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PRESENTATION

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Good afternoon, everyone. Thanks for joining one of our -- one of the last sessions on our -- on day 3 of the Evercore ISI Consumer & Retail Summit. And certainly not last but not least, Erik Nordstrom, CEO; and CFO, Anne Bramman from Nordstrom, not many introductions required. Thank you so much for joining us.

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

Thanks for having us, Omar.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Great. We've got 35 minutes. A number of topics I want to cover. So I figure we'll just jump right in, if that's all right with you guys.

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

Sure.

QUESTIONS AND ANSWERS

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

So this is a question I've been asking most of the companies here at the conference that we've had a chance to. COVID has been a big, very unique and then been an impactful cycle. I'd like to maybe start the conversation off by giving you guys the chance to talk about how the company has evolved pre-COVID, post-COVID.

If we think about it, if you think about and look at Nordstrom today versus where it was 18, 24 months ago, what are some of the new capabilities, new strategies, new dynamics that you're dealing with and then risk factors as you see are important?

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

Yes. There's really not much significantly different strategically. It's -- COVID has brought an acceleration of trends that have been in place. And in directionally, trends that we've been investing against for the last handful of years, but it's been a massive acceleration, and it's obviously been very disruptive.

It's forced us, helped us to be more focused and have to be more agile. Our model has a lot of flexibility built in that we have 2 brands, Nordstrom, Nordstrom Rack, that we have, obviously, a store network but a really scaled digital business as well. It gives us a lot of flexibility, and we've liked that over the years, but that flexibility is more important than ever before and able to respond quickly to things like the supply chain disruptions that have come up has certainly challenged us.

But it's -- there's the day-to-day firefighting of what the issues are, but it's also just made paramount flexibility, agility. Just as a company not only just accepting but embracing that there's a lot of uncertainty. And while business is a lot better today than it was a year ago, there's still a lot of uncertainty going forward. And while we like our model and the flexibility it gives us, we have then also be honest with ourselves that there's a lot of uncertainty. And so how do we prepare for things that we don't know exactly what's going to happen. And on that dimension, we're quite a bit different than we were 18 months ago.

Anne L. Bramman - Nordstrom, Inc. - CFO

I think the other thing, Eric, is when we -- when the pandemic hit, it really gave us time -- as Eric said, the trends have always been there, but it gave us a time to step back and think about what with that acceleration, what do we want to be coming out of this. And I think you've heard us talk about a digital-first business. We've always recognized that our business was going to be almost half or half -- 50% at some point in time.

And the realization is that time is now, right? It's the customers -- how they want to shop has continued to accelerate. And so part of what we were doing is determining how to accelerate with that and to better serve our customers coming out of the pandemic. And you saw us take a lot of actions on that as well.

Some of the investments we've been making on the technology side, the supply chain side, we continue to make those even with pandemic. And we also rebased our cost structure because we knew that's where we're heading. We wanted to have even more flexibility in our business model to be able to serve those customers.

And then you saw us take a lot of actions to continue to get more scale out of our platform, out of our digital properties and to leverage the omnichannel experience between leveraging the inventory, leveraging the customer experience and being able to flex in markets using both our physical assets but the Nordstrom Rack stores, but also in making sure that we have customers given that flexibility to pick up orders in different places, to fulfill orders in different ways, and to move back and forth between that network.

Omar Regis Saad - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team

Great. Yes. There's a lot of you guys touched on a lot of topics that we're going to dive in a little bit deeper on. So thank you for that. But before we do, I'd like to get your view -- the house view or maybe your personal view on the outlook for -- if we think about the different types of fashion categories, obviously, things went a little bit more casual and active during the pandemic. And there was a spending that did happen, which was obviously down, happened more in those types of categories.

Now we're talking about return to social, return to work, a lot of these functionalities. I'd love to kind of get your view on what the future looks like in terms of the categories of strength and outlook for the category overall and then how Nordstrom is positioned, especially given maybe perhaps some investors' perception and Nordstrom historically is really more of a dressy place to go when you want to dress up and where shoes that look great, but maybe aren't comfortable.

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

Yes. The shift with categories over the last 15 months, it's been unlike anything I've seen, and it took us a long time. Yes, we had categories, dressier categories, men's suits, high-heeled shoes that really went almost 0 last year. And very impressed. And with our merchant team, it really reallocated our dollars there.

But then there's been a big shift last couple of months. There are -- I don't know if it's so much dressy is the best description. I would say occasions and occasions being not like going to a wedding necessarily, but it could be going to a restaurant. It certainly could be going to work. But something that's a little higher stakes. And yes, we know customers do view us for higher stakes occasions. And that used to be predominantly like going to work. And so there is less of that. I'll say workplace is more casual.

And I think there's still a lot of uncertainty of what returning to work means. How much people will be in offices? But there's still people are with each other getting out there, and that's what we're seeing now. There's been a dramatic shift in the last couple of months in categories. And we've been able to chase after that really well. Inventories have been in a flexible position. So we would expect that to continue as the back half of the year. But again, there's -- it's healthy for us to embrace the uncertainty and stay flexible with our inventories and partnering with our vendors, so we can get our mix right.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Got it. Got it. So I'm just curious, we've seen more return-to-office announcements on Wall Street, for example, there's been a lot of firms that have said back to office after September. Are you seeing any signs of people kind of restocking their office wardrobes? And if so, are we going to be going back to a dressy office wardrobe in your opinion? Or is it going to continue to casualize?

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

In my opinion, I think that the trend of casualization has been clear and in place for many years now. It's been -- it does vary by geography. East Coast is dressier than the West Coast. But so I would expect those trends to continue. That being said, yes, we've seen people come back in.

There's been a lot of wardrobe replenishment. There's been some weight gains, some weight losses. We hear that a lot. But more just, as you can imagine, people haven't bought anything for a while, and they look at their closet and they don't feel good about it. And as we all know, the economy is strong. Saving rates are really high. And so people have been open to buying and it's not necessarily about price promotions. It's really about newness, feeling good about having new things in a closet and exploring new brands and new looks. But to your question about work in particular, we're still seeing that if you've kind of step back but continue to trend up a little more casual workplace.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Got you. Got you. And any -- I'd be curious, any trends you're noticing in the recovery, stores versus e-com?

Obviously, as Anne mentioned, you're basically a half digital company already. But as stores reopen or people get vaccinated and feel comfortable returning the stores, are they behaving the same as they used to? Or are they behaving as the same as they do online? Are they spending more or less spending in and out? Any insights there would be interesting.

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

Yes. So in stores, the southern -- our southern stores in the U.S. have come back faster, continue to outperform and then continue to improve. And that -- that gives us a lot of confidence. So we would expect the whole country will get to that point as you get into summer and things continue to open up. So we've seen that traffic is rebounding. It's still not to 2019 levels, but conversion is much higher. So people that are coming in are pretty darn purposeful about buying things. So it continues to get healthier and healthier. And it's not -- to add into the digital part, it's not a zero-sum game where there's a lot of cannibalization on digital.

The overarching trends of customers combining digital and physical in their shopping journeys continue. So as people are looking to buy more and getting back out there and having more occasions to address for, they're still going online and they're going in stores, and they're doing it and I think more than ever on their terms. I mean the customer is in more control than ever and controlling all the phases of the journey, which is

discovering new product, learning about that product. And increasingly, that's done digitally. But how the customer wants to receive it once they've selected what they want.

Honestly, BOPUS has been a high-growth area for a lot of folks for a couple of years. It certainly has been for us. And we've been able to accelerate quite a bit by integrating our whole network and in particular, our Rack stores. So our customer can do a buy online, pick up at a store of a Nordstrom.com purchase and pick it up at a Rack store, we have 250 Racks in non-mall locations. So it gives more alternatives. And we're seeing, I believe, that was at 1/3 of our Nordstrom.com BOPUS pickups are in Rack stores. And then I always got -- hey, that is how they're considered, it's not like we do a ton of marketing when we light up these capabilities. It is customers go to where they want to go, which -- and I think customers have through the pandemic been empowered and embraced some of this flexibility around things like curbside services and BOPUS. So yes, we think that's a real healthy trend for us, in particular, and I would expect that to continue.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Yes. No. I mean you're kind of sliding into my next topic I'm really anxious to talk about, which is the local market strategy, and you've discussed now rolling it out to 20. I don't know if there's plans to go beyond that. 20 is a lot of markets, and I think cover -- has a pretty big coverage of your entire customer base.

But maybe let's dive into that deeper. As far as I can tell, when I look at what you guys are doing with your local market strategy and how you connect all these stores and inventory with your e-commerce business within market by market, it doesn't seem like there's anyone else in my space, where it's really been able to develop that and execute against it. So it seems like a pretty unique offering. I don't know maybe beyond and in broader retail, perhaps there are others out there that have that omnichannel capability.

So maybe you could talk a little more about what you're learning as you roll it out? How big of an advantage it is with you to service your customer as well as you can. And then when does it -- when are we going to -- when and how are we going to see it play out in the numbers? Certainly at the end of the day, stocks trade at multiples of earnings and sales and things like that. So it would help to understand how it translates financially.

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

Yes. Yes, let me just give a little framing of market strategy. I think you described it well. It's a connecting of our digital and physical assets. And just to be clear on the obvious, where we have more physical assets is our biggest markets, and it gives us more flexibility to run. So to your question of, does it go beyond 20 markets, I mean there's aspects of market strategy that we applied to all our stores, but the more stores we have, it's more inventory close to the customer. It's more pickup points, more services that we can engage customers with.

So we can do more in our biggest markets. And as I mentioned, in the last year, connecting our Rack assets as part of the market strategy has been a big move for us and customers have really embraced that. We're seeing proof points. Our markets where we roll out market strategy do outperform really across the board our non-market strategy markets.

But let me say as far as the financial impact, we're not fully there yet. And in particular, we still have to -- we have this opportunity in our inventory placement. And you think about it, a part of market strategy, it results in the customer having more choices for faster delivery. So a lot more customer choice for things like same-day pickup or next day delivery because we're able to connect the product in a market.

And for our categories, I think this gets lost sometimes. Fashion requires a lot of SKUs. That's a lot of different items in size and color, which means it really doesn't work to have full offer in 1 store. Inevitably, any of our biggest stores, we missed the size or color here or there. But by combining a market, we can cover that. And I think there's other categories in retail where the vast, vast majority of the whole offer is in 1 store.

So it's just -- it's a store fulfill model, and it works that way. For our categories, at least for us, having it in a market really gets us there. So the inventory placement piece, we really have gone from the supply chain for our stores being bulk, being cases of things, to eaches, to individuals like we do

for customers. And that allows us the opportunity to say pull back inventory and having a local fulfillment center and fill stores in 1 at a time each day as it's needed. It also allows us to forward deploy inventory.

And we did some of this in the fourth quarter. And we did it for a lot of kind of risk mitigation that putting a lot of our inventory in fewer buildings with COVID. We felt put them at risk of what if one of that building gets shut down. So we put more inventory in the stores and with our store fulfill capabilities we're able to access that inventory even if it's for a digital order. And there's upside to that in, again, more selection and faster delivery. But there's upside to making the store better and especially kind of get for us, middle-to-smaller stores as store traffic goes down, inventory goes down.

So it's a way to kind of counter that and make the stores more compelling and without taking the added risk of not selling through having more markdowns. So that inventory placement piece, we still have really have done very little of that, and that inventory efficiency comes from that certainly should drive higher margins and higher turns, and which would add to what we are seeing is higher sales.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Got it. Got it. Could you talk to -- could you guys talk a little bit to the logistics and complexity of the logistics behind executing against this? You're talking about a really broad set of choice counts or SKUs and across a number of different locations.

It sounds like inventory placement is 1 of the ways to make it a more efficient and profitable and commercial in addition to the value that the consumer gets out of the service. But talk about the complexity of logistics because how often is it. If I order 7 things, they happen to be in 1 store that's near me or maybe they're drawing from a set of different stores. How does that logistics work? And is there -- are there opportunities to scale those logistics themselves intra the local market network? Or is it really about data analytics and just getting the advanced placement right?

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

Both of those. Data drives all those. There is -- there is a continuing journey of moving from human judgment on a lot of this to machine learning on it. And yes, think about -- we're merchants. It's getting the right product for customers is what it's about. But the placement and the quantity, by location, machines can do that better than humans can.

So it's really freeing our people up to do what they do best, such as working with the best vendors in the world, bringing their brand stories to life and the content.

So that's -- we're on that journey, but that's clear directionally where we go. The complexity, it's -- it all comes from a foundation of inventory accuracy of knowing where our inventory is. And what's -- part of what allows it to work for us is we're not -- we don't sell a lot of \$10 items. I mean our price points allow us. And as you well know, our biggest cost, any fashion retailer's business cost is a markdown. So we can afford to touch items, move them a bit if it leads to full price selling. And that's always been our core. We're not a price promotional retailer. It is about having newness, connecting the customer with what they're excited about.

So to -- in your example, if you buy some things, is it all coming from 1 store, a lot of cases not. But we have trucks moving between stores anyways, moving inventory. So to throw 4 of your 6 or 7 into that truck and get it to 1 location to ship out, isn't a big deal for us financially.

And again, I think about it as we have this network, these capabilities in there. And part of our market strategy, it's really an asset-light strategy for us. We have the assets. We have stores. We have people in the stores. Now do a -- are bigger percent of people in stores filling orders than they were a year and 2 years ago? Sure. They are.

And so we can move our labor force around. But those assets -- we're not having to build new supply chain facilities, when we light up market strategy. We're not really having to invest in new logistic capabilities. And part of the upside is, it is a little more expensive to fulfill an order from

a store than fulfillment center. But if we get the analytics right, the transportation is less because the product is closer to the customers. And as transportation costs are going up a lot right now as we speak, that's 1 of the offsets that we can have.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Got it. Got it. One more question on this topic, and you brought it up a little bit earlier on BOPUS. I think you said 1/3 or 30% of [Nordstrom.com next day order pickup volume are picked up at Rack locations] (added by company after the call), the BOPUS orders. When I think about that connected system of stores and inventory and associates and consumers interacting through the app, like what's the feedback you're getting on that BOPUS option? Because obviously, there's a lot of benefits if she orders 7 things and the system kicks into effect and offers it to her at a local Rack store. I'm assuming Rack also reaches a much larger -- proximity-wise, a much larger consumer base when you add those into the equation.

So -- and then what are the hurdles or bottlenecks to scaling that to a significant piece of business? Because obviously, you're getting the customer in the store when they choose that option.

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

Yes. Well customers have taken through it. I mean I think just that it's 1/3 of [Nordstrom.com next day] store pickups. And just to be clear, the Rack stores aren't fulfilling the order. We're -- we fulfill from Nordstrom store, we move it to a Rack store for pickup. It scales really well. And the benefits, as you can imagine, there is benefits of getting the customer in the store. I mean there's shipping benefits. But there's getting customers in the store, they tend to buy things. And we do -- I think it's important when people think about our model because it is different. We have Nordstrom, we have Nordstrom Rack. It's -- we're not a collection of 2 independent businesses. There is a synergy to them. While it's different price points, it's a different customer experience, it's off-price versus full price, customers get it.

And we've actually -- we've been sensitive over the years of not comingling those brands, of really having them separate. We've learned customers understand. They know what the Nordstrom brand is about. They know what the Nordstrom Rack brand is about. And so when they -- in your example, when they pick up a Nordstrom.com order at a Rack store, that it's in a strip center and they drive right up, they're thrilled.

I mean it's their choice. It's a convenient way of picking up that it is -- that it's a different environment. We haven't heard anything negative on that. We've heard a lot of positive of the convenience and the power that comes from it. And part of the synergy that's important to understand our business, pretty much by definition, our best customers shop both Nordstrom and Nordstrom Rack. The days when I started out, off-price was really a separate customer. Those things are gone. Pretty much every customer shops, some off-price for some of their needs and shop some full price and back and forth. And we see that when we can introduce 1 of our banner customers to the other banner just like introducing a store customer to online or vice versa, that the customer spend just goes up.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Yes, that dual customer does seem to be. And I guess it is a learning that just see how much overlap there is between the 2 channels, actually. Historically, we would have thought, oh, those are 2 different customers.

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

Yes.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Okay. That's super helpful. Let's talk about, if you don't mind, the credit piece of the business. How are you feeling about that piece of business? It's been in the news more recently given everyone's got tons of money saved up and paying down balances and buying paying with cash and not

carrying balances. And so I would love to kind of -- and look, I think it's a great kind of ancillary piece, especially as it connects to loyalty programs and things like that for retailers to have but it shouldn't be the core business either. And maybe there's been a little bit of dependence in the sector over time on that. But I would love to kind of your philosophically where you are on credit and then kind of more tactically what the outlook is given that kind of savings and debt paydown backdrop?

Anne L. Bramman - Nordstrom, Inc. - CFO

Yes. So we've had a card program for quite some time. It's funny sometimes you hear customers say, I've been a cardholder for x many years, and they whip out a card that's from 20 years ago, and it's just a different color card and everything. So it's -- there's definitely a lot of affinity and loyalty to the program.

I think the way we look at our credit program is clearly there are economics around it, but it's really about engaging and driving trips with the customer, and it's there to support our retail business. And so typically, the more engaged customers, our better customers that are cardholders. And so we really try to leverage that relationship, both on the loyalty side, but also things like Anniversary Sale. Typically your cardholders are your higher echelon loyalty members, and we really want to make it a great experience for them and so they get early access to things, they get the events. And so it's really about driving that engagement that trips piece to driving that retail business.

In our credit card portfolio, in general, we have a very solid portfolio. And we have -- like everyone else, we have seen over time, people paying down their lines of credit and that type of thing. So it's actually been going into the pandemic, we weren't really sure as is all of the banking areas. We weren't really sure what the consumer behavior is going to be, right? We don't know if there going to be higher loss rates or what was going to happen. So that's been a pleasant surprise as we've seen the consumer evolve through this.

In general, when you look at our credit revenue because we do split that out, it is -- it generally follows in line with our retail sales, and there's a little bit of -- because it's highly correlated to driving that retail business.

Omar Regis Saad - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team

Right. Right. Got it. Thanks. I'd love to take the opportunity to ask you about the Anniversary Sale shifts just back into 2Q this year. It seems like it's coming at a very good time given where we are in the reopening and the recovery. Maybe talk about what we should be looking for from that sale. How you're merchandised for it? Is it going to be on a promotionality level? It will be similar for previous years? Anything you'd like to call out around that I think people are interested in.

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

Yes, sure. First of all, just to make sure we're all center to Anniversary what it is. It's unique. It's not a clearance sale. It's taking brand new merchandise and giving a great price on it. And part of what gives us a lot of credibility with it and makes it clear it's not a clearance sale. After Anniversary is over, the prices go up. It's full price merchandise. And so it's become a big deal for our customers, people taking days off work and families, mothers and daughters and dads and sons coming together and making a big outing of it. It has, over the last several years, increasingly become a digital event.

Our digital penetration actually goes up during Anniversary versus our non-Anniversary time because it is an event about scarcity. It's again brand-new merchandise at a great price from our best brands. So -- and people like accessing and learning about products such as it's scarce. Last year, we introduced a wish list feature. I think that blew us away of how much engagement we had from it, really terrific. One of the features we're adding this year is the ability for customers to add sold-out items on their wish list as we do continue to receive product through the event.

So something may be sold out and having this capability for customers to add it to their wish list and we can let them know when it comes back in. We have a lot more brands this year. We have 154 new brands added to the event. It's increasing our brand mix by over 20%. And we've done some things with simplifying the cardholder loyalty members early access to the event that's responsive to what we've heard from customers. But

it really is a big deal for us. And you're right, the timing here looks fantastic. I think we're more lucky than good on that because we can plan these events long in advance. And we were planning it over the winter. We did think that, we thought, boy, things could be opening up, and we've been thinking about it and our position really is like a celebration, like here's a fun customers are coming back out kind of a party atmosphere with people kind of reengaging out in the communities and the timing does look terrific on that. And in particular with what we're seeing now, so much customer interest now is on newness. It's not on older stuff that may be marked out. It is on newness.

And with Anniversary being all new merchandise, and the timing looks truly great. So we think it's going to be a good party.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Yes, sounds like it. It sounds like you got a lot of great product and new brands lined up. Anything on supply chain, we should be thinking about or worried about in terms of the port congestion and getting the inventory flow right for the sale or you have plenty of time to be prepared for that.

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

Yes. Well, it's a worry. It's always a worry. It's a lot of merchandising. We did move our deliveries up this year. Our team was proven to be right on it given what happened fourth quarter last year. They moved almost all of our Anniversary goods up a bit, which we sit here now, there is -- as you know, there is friction in the global supply chain. So we're really glad they did that. It looks good for us right now. We've received a lot of the merchandise already and we have visibility into coming. There's always some things that don't make it. But it's -- we look in really good shape right now.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

That's great to hear. We have like 1 or 2 minutes left. My last question, it's around the guidance and kind of the demand trends.

I think your guidance implies sales really focus on the sales piece of guidance, 14% below 2019 level, somewhere around that, I believe. What are the key kind of opportunities and areas for upside or downside versus that kind of revenue and demand outlook? Is it more constrained? Or are the opportunities going to be tied to the supply equation or -- is it really a question of the demand side of the equation and how customers behave as we go back to normal?

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

Yes. So as we talked we were really pleased with the progression from customer demand in Q1. It certainly was above our expectations. We thought about how quickly markets would start reopening. Customers will start coming back. And as Erik talked about, we certainly in certain regions have seen even accelerated places -- piece of the store traffic coming back and convert -- people are really converting.

So for us, Q2 is a really big quarter for us. We talked about Anniversary. Q1 is pretty small. For the full year, we can definitely see a path to that guidance, and we're continuing to see increased demand and fulfilling that demand and meeting that demand is part of it. I think from a top line perspective, that is definitely that continued acceleration as we go through the year. The EBIT guidance we gave, we gave a 3%. We can certainly see a path to higher than that. And some of that is mitigating some of the macro headwinds that we see out there between supply chain costs, freight costs, a little bit of labor.

I think it's -- we've seen some of the labor components to this as well. But we're working to find offsets to that. And -- We're continuing to see -- we're continuing to expect to see improvement in our merchandise margin as well. The demand is there. People like fresh stuff.

And when that happens, it means you just -- you don't have to mark it down. And that is 1 of the biggest levers we've got in our business.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Got it. That's really helpful, Anne. Anne, Erik, as always, the pleasure was mine. We're at the top of the hour here for our time together. But I really appreciate you joining again this year and have a great Anniversary Sale, rest of summer, and rest of 2021. Cheers!

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

Thanks.

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

Thanks Omar. Appreciate it.

Omar Regis Saad - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Bye guys.

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

Bye.

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