven By a Highly Diverse, Experienced and Independent Board



**Shellye L. Archambeau (2015)**

- Former CEO, MetricStream
- Skills / Experiences: Technology, ecommerce, digital media, communications
- Other public Boards: Verizon, Okta, Roper Technologies

**N T**



**Stacy Brown-Philpot (2017)**

- Chief Executive Officer of TaskRabbit
- Skills / Experiences: Innovation, digital, branding, marketing, operations
- Other public Boards: HP


**T A F**



**Tanya L. Domier (2015)**

- CEO, Advantage Solutions
- Skills / Experiences: Sales and marketing, strategic planning, senior leadership
- Other public Boards: YUM! Brands

**F A C**



**Kirsten A. Green (2019)**

- Founder and Managing Partner, Forerunner Ventures
- Skills / Experiences: Consumer behavior, digital commerce, brand building

**T A F**



**Glenda G. McNeal (2019)**

- President Enterprise Strategic Partnerships, American Express
- Skills / Experiences: Business development, innovation, CRM
- Other public Boards: RLJ Lodging Trust

**N C**



**Erik B. Nordstrom (2006)**

- Co-President, Nordstrom
- Skills / Experiences: Retail, executive leadership, business management



**Peter E. Nordstrom (2006)**


- Co-President, Nordstrom
- Skills / Experiences: Retail, executive leadership, business management



**Brad D. Smith (2013)**

- Non-executive Chairman, Nordstrom
- Executive Chairman of Intuit
- Skills / Experiences: Brand marketing, innovation, financial and accounting
- Other public Boards: Intuit, SurveyMonkey

**N C**



**Gordon A. Smith (2015)**

- Co-President and COO, JPMorgan Chase
- Skills / Experiences: Consumer services, corporate governance, risk management

**N C**



**Bradley D. Tilden (2016)**

- Chairman and CEO, Alaska Air Group, Inc.
- Skills / Experiences: Executive leadership, financial, governance
- Other public Boards: Alaska Air

**F A**



**B. Kevin Turner (2010)**

- President and CEO, Core Scientific
- Skills / Experiences: Strategy, digital, global operations, supply chain, merchandising, branding, marketing, technology

**N T**

**Legend:**

- Independent
- Audit and Finance Committee
- Corporate Governance and Nominating Committee
- Technology Committee
- Compensation Committee
- Committee Chair
- Financial Expert \*

\* The Board has determined that all Audit and Finance Committee members qualify as “audit committee financial experts” under the regulations of the SEC

# CORPORATE GOVERNANCE FRAMEWORK

We Seek to Maintain the Highest Governance Standards

## BOARD

- 9 of 11 current directors are independent, with majority (56%) gender diverse
- Independent Chairman
- Regular executive sessions of independent directors
- Committees comprised only of independent directors
- Annual evaluations of Board committees and directors
- Authority to hire independent consultants and experts
- A combined 94% director attendance across 9 Board meetings in FY 2018
- All Audit & Finance Committee members are SEC “Audit Committee Financial Experts”

## SHAREHOLDER RIGHTS

- Annual election of all directors
- Majority vote standard for director elections
- Each common share is entitled to one vote
- Shareholders of 10%+ entitled to call special meeting
- Annual say-on-pay advisory vote
- Regular shareholder outreach and engagement
- Open communications with directors

## COMPENSATION

- Pay-for-performance philosophy guides executive compensation
- Stock ownership policy for directors and executive officers
- Executive compensation clawback policy
- Firm hedging and pledging policies
- Independent compensation consultant engaged by Compensation Committee

## STRATEGY AND RISK

- Company strategy oversight by Board
- Risk oversight by Board and committees aligned with company strategy
- Regular risk management reports to Board and committees
- Compensation program designed to reduce undue risk
- Annual strategy planning meeting
- Board oversight of Co-Presidents and management succession planning