UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) **November 18, 2022**

NORDSTROM

Nordstrom, Inc.
(Exact name of registrant as specified in its charter)

Washington	001-15059	91-0515058
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101
(Address of principal executive offices)

Registrant’s telephone number, including area code **(206) 628-2111**

Inapplicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, without par value	JWN	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

ITEM 1.01 Entry into a Material Definitive Agreement

On November 18, 2022, Nordstrom, Inc. (the "Company") and TD Bank USA, N.A. ("TD") entered into Amendment No. 7 to that certain Credit Card Program Agreement (the "Amendment") originally dated as of May 25, 2015 and as subsequently amended thereafter (the "Agreement"), pursuant to which TD acts as the exclusive issuer of Nordstrom-branded Visa and private-label cards, and the Company acts as servicer for those accounts. By its terms, the Agreement was scheduled to expire on April 30, 2024. As a result of the execution of the Amendment, the term of the Agreement has been extended to September 26, 2026.

The foregoing is a summary of the material terms of the Amendment and is qualified in its entirety by the actual terms of the Amendment, a copy of which will be filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 2022.

ITEM 2.02 Results of Operations and Financial Condition

On November 22, 2022, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and nine months ended October 29, 2022, its financial position as of October 29, 2022, and its cash flows for the nine months ended October 29, 2022 ("Third Quarter Results"). A copy of this earnings release is furnished as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On November 22, 2022, Nordstrom, Inc. issued an earnings release announcing its Third Quarter Results. A copy of this earnings release is furnished as Exhibit 99.1.

In addition, furnished hereby and incorporated by reference herein is the earnings call commentary on its Third Quarter Results and 2022 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on November 22, 2022. A copy of this earnings call commentary is furnished as Exhibit 99.2.

The information furnished in this Item 7.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by a specific reference in such filing.

ITEM 9.01 Financial Statements and Exhibits

99.1	Nordstrom earnings release dated November 22, 2022 relating to the Company's Third Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's Third Quarter Results and 2022 financial outlook
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORDSTROM, INC.
(Registrant)

/s/ Ann Munson Steines
Ann Munson Steines
Chief Legal Officer,
General Counsel and Corporate Secretary

Date: November 22, 2022

NORDSTROM

Nordstrom Reports Third Quarter 2022 Earnings

- *Third quarter total revenue of $3.5 billion*
- *Loss per share of $0.13 and adjusted earnings per share of $0.20*[1]
- *Company remains on pace to achieve fiscal 2022 revenue and adjusted earnings outlook*

SEATTLE – November 22, 2022 – Nordstrom, Inc. (NYSE: JWN) today reported a third quarter net loss of $20 million and loss per diluted share of $0.13 for the quarter ended October 29, 2022. Excluding a supply chain technology and related asset impairment charge, the Company reported adjusted earnings per diluted share ("EPS") of $0.20.[1]

For the third quarter, net sales decreased 2.9 percent versus the same period in fiscal 2021 and gross merchandise value ("GMV") decreased 2.5 percent. Anniversary Sale timing, with one week shifting from the third quarter to the second quarter, had a negative impact of approximately 200 basis points on net sales compared with 2021. During the quarter, Nordstrom banner net sales decreased 3.4 percent, which included a negative impact of approximately 300 basis points from Anniversary Sale timing, and GMV decreased 2.9 percent. Net sales for Nordstrom Rack decreased 1.9 percent.

"We delivered both topline and bottom-line results in line with our expectations in the third quarter while enhancing our strategic capabilities," said Erik Nordstrom, chief executive officer of Nordstrom, Inc. "When customer demand decelerated in late June, we took action to align inventory and expenses with the changing trends, which has prepared us to navigate the current macroeconomic environment. This quarter our teams continued to advance our Closer to You strategy and supply chain capabilities, as we focus on initiatives to drive profitable growth and achieve our long-term strategic and financial goals."

In the third quarter, core categories, including men's and women's apparel, shoes and designer, had the strongest growth versus 2021, as customers continued to shop for occasions, travel, work and holidays.

"We are right-sizing our inventory levels and mix, and are on track to end 2022 in a healthy and current position," said Pete Nordstrom, president and chief brand officer of Nordstrom, Inc. "Customers continue to respond to newness and fashion in our offering, and we are focused on remaining agile to respond to their changing needs. This holiday season we are delivering a fresh, relevant assortment, which supports our goal of being the go-to destination for gifting, and preparing for the moments that matter most to customers."

As previously announced on November 16, 2022, the board of directors declared a quarterly cash dividend of $0.19 per share to be paid to shareholders of record at the close of business on November 29, 2022, payable on December 14, 2022. Year to date, the Company repurchased 2.3 million shares of its common stock for $53 million under its existing $500 million share repurchase program. A total capacity of $447 million remains available under this share repurchase authorization.

THIRD QUARTER 2022 SUMMARY

- Total Company net sales decreased 2.9 percent and GMV decreased 2.5 percent compared with the same period in fiscal 2021. The timing shift of the Anniversary Sale, with one day falling into the third quarter of 2022 versus roughly one week in 2021, had a negative impact on net sales of approximately 200 basis points compared with the third quarter of 2021.
- For the Nordstrom banner, net sales decreased 3.4 percent and GMV decreased 2.9 percent compared with the same period in fiscal 2021. The timing shift of the Anniversary Sale had a negative impact on Nordstrom banner net sales of approximately 300 basis points compared with the third quarter of 2021.
- For the Nordstrom Rack banner, net sales decreased 1.9 percent compared with the same period in fiscal 2021.
- Digital sales decreased 16.4 percent compared with the same period in fiscal 2021. The timing shift of the Anniversary Sale had a negative impact on Company digital sales of approximately 300 basis points compared with the third quarter of 2021. Reducing store fulfillment for Nordstrom Rack digital orders during the third quarter and sunsetting Trunk Club earlier in fiscal 2022 negatively impacted digital sales by approximately 700 basis points. Reducing Nordstrom Rack store fulfillment accounted for the majority of the impact. Digital sales represented 34 percent of total sales during the quarter.

---

[1]Adjusted EPS is a non-GAAP financial measure. Refer to the "Adjusted EBIT, Adjusted EBITDA and Adjusted EPS" section of this release for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial results.

- Gross profit, as a percentage of net sales, of 33.2 percent decreased 190 basis points compared with the same period in fiscal 2021 primarily due to higher markdown rates. The Company incurred approximately $100 million in incremental markdowns in the third quarter, out of the approximately $200 million expected in the second half of fiscal 2022.
- Ending inventory increased 0.6 percent compared with the same period in fiscal 2021, versus a 2.9 percent decrease in sales.
- Selling, general and administrative ("SG&A") expenses, as a percentage of net sales, of 36.4 percent increased 200 basis points compared with the same period in fiscal 2021 primarily due to a supply chain technology and related asset impairment charge, partially offset by fulfillment expense efficiencies. Excluding the $70 million impairment charge, adjusted SG&A expenses, as a percentage of net sales, were 34.3 percent.
- EBIT was $3 million in the third quarter of 2022, compared with $127 million during the same period in fiscal 2021, primarily due to higher markdowns and a supply chain technology and related asset impairment charge, partially offset by fulfillment expense efficiencies. Adjusted EBIT of $73 million for the third quarter of 2022 excluded an impairment charge associated with supply chain technology and related assets.[2]
- Interest expense, net, of $32 million decreased from $36 million during the same period in fiscal 2021.
- Income tax benefit was $9 million, or 30.6 percent of pretax loss, compared with income tax expense of $27 million, or 29.9 percent of pretax earnings, in the same period in fiscal 2021.
- The Company ended the third quarter with $993 million in available liquidity, including $293 million in cash.

STORES UPDATE

To date in fiscal 2022, the Company has opened three stores:

City	Location	Square Footage (000s)	Timing of Opening
ASOS | Nordstrom			
Los Angeles, CA	The Grove	30	May 20, 2022
Nordstrom Rack			
Phoenix, AZ	Desert Ridge Marketplace	23	October 27, 2022
Riverside, CA	Canyon Springs Marketplace	30	October 27, 2022

[2]Adjusted EBIT is a non-GAAP financial measure. Refer to the "Adjusted EBIT, Adjusted EBITDA and Adjusted EPS" section of this release for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial results.

The Company has also announced plans to open or relocate the following stores:

City	Location	Square Footage (000s)	Timing of Opening
Nordstrom Rack			
Birmingham, AL	The Summit (relocation from River Ridge)	27	Spring 2023
Los Angeles, CA	NOHO West	26	Spring 2023
Chattanooga, TN	The Terrace at Hamilton Place	24	Spring 2023
Wichita, KS	Bradley Fair	28	Spring 2023
Delray Beach, FL	Delray Place	26	Spring 2023
Clovis, CA	Clovis Crossing	31	Spring 2023
San Clemente, CA	San Clemente Plaza	32	Spring 2023
Las Vegas, NV	Best in the West	31	Spring 2023
Union Gap, WA	Valley Mall	28	Fall 2023
Olympia, WA	Cooper Point Marketplace	32	Fall 2023
Salem, OR	Willamette Town Center	25	Fall 2023
Anaheim Hills, CA	Anaheim Hills Festival	24	Fall 2023
Overland Park, KS	Overland Crossing	27	Fall 2023
San Luis Obispo, CA	SLO Promenade	24	Fall 2023
Allen, TX	The Village at Allen	29	Fall 2023
Visalia, CA	Sequoia Mall	29	Fall 2023
Kennesaw, GA	Barrett Place	25	Spring 2024

The Company had the following store counts as of quarter-end:

	October 29, 2022	October 30, 2021
Nordstrom		
Nordstrom – U.S.	**94**	94
Nordstrom – Canada	**6**	6
Nordstrom Local service hubs	**7**	7
ASOS | Nordstrom	**1**	—
Nordstrom Rack		
Nordstrom Rack – U.S.	**242**	240
Nordstrom Rack – Canada	**7**	7
Last Chance clearance stores	**2**	2
Total	**359**	356
Gross store square footage	**27,609,000**	27,555,000

Subsequent to quarter-end, the Company closed one Nordstrom Rack store.

FISCAL YEAR 2022 OUTLOOK

The Company is reaffirming the following financial expectations for fiscal 2022, which now reflect the impact of a third quarter supply chain technology and related asset impairment charge:

- Revenue growth, including retail sales and credit card revenues, of 5 to 7 percent
- EBIT margin, as percent of sales, of 4.1 to 4.4 percent
- Adjusted EBIT margin of 4.3 to 4.7 percent[3]
- Income tax rate of approximately 27 percent
- EPS, excluding the impact of share repurchase activity, if any, of $2.13 to $2.43
- Adjusted EPS, excluding the impact of share repurchase activity, if any, of $2.30 to $2.60[3]
- Leverage ratio below 2.9 times by year-end

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss third quarter 2022 financial results and fiscal 2022 outlook at 4:45 p.m. EST today. To listen to the live call online and view the speakers' prepared remarks and the conference call slides, visit the Investor Relations section of the Company's corporate website at investor.nordstrom.com. An archived webcast with the speakers' prepared remarks and the conference call slides will be available in the Quarterly Results section for one year. Interested parties may also dial 201-689-8354. A telephone replay will be available beginning approximately three hours after the conclusion of the call by dialing 877-660-6853 or 201-612-7415 and entering Conference ID 13733099, until the close of business on November 29, 2022.

ABOUT NORDSTROM

At Nordstrom, Inc. (NYSE: JWN), we exist to help our customers feel good and look their best. Since starting as a shoe store in 1901, how to best serve customers has been at the center of every decision we make. This heritage of service is the foundation we're building on as we provide convenience and true connection for our customers. Our digital-first platform enables us to serve customers when, where and how they want to shop – whether that's in-store at more than 350 Nordstrom, Nordstrom Local and Nordstrom Rack locations or digitally through our Nordstrom and Rack apps and websites. Through it all, we remain committed to leaving the world better than we found it.

Certain statements in this press release contain or may suggest "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainties that could cause results to be materially different from expectations. The words "will," "may," "designed to," "outlook," "believes," "should," "targets," "anticipates," "assumptions," "plans," "expects" or "expectations," "intends," "estimates," "forecasts," "guidance" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All statements contained or incorporated in this press release or in any other public statements that address such future events or expectations are forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements are detailed in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022 and its Form 10-Qs for the fiscal quarters ended April 30, 2022 and July 30, 2022. These forward-looking statements are not guarantees of future performance and speak only as of the date made, and, except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances. In addition, the actual timing, price, manner and amounts of future share repurchases, if any, will be subject to market and economic conditions and applicable Securities and Exchange Commission rules.

---

[3] Adjusted EBIT margin and adjusted EPS are non-GAAP financial measures. Refer to the "Forward-Looking Non-GAAP Measures" section of this release for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial expectations.

NORDSTROM, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited; amounts in millions, except per share amounts)

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Net sales	**$ 3,433**	$ 3,534	**$ 10,891**	$ 10,020
Credit card revenues, net	**113**	103	**320**	283
Total revenues	**3,546**	3,637	**11,211**	10,303
Cost of sales and related buying and occupancy costs	**(2,294)**	(2,294)	**(7,211)**	(6,646)
Selling, general and administrative expenses	**(1,249)**	(1,216)	**(3,722)**	(3,464)
Earnings before interest and income taxes	**3**	127	**278**	193
Interest expense, net	**(32)**	(36)	**(101)**	(213)
(Loss) earnings before income taxes	**(29)**	91	**177**	(20)
Income tax benefit (expense)	**9**	(27)	**(51)**	(2)
Net (loss) earnings	**$ (20)**	$ 64	**$ 126**	$ (22)
(Loss) earnings per share:				
Basic	**$ (0.13)**	$ 0.40	**$ 0.79**	$ (0.14)
Diluted	**$ (0.13)**	$ 0.39	**$ 0.77**	$ (0.14)
Weighted-average shares outstanding:				
Basic	**159.5**	159.2	**160.1**	158.9
Diluted	**159.5**	162.5	**162.3**	158.9
Percent of net sales:				
Gross profit	**33.2 %**	35.1 %	**33.8 %**	33.7 %
Selling, general and administrative expenses	**36.4 %**	34.4 %	**34.2 %**	34.6 %
Earnings before interest and income taxes	**0.1 %**	3.6 %	**2.6 %**	1.9 %

NORDSTROM, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited; amounts in millions)

	October 29, 2022	January 29, 2022	October 30, 2021
Assets			
Current assets:			
Cash and cash equivalents	**$ 293**	$ 322	$ 267
Accounts receivable, net	**288**	255	273
Merchandise inventories	**2,878**	2,289	2,863
Prepaid expenses and other	**348**	306	374
Total current assets	**3,807**	3,172	3,777
Land, property and equipment (net of accumulated depreciation of $8,135, $7,737 and $7,617)	**3,373**	3,562	3,558
Operating lease right-of-use assets	**1,490**	1,496	1,527
Goodwill	**249**	249	249
Other assets	**476**	390	423
Total assets	**$ 9,395**	$ 8,869	$ 9,534
Liabilities and Shareholders' Equity			
Current liabilities:			
Borrowings under revolving line of credit	**$ 100**	$ —	$ 200
Accounts payable	**2,073**	1,529	2,310
Accrued salaries, wages and related benefits	**242**	383	276
Current portion of operating lease liabilities	**256**	242	240
Other current liabilities	**1,168**	1,160	1,063
Total current liabilities	**3,839**	3,314	4,089
Long-term debt, net	**2,855**	2,853	2,851
Non-current operating lease liabilities	**1,544**	1,556	1,602
Other liabilities	**551**	565	633
Commitments and contingencies			
Shareholders' equity:			
Common stock, no par value: 1,000 shares authorized; 159.7, 159.4 and 159.3 shares issued and outstanding	**3,334**	3,283	3,269
Accumulated deficit	**(2,669)**	(2,652)	(2,852)
Accumulated other comprehensive loss	**(59)**	(50)	(58)
Total shareholders' equity	**606**	581	359
Total liabilities and shareholders' equity	**$ 9,395**	$ 8,869	$ 9,534

NORDSTROM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; amounts in millions)

	Nine Months Ended	
	October 29, 2022	**October 30, 2021**
Operating Activities		
Net earnings (loss)	**$ 126**	$ (22)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization expenses	**453**	477
Right-of-use asset amortization	**141**	130
Asset impairment	**80**	—
Deferred income taxes, net	**(85)**	25
Stock-based compensation expense	**50**	64
Other, net	**(53)**	81
Change in operating assets and liabilities:		
Accounts receivable	**(6)**	(27)
Merchandise inventories	**(550)**	(687)
Prepaid expenses and other assets	**(55)**	408
Accounts payable	**469**	90
Accrued salaries, wages and related benefits	**(142)**	(76)
Other current liabilities	**10**	15
Lease liabilities	**(201)**	(218)
Other liabilities	**3**	17
Net cash provided by operating activities	**240**	277
Investing Activities		
Capital expenditures	**(325)**	(361)
Proceeds from the sale of assets and other, net	**82**	(17)
Net cash used in investing activities	**(243)**	(378)
Financing Activities		
Proceeds from revolving line of credit	**100**	400
Payments on revolving line of credit	—	(200)
Proceeds from long-term borrowings	—	675
Principal payments on long-term borrowings	—	(1,100)
Increase (decrease) in cash book overdrafts	**21**	(4)
Cash dividends paid	**(90)**	—
Payments for repurchase of common stock	**(53)**	—
Proceeds from issuances under stock compensation plans	**18**	14
Tax withholding on share-based awards	**(15)**	(15)
Make-whole premium payment and other, net	**(4)**	(85)
Net cash used in financing activities	**(23)**	(315)
Effect of exchange rate changes on cash and cash equivalents	**(3)**	2
Net decrease in cash and cash equivalents	**(29)**	(414)
Cash and cash equivalents at beginning of period	**322**	681
Cash and cash equivalents at end of period	**$ 293**	$ 267

NORDSTROM, INC.
ADJUSTED EBIT, ADJUSTED EBITDA AND ADJUSTED EPS
(NON-GAAP FINANCIAL MEASURES)
(unaudited; amounts in millions, except per share amounts)

Adjusted earnings before interest and income taxes (“EBIT”), adjusted earnings before interest, income taxes, depreciation and amortization (“EBITDA”) and adjusted earnings per diluted share (“EPS”) are key financial metrics and, when used in conjunction with GAAP measures, we believe they provide useful information for evaluating our core business performance, enable comparison of financial results across periods and allow for greater transparency with respect to key metrics used by management for financial and operational decision-making. Adjusted EBIT, adjusted EBITDA and adjusted EPS exclude certain items that we do not consider representative of our core operating performance. The financial measure calculated under GAAP which is most directly comparable to adjusted EBIT and adjusted EBITDA is net (loss) earnings. The financial measure calculated under GAAP which is most directly comparable to adjusted EPS is (loss) earnings per diluted share.

Adjusted EBIT, adjusted EBITDA and adjusted EPS are not measures of financial performance under GAAP and should be considered in addition to, and not as a substitute for, net earnings (loss), operating cash flows, earnings (loss) per share, earnings (loss) per diluted share or other financial measures performed in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies’ financial measures and therefore may not be comparable to methods used by other companies.

The following is a reconciliation of net (loss) earnings to adjusted EBIT and adjusted EBITDA:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net (loss) earnings	**$ (20)**	$ 64	**$ 126**	$ (22)
Income tax (benefit) expense	**(9)**	27	**51**	2
Interest expense, net	**32**	36	**101**	213
Earnings before interest and income taxes	**3**	127	**278**	193
Supply chain impairments	**70**	—	**70**	—
Trunk Club wind-down costs	**—**	—	**18**	—
Gain on sale of interest in a corporate office building	**—**	—	**(51)**	—
Adjusted EBIT	**73**	127	**315**	193
Depreciation and amortization expenses	**152**	156	**453**	477
Amortization of developer reimbursements	**(18)**	(19)	**(54)**	(59)
Adjusted EBITDA	**$ 207**	$ 264	**$ 714**	$ 611

The following is a reconciliation of (loss) earnings per diluted share to adjusted EPS:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
(Loss) earnings per diluted share	**$ (0.13)**	$ 0.39	**$ 0.77**	$ (0.14)
Supply chain impairments	**0.44**	—	**0.44**	—
Trunk Club wind-down costs	**—**	—	**0.11**	—
Gain on sale of interest in a corporate office building	**—**	—	**(0.31)**	—
Debt refinancing charges included within interest expense, net	**—**	—	**—**	0.56
Income tax impact on adjustments[1]	**(0.11)**	—	**(0.06)**	(0.15)
Adjusted EPS[2]	**$ 0.20**	$ 0.39	**$ 0.95**	$ 0.27

[1] The income tax impact of non-GAAP adjustments is calculated using the estimated tax rate for the respective non-GAAP adjustment.
[2] We used the same number of weighted average diluted shares in our denominator for adjusted per shares amounts as was used in the calculation of diluted EPS under GAAP, regardless of the adjusted net loss or net earnings position, as the impact to Adjusted EPS is not significant.

NORDSTROM, INC.
SUMMARY OF NET SALES
(unaudited; dollars in millions)

Our Nordstrom brand includes Nordstrom.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, Nordstrom Local, ASOS | Nordstrom and, prior to October 2022, TrunkClub.com. Our Nordstrom Rack brand includes NordstromRack.com, Nordstrom Rack-branded U.S. stores and Last Chance clearance stores. The following table summarizes net sales for the quarter and nine months ended October 29, 2022, compared with the quarter and nine months ended October 30, 2021:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	**October 30, 2021**	**October 29, 2022**	**October 30, 2021**
Net sales:				
Nordstrom	**$ 2,264**	$ 2,343	**$ 7,324**	$ 6,614
Nordstrom Rack	**1,169**	1,191	**3,567**	3,406
Total net sales	**$ 3,433**	$ 3,534	**$ 10,891**	$ 10,020
Net sales (decrease) increase:				
Nordstrom	**(3.4 %)**	10.5 %	**10.7 %**	45.6 %
Nordstrom Rack	**(1.9 %)**	35.2 %	**4.7 %**	50.6 %
Total Company	**(2.9 %)**	17.7 %	**8.7 %**	47.2 %
Digital sales as % of total net sales[1]	**34 %**	40 %	**37 %**	42 %

[1] Sales conducted through a digital platform such as our websites or mobile apps. Digital sales may be self-guided by the customer, as in a traditional online order, or facilitated by a salesperson using a virtual styling or selling tool. Digital sales may be delivered to the customer or picked up in our Nordstrom stores, Nordstrom Rack stores or Nordstrom Local service hubs. Digital sales also includes a reserve for estimated returns.

NORDSTROM, INC.
FISCAL YEAR 2022 FORWARD-LOOKING NON-GAAP MEASURES
(NON-GAAP FINANCIAL MEASURES)
(unaudited)

Our adjusted EBIT as a percent of net sales ("adjusted EBIT margin") and adjusted EPS outlook for fiscal year 2022 excludes the impacts from certain items that we do not consider representative of our core operating performance. These items include a supply chain technology and related asset impairment charge recognized in the third quarter of 2022, Trunk Club wind-down costs recognized in the first half of 2022 and the gain on the sale of our interest in a corporate office building recognized in the first quarter of 2022.

The following is a reconciliation of expected net earnings as a percent of net sales to expected adjusted EBIT margin included within our Fiscal Year 2022 Outlook:

	52 Weeks Ending January 28, 2023	
	Low	High
Expected net earnings as a % of net sales	**2.3%**	**2.6%**
Income tax expense	0.9%	0.9%
Interest expense, net	0.9%	0.9%
Expected earnings before interest and income taxes as a % of net sales	4.1%	4.4%
Supply chain impairments	0.4%	0.5%
Trunk Club wind-down costs	0.1%	0.1%
Gain on sale of interest in a corporate office building	(0.3%)	(0.3%)
Expected adjusted EBIT margin	**4.3%**	**4.7%**

The following is a reconciliation of expected EPS to expected adjusted EPS included within our Fiscal Year 2022 Outlook:

	52 Weeks Ending January 28, 2023	
	Low	High
Expected EPS	**$ 2.13**	**$ 2.43**
Supply chain impairments	0.43	0.43
Trunk Club wind-down costs	0.11	0.11
Gain on sale of interest in a corporate office building	(0.31)	(0.31)
Income tax impact on adjustments	(0.06)	(0.06)
Expected adjusted EPS	**$ 2.30**	**$ 2.60**

NORDSTROM, INC.
ADJUSTED RETURN ON INVESTED CAPITAL (“ADJUSTED ROIC”)
(NON-GAAP FINANCIAL MEASURE)
(unaudited; dollars in millions)

We believe that Adjusted ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of the capital we have invested in our business to generate returns over time. In addition, we have incorporated it in our executive incentive measures and we believe it is an important indicator of shareholders’ return over the long term.

Adjusted ROIC is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other GAAP financial measures. Our method of calculating non-GAAP financial measures may differ from other companies’ methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Adjusted ROIC is return on assets. The following shows the components to reconcile the return on assets calculation to Adjusted ROIC:

	Four Quarters Ended	
	October 29, 2022	**October 30, 2021**
Net earnings	**$ 326**	$ 11
Income tax expense (benefit)	**117**	(49)
Interest expense	**138**	262
Earnings before interest and income tax expense	**581**	224
Operating lease interest[1]	**85**	89
Adjusted net operating profit	**666**	313
Estimated income tax expense[2]	**(177)**	(406)
Adjusted net operating profit (loss) after tax	**$ 489**	$ (93)
Average total assets	**$ 9,227**	$ 9,489
Average non-current deferred property incentives in excess of operating lease right-of-use (ROU) assets[3]	**(205)**	(243)
Average non-interest bearing current liabilities	**(3,369)**	(3,423)
Average invested capital	**$ 5,653**	$ 5,823
Return on assets	**3.5 %**	0.1 %
Adjusted ROIC	**8.7 %**	(1.6 %)

[1] Operating lease interest is a component of operating lease cost recorded in occupancy costs. We add back operating lease interest for purposes of calculating adjusted net operating profit for consistency with the treatment of interest expense on our debt.

[2] Estimated income tax expense is calculated by multiplying the adjusted net operating profit by the effective tax rate for the trailing twelve month periods ended October 29, 2022 and October 30, 2021. The effective tax rate is calculated by dividing income tax by earnings before income taxes for the same trailing twelve month periods.

[3] For leases with property incentives that exceed the ROU assets, we reclassify the amount from assets to other current liabilities and other liabilities on the Condensed Consolidated Balance Sheets. The current and non-current amounts are used to reduce average total assets above, as this better reflects how we manage our business.

NORDSTROM, INC.
ADJUSTED DEBT TO EBITDAR (NON-GAAP FINANCIAL MEASURE)
(unaudited; dollars in millions)

Adjusted debt to earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") is one of our key financial metrics and we believe that our debt levels are best analyzed using this measure, as it provides a reflection of our creditworthiness which could impact our credit ratings and borrowing costs. This metric is calculated in accordance with the updates in our new Revolver covenant and is a key component in assessing whether our revolving credit facility is secured or unsecured, as well as our ability to make dividend payments and share repurchases. Our goal is to manage debt levels to achieve and maintain investment-grade credit ratings while operating with an efficient capital structure.

Adjusted debt to EBITDAR is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, debt to net earnings, net earnings, debt or other GAAP financial measures. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Adjusted debt to EBITDAR is debt to net earnings. The following shows the components to reconcile the debt to net earnings calculation to Adjusted debt to EBITDAR:

		October 29, 2022
Debt	$	2,955
Operating lease liabilities		1,800
Adjusted debt	$	4,755

		Four Quarters Ended October 29, 2022
Net earnings	$	326
Income tax expense		117
Interest expense, net		134
Earnings before interest and income taxes		577
Depreciation and amortization expenses		591
Operating lease cost[1]		276
Amortization of developer reimbursements[2]		74
Other Revolver covenant adjustments[3]		47
Adjusted EBITDAR	$	1,565
Debt to Net Earnings		9.1
Adjusted debt to EBITDAR		3.0

[1] Operating lease cost is fixed rent expense, including fixed common area maintenance expense, net of developer reimbursement amortization.

[2] Amortization of developer reimbursements is a non-cash reduction of operating lease cost and is therefore added back to operating lease cost for purposes of our Revolver covenant calculation.

[3] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income, certain non-cash charges and other gains and losses where relevant. For the four quarters ended October 29, 2022, other Revolver covenant adjustments primarily included costs associated with certain supply chain technology and related asset impairments and the wind-down of Trunk Club, partially offset by a gain on sale of the Company's interest in a corporate office building.

NORDSTROM, INC.
FREE CASH FLOW (NON-GAAP FINANCIAL MEASURE)
(unaudited; amounts in millions)

Free Cash Flow is one of our key liquidity measures and, when used in conjunction with GAAP measures, we believe it provides investors with a meaningful analysis of our ability to generate cash from our business.

Free Cash Flow is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, operating cash flows or other financial measures prepared in accordance with GAAP. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Free Cash Flow is net cash provided by operating activities. The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

	Nine Months Ended	
	October 29, 2022	**October 30, 2021**
Net cash provided by operating activities	**$ 240**	$ 277
Capital expenditures	**(325)**	(361)
Increase (decrease) in cash book overdrafts	**21**	(4)
Free Cash Flow	**$ (64)**	$ (88)

INVESTOR CONTACT: Heather Hollander
Nordstrom, Inc.
InvRelations@Nordstrom.com

MEDIA CONTACT: Stephanie Corzett
Nordstrom, Inc.
NordstromPR@Nordstrom.com

Q3 2022 NORDSTROM EARNINGS CALL — PREPARED REMARKS

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

Good afternoon everyone. Thank you for joining us today.

For the third quarter, we delivered results in line with our expectations with quarterly net sales of $3.4 billion, a loss per share of 13 cents, and adjusted earnings per share of 20 cents.

As we discussed while reporting our second quarter results, we saw customer demand begin to soften in late June, mostly in Nordstrom Rack. Across both banners, the softening trend was more significant in customer segments with the lowest income profiles, while we saw greater resilience in the higher income cohorts.

As customer trends shifted, we took action to manage through the short term macroeconomic uncertainty and position our business for success. This included managing expenses to align with sales expectations and clearing through excess inventory to exit the year with healthy inventory levels and mix.

These actions prepared us well for the third quarter, as macroeconomic pressures impacted all customer segments, with outsized impact in the lowest income groups. Additionally, sales decelerated in late October and early November, particularly in geographies with unseasonably warm weather. In the last two weeks, however, sales trends have improved.

Our teams have executed well in a challenging environment this quarter and continued to advance our Closer to You strategy. Given ongoing inflationary pressures in supply chain and fulfillment, we are particularly pleased that we decreased our variable supply chain cost this quarter. Our supply chain optimization workstreams drove efficiency and lowered the per unit cost of moving product through our system, while also delivering an improved customer experience and faster order fulfillment. We are also on track with our plans to clear through excess inventory and optimize our product mix.

Net sales decreased 3 percent versus last year, which includes a negative impact of approximately 200 basis points from one week of the Anniversary Sale shifting into the second quarter.
Nordstrom banner sales and gross merchandise value, or GMV, each decreased 3 percent versus last year. The timing shift of the Anniversary Sale had a negative impact on Nordstrom banner net sales of approximately 300 basis points.

In the third quarter, customers continued to refresh their wardrobes and shop for occasions such as social events, travel, work, and holidays, which drove demand for our core categories and services.

Consistent with the second quarter, items with lower AURs underperformed higher AUR items. Customers continued to respond very positively to newness and fashion in our seasonal assortment.

Turning now to our strategic initiatives. Our team remains focused on improving Rack performance, increasing profitability, and optimizing our supply chain and inventory flow. We are making progress in these initiatives, and we expect them to benefit our topline and bottom-line performance in the fourth quarter of this year, in 2023, and beyond.

While we take actions to address a shifting consumer backdrop, we are also building capabilities to better serve customers and deliver increased profitability, as we focus on improving Nordstrom Rack performance, winning in our most important markets, and leveraging our digital capabilities.

- Starting with Nordstrom Rack, sales declined 2 percent versus last year as we continued to see softening demand, especially within our lower income customer groups.

  We remain focused on delivering profitable growth while improving the customer experience. To that end, this quarter, we made the decision to reduce Rack store-based order fulfillment and raise the minimum order amount to receive free ship-to-store delivery on Rack.com. These actions reduced our order cancellations, simplified Rack operations, and improved profitability, but negatively impacted topline growth at the Rack by approximately 200 basis points.

We continue to focus on increasing our supply of premium brands at Rack, improving our assortment, and growing brand awareness to fuel future growth.

Premium brands are a differentiator for the Rack and we are dedicated to having great brands at great prices at each of our locations. The linkage to the Nordstrom banner gives Nordstrom Rack unique access to premium brands that are not broadly available in the off-price space. For example, 90 percent of the top brands at Nordstrom are sold at Nordstrom Rack. This quarter, sales of our top 100 brands at the Rack increased 9 percent, which underscores the growth opportunity from increasing our supply of premium brands.

We are also continuing to shift away from the lower price point items that have not resonated with Rack customers. We expect to clear through this inventory by the end of the fiscal year, which opens more space and buying capacity for premium brands. With the work underway, we expect to optimize Rack product mix by mid-2023.

We believe that improving our assortment and increasing penetration of top brands will differentiate the Rack experience for customers and drive profitable sales growth.

- Next, our market capabilities help us engage with customers by delivering convenience, connection, and greater access to product, no matter how they choose to shop. Customers clearly value our interconnected model, with a strong store fleet, two unique banners, and omnichannel capabilities linked at the market level. Order pickup represented 12 percent of Nordstrom.com demand this quarter, an increase of 200 basis points versus last year.
- We are also leveraging our digital capabilities to extend our unmatched one-to-one store experience to a digital world. Our goal is to personalize the digital experience with discovery supported by a broad product assortment, convenience powered by our market strategy, and connection via our people and experiences. We are evolving digital discovery and driving higher engagement with enhanced content, a refreshed shopping experience that includes redesigned product pages, and smarter product search capabilities. We are also improving the digital purchase journey with better imagery and product descriptions to help customers make more informed purchase decisions and minimize returns.

Total digital sales declined 16 percent this quarter, which includes a negative impact of approximately 300 basis points from the Anniversary Sale shift. Additionally, reducing store-based fulfillment for Rack.com orders and sunsetting Trunk Club negatively impacted digital sales by approximately 700 basis points, with the change to Rack.com store fulfillment accounting for the majority of the impact. Our digital sales were also affected by channel shift as customers returned to pre-pandemic shopping behavior and increasingly chose to shop in-store this quarter. Digital sales represented 34 percent of total sales during the quarter.

Before I turn it over to Pete, we would like to thank our employees, customers, and partners for helping kids start off the school year on the right foot. For the 12th year, we partnered with Nike and Shoes That Fit to donate more than 40,000 pairs of brand-new shoes to kids in need for back-to-school. This program leverages our heritage in shoes and engages our teams and customers to make a difference in their communities. We are very proud of the incredible support our team and customers put behind this important cause.

In closing, though there is continued macro uncertainty, we are pleased with the actions we've taken to prepare for this environment and the progress we've made in improving our agility. The capabilities we've built with our Closer to You strategy, digital assets, and supply chain optimization prepare us to manage short-term pressures. With our strong balance sheet and cash position, we also have the flexibility to respond to shifting demand. We are navigating short term headwinds, while also continuing to build capabilities to better serve our customers, drive profitable growth, and increase shareholder value. We are focused on remaining nimble to navigate this environment and look forward to realizing additional benefits in the fourth quarter and into 2023.

I'll now turn the call over to Pete.

PETE NORDSTROM | PRESIDENT AND CHIEF BRAND OFFICER

Thanks, Erik.

I'll begin by talking about our category performance, then I'll discuss the actions we're taking to ensure healthy inventory levels and mix going into next year. Finally, I'll update you on the progress we are making to improve supply chain and inventory flow and increase gross margin.

Starting with the category performance … Men's and Women's Apparel, Shoes, and Designer had the strongest growth in the quarter versus last year. Customers continued to shop for occasions and return to the office, and update their closets. We continued to see softness versus last year in categories previously accelerated by the pandemic, including Home and Active.

- Turning now to inventory...

  As you know, we have been taking aggressive action to align inventory with softening demand and category shifts. We have been focusing on improving our assortment by clearing through product that customers weren't responding to and showcasing the fashion, newness, and categories they want. While this clearance activity pressures margins in the near-term, the impact is in-line with our expectations and consistent with the outlook we shared with you last quarter. Importantly, we expect to have healthy and current inventory by the end of the year, setting us up for longer term growth and profitability.

- In addition to healthy inventory levels, we are also focused on having the right composition of inventory. We are maintaining a strong inflow of exciting brands to deliver the newness customers expect from us. We continue to partner with new, limited distribution brands to grow their businesses and offer our customers increased selection. For example, our partnerships with On running, SKIMS, and Fear of God illustrate our strategy and effectiveness in amplifying exciting new brands. These partnerships only began a few years ago, and now they are among Nordstrom's top 5 fastest growing brands and ranked in our top brands overall.

- We also continue to focus on improving our supply chain and inventory flow. Last year, in response to our growing digital business and increasing inflationary cost pressure, we launched a series of workstreams to drive efficiency and reduce supply chain costs while also elevating the customer experience.
    - Improved inventory flow is a key component of this work and an integral part of our Closer to You strategy. By optimizing our supply chain, we are able to provide our customers with greater selection and faster delivery speeds. We are reducing the number of product touch points through our network, which decreases our cost and gets the product in a sellable position faster, which improves our regular price sell through.
    - As part of our supply chain optimization efforts, we are also continuing to increase productivity in our distribution and fulfillment centers and improving the consistency of unit flow through our network.
    - We are very pleased with the early results we're seeing from this work.
    - While we evaluate many supply chain metrics, for our customer, we believe the most important metric is click-to-deliver speed. This quarter, we improved click-to-deliver speed by 15 percent.
    - As we improved unit flow through our network, we increased fulfillment center flow through by 28 percent versus last year and reduced our variable handling cost per unit by 3 percent.
    - In fact, despite inflationary pressures this quarter, we decreased our variable supply chain cost as a percent of sales by approximately 100 basis points, compared to last year.
    - As we advance our supply chain capabilities, we are also aligning our network accordingly. To that end, we closed a smaller omnichannel fulfillment center in Los Angeles that is no longer needed and retired the third party technology tested in that center, as we have scaled our West Coast Omnichannel Center to support the demand in that region.

- In addition to supply chain optimization, we continue to focus on expanding our merchandise margins over the long term. One of the most important levers in improving merchandise margin is faster inventory turns. We are committed to delivering a double digit percentage increase in inventory turns in 2023.

  In addition to faster inventory turns, we are also working to improve merchandise margins by leveraging advanced analytics to identify customer needs, improve our assortment, increase promotional effectiveness, and optimize markdowns. We saw the benefits of this work in the first half of the year and expect to deliver additional merchandise margin improvements once we are past the clearance markdown pressure this year.

Turning now to holiday, our customers are excited for the season, and we are well-positioned with a fresh, relevant assortment to help them get ready for their celebrations. We've used our learnings from past holiday events to improve our offering with the goal of being the go-to destination for gifting and preparing for the moments that matter to our customers.

In closing, we are taking actions to clear through excess inventory, improve our mix and assortment, increase our agility, and enter 2023 in a healthy inventory position. We're confident in our ability to build on our progress in driving supply chain efficiencies and the additional benefits we expect in the fourth quarter and in 2023.

Now I'll turn it back to Erik.

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

As we announced last month, Anne Bramman will be stepping down from her role as CFO on December 2nd. We'd like to take a moment to recognize Anne for her dedication to our customers, our employees, our shareholders, and our values. Anne made significant contributions to our business over the last 5 years, including helping to successfully guide the company through the pandemic, sponsoring multiple strategic initiatives to improve profitability, and elevating the finance organization. So, Anne, we thank you for your partnership and leadership. We wish you all the best in your next step.

ANNE BRAMMAN | CHIEF FINANCIAL OFFICER

Thank you, Erik. It’s been a privilege to work alongside you, our executive leadership team, our board of directors, and all of the incredible people who make Nordstrom such a special place. It has been an honor to be a part of this company.

I’ll now review our third quarter results, and then turn it over to Michael Maher, who will serve as our interim CFO beginning December 5th, to address our outlook for the remainder of the year.

For the third quarter, we reported a loss per share of 13 cents. After excluding charges related to a supply chain technology and related asset impairment, adjusted earnings per share was 20 cents.

Overall, net sales decreased 3 percent, in line with our expectations. This includes a negative impact of approximately 200 basis points due to one week of the Anniversary Sale shifting into the second quarter. GMV decreased 2 percent.

Nordstrom banner sales and GMV each decreased 3 percent versus last year. Anniversary Sale timing negatively impacted the Nordstrom banner by approximately 300 basis points.

Nordstrom Rack sales decreased 2 percent in the third quarter.

Digital sales decreased 16 percent this quarter. Digital sales include a 1,000 basis point impact from Anniversary Sale timing shift, reducing Rack store fulfill, and sunsetting Trunk Club.

Gross profit, as a percentage of net sales, decreased 190 basis points, primarily due to higher markdown rates on clearance product. Consistent with our expectations from the end of the second quarter, we realized approximately $100 million of incremental markdowns during the third quarter.

As Erik and Pete described, we have taken actions to right-size our inventory and as such, ending inventory increased 1 percent this quarter, versus a 3 percent decrease in sales. As a result of reduced supply chain back logs, we have a higher percentage of our inventory on hand this year, versus in transit last year. We continue to expect that we will end the year in a healthy inventory position and are committed to a disciplined approach to inventory management in 2023.

Total SG&A as a percentage of net sales increased 200 basis points due to a supply chain technology and related asset impairment charge, partially offset by leverage driven by fulfillment expense efficiencies. Excluding the impact of the impairment, total SG&A as a percentage of net sales remained flat with the prior year. Since last year, we've been making progress on our supply chain optimization initiatives to offset anticipated labor and fulfillment cost pressure and we're pleased with the results we're seeing. We continue to expect that these initiatives will deliver more significant benefits in the fourth quarter and in 2023.

EBIT margin was 0.1 percent of sales for the third quarter. After excluding charges related to the impairment, adjusted EBIT margin was 2.1 percent.

We maintained a solid financial position, ending the third quarter with $993 million in available liquidity, including $293 million in cash. Subsequent to quarter-end, we paid off the $100 million we had borrowed on our revolving line of credit and once again have the entire balance available to us.

Finally, we are pleased to announce the extension of our credit card program agreement with TD Bank as the exclusive issuer of our proprietary Nordstrom-branded credit card. TD has been a strong partner and we look forward to working with them to further enhance the cardmember experience. I'll now hand it over to Michael to talk through our outlook for the remainder of fiscal 2022.

MICHAEL MAHER | CHIEF ACCOUNTING OFFICER

Thanks Anne, and before I discuss our outlook, I just want to briefly add a word of appreciation on behalf of the Finance team here at Nordstrom. We've all benefited from your leadership and coaching over the past few years. Thank you for everything, and all the best in your next chapter.

Now I'll describe the macroeconomic backdrop contemplated in our guidance for the balance of the year.

As Erik indicated, macroeconomic pressures impacted demand across all customer segments in the third quarter, with the most significant impact in the lowest income groups. However, customers continued to refresh their wardrobes, shop for occasions, and respond to fashion and newness in our assortment.

With regard to recent trends, sales softened in late October and early November, but improved in the last two weeks. We believe that unseasonably warm temperatures in certain geographies contributed to the decelerating trends, along with delayed holiday shopping. As weather normalized and we get closer to the holidays, we've seen sales trends improve and gifting activity accelerate.

As for holiday shopping expectations, we believe that this year's calendar, which has an extra Saturday between Thanksgiving and Christmas, will lead some customers to wait until closer to Christmas to make their purchases. We continue to expect an elevated promotional environment across retail in the fourth quarter.

Taking these factors into consideration, we are reaffirming our 2022 financial outlook. For fiscal year 2022, we continue to expect revenue growth of 5 to 7 percent versus 2021.

We expect Adjusted EBIT margin of approximately 4.3 to 4.7 percent for the full year.

Our forecast assumes that EBIT margin improvement for the year will be driven by SG&A leverage, with Gross Profit roughly flat for the full year.

Our effective tax rate is expected to be approximately 27 percent for the fiscal year.

We expect Adjusted EPS of $2.30 to $2.60. Our outlook excludes the impact of any future share repurchases.

We continue to expect approximately $100 million of incremental markdown impacts from clearance activity in the fourth quarter.

Though we are facing inflationary expense pressures, we contemplated that pressure in our outlook, along with the increasing benefits of our supply chain optimization initiatives.

With regard to the assumptions embedded in our guidance range, the low end of our guidance assumes that the softer sales trends from late October and early November return, and promotional activity in the sector increases above what we've seen to date. The high end of our guidance assumes that holiday sales will accelerate year-over-year as we approach Christmas, in line with pre-pandemic shopping behavior, and that promotional levels in the sector are consistent with what we've seen to date.

Shifting to capital allocation, our priorities remain unchanged. Our first priority is investing in the business to better serve our customers and support long term growth. We're planning capital expenditures at normalized levels of 3 to 4 percent of net sales as we continue to invest in supply chain and technology capabilities.

Our second priority is reducing our leverage. We remain committed to an investment grade credit rating and expect to decrease our leverage ratio below 2.9 times by the end of 2022. We continue to target a leverage ratio below 2.5 times.

Our third priority is returning cash to shareholders. Last week, our board of directors declared a quarterly cash dividend of $0.19 per share. Year to date, we also repurchased approximately $53 million of our stock at an average price of $23 per share. We have approximately $447 million remaining on our share repurchase authorization. We will continue to take a measured approach to share repurchases through the remainder of this year, aligning with our cash flow and market conditions.

In closing, we have been taking the necessary steps to prepare for a softening macroeconomic backdrop and are confident that we have the financial strength and strategic capabilities to manage through a rapidly evolving environment. We have a strong balance sheet and a favorable debt maturity schedule. We are reducing our inventory levels to enter 2023 in a healthy and current position and improve our flexibility and agility. Despite markdown and inflationary pressures, we still expect to deliver SG&A benefits from our supply chain optimization work and disciplined expense management, and significantly increase our year-over-year profitability in the fourth quarter.