

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

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

For the quarterly period ended October 29, 2022

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-15059

# NORDSTROM

Nordstrom, Inc.

(Exact name of registrant as specified in its charter)

**Washington**

(State or other jurisdiction of  
incorporation or organization)

**91-0515058**

(I.R.S. Employer  
Identification No.)

**1617 Sixth Avenue, Seattle, Washington 98101**

(Address of principal executive offices)

**206-628-2111**

(Registrant's telephone number, including area code)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Common stock outstanding as of November 25, 2022: 160,081,323 shares

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## **FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements regarding matters that are not historical facts, and are based on our management's beliefs and assumptions and on information currently available to our management. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. In some cases, forward-looking statements can be identified by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," "pursue," "going forward" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, our anticipated financial outlook for the fiscal year ending January 28, 2023, trends in our operations and the following:

### **Strategic and Operational**

- COVID-19, which may make it necessary to close our physical stores and facilities in affected areas, may have a negative impact on our business and results and may exacerbate the risks below,
- successful execution of our customer strategy to provide customers superior service, products and experiences online, through our fulfillment capabilities and in stores,
- timely and effective implementation and execution of our evolving business model, including:
  - winning at our market strategy by providing a differentiated and seamless experience, which consists of the integration of our digital and physical assets, development of new supply chain capabilities and timely delivery of products,
  - broadening the reach of Nordstrom Rack, including balancing our price range and selection and leveraging our digital and physical assets,
  - enhancing our platforms and processes to deliver core capabilities to drive customer, employee and partner experiences both digitally and in-store,
- our ability to effectively manage our merchandise strategy, including our ability to offer compelling assortments and optimize our inventory to ensure we have the right product mix in each of our channels and locations, allowing us to get closer to our customers,
- our ability to effectively allocate and scale our marketing strategies and resources, as well as realize the expected benefits between The Nordy Club, advertising and promotional campaigns,
- our ability to respond to the evolving retail environment, including new fashion trends, environmental considerations and our customers' changing expectations of service and experience in stores and online, and our development of new market strategies and customer offerings,
- our ability to mitigate the effects of disruptions in the global supply chain, including factory closures, transportation challenges or stoppages of certain imports, and rising prices of raw materials and freight expenses,
- our ability to control costs through effective inventory management, fulfillment and supply chain processes and systems,
- our ability to acquire, develop and retain qualified and diverse talent by providing appropriate training, compelling work environments and competitive compensation and benefits, especially in areas with increased market compensation, all in the context of any labor shortage and competition for talent,
- our ability to realize expected benefits, anticipate and respond to potential risks and appropriately manage costs associated with our credit card revenue sharing program,
- potential goodwill impairment charges, future impairment charges, fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames or if our strategic direction changes,

### **Data, Cybersecurity and Information Technology**

- successful execution of our information technology strategy, including engagement with third-party service providers,
- the impact of any system or network failures, cybersecurity and/or security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information, or that results in the interruption of business processes or causes financial loss, and our compliance with information security and privacy laws and regulations, as well as third-party contractual obligations in the event of such an incident,

### **Reputation and Relationships**

- our ability to maintain our reputation and relationships with our customers, employees, vendors and third-party partners and landlords,
- our ability to act responsibly and with transparency with respect to our corporate social responsibility practices and initiatives, and meet any communicated targets, goals or milestones,
- our ability to market our brand and distribute our products through a variety of third-party publisher or platform channels, as well as access mobile operating system and website identifiers for personalized delivery of targeted advertising,

### **Investment and Capital**

- efficient and proper allocation of our capital resources,
- our ability to properly balance our investments in technology, Supply Chain Network facilities and existing and new store locations, including the expansion of our market strategy,
- our ability to maintain or expand our presence, including timely completion of construction associated with Supply Chain Network facilities and new, relocated and remodeled stores, as well as any potential store closures, all of which may be impacted by third parties, consumer demand and other natural or man-made disruptions, and government responses to any such disruptions,
- market fluctuations, increases in operating costs, exit costs and overall liabilities and losses associated with owning and leasing real estate,
- compliance with debt and operating covenants, availability and cost of credit, changes in our credit rating and changes in interest rates,
- the actual timing, price, manner and amounts of future share repurchases, dividend payments or share issuances, if any, subject to the discretion of our Board of Directors, contractual commitments, market and economic conditions and applicable SEC rules,

### **Economic and External**

- the length and severity of epidemics or pandemics, such as the COVID-19 pandemic, or other catastrophic events, and the related impact on customer behavior, store and online operations and supply chain functions, as well as our future consolidated financial position, results of operations and cash flows,
- the impact of the seasonal nature of our business and cyclical customer spending,
- the impact of economic and market conditions in the U.S. and Canada, including inflation and measures to control inflation, and resulting changes to customer purchasing behavior, unemployment and bankruptcy rates, as well as any fiscal stimulus, or the cessation of any fiscal stimulus and the resulting impact on consumer spending and credit patterns,
- the impact of economic, environmental or political conditions,
- the impact of changing traffic patterns at shopping centers and malls,
- financial insecurity or potential insolvency experienced by our vendors, suppliers, developers, landlords, competitors or customers as a result of any economic downturn,
- weather conditions, natural disasters, climate change, national security concerns, global conflicts, civil unrest, other market and supply chain disruptions, the effects of tariffs, or the prospects of these events, and the resulting impact on consumer spending patterns or information technology systems and communications,

### **Legal and Regulatory**

- our, and our vendors', compliance with applicable domestic and international laws, regulations and ethical standards, including those related to COVID-19, minimum wage, employment and tax, information security and privacy, consumer credit and environmental regulations and the outcome of any claims, litigation and regulatory investigations and resolution of such matters,
- the impact of the current regulatory environment, financial system and tax reforms,
- the impact of changes in accounting rules and regulations, changes in our interpretation of the rules or regulations or changes in underlying assumptions, estimates or judgments.

These and other factors, including those factors we discussed in Part II, [Item 1A. Risk Factors](#), could affect our financial results and cause our actual results to differ materially from any forward-looking information we may provide. Given these risks, uncertainties and other factors, undue reliance should not be placed on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing, and these estimates and assumptions may prove to be incorrect. This Quarterly Report on Form 10-Q should be read completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

All references to “we,” “us,” “our” or the “Company” mean Nordstrom, Inc. and its subsidiaries.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

## DEFINITIONS OF COMMONLY USED TERMS

Term	Definition
2019 Plan	2019 Equity Incentive Plan
2021 Annual Report	Annual Report on Form 10-K filed on March 11, 2022
Adjusted EPS	Adjusted earnings (loss) per diluted share (a non-GAAP financial measure)
Adjusted ROIC	Adjusted return on invested capital (a non-GAAP financial measure)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CODM	Chief operating decision maker
COVID-19	Novel coronavirus
Digital sales	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.
EBIT	Earnings (loss) before interest and income taxes
EBITDA	Earnings (loss) before interest, income taxes, depreciation and amortization
EBITDAR	Earnings (loss) before interest, income taxes, depreciation, amortization and rent, as defined by our Revolver covenant
EPS	Earnings (loss) per share
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Third quarter of 2022	13 fiscal weeks ending October 29, 2022
Third quarter of 2021	13 fiscal weeks ending October 30, 2021
Fiscal year 2022	52 fiscal weeks ending January 28, 2023
GAAP	U.S. generally accepted accounting principles
GMV	Gross merchandise value
Gross profit	Net sales less cost of sales and related buying and occupancy costs
Leverage Ratio	The sum of our funded debt and operating lease liabilities divided by the preceding twelve months of Adjusted EBITDAR as defined by our Revolver covenant
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Nordstrom	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.
Nordstrom Local	Nordstrom Local service hubs, which offer order pickups, returns, alterations and other services
Nordstrom Rack	NordstromRack.com, Nordstrom Rack-branded U.S. stores and Last Chance clearance stores
The Nordy Club	Our customer loyalty program
NYSE	New York Stock Exchange
Operating Lease Cost	Fixed rent expense, including fixed common area maintenance expense, net of developer reimbursement amortization
PCAOB	Public Company Accounting Oversight Board (United States)
Property incentives	Developer and vendor reimbursements
PSU	Performance share unit
Revolver	Senior revolving credit facility
Rights Plan	Our limited-duration Shareholder Rights Agreement adopted by the Board of Directors in September 2022
ROU asset	Operating lease right-of-use asset
RSU	Restricted stock unit
SEC	Securities and Exchange Commission
SERP	Unfunded defined benefit Supplemental Executive Retirement Plan
Secured Notes	8.750% senior secured notes due May 2025
SG&A	Selling, general and administrative
Supply Chain Network	Fulfillment centers that primarily process and ship orders to our customers, distribution centers that primarily process and ship merchandise to our stores and other facilities and omni-channel centers that both fulfill customer orders and ship merchandise to our stores
TD	Toronto-Dominion Bank, N.A.

**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited).**

**NORDSTROM, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

(Amounts in millions except per share amounts)  
(Unaudited)

	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)
<b>Net (loss) earnings</b>	<b>(\$20)</b>	<b>\$64</b>	<b>\$126</b>	<b>(\$22)</b>
<b>(Loss) earnings per share:</b>				
Basic	(\$0.13)	\$0.40	\$0.79	(\$0.14)
Diluted	(\$0.13)	\$0.39	\$0.77	(\$0.14)
<b>Weighted-average shares outstanding:</b>				
Basic	159.5	159.2	160.1	158.9
Diluted	159.5	162.5	162.3	158.9

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

**NORDSTROM, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**

(Amounts in millions)  
(Unaudited)

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net (loss) earnings	(\$20)	\$64	\$126	(\$22)
Foreign currency translation adjustment	(10)	1	(11)	7
Post retirement plan adjustments, net of tax	1	2	2	5
<b>Comprehensive net (loss) earnings</b>	<b>(\$29)</b>	<b>\$67</b>	<b>\$117</b>	<b>(\$10)</b>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

**NORDSTROM, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Amounts in millions)  
(Unaudited)

	October 29, 2022	January 29, 2022	October 30, 2021
<b>Assets</b>			
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
<b>Total current assets</b>	<b>3,807</b>	<b>3,172</b>	<b>3,777</b>
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
<b>Total assets</b>	<b>\$9,395</b>	<b>\$8,869</b>	<b>\$9,534</b>
<b>Liabilities and Shareholders' Equity</b>			
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
<b>Total current liabilities</b>	<b>3,839</b>	<b>3,314</b>	<b>4,089</b>
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)
<b>Total shareholders' equity</b>	<b>606</b>	<b>581</b>	<b>359</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$9,395</b>	<b>\$8,869</b>	<b>\$9,534</b>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

**NORDSTROM, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Amounts in millions except per share amounts)  
(Unaudited)

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<b>Common stock</b>				
Balance, beginning of period	\$3,314	\$3,245	\$3,283	\$3,205
Issuance of common stock under stock compensation plans	9	7	18	14
Stock-based compensation	11	17	33	50
<b>Balance, end of period</b>	<b>\$3,334</b>	<b>\$3,269</b>	<b>\$3,334</b>	<b>\$3,269</b>
<b>Accumulated deficit</b>				
Balance, beginning of period	(\$2,601)	(\$2,916)	(\$2,652)	(\$2,830)
Net (loss) earnings	(20)	64	126	(22)
Dividends	(30)	—	(90)	—
Repurchase of common stock	(18)	—	(53)	—
<b>Balance, end of period</b>	<b>(\$2,669)</b>	<b>(\$2,852)</b>	<b>(\$2,669)</b>	<b>(\$2,852)</b>
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	(\$50)	(\$61)	(\$50)	(\$70)
Other comprehensive (loss) income	(9)	3	(9)	12
<b>Balance, end of period</b>	<b>(\$59)</b>	<b>(\$58)</b>	<b>(\$59)</b>	<b>(\$58)</b>
<b>Total shareholders' equity</b>	<b>\$606</b>	<b>\$359</b>	<b>\$606</b>	<b>\$359</b>
<b>Dividends per share</b>	<b>\$0.19</b>	<b>—</b>	<b>\$0.57</b>	<b>—</b>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.



**NORDSTROM, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in millions)  
(Unaudited)

	Nine Months Ended	
	October 29, 2022	October 30, 2021
<b>Operating Activities</b>		
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, net	(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
<b>Net cash provided by operating activities</b>	<b>240</b>	<b>277</b>
<b>Investing Activities</b>		
Capital expenditures	(325)	(361)
Proceeds from the sale of assets and other, net	82	(17)
<b>Net cash used in investing activities</b>	<b>(243)</b>	<b>(378)</b>
<b>Financing Activities</b>		
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)
Change 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)
<b>Net cash used in financing activities</b>	<b>(23)</b>	<b>(315)</b>
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
<b>Cash and cash equivalents at end of period</b>	<b>\$293</b>	<b>\$267</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid (received) during the period for:		
Income taxes, net	\$161	(\$486)
Interest, net of capitalized interest	108	136

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

**NORDSTROM, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollar and share amounts in millions except per share, per option and per unit amounts)  
(Unaudited)

**NOTE 1: BASIS OF PRESENTATION**

The Condensed Consolidated Financial Statements include the balances of Nordstrom, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation. The interim Condensed Consolidated Financial Statements have been prepared on a basis consistent in all material respects with the accounting policies described and applied in our 2021 [Annual Report](#) and reflect all adjustments of a normal recurring nature that are, in management's opinion, necessary for the fair presentation of the results of operations, financial position and cash flows for the periods presented.

The Condensed Consolidated Financial Statements as of and for the periods ended October 29, 2022 and October 30, 2021 are unaudited. The Condensed Consolidated Balance Sheet as of January 29, 2022 has been derived from the audited Consolidated Financial Statements included in our 2021 [Annual Report](#). The interim Condensed Consolidated Financial Statements should be read together with the Consolidated Financial Statements and related footnote disclosures contained in our 2021 [Annual Report](#).

**Seasonality**

Our business, like that of other retailers, is subject to seasonal fluctuations and cyclical trends in consumer spending. Our sales are typically higher in our second quarter, which usually includes most of our Anniversary Sale, and in the fourth quarter due to the holidays. Approximately one week of our Anniversary Sale shifted from the third quarter in 2021 to the second quarter in 2022.

Results for any one quarter are not indicative of the results that may be achieved for a full fiscal year. We plan our merchandise purchases and receipts to coincide with expected sales trends. For instance, our merchandise purchases and receipts increase prior to the Anniversary Sale and in the fall as we prepare for the holiday shopping season in November through December. Consistent with our seasonal fluctuations, our working capital requirements have historically increased during the months leading up to the Anniversary Sale and the holidays as we purchase inventory in anticipation of increased sales.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires that we make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from these estimates and assumptions. Our most significant accounting judgments and estimates include revenue recognition, inventory valuation, long-lived asset recoverability and income taxes, all of which involve assumptions about future events. We may be unable to accurately predict changes in economic conditions going forward and as a result our estimates may change in the near term.

**Leases**

We incurred operating lease liabilities arising from lease agreements of \$212 for the nine months ended October 29, 2022 and \$108 for the nine months ended October 30, 2021.

**Supply Chain Impairment**

During the third quarter of 2022, as part of our supply chain optimization initiatives, we decommissioned certain supply chain technology and related assets and incurred a non-cash impairment charge of \$70. This included \$58 on long-lived tangible assets and \$12 on ROU assets to adjust the carrying values to their estimated fair values. These charges are included in our Corporate/Other SG&A expense on the Condensed Consolidated Statement of Earnings and asset impairment on the Condensed Consolidated Statement of Cash Flows. We evaluated the assets for impairment by comparing the carrying values to the related projected future cash flows, among other quantitative and qualitative analyses. After impairment, the carrying values of the remaining long-lived tangible and ROU assets were not material.

**Trunk Club Wind-down**

During the first quarter of 2022, in conjunction with the decision to sunset the Trunk Club brand, we incurred non-cash impairment charges of \$10 related to a Trunk Club property to adjust the carrying values to their estimated fair value. These charges are included in our Retail segment SG&A expense on the Condensed Consolidated Statement of Earnings and asset impairment on the Condensed Consolidated Statement of Cash Flows.

During the second quarter of 2022, we incurred additional costs of \$8 associated with the wind-down of Trunk Club. These expenses are primarily included in our Retail segment cost of sales and related buying and occupancy costs on the Condensed Consolidated Statement of Earnings. These charges are classified as operating on the Condensed Consolidated Statement of Cash Flows.

**NORDSTROM, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollar and share amounts in millions except per share, per option and per unit amounts)  
(Unaudited)

**Investments**

In July 2021, we acquired a minority interest in the Topshop, Topman, Miss Selfridge and HIIT brands through a strategic partnership with ASOS.com Ltd. From time to time, we invest in financial interests of private companies that align with our business and omni-channel strategies, which are recorded in other assets in the Condensed Consolidated Balance Sheets and proceeds from the sale of assets and other, net on the Condensed Consolidated Statements of Cash Flows.

During the first quarter of 2022, in connection with the sale of a limited partnership interest in a corporate office building, we recognized a gain of \$51 in our Corporate/Other SG&A expense in the Condensed Consolidated Statement of Earnings and \$73 in proceeds from the sale of assets and other, net on the Condensed Consolidated Statement of Cash Flows.

**Subsequent Event**

In November 2022, we amended our program agreement with TD. We receive credit card revenue through this agreement, whereby TD is the exclusive issuer of our consumer credit cards and we perform account servicing functions. The original agreement was scheduled to expire in April 2024 and the amendment extends the term through September 2026.

**NOTE 2: REVENUE**
**Contract Liabilities**

Contract liabilities represent our obligation to transfer goods or services to customers and include deferred revenue for The Nordy Club (including points and Nordstrom Notes) and gift cards. Our contract liabilities are classified as current on the Condensed Consolidated Balance Sheets and are as follows:

	<b>Contract Liabilities</b>
Balance as of January 30, 2021	\$478
Balance as of May 1, 2021	436
Balance as of July 31, 2021	433
Balance as of October 30, 2021	417
Balance as of January 29, 2022	478
Balance as of April 30, 2022	442
Balance as of July 30, 2022	438
Balance as of October 29, 2022	430

Revenues recognized from our beginning contract liability balance were \$100 and \$232 for the quarter and nine months ended October 29, 2022 and \$106 and \$212 for the quarter and nine months ended October 30, 2021.

**Disaggregation of Revenue**

The following table summarizes our disaggregated net sales:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Nordstrom	\$2,264	\$2,343	\$7,324	\$6,614
Nordstrom Rack	1,169	1,191	3,567	3,406
<b>Total net sales</b>	<b>\$3,433</b>	<b>\$3,534</b>	<b>\$10,891</b>	<b>\$10,020</b>
Digital sales as a % of total net sales	34%	40%	37%	42%

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(Unaudited)

The following table summarizes the percent of net sales by merchandise category:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Women's Apparel	29%	29%	29%	30%
Shoes	27%	26%	26%	25%
Men's Apparel	15%	14%	15%	14%
Women's Accessories	11%	12%	12%	13%
Beauty	11%	12%	11%	11%
Kids' Apparel	4%	4%	4%	4%
Other	3%	3%	3%	3%
<b>Total net sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### NOTE 3: DEBT AND CREDIT FACILITIES

#### Debt

During the first quarter of 2021, we issued \$250 aggregate principal amount of 2.30% senior notes due April 2024 and \$425 aggregate principal amount of 4.25% senior notes due August 2031. With the net proceeds of these new notes, together with cash on hand, we retired our \$600 Secured Notes. We recorded \$88 related to the redemption in interest expense, net, which primarily consisted of a one-time payment of \$78 for a "make-whole" premium, and the write-off of unamortized balances associated with the debt discount and issuance costs. The "make-whole" premium payment was not included in cash paid during the period for interest, net of capitalized interest in the Supplemental Cash Flow Information.

During the second quarter of 2021, we retired our 4.00% senior notes that were due October 2021 using cash on hand.

#### Credit Facilities

During the second quarter of 2022, we terminated and replaced our prior revolving credit facility set to expire in September 2023 with a new \$800 Revolver that expires in May 2027. Consistent with our prior revolving credit agreement, any outstanding borrowings under the Revolver are secured by substantially all our personal and intellectual property assets and are guaranteed by certain of our subsidiaries. Under the Revolver, our obligation to secure any outstanding borrowings will be eliminated if no default exists and we either have an unsecured investment-grade debt rating from two of three specified ratings agencies, or we have one investment-grade rating and achieve two consecutive fiscal quarters with a Leverage Ratio of less than 2.5 times.

Under the Revolver, we have two financial covenant tests that need to be met on a quarterly basis: a Leverage Ratio that is less than or equal to 4 times and a fixed charge coverage ratio that is greater than or equal to 1.25 times. As of October 29, 2022, we were in compliance with all covenants.

The Revolver provides us with additional flexibility, compared with our prior revolving credit facility, for dividends and share repurchases, provided we are not in default, and no default would arise as a result of such payments. If the pro-forma Leverage Ratio after such payments is less than 3 times, then such payments are unlimited. If the pro-forma Leverage Ratio is greater than or equal to 3 times but less than 3.5 times then we are limited to \$100 per fiscal quarter and if the pro-forma Leverage Ratio is greater than or equal to 3.5 times then the limit is \$60 per fiscal quarter.

The Revolver contains customary representations, warranties, covenants and terms, including paying a variable rate of interest and a facility fee based on our debt rating, and is available for working capital, capital expenditures and general corporate purposes. Provided that we obtain written consent from the lenders, we have the option to increase the Revolver by up to \$200, to a total of \$1,000, and two options to extend the Revolver for additional one-year terms. During the third quarter of 2022, we borrowed \$100 under our Revolver, which remained outstanding as of October 29, 2022 and is classified in total current liabilities on the Condensed Consolidated Balance Sheets. In November 2022, subsequent to quarter end, we repaid the outstanding balance on our Revolver.

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Our \$800 commercial paper program allows us to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect of reducing available liquidity under the Revolver by an amount equal to the principal amount of commercial paper outstanding. Conversely, borrowings under our Revolver have the effect of reducing the available capacity of our commercial paper program by an amount equal to the amount outstanding. As of October 29, 2022, we had no issuances outstanding under our commercial paper program.

**NOTE 4: FAIR VALUE MEASUREMENTS**

We disclose our financial assets and liabilities that are measured at fair value in our Condensed Consolidated Balance Sheets by level within the fair value hierarchy as defined by applicable accounting standards:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Other observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs that cannot be corroborated by market data that reflect the reporting entity's own assumptions

**Financial Instruments Measured at Carrying Value**

Financial instruments measured at carrying value on a recurring basis include cash and cash equivalents, accounts receivable, accounts payable and our Revolver, which approximate fair value due to their short-term nature.

Long-term debt is recorded at carrying value. If long-term debt was measured at fair value, we would use quoted market prices of the same or similar issues, which is considered a Level 2 fair value measurement. The following table summarizes the carrying value and fair value estimate of our long-term debt, including current maturities:

	October 29, 2022	January 29, 2022	October 30, 2021
Carrying value of long-term debt	\$2,855	\$2,853	\$2,851
Fair value of long-term debt	2,224	2,758	2,992

**Non-financial Assets Measured at Fair Value on a Nonrecurring Basis**

We also measure certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill, long-lived tangible and ROU assets, in connection with periodic evaluations for potential impairment. We estimate the fair value of these assets using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements. For more information regarding long-lived tangible asset impairment charges for the nine months ended October 29, 2022, see Note 1: Basis of Presentation. There were no material impairment charges for these assets for the nine months ended October 30, 2021.

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**NOTE 5: STOCK-BASED COMPENSATION**

The following table summarizes our stock-based compensation expense:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
RSUs	\$10	\$12	\$32	\$41
Stock options	1	5	12	19
Other <sup>1</sup>	1	1	6	4
Total stock-based compensation expense, before income tax benefit	12	18	50	64
Income tax benefit	(3)	(5)	(12)	(17)
<b>Total stock-based compensation expense, net of income tax benefit</b>	<b>\$9</b>	<b>\$13</b>	<b>\$38</b>	<b>\$47</b>

<sup>1</sup> Other stock-based compensation expense includes PSUs, nonemployee director stock awards and ESPP awards.

The following table summarizes our grant allocations:

	Nine Months Ended			
	October 29, 2022		October 30, 2021	
	Granted	Weighted-average grant-date fair value per unit	Granted	Weighted-average grant-date fair value per unit
RSUs	2.9	\$22	1.7	\$32
Stock options	1.1	\$10	1.2	\$13
PSUs	0.5	\$23	—	—

Under our deferred and stock-based compensation plan arrangements, we issued 0.7 and 2.6 shares of common stock during the quarter and nine months ended October 29, 2022 and 0.4 and 1.6 shares during the quarter and nine months ended October 30, 2021.

**NOTE 6: SHAREHOLDERS' EQUITY**

*Share Repurchases*

In May 2022, our Board of Directors authorized a program to repurchase up to \$500 of our outstanding common stock, with no expiration date. This new program replaced the August 2018 program, which had no expiration date and \$707 remaining in repurchase capacity at termination. Our share repurchases are summarized as follows:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Shares of common stock repurchased	0.8	—	2.3	—
Average price paid per share	\$22.52	—	\$22.95	—
Aggregate amount of common stock repurchased	\$18	—	\$53	—

We had \$447 remaining in share repurchase capacity as of October 29, 2022.

*Dividends*

In November 2022, subsequent to quarter end, we declared a quarterly dividend of \$0.19 per share, which will be paid on December 14, 2022 to shareholders of record at the close of business on November 29, 2022.

We have certain limitations with respect to the payment of dividends and share repurchases under our Revolver agreement (see Note 3: Debt and Credit Facilities).

*Rights Plan*

In September 2022, our Board of Directors approved a [shareholder rights agreement](#) and declared a dividend of one right for each outstanding share of Nordstrom common stock to shareholders of record on September 30, 2022. Each right entitles holders to purchase one newly issued share of Nordstrom common stock at an exercise price of \$94 per right, subject to adjustment. Initially, the rights will not be exercisable and will trade with our shares of common stock.

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(Dollar and share amounts in millions except per share, per option and per unit amounts)  
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In general, the rights become exercisable following a public announcement that a person acquires 10% or more of the outstanding shares of Nordstrom common stock. If the rights are exercised, each holder (except the acquiring person) will have the right to receive common stock equal to two times the exercise price of the right. The Company may redeem the rights for \$0.001 per right anytime prior to the rights becoming exercisable. The agreement also provides for exceptions and additional terms for other certain situations and circumstances.

The Rights Plan is intended to protect the interests of Nordstrom and its shareholders by reducing the likelihood that any entity, person or group gains control of the Company through open-market accumulation or other means without payment of an adequate control premium and expires September 19, 2023, unless redeemed, exchanged or terminated earlier by our Board of Directors. There is currently no impact to our Condensed Consolidated Financial Statements.

**NOTE 7: EARNINGS PER SHARE**

The computation of EPS is as follows:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net (loss) earnings	(\$20)	\$64	\$126	(\$22)
Basic weighted average shares outstanding	159.5	159.2	160.1	158.9
Dilutive effect of common stock equivalents	—	3.3	2.2	—
Diluted weighted average shares outstanding	159.5	162.5	162.3	158.9
<b>Basic EPS</b>	<b>(\$0.13)</b>	<b>\$0.40</b>	<b>\$0.79</b>	<b>(\$0.14)</b>
<b>Diluted EPS</b>	<b>(\$0.13)</b>	<b>\$0.39</b>	<b>\$0.77</b>	<b>(\$0.14)</b>
Anti-dilutive common stock equivalents	10.1	7.5	9.2	11.6

**NOTE 8: SEGMENT REPORTING**

The following table sets forth information for our reportable segment:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Retail segment EBIT	\$119	\$197	\$471	\$335
Corporate/Other EBIT	(116)	(70)	(193)	(142)
Interest expense, net	(32)	(36)	(101)	(213)
<b>(Loss) earnings before income taxes</b>	<b>(\$29)</b>	<b>\$91</b>	<b>\$177</b>	<b>(\$20)</b>

For information about disaggregated revenues, see Note 2: Revenue.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

The following MD&A provides a narrative of our financial performance and is intended to promote understanding of our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, Item 1. Financial Statements (Unaudited) and generally discusses the results of operations for the quarter and nine months ended October 29, 2022 compared with the quarter and nine months ended October 30, 2021. The following discussion and analysis contains forward-looking statements and should also be read in conjunction with cautionary statements and risks described elsewhere in this Form 10-Q before deciding to purchase, hold or sell shares of our common stock.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### OVERVIEW

We delivered both topline and bottom-line results, in line with our expectations in the third quarter, while enhancing our strategic capabilities. When customer demand decelerated in late June, 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 the most significant impact in the lowest income groups. However, 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.

Net loss for the third quarter was \$20, or \$0.13 loss per diluted share. Excluding a supply chain technology and related asset impairment charge, Adjusted EPS was \$0.20<sup>1</sup>. Net sales decreased 3% versus last year, in line with our expectations. This included a negative impact of approximately 200 basis points from one week of the Anniversary Sale shifting into the second quarter.

We remain focused on improving Nordstrom 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, with a focus on improving Nordstrom Rack performance, winning in our most important markets and leveraging our digital capabilities.

**Nordstrom Rack** – We remain focused on delivering profitable growth while improving the customer experience. 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 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 Nordstrom 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. For example, 90% of the top brands at Nordstrom are sold at Nordstrom Rack. This quarter, sales of our top 100 brands at the Rack increased 9%, which underscores the growth opportunity from increasing our supply of premium brands.

**Market Strategy** – 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% of Nordstrom.com demand this quarter, an increase of 200 basis points versus last year.

**Digital Capabilities** – 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 including 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.

Although there is continued macro uncertainty, the capabilities we have 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.

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<sup>1</sup> Adjusted EPS is a non-GAAP financial measure. For a reconciliation between GAAP and non-GAAP financial measures, see Adjusted EBIT, Adjusted EBITDA and Adjusted EPS (Non-GAAP financial measures) below.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### RESULTS OF OPERATIONS

In our ongoing effort to enhance the customer experience, we are focused on providing a seamless retail experience across our Company. We invested early in integrating our operations, merchandising and technology across our stores and online and in both Nordstrom and Nordstrom Rack banners. By connecting our digital and physical assets across Nordstrom and Nordstrom Rack, we are able to better serve customers when, where and how they want to shop. We have one Retail reportable segment and analyze our results on a total company basis, using customer, market share, operational and net sales metrics.

Our Anniversary Sale, historically the largest event of the year, typically falls in the second quarter. Approximately one week of our Anniversary Sale shifted from the third quarter in 2021 to the second quarter in 2022.

We monitor a number of key operating metrics to evaluate our Company’s performance. In addition to net sales, net earnings (loss) and other results under GAAP, two other key operating metrics we use are GMV and inventory turnover rate.

- *GMV*: Our GMV represents the total dollar value of items sold through our digital platforms and stores. GMV includes net sales from inventory we own, as well as the retail value of merchandise sold under our alternative partnership models with our vendors in our Nordstrom banner. We use GMV as an indicator of the scale and growth of our operations and the impact of our alternative partnership models.
- *Inventory Turnover Rate*: Inventory turnover rate is calculated as the trailing 4-quarter cost of sales and related buying and occupancy costs divided by the trailing 4-quarter average inventory. Inventory turnover rate is an indicator of our success in optimizing inventory volumes in accordance with customer demand.

### Net Sales

The following table summarizes net sales:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<b>Net sales:</b>				
Nordstrom	\$2,264	\$2,343	\$7,324	\$6,614
Nordstrom Rack	1,169	1,191	3,567	3,406
<b>Total net sales</b>	<b>\$3,433</b>	<b>\$3,534</b>	<b>\$10,891</b>	<b>\$10,020</b>
<b>Net sales (decrease) increase:</b>				
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 a % of total net sales	34%	40%	37%	42%
Digital sales (decrease) increase	(16%)	(12%)	(4%)	10%
Nordstrom GMV (decrease) increase	(2.9%)	11.9%	11.4%	47.3%
Total Company GMV (decrease) increase	(2.5%)	18.6%	9.2%	48.4%

Total Company net sales and GMV decreased for the third quarter of 2022, compared with the same period in 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. Total Company net sales and GMV increased for the nine months ended October 29, 2022, compared with the same period in 2021. 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. For the nine months ended October 29, 2022, the same core categories of shoes, men’s and women’s apparel and designer had the strongest growth compared with the same period in 2021. During the nine months ended October 29, 2022, we opened two Nordstrom Rack stores and one ASOS | Nordstrom store.

Digital sales decreased for the third quarter and nine months ended October 29, 2022, compared with the same periods in 2021. The timing of the Anniversary Sale had a negative impact on digital sales in the third quarter of approximately 300 basis points compared with the same period in 2021. Reducing store-based order fulfillment for Nordstrom Rack digital orders during the third quarter and sunsetting Trunk Club earlier in fiscal 2022 had a negative impact on digital sales for the third quarter and nine months ended October 29, 2022.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

Nordstrom net sales and GMV decreased for the third quarter of 2022 and increased for the nine months ended October 29, 2022, compared with the same periods in 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 third quarter of 2022, Nordstrom net sales reflected a decrease in the number of items sold, partially offset by an increase in the average selling price per item sold, compared with the same period in 2021. For the nine months ended October 29, 2022, Nordstrom net sales reflected an increase in the average selling price per item sold, while the number of items sold remained flat, compared with the same period in 2021.

Nordstrom Rack net sales decreased for the third quarter of 2022 and increased for the nine months ended October 29, 2022, compared with the same periods in 2021. For the third quarter of 2022, Nordstrom Rack net sales reflected a decrease in the number of items sold, while the average selling price per item sold remained flat, compared with the same period in 2021. For the nine months ended October 29, 2022, Nordstrom Rack net sales reflected an increase in the average selling price per item sold, partially offset by a decrease in the number of items sold, compared with the same period in 2021.

See Note 2: Revenue in Item 1 for information about disaggregated revenues.

### Credit Card Revenues, Net

Credit card revenues, net increased \$10 and \$37 for the third quarter and nine months ended October 29, 2022, compared with the same periods in 2021, primarily as a result of higher finance charges due to larger outstanding balances, partially offset by higher losses from bad debt for the third quarter of 2022.

### Gross Profit

The following table summarizes gross profit:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Gross profit	\$1,139	\$1,240	\$3,680	\$3,374
Gross profit as a % of net sales	33.2%	35.1%	33.8%	33.7%
			October 29, 2022	October 30, 2021
Inventory turnover rate			3.85	4.20

Gross profit decreased \$101 and 190 basis points as a rate of net sales for the third quarter of 2022, compared with the same period in 2021, primarily due to higher markdown rates and lower sales. We incurred approximately \$100 in incremental markdowns in the third quarter.

Gross profit increased \$306 and 10 basis points as a rate of net sales for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to higher sales, partially offset by higher markdown rates.

Ending inventory as of October 29, 2022 increased 0.6%, compared with the same period in 2021, versus a 2.9% decrease in sales for the third quarter of 2022. Inventory turnover rate, which is calculated using trailing 4-quarter average inventory, decreased primarily due to higher inventory levels across most channels as a result of supply chain disruptions and softening customer demand trends.

### Selling, General and Administrative Expenses

SG&A is summarized in the following table:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
SG&A expenses	\$1,249	\$1,216	\$3,722	\$3,464
SG&A expenses as a % of net sales	36.4%	34.4%	34.2%	34.6%

SG&A increased \$33 and 200 basis points as a rate of net sales for the third quarter of 2022, compared with the same period in 2021, primarily due to a supply chain technology and related asset impairment charge of \$70, partially offset by fulfillment expense efficiencies. SG&A increased \$258 for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to increased variable costs on higher sales volume and a supply chain technology and related asset impairment charge, partially offset by fulfillment expense efficiencies. SG&A rate decreased 40 basis points as a rate of net sales for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to leverage on higher sales volume and fulfillment expense efficiencies, partially offset by a supply chain technology and related asset impairment charge.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

**Earnings Before Interest and Income Taxes**

EBIT is summarized in the following table:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
EBIT	\$3	\$127	\$278	\$193
EBIT as a % of net sales	0.1%	3.6%	2.6%	1.9%

EBIT decreased \$124 and 350 basis points as a rate of net sales for the third quarter of 2022, compared with the same period in 2021, primarily due to higher markdowns and a supply chain technology and related asset impairment charge, partially offset by fulfillment expense efficiencies. EBIT increased \$85 and 65 basis points as a rate of net sales for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to higher sales, partially offset by higher markdowns and a supply chain technology and related asset impairment charge.

**Interest Expense, Net**

Interest expense, net was \$32 for the third quarter of 2022, and was relatively flat compared with \$36 for the same period in 2021. Interest expense was \$101 for the nine months ended October 29, 2022, compared with \$213 for the same period in 2021. The decrease for the nine months ended October 29, 2022 was primarily due to debt refinancing charges of \$88 related to the redemption of the Secured Notes in the first quarter of 2021 and the redemption of the 4% senior notes in the second quarter of 2021.

**Income Tax**

Income tax (benefit) expense is summarized in the following table:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Income tax (benefit) expense	(\$9)	\$27	\$51	\$2
Effective tax rate	30.6%	29.9%	29.0%	(7.6%)

The effective tax rate in the third quarter of 2022 was roughly flat, compared with the same period in 2021. The effective tax rate increased for the nine months ended October 29, 2022, compared with the same period in 2021, due to an overall increase in earnings before income taxes. Income tax expense for the nine months ended October 30, 2021, when compared with a loss before income taxes, resulted in a negative rate in 2021.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

**Earnings Per Share**

EPS is as follows:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Basic	<b>(\$0.13)</b>	\$0.40	<b>\$0.79</b>	(\$0.14)
Diluted	<b>(\$0.13)</b>	\$0.39	<b>\$0.77</b>	(\$0.14)

Diluted EPS decreased \$0.52 for the third quarter of 2022 primarily due to higher markdowns and the impact of a supply chain technology and related asset impairment charge. For the nine months ended October 29, 2022, diluted EPS increased \$0.91 primarily due to higher sales volumes and the net impact from the gain on sale of our interest in a corporate office building, partially offset by a supply chain technology and related asset impairment charge, Trunk Club wind-down costs and higher markdowns. In the first quarter of 2021, we recorded an interest expense charge of \$88 related to the redemption of the Secured Notes, which reduced diluted EPS by \$0.41 per share.

**Fiscal Year 2022 Outlook**

The following are our financial expectations for fiscal 2022:

- 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
- 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
- Leverage ratio below 2.9 times by year-end

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. For a reconciliation of the fiscal year 2022 forward-looking GAAP to non-GAAP measures, see page [23](#).

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### Adjusted EBIT, Adjusted EBITDA and Adjusted EPS (Non-GAAP financial measures)

Adjusted EBIT, Adjusted EBITDA and Adjusted 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 diluted EPS.

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
<b>Net (loss) earnings</b>	<b>(\$20)</b>	<b>\$64</b>	<b>\$126</b>	<b>(\$22)</b>
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 impairment	70	—	70	—
Trunk Club wind-down costs	—	—	18	—
Gain on sale of interest in a corporate office building	—	—	(51)	—
<b>Adjusted EBIT</b>	<b>73</b>	<b>127</b>	<b>315</b>	<b>193</b>
Depreciation and amortization expenses	152	156	453	477
Amortization of developer reimbursements	(18)	(19)	(54)	(59)
<b>Adjusted EBITDA</b>	<b>\$207</b>	<b>\$264</b>	<b>\$714</b>	<b>\$611</b>

The following is a reconciliation of diluted EPS to Adjusted EPS:

	Quarter Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
<b>Diluted EPS</b>	<b>(\$0.13)</b>	<b>\$0.39</b>	<b>\$0.77</b>	<b>(\$0.14)</b>
Supply chain impairment	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 <sup>1</sup>	(0.11)	—	(0.06)	(0.15)
<b>Adjusted EPS<sup>2</sup></b>	<b>\$0.20</b>	<b>\$0.39</b>	<b>\$0.95</b>	<b>\$0.27</b>

<sup>1</sup> The income tax impact of non-GAAP adjustments is calculated using the estimated tax rate for the respective non-GAAP adjustment.

<sup>2</sup> We used the same number of weighted average diluted shares in our denominator for adjusted per share amounts as was used in the calculation of diluted EPS under GAAP, regardless of the adjusted net loss or earnings position, as the impact to Adjusted EPS is not significant.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

*Fiscal Year 2022 Forward-Looking Non-GAAP Measures*

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:

	<b>52 Weeks Ending January 28, 2023</b>	
	<b>Low</b>	<b>High</b>
<b>Expected net earnings as a % of net sales</b>	<b>2.3%</b>	<b>2.6%</b>
Income tax expense	0.9%	0.9%
Interest expense, net	0.9%	0.9%
Expected EBIT margin, as a % of net sales	4.1%	4.4%
Supply chain impairment	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%)
<b>Expected adjusted EBIT margin</b>	<b>4.3%</b>	<b>4.7%</b>

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

	<b>52 Weeks Ending January 28, 2023</b>	
	<b>Low</b>	<b>High</b>
<b>Expected diluted EPS</b>	<b>\$2.13</b>	<b>\$2.43</b>
Supply chain impairment	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)
<b>Expected Adjusted EPS</b>	<b>\$2.30</b>	<b>\$2.60</b>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### Adjusted ROIC (Non-GAAP financial measure)

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

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

### LIQUIDITY

We strive to maintain a level of liquidity sufficient to allow us to cover our seasonal cash needs and to maintain appropriate levels of short-term borrowings. In the short term, our ongoing working capital and capital expenditure requirements and any dividend payments or share repurchases are generally funded through cash flows generated from operations. In addition, we have access to the commercial paper market and can draw on our revolving credit facility for working capital, capital expenditures and general corporate purposes. Over the long term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position, manage refinancing risk and allow flexibility for strategic initiatives. We regularly assess our debt and leverage levels, capital expenditure requirements, debt service payments, dividend payouts, share repurchases and other future investments.

We ended the third quarter of 2022 with \$293 in cash and cash equivalents and \$700 of additional liquidity available on our Revolver. Cash and cash equivalents in the third quarter of 2022 increased from \$267 in 2021, driven by higher net earnings, partially offset by payments for merchandise inventory. We believe that our operating cash flows are sufficient to meet our cash requirements for the next 12 months and beyond. Our cash requirements are subject to change as business conditions warrant and opportunities arise and we may elect to raise additional funds in the future through the issuance of either debt or equity.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

The following is a summary of our cash flows by activity:

	Nine Months Ended	
	October 29, 2022	October 30, 2021
Net cash provided by operating activities	\$240	\$277
Net cash used in investing activities	(243)	(378)
Net cash used in financing activities	(23)	(315)

### Operating Activities

Net cash provided by operating activities decreased \$37 for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to receipt of the income tax refund related to the loss carryback provision of the CARES Act in 2021, partially offset by the timing of inventory flows and related payments and an increase in net earnings.

### Investing Activities

Net cash used in investing activities decreased \$135 for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to the sale of our interest in a corporate office building in 2022 and our investment in ASOS.com Ltd. in 2021 (see Note 1: Basis of Presentation in Item 1).

### Capital Expenditures

Our capital expenditures, net are summarized as follows:

	Nine Months Ended	
	October 29, 2022	October 30, 2021
Capital expenditures	\$325	\$361
Deferred property incentives <sup>1</sup>	(10)	(10)
<b>Capital expenditures, net</b>	<b>\$315</b>	<b>\$351</b>
<b>Capital expenditures as a % of net sales</b>	<b>3.0%</b>	<b>3.6%</b>

<sup>1</sup> Deferred property incentives are included in our cash provided by operations in our Condensed Consolidated Statements of Cash Flows in Item 1. We operationally view the property incentives we receive from our developers and vendors as an offset to our capital expenditures.

### Financing Activities

Net cash used in financing activities decreased \$292 for the nine months ended October 29, 2022, compared with the same period in 2021, primarily due to net activity in 2021 related to long-term debt.

### Share Repurchases

We repurchased \$53 for the nine months ended October 29, 2022, compared with no share repurchases in the same period of 2021.

### Dividends

We paid \$90, or \$0.57 per share, for the nine months ended October 29, 2022 compared with no dividends in the same period of 2021.

### Free Cash Flow (Non-GAAP financial measure)

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)
Change in cash book overdrafts	21	(4)
<b>Free Cash Flow</b>	<b>(\$64)</b>	<b>(\$88)</b>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### CAPITAL RESOURCES

#### Borrowing Capacity and Activity

During the second quarter of 2022, we terminated and replaced our prior revolving credit facility set to expire in September 2023 with a new \$800 Revolver that expires in May 2027. During the third quarter of 2022, we borrowed \$100 under our Revolver, which remained outstanding as of October 29, 2022. As of October 29, 2022, we had no issuances outstanding under our commercial paper program. In November 2022, subsequent to quarter end, we completely repaid the outstanding balance on our Revolver. For more information about our credit facilities, see Note 3: Debt and Credit Facilities in Item 1.

#### Impact of Credit Ratings and Revolver Covenants

Changes in our credit ratings may impact our costs to borrow, whether our personal property secures our Revolver and whether and to what extent we are permitted to pay dividends or conduct share repurchases.

For our Revolver, the interest rate applicable to any borrowings we may enter into depends upon the type of borrowing incurred plus an applicable margin, which is determined based on our credit ratings. At the time of this report, our credit ratings and outlook were as follows:

	Credit Ratings	Outlook
Moody's	Ba1	Stable
Standard & Poor's	BB+	Stable
Fitch	BBB-	Negative

Should the ratings assigned to our long-term debt improve, the applicable margin associated with any borrowings under the Revolver may decrease, resulting in a lower borrowing cost under this facility. Conversely, should the ratings assigned to our long-term debt worsen, the applicable margin associated with any borrowings under the Revolver may increase, resulting in a higher borrowing cost under this facility.

As of October 29, 2022, we were in compliance with all covenants. We have certain limitations with respect to the payment of dividends and share repurchases under our Revolver agreement. For more information about our Revolver covenants, see Note 3: Debt and Credit Facilities in Item 1.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### Adjusted Debt to EBITDAR (Non-GAAP financial measure)

Adjusted debt to 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. For more information regarding our Revolver, see Note 3: Debt and Credit Facilities in Item 1.

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
<b>Debt</b>	<b>\$2,955</b>
Operating lease liabilities	1,800
<b>Adjusted debt</b>	<b>\$4,755</b>
	<b>Four Quarters Ended October 29, 2022</b>
<b>Net earnings</b>	<b>\$326</b>
Income tax expense	117
Interest expense, net	134
Earnings before interest and income taxes	577
Depreciation and amortization expenses	591
Operating Lease Cost	276
Amortization of developer reimbursements <sup>1</sup>	74
Other Revolver covenant adjustments <sup>2</sup>	47
<b>Adjusted EBITDAR</b>	<b>\$1,565</b>
<b>Debt to Net Earnings</b>	<b>9.1</b>
<b>Adjusted debt to EBITDAR</b>	<b>3.0</b>

<sup>1</sup> 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.

<sup>2</sup> 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 a supply chain technology and related asset impairment and the wind-down of Trunk Club, partially offset by a gain on sale of the Company’s interest in a corporate office building.

### CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe that the estimates, assumptions and judgments involved in the accounting policies referred to in our 2021 [Annual Report](#) have the greatest potential effect on our financial statements, so we consider these to be our critical accounting policies and estimates. Our management has discussed the development and selection of these critical accounting estimates with the Audit & Finance Committee of our Board of Directors. There have been no material changes to our significant accounting policies or critical accounting estimates as described in our 2021 Annual Report.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

(Dollar and share amounts in millions except per share amounts and where noted otherwise)

### **RECENT ACCOUNTING PRONOUNCEMENTS**

There are no recent accounting pronouncements that are anticipated to have a material impact on our results of operations, liquidity or capital resources.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We discussed our interest rate risk and foreign currency exchange risk in our 2021 [Annual Report](#). There have been no material changes to these risks since that time.

## **Item 4. Controls and Procedures.**

### **DISCLOSURE CONTROLS AND PROCEDURES**

On October 18, 2022, we filed an [8-K](#) announcing the departure of Anne L. Bramman as an officer, employee and the Company’s principal financial officer for the purposes of the Exchange Act. Her last day with us will be on or about December 2, 2022. We do not believe that the announcement of Ms. Bramman’s resignation has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Michael W. Maher, our Chief Accounting Officer, will serve as our interim principal financial officer upon Ms. Bramman’s departure. Our Chief Executive Officer, Erik B. Nordstrom, serves as our principal executive officer for purposes of the Exchange Act.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we have performed an evaluation of the design and effectiveness of our disclosure controls and procedures as of the last day of the period covered by this report.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) under the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified within the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits alleging violations of state and/or federal wage and hour and other employment laws, privacy and other consumer-based claims. Some of these lawsuits may include certified classes of litigants, or purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. We believe the recorded accruals in our Condensed Consolidated Financial Statements are adequate in light of the probable and estimable liabilities. As of the date of this report, we do not believe any currently identified claim, proceeding or litigation, either alone or in the aggregate, will have a material impact on our results of operations, financial position or cash flows. Since these matters are subject to inherent uncertainties, our view of them may change in the future.

## Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described in our 2021 [Annual Report](#).

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

### (c) SHARE REPURCHASES

(Dollar and share amounts in millions, except per share amounts)

The following is a summary of our third quarter share repurchases:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs
August 2022 (July 31, 2022 to August 27, 2022)	0.6	\$23.46	0.6	\$449
September 2022 (August 28, 2022 to October 1, 2022)	0.2	\$18.33	0.2	\$447
October 2022 (October 2, 2022 to October 29, 2022)	—	—	—	\$447
<b>Total</b>	<b>0.8</b>	<b>\$22.52</b>	<b>0.8</b>	

See Note 6: Shareholders' Equity in Item 1 for more information about our August 2018 and May 2022 share repurchase programs.

## Item 6. Exhibits.

(a) The information required under this item is incorporated herein by reference or filed or furnished as part of this report at:

	Page
<a href="#">Nordstrom, Inc. and Subsidiaries Exhibit Index</a>	30

All other exhibits are omitted because they are not applicable, not required or because the information required has been given as part of this report.

**NORDSTROM, INC.**  
**Exhibit Index**

		Exhibit	Incorporated by Reference		
			Form	Exhibit	Filing Date
4.1		<a href="#">Shareholder Rights Agreement, dated as of September 19, 2022, by and between the Company and Computershare Trust Company, N.A., as rights agent (which includes the Form of Rights Certificate as Exhibit A thereto)</a>	8-K	4.1	September 20, 2022
10.1	†	<a href="#">Amendment No. 7 to the Credit Card Program Agreement by and between Nordstrom, Inc., and TD Bank USA, N.A.</a>			
31.1	†	<a href="#">Certification of Chief Executive Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002</a>			
31.2	†	<a href="#">Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002</a>			
32.1	‡	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>			
101.INS	†	Inline XBRL Instance Document			
101.SCH	†	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	†	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.LAB	†	Inline XBRL Taxonomy Extension Labels Linkbase Document			
101.PRE	†	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
101.DEF	†	Inline XBRL Taxonomy Extension Definition Linkbase Document			
104	†	Cover Page Interactive Data File (Inline XBRL)			

† Filed herewith electronically

‡ Furnished herewith electronically

## 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 thereunto duly authorized.

NORDSTROM, INC.  
(Registrant)

/s/ Anne L. Bramman  
Anne L. Bramman  
Chief Financial Officer  
(Principal Financial Officer)

Date: December 2, 2022