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) **May 25, 2021**

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 2.02 Results of Operations and Financial Condition

On May 25, 2021, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter ended May 1, 2021, its financial position as of May 1, 2021, and its cash flows for the quarter ended May 1, 2021 ("First Quarter Results"). A copy of this earnings release is attached as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On May 25, 2021, Nordstrom, Inc. issued an earnings release announcing its First Quarter Results. A copy of this earnings release is attached as Exhibit 99.1.

In addition, attached hereto and incorporated by reference herein is the earnings call commentary on its First Quarter Results and 2021 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on May 25, 2021.

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 May 25, 2021 relating to the Company's First Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's First Quarter Results and 2021 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
Executive Vice President,
General Counsel and Corporate Secretary

Date: May 25, 2021

NORDSTROM

Nordstrom Reports First Quarter 2021 Earnings

- *Sequential improvement in sales trends of more than 700 basis points relative to fourth quarter*
- *Digital sales increased 28 percent over first quarter of 2019 and represented 46 percent of total*
- *Company remains on pace to achieve annual sales, earnings and cash flow goals*

SEATTLE, Wash. (May 25, 2021) – Nordstrom, Inc. (NYSE: JWN) today reported first quarter results, which reflected continued recovery and year-over-year improvement in sales and earnings relative to the same period in fiscal 2020. The Company reported a loss before interest and taxes of $85 million, supported by improved sales trends and continued benefits from resetting its cost structure. Loss per diluted share of $1.05 included a debt refinancing charge of $0.41 per share.

For the first quarter ended May 1, 2021, net sales increased 44 percent from the same period in fiscal 2020 and decreased 13 percent from the same period in fiscal 2019, representing a sequential improvement of 720 basis points relative to the fourth quarter of fiscal 2020. Sales trends reflected broad-based improvement across Nordstrom and Nordstrom Rack, in stores and online, and across regions and merchandise categories. During the quarter, Nordstrom expanded the rollout of its market strategy to its top 20 markets, which comprise approximately 75 percent of sales.

“We are encouraged by sales trends both in our stores and our digital business, supported by an improving consumer environment and strong execution,” said Erik Nordstrom, chief executive officer of Nordstrom, Inc. “Looking ahead to summer, we are well-positioned to continue to capitalize on pent-up demand, and are further strengthening our position as we execute on our strategy to win in our most important markets, broaden the reach of Nordstrom Rack and increase our digital velocity.”

Sales benefited from improving trends in categories such as occasion-based apparel, handbags, sunglasses and swimwear, while home, active, designer and beauty categories continued to perform well. The Company expanded its assortment in both Nordstrom and Nordstrom Rack, while also reducing its inventory overage from the end of the fourth quarter of fiscal 2020 faster than expected. The Company is balancing inventory levels with sales while managing receipt flows to mitigate potential supply chain disruptions as the year progresses.

“We are continuing to serve our long-time and new customers on their terms, with highly relevant and current product, more choices and better service, allowing us to deliver on our commitment to get ‘closer to you’,” said Pete Nordstrom, president and chief brand officer of Nordstrom, Inc. “With the efforts of our incredible employees and close partnership with our vendors, we have aligned inventories with current sales trends and are energized by the momentum we’re seeing in the business and the plans we have for a strong Anniversary Sale.”

As previously announced, Nordstrom further improved its financial position in April by redeeming $600 million of 8.75% secured notes and issuing lower-coupon unsecured notes due in 2024 and 2031. As a result of these transactions, the Company’s bond portfolio is once again entirely unsecured. These transactions will reduce annualized interest expense by approximately $30 million, beginning in the second quarter of fiscal 2021.

FIRST QUARTER 2021 SUMMARY

- Total Company net sales increased 44 percent compared with the same period in fiscal 2020, during which stores were temporarily closed for approximately half of the quarter. Sales decreased 13 percent relative to the same period in fiscal 2019, and marked sequential improvement of 720 basis points relative to the fourth quarter of 2020.
- For the Nordstrom brand, net sales increased 37 percent compared with the same period in fiscal 2020, and decreased 13 percent compared with the same period in fiscal 2019. For the Nordstrom Rack brand, net sales increased 59 percent compared with the same period in fiscal 2020, and decreased 13 percent compared with the same period in fiscal 2019.
- Digital sales increased 23 percent compared with the same period in fiscal 2020 and increased 28 percent compared with the same period in fiscal 2019. Digital sales represented 46 percent of total sales during the quarter.
- Gross profit, as a percentage of net sales, of 31 percent increased approximately 2,000 basis points compared with the same period in fiscal 2020, primarily due to lower markdowns and leverage from higher net sales volume. Gross profit, as a percentage of net sales, decreased 260 basis points compared with the same period in fiscal 2019 as a result of deleverage on lower sales and lower merchandise margins, partially offset by permanent reductions in buying and occupancy costs.

- Ending inventory decreased 2 percent compared with the same period in fiscal 2019, versus a 13 percent decrease in sales. The change in inventory levels versus 2019 includes an approximately 700 basis point impact resulting from the acceleration of vendor shipments to support sales trends and mitigate potential supply chain backlogs in the second quarter.
- Selling, general and administrative ("SG&A") expenses, as a percentage of net sales, of 37 percent decreased approximately 1,900 basis points compared with the same period in fiscal 2020 as a result of $250 million in charges associated with the impact of COVID-19 in 2020, leverage on higher sales and the continued benefit of permanent reductions in overhead expenses of approximately 15 percent. SG&A expenses, as a percentage of net sales, increased 280 basis points compared with the same period in fiscal 2019 as a result of COVID-19 related labor and freight cost pressures.
- Loss before interest and taxes of $85 million decreased from loss of $813 million during the same period in fiscal 2020 primarily due to higher sales volume as well as the decrease in SG&A expense. Last year's loss included $280 million in charges related to COVID-19.
- Interest expense, net, of $137 million increased from $34 million during the same period in fiscal 2020 and included a pretax debt refinancing charge of $88 million related to the "make-whole" premium and unamortized issue costs associated with the redemption of the 2025 secured notes.
- Income tax benefit of $56 million, or 25 percent of pretax loss, compared with the income tax benefit of $326 million, or 38 percent of pretax loss, in the same period in fiscal 2020. Last year's income tax included benefits associated with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").
- First quarter net loss of $166 million, which included an after-tax debt refinancing charge of $64 million, decreased from net loss of $521 million during the same period in fiscal 2020, which included after-tax charges of $173 million related to COVID-19.
- The Company ended the first quarter with $977 million in available liquidity, including $377 million in cash.

FISCAL YEAR 2021 OUTLOOK

The Company has reaffirmed the following financial expectations for fiscal 2021:

- Revenue, including retail sales and credit card revenues, is expected to grow more than 25 percent
- Earnings before interest and taxes ("EBIT") margin is expected to be approximately 3 percent of sales
- Income tax rate is expected to be approximately 27 percent
- Leverage ratio is expected to be approximately 3x by year-end
- For the first half of the year, EBIT is expected to be approximately breakeven, reflecting approximately 45 percent of total year sales

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss first quarter 2021 financial results and fiscal 2021 outlook at 4:45 p.m. Eastern Daylight Time 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 13719144, until the close of business on June 1, 2021.

ABOUT NORDSTROM

Nordstrom, Inc. is a leading fashion retailer based in the U.S. Founded in 1901 as a shoe store in Seattle, today Nordstrom operates 357 stores in the U.S. and Canada, including 100 Nordstrom stores; 248 Nordstrom Rack stores; two clearance stores; and seven Nordstrom Local service hubs. Additionally, customers are served online through Nordstrom.com, Nordstrom.ca, Nordstromrack.com, and TrunkClub.com. Nordstrom, Inc.'s common stock is publicly traded on the NYSE under the symbol JWN.

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 30, 2021. 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.

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

	Quarter Ended	
	May 1, 2021	**May 2, 2020**
Net sales	**$ 2,921**	$ 2,026
Credit card revenues, net	**88**	93
Total revenues	**3,009**	2,119
Cost of sales and related buying and occupancy costs	**(2,019)**	(1,810)
Selling, general and administrative expenses	**(1,075)**	(1,122)
Loss before interest and income taxes[1]	**(85)**	(813)
Interest expense, net[2]	**(137)**	(34)
Loss before income taxes	**(222)**	(847)
Income tax benefit	**56**	326
Net loss[1,2]	**$ (166)**	$ (521)
Loss per share:		
Basic	**$ (1.05)**	$ (3.33)
Diluted[1,2]	**$ (1.05)**	$ (3.33)
Weighted-average shares outstanding:		
Basic	**158.5**	156.4
Diluted	**158.5**	156.4
Percent of net sales:		
Gross profit	**30.9 %**	10.7 %
Selling, general and administrative expenses	**36.8 %**	55.4 %
Loss before interest and income taxes	**(2.9 %)**	(40.1 %)

[1] In 2020, we incurred COVID-19 related charges, which reduced net earnings by $173 or $1.10 per diluted share. These charges reduced earnings before interest and income taxes by $280, including approximately $250 in selling, general and administrative expenses and $30 in cost of sales and related buying and occupancy costs.

[2] In 2021, we incurred charges related to our debt refinancing that increased interest expense by $88. Collectively, these charges reduced after-tax net earnings by $64 or $0.41 per diluted share.

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

	May 1, 2021	January 30, 2021	May 2, 2020
Assets			
Current assets:			
Cash and cash equivalents	**$ 377**	$ 681	$ 1,355
Accounts receivable, net	**238**	245	154
Merchandise inventories	**1,961**	1,863	1,489
Prepaid expenses and other	**923**	853	669
Total current assets	**3,499**	3,642	3,667
Land, property and equipment (net of accumulated depreciation of $7,322, $7,159 and $6,683)	**3,642**	3,732	3,974
Operating lease right-of-use assets	**1,560**	1,581	1,722
Goodwill	**249**	249	249
Other assets	**383**	334	357
Total assets	**$ 9,333**	$ 9,538	$ 9,969
Liabilities and Shareholders' Equity			
Current liabilities:			
Borrowings under revolving line of credit	**$ 200**	$ —	$ 800
Accounts payable	**1,676**	1,960	1,125
Accrued salaries, wages and related benefits	**330**	352	280
Current portion of operating lease liabilities	**246**	260	243
Other current liabilities	**1,056**	1,048	1,351
Current portion of long-term debt	**500**	500	—
Total current liabilities	**4,008**	4,120	3,799
Long-term debt, net	**2,847**	2,769	3,264
Non-current operating lease liabilities	**1,662**	1,687	1,836
Other liabilities	**650**	657	673
Commitments and contingencies			
Shareholders' equity:			
Common stock, no par value: 1,000 shares authorized; 158.9, 157.8 and 157.0 shares issued and outstanding	**3,221**	3,205	3,148
Accumulated deficit	**(2,996)**	(2,830)	(2,661)
Accumulated other comprehensive loss	**(59)**	(70)	(90)
Total shareholders' equity	**166**	305	397
Total liabilities and shareholders' equity	**$ 9,333**	$ 9,538	$ 9,969

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

	Quarter Ended	
	May 1, 2021	**May 2, 2020**
Operating Activities		
Net loss	**$ (166)**	$ (521)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expenses and other, net	**248**	178
Asset impairment	**—**	117
Right-of-use asset amortization	**43**	44
Deferred income taxes, net	**8**	(54)
Stock-based compensation expense	**22**	13
Change in operating assets and liabilities:		
Accounts receivable	**7**	25
Merchandise inventories	**(16)**	228
Prepaid expenses and other assets	**(126)**	(393)
Accounts payable	**(296)**	(292)
Accrued salaries, wages and related benefits	**(22)**	(227)
Other current liabilities	**7**	167
Lease liabilities	**(81)**	(65)
Other liabilities	**8**	2
Net cash used in operating activities	**(364)**	(778)
Investing Activities		
Capital expenditures	**(126)**	(131)
Other, net	**16**	5
Net cash used in investing activities	**(110)**	(126)
Financing Activities		
Proceeds from revolving line of credit	**200**	800
Proceeds from long-term borrowings	**675**	600
Principal payments on long-term borrowings	**(600)**	—
(Decrease) increase in cash book overdrafts	**(17)**	83
Cash dividends paid	**—**	(58)
Proceeds from issuances under stock compensation plans	**7**	11
Tax withholding on share-based awards	**(13)**	(8)
Make-whole payment and other, net	**(85)**	(11)
Net cash provided by financing activities	**167**	1,417
Effect of exchange rate changes on cash and cash equivalents	**3**	(11)
Net (decrease) increase in cash and cash equivalents	**(304)**	502
Cash and cash equivalents at beginning of period	**681**	853
Cash and cash equivalents at end of period	**$ 377**	$ 1,355

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

Our Nordstrom brand includes Nordstrom.com, TrunkClub.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and Nordstrom Local. Our Nordstrom Rack brand includes Nordstromrack.com, Nordstrom Rack-branded U.S. stores, Last Chance clearance stores and, prior to the first quarter of 2021, HauteLook.com. The following table summarizes net sales for the first quarter of 2021, compared with the first quarter of 2020:

	Quarter Ended	
	May 1, 2021	**May 2, 2020**
Net sales:		
Nordstrom	**$ 1,854**	$ 1,357
Nordstrom Rack	**1,067**	669
Total net sales	**$ 2,921**	$ 2,026
Net sales increase (decrease):		
Nordstrom	**36.7 %**	(36.2 %)
Nordstrom Rack	**59.5 %**	(45.2 %)
Total Company	**44.2 %**	(39.5 %)
Digital sales as % of total net sales[1]	**46 %**	54 %

[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, such as Nordstrom Trunk Club or Style Board. Digital sales may be picked up in our Nordstrom stores, Nordstrom Rack stores or Nordstrom Local service hubs. Digital sales also include a reserve for estimated returns.

NORDSTROM, INC.
ADJUSTED RETURN ON INVESTED CAPITAL ("ADJUSTED ROIC")
(NON-GAAP FINANCIAL MEASURE)
(unaudited; dollar amounts 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 is a reconciliation of return on assets to Adjusted ROIC:

	Four Quarters Ended	
	May 1, 2021	**May 2, 2020**
Net loss	**$ (334)**	$ (62)
Less: income tax benefit	**(269)**	(156)
Add: interest expense	**285**	121
Loss before interest and income tax expense	**(318)**	(97)
Add: operating lease interest[1]	**93**	102
Adjusted net operating (loss) profit	**(225)**	5
Add (Less): estimated income tax benefit (expense)	**100**	(4)
Adjusted net operating (loss) profit after tax	**$ (125)**	$ 1
Average total assets	**$ 9,637**	$ 9,811
Less: average deferred property incentives in excess of right-of-use (ROU) assets[2]	**(265)**	(303)
Less: average non-interest-bearing current liabilities	**(3,095)**	(3,324)
Average invested capital	**$ 6,277**	$ 6,184
Return on assets[3]	**(3.5 %)**	(0.6 %)
Adjusted ROIC[3]	**(2.0 %)**	— %

[1] We add back the operating lease interest to reflect how we manage our business. Operating lease interest is a component of operating lease cost recorded in occupancy costs.

[2] For leases with property incentives that exceed the ROU assets, we reclassify the amount from assets to other current liabilities and other liabilities and reduce average total assets, as this better reflects how we manage our business.

[3] COVID-19 related charges during fiscal 2020 negatively impacted return on assets by approximately 180 basis points and Adjusted ROIC by approximately 130 basis points for the four quarters ended May 2, 2020.

NORDSTROM, INC.

ADJUSTED DEBT TO EBITDAR (NON-GAAP FINANCIAL MEASURE)

(unaudited; dollar amounts in millions)

Adjusted Debt to earnings (loss) 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 that could impact our credit rating and borrowing costs. This metric is calculated in accordance with our debt 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 maintain an investment-grade credit rating 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 determining non-GAAP financial measures may differ from other companies' methods and therefore may not be comparable to those used by other companies. The following is a reconciliation of debt to net earnings (loss) to Adjusted Debt to EBITDAR:

		May 1, 2021
Debt	$	3,547
Add: estimated capitalized operating lease liability[1]		1,335
Adjusted Debt	$	4,882

		Four Quarters Ended May 1, 2021
Net loss	$	(334)
Less: income tax benefit		(269)
Add: interest expense, net		284
Add: asset impairments		20
Adjusted loss before interest and income taxes	$	(299)
Add: depreciation and amortization expenses		658
Add: rent expense, net[2]		223
Add: other Revolver covenant adjustments[3]		2
Adjusted EBITDAR	$	584
Debt to Net Earnings		(10.6)
Adjusted Debt to EBITDAR		8.4

[1] Based upon the estimated lease liability as of the end of the period, calculated as the trailing four quarters of rent expense multiplied by six, a method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property and is calculated under the previous lease standard, consistent with our debt covenant calculation requirements. The estimated lease liability is not calculated in accordance with, nor an alternative for, GAAP and should not be considered in isolation or as a substitution for our results reported under GAAP.

[2] Rent expense, net of amortization of developer reimbursements, is added back for consistency with our debt covenant calculation requirements, and is calculated under the previous lease standard.

[3] Other adjusting items to reconcile net loss to Adjusted EBITDAR as defined by our Revolver covenant include interest income and certain non-cash charges where relevant.

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 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 Free Cash Flow is net cash used in operating activities. The following is a reconciliation of net cash used in operating activities to Free Cash Flow:

	Quarter Ended	
	May 1, 2021	**May 2, 2020**
Net cash used in operating activities	**$ (364)**	$ (778)
Less: capital expenditures	**(126)**	(131)
(Less) Add: change in cash book overdrafts	**(17)**	83
Free Cash Flow	**$ (507)**	$ (826)

NORDSTROM, INC.
ADJUSTED EBITDA (NON-GAAP FINANCIAL MEASURE)
(unaudited; amounts in millions)

Adjusted earnings (loss) before interest, income taxes, depreciation and amortization ("EBITDA") is one of our key financial metrics to reflect our view of cash flow from net earnings. Adjusted EBITDA excludes significant items which are non-operating in nature in order to evaluate our core operating performance against prior periods. The financial measure calculated under GAAP which is most directly comparable to Adjusted EBITDA is net earnings.

Adjusted EBITDA is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for net earnings, overall change in cash or liquidity of the business as a whole. 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 following is a reconciliation of net earnings (loss) to Adjusted EBITDA:

	Quarter Ended	
	May 1, 2021	**May 2, 2020**
Net loss	**$ (166)**	$ (521)
Less: income tax benefit	**(56)**	(326)
Add: interest expense, net	**137**	34
Loss before interest and income taxes	**(85)**	(813)
Add: depreciation and amortization expenses	**162**	176
Less: amortization of developer reimbursements	**(20)**	(19)
Add: asset impairments	**—**	117
Adjusted EBITDA	**$ 57**	$ (539)

INVESTOR CONTACT: Michael Maher
Nordstrom, Inc.
InvRelations@Nordstrom.com

MEDIA CONTACT: Gigi Ganatra Duff
Nordstrom, Inc.
NordstromPR@Nordstrom.com

Q1 2021 NORDSTROM EARNINGS CALL — PREPARED REMARKS

MICHAEL MAHER

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

Before we begin, I want to mention that we'll be referring to slides, which can be viewed in the Investor Relations section on nordstrom.com. Our discussion may include forward-looking statements, so please refer to the slides with our safe harbor language.

Participating in today's call are Erik Nordstrom, Chief Executive Officer; and Anne Bramman, Chief Financial Officer, who will provide a business update and discuss the company's first quarter performance. Joining during the Q&A session will be Pete Nordstrom, President of Nordstrom, Inc. and Chief Brand Officer.

And now, I’ll turn the call over to Erik.

ERIK NORDSTROM

Good afternoon and thank you for joining us today. We’re pleased with our results in the first quarter, which were marked by improving sales momentum and continued progress in our transformation as we work to unlock the full potential of our digital-first platform. As demand continues to recover, our unique product offering and connection to our customers place us in a strong position to capitalize on this opportunity and we are confident in our ability to capture market share and drive profitable growth as consumers resume activities, including social events, travel and return-to-work.

Our top-line trends increased sequentially for the third quarter in a row, with improvements in both Nordstrom and Nordstrom Rack, supported by recovery in stores as COVID restrictions were lifted, and continued growth in digital. Sales trends reflected broad-based improvement across businesses, regions and merchandise categories, both in-store and online. Stores in markets that have opened up earlier outperformed other markets by 7 to 10 percentage points, giving us increasing optimism about the pace of recovery as we look to the remainder of the year. Our performance in the quarter reflects solid execution toward the growth priorities we laid out at our investor day in February: Win in our most important markets, broaden the reach of Nordstrom Rack and increase our digital velocity.

Starting with our priority to win in our most important markets, our market strategy helps us engage with customers through better service and greater access to product, no matter how they choose to shop. We successfully expanded the rollout to 10 new markets including Atlanta, Houston, Detroit, and Minneapolis, over the last three months.

Market Strategy is now in place in all of our top 20 markets, bringing an unmatched level of convenience and connection to customers who make up about 75 percent of our sales.

We continued to scale the enhanced capabilities we launched in 2020, like the expansion of order pick-up and ship-to-store to all Nordstrom Rack stores, with order pickup more than doubling compared to the first quarter of 2019. In addition, nearly one-third of next day order pickup volume for Nordstrom.com in our top 20 markets was picked up at Rack stores since launch, as we continue to integrate our capabilities across our two powerful brands.

We also continued to evolve our approach to get closer to our customers than ever before. This quarter, we made significant progress expanding our personalized styling programs, with new tools deployed in the first quarter to allow our salespeople to offer our customers highly-relevant recommendations both in store and digitally. More than 50 percent of our salespeople are now utilizing these remote styling tools, a 10 percentage point increase compared to just a quarter ago. We also introduced new Livestream Shopping events, featuring some of our best brands. We delivered significant growth from these initiatives in the quarter and are on pace to meet our milestones for the year.

Our second growth priority is on broadening the reach of Nordstrom Rack.

In the quarter, total Rack sales declined 13 percent compared to 2019, a 10-percentage point sequential improvement from the fourth quarter.

Importantly, the merchandise repositioning across price, hybrid and brand doors is progressing, in spite of some challenges managing slower than anticipated inbound inventory flow.

We remain in the early innings in these initiatives, and our progress is encouraging. Increased customer choice of price-oriented offerings in Kids, Home and Active supported a 37 percent increase in sales compared to 2019 in these categories.

With respect to our priority to increase our digital velocity, we maintained strong growth at Nordstrom.com and nordstromrack.com in the first quarter, even as store traffic and sales rebounded with increased mobility. Digital sales increased 23 percent over last year and 28 percent over the first quarter of 2019. With continued growth in digital, our total penetration has increased by 15 percentage points over the past two years, to 46 percent.

Our Nordstrom and Nordstrom Rack apps continue to be powerful drivers of customer engagement. During the quarter we generated over a million downloads of our apps, a more than 50 percent increase over the first quarter of 2019. Mobile customers including app users represented approximately 75 percent of total digital traffic and two-thirds of total digital sales for the quarter.

Looking ahead, we continue to enhance our digital capabilities to improve the customer experience across the shopping journey.

One of the key opportunities we see is to offer our customers more choices, with plans to increase choice count to approximately 1.5 million over the next several years. This quarter, we saw ramping benefits from this initiative, with choice count increasing approximately 20 percent versus 2019, primarily driven by an expanded dropship assortment in both our core categories and in-demand categories like Home, Active and Kids. This allowed us to drive strong sales growth in our digital business without a corresponding increase in our inventory investment. We've also seen continued strong improvement in conversion, which was up more than 15 percent compared to 2019.

We continue to deliver exciting product for our customers with some of the brands that matter the most to them, through launches like our pop-in with Skims and New Concepts shop featuring Fear of God.

As we look ahead to the second quarter, we believe that our Anniversary Sale will be well-timed to benefit from customers' increasing confidence and return to pre-pandemic activities.

The event will also mark a significant step forward in the transformation of our approach to getting “closer to you.” Our goal is to have an event that rewards and engages our best customers, with a superior shopping experience.

We are building on last year’s launch of a digital catalog with personalized editorial content and product recommendations, while adding new virtual and in-store events.

We will also significantly increase selection for Anniversary this year, with total customer choices up double-digits compared to 2019, supported by an expansion of alternative partnership models with our vendors. To ensure that we are best positioned to support our Anniversary sale, we are also working with our vendors to accelerate product receipts, which Anne will talk about shortly.

Overall, we are very excited about our offering and our approach to Anniversary, which remains an important opportunity for us to provide a one-of-a-kind experience for our loyalty customers while introducing new customers to Nordstrom.

In closing, coming out of the first quarter, our focus on accelerating our strategic priorities to serve customers in new and differentiated ways is gaining momentum. We are in a stronger position than ever to capitalize on our market share opportunity as customer demand recovers. We're confident in our direction and look forward to sharing our continued progress in the quarters ahead.

With that, I'll turn it over to Anne to discuss our financial results in greater detail.

ANNE BRAMMAN

Thanks Erik.

Our first quarter results represented a strong start to the year, with sequential improvement in sales trends that has continued into the beginning of the second quarter, strengthening of our inventory position, and continued progress restoring our balance sheet. Our performance in the first quarter leaves us increasingly confident in our ability to deliver on our financial targets for the year despite cost headwinds.

Total sales were down 13 percent in the first quarter compared to the same period in fiscal 2019, representing a sequential improvement of 7 percentage points from the fourth quarter.

Sales trends reflected broad based improvement across both Nordstrom and Nordstrom Rack, with Nordstrom sales improving 6 percentage points sequentially, and Nordstrom Rack sales improving 10 percentage points sequentially. Demand recovery benefited from increased vaccinations, lifting of COVID restrictions in many of our markets and government stimulus payments. Encouragingly, pent-up demand also accelerated throughout the quarter as back-to-normal activities are resuming, including social events, travel and return-to-office. These activities are driving accelerating momentum in some of our biggest categories.

We continue to satisfy our customers' desire for online shopping experiences, delivering solid growth in digital even as our store traffic and sales continue to recover. Our digital business grew 23 percent year over year, and 28 percent compared with the same period in fiscal 2019, as we continued to benefit from our efforts to unlock the full potential of our digital-first platform.

From a merchandise perspective, we saw broad-based improvement across our product offering.

We continued to see strength in categories that led during COVID-19, particularly active and home, where our sales are up 58 percent compared to 2019 levels and our penetration has increased by 5 percentage points since the start of the pandemic.

We saw customers responding well to designer brands, spring classifications like sunglasses, swim, shorts and dresses, as well as recovery categories like denim, dresswear, makeup and handbags. Taken as a group these recovery categories returned to growth compared to 2019 in March and April, with strength continuing early into the second quarter.

Our sales performance was supported by improvements in inventory flow, allowing us to exit the quarter with inventory decreasing 2 percent compared with the same period in fiscal 2019, versus a 13 percent decrease in sales.

This includes approximately $120 million of spring and summer in-season inventory that was pulled forward into the first quarter, a roughly 7 percentage point impact, as we made the decision to accelerate vendor shipments to support sales trends and mitigate potential supply chain backlogs in the second quarter.

This reflects significant progress addressing seasonal and underperforming category inventory from the fourth quarter at both Nordstrom and Nordstrom Rack. At Nordstrom Rack, our sales outpaced inventory growth for the first time since the start of the pandemic.

Across both Nordstrom and Nordstrom Rack, our inventory is current and well-positioned in key categories as we prepare for the Anniversary Sale.

Our teams are operating with continued agility and flexibility in what remains a challenging supply chain environment, ensuring we can appropriately distort inventories into high-demand categories and provide our customers with the exceptional product assortment they expect from us.

Looking ahead, the company is balancing inventory levels with sales while managing receipt flows to mitigate potential supply chain disruption as the year progresses.

Gross profit, as a percentage of net sales, decreased 260 basis points compared with the same period in fiscal 2019, primarily due to deleverage on lower sales, and lower merchandise margins as we took action to reduce elevated inventories coming into the quarter, partially offset by permanent reductions in buying and occupancy costs.

While COVID-19 related demand impacts are clearly moderating, the underlying cost environment remains volatile, with elevated labor and shipping costs as well as apparel industry supply constraints, creating continued pressure.

Total SG&A as a percentage of net sales increased 280 basis points compared to the same period in fiscal 2019. Freight and labor challenges were partially offset by continued benefit from the permanent reductions in overhead expense of approximately 15 percent.

We continue to make progress restoring our balance sheet, closing $675 million in senior unsecured notes during the quarter at highly favorable interest rates between 2.3 and 4.25 percent.

Proceeds were used to redeem in full the $600 million outstanding 8.75 percent secured notes, which were issued in April 2020 during the onset of the COVID-19 pandemic.

This allowed us to return our bond portfolio to being entirely unsecured, fully unencumbering the real estate used to secure the prior notes.

The transaction also reduces our annualized interest expense by approximately $30 million, while creating additional flexibility for continued debt pay down with a par-call feature beginning in April 2022.

Based on our first quarter results, we continue to expect to deliver revenue growth of more than 25 percent in 2021, with digital representing approximately 50 percent of sales. Digital penetration is expected to vary over the course of the year depending on the pace of store recovery.

We are responding with speed to manage external cost pressures and remain on track to deliver on our guidance for breakeven EBIT in the first half, and 3 percent operating margin for the full year. And we continue to see a path to an operating margin of approximately 3.5 percent, depending on how the demand recovery and cost headwinds play out.

Our income tax rate is expected to be around 27 percent for the year.

From a capital allocation perspective, we're planning CapEx at normalized levels of 3 to 4 percent of sales, primarily to support investments in technology and supply chain capabilities.

We continue to expect to reduce our leverage ratio to approximately 3 times and to be in a position to return cash to shareholders by the end of the year.

Overall, we have seen strong customer response to our initiatives to evolve our operating model, positioning us well to drive market share gains while improving profitability, returns and cash flow generation.

While there is still considerable uncertainty with respect to COVID-19, we remain confident in our ability to deliver on our targets for 2021 and generate profitable sales growth as demand recovers.

I'd like to now turn it over to Michael for Q&A.