**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 July 29, 2023**

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

| **Washington** | **91-0515058** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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 |
| Common stock purchase rights | | 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 August 25, 2023: 161,678,415 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 February 3, 2024, trends in our operations and the following:

### Strategic and Operational

- 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 delivering great brands at great prices 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 stores,
- 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 and quantity 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, including Nordstrom Media Network, 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 and outcome 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 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, meet any communicated targets, goals or milestones and adapt to evolving reporting requirements,
- 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,
- the impact of a concentration of stock ownership on our shareholders' ability to influence corporate matters,

**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, 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, 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,
- 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, 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,
- the outcome of events or occurrences related to the wind-down of business operations in Canada.

These and other factors, including those factors we discuss 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. On March 2, 2023, Nordstrom Canada commenced a wind-down of its business operations (see Note 2: Canada Wind-down) and as of this date, Nordstrom Canada was deconsolidated from Nordstrom, Inc.'s financial statements. Nordstrom Canada results prior to March 2, 2023 are included in the Company's Condensed Consolidated Financial Statements.

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. In addition, forward-looking statements may be impacted by the actual outcome of events or occurrences related to the wind-down of business operations in Canada.

## DEFINITIONS OF COMMONLY USED TERMS

| Term | Definition |
|---|---|
| 2019 Plan | 2019 Equity Incentive Plan |
| 2022 Annual Report | Annual Report on Form 10-K filed on March 10, 2023 |
| 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 |
| CCAA | Companies' Creditors Arrangement Act |
| 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 |
| EBIT Margin | Earnings (loss) before interest and income taxes as a percent of net sales |
| 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 |
| Second quarter of 2023 | 13 fiscal weeks ending July 29, 2023 |
| Second quarter of 2022 | 13 fiscal weeks ending July 30, 2022 |
| Fiscal year 2023 | 53 fiscal weeks ending February 3, 2024 |
| 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 |
| NAV | Net asset value |
| NMN | Nordstrom Media Network, where we use our first party data and marketing infrastructure to drive cooperative marketing with vendors across both offsite and onsite marketing platforms |
| Nordstrom | Nordstrom.com, Nordstrom U.S. stores, Nordstrom Local and ASOS \| Nordstrom. Nordstrom also included Canada operations prior to March 2, 2023, inclusive of Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and TrunkClub.com prior to October 2022. |
| Nordstrom Canada | Nordstrom Canada Retail, Inc., Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC |
| Nordstrom Local | Nordstrom Local service hubs, which offer order pickups, returns, alterations and other services |
| Nordstrom Rack | NordstromRack.com, Nordstrom Rack 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 |
| 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 |
| 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 | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Net sales | **$3,662** | $3,991 | **$6,726** | $7,458 |
| Credit card revenues, net | **110** | 104 | **227** | 207 |
| Total revenues | **3,772** | 4,095 | **6,953** | 7,665 |
| Cost of sales and related buying and occupancy costs | **(2,380)** | (2,586) | **(4,407)** | (4,917) |
| Selling, general and administrative expenses | **(1,200)** | (1,307) | **(2,304)** | (2,473) |
| Canada wind-down costs | **—** | — | **(309)** | — |
| Earnings (loss) before interest and income taxes | **192** | 202 | **(67)** | 275 |
| Interest expense, net | **(26)** | (34) | **(54)** | (69) |
| Earnings (loss) before income taxes | **166** | 168 | **(121)** | 206 |
| Income tax (expense) benefit | **(29)** | (42) | **54** | (60) |
| **Net earnings (loss)** | **$137** | $126 | **($67)** | $146 |
| | | | | |
| Earnings (loss) per share: | | | | |
| Basic | **$0.85** | $0.78 | **($0.42)** | $0.91 |
| Diluted | **$0.84** | $0.77 | **($0.42)** | $0.90 |
| | | | | |
| Weighted-average shares outstanding: | | | | |
| Basic | **161.7** | 160.6 | **161.3** | 160.3 |
| Diluted | **163.2** | 162.9 | **161.3** | 162.9 |

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 | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Net earnings (loss) | **$137** | $126 | **($67)** | $146 |
| Foreign currency translation adjustment | **—** | — | **(4)** | (1) |
| Post retirement plan adjustments, net of tax | **—** | — | **—** | 1 |
| **Comprehensive net earnings (loss)** | **$137** | $126 | **($71)** | $146 |

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)

| | July 29, 2023 | January 28, 2023 | July 30, 2022 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | **$885** | $687 | $494 |
| Accounts receivable, net | **246** | 265 | 300 |
| Merchandise inventories | **1,979** | 1,941 | 2,399 |
| Prepaid expenses and other current assets | **400** | 316 | 408 |
| Total current assets | **3,510** | 3,209 | 3,601 |
| | | | |
| Land, property and equipment (net of accumulated depreciation of $8,254, $8,289 and $7,943) | **3,181** | 3,351 | 3,443 |
| Operating lease right-of-use assets | **1,381** | 1,470 | 1,466 |
| Goodwill | **249** | 249 | 249 |
| Other assets | **480** | 466 | 403 |
| **Total assets** | **$8,801** | $8,745 | $9,162 |
| | | | |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Accounts payable | **$1,434** | $1,238 | $1,747 |
| Accrued salaries, wages and related benefits | **375** | 291 | 302 |
| Current portion of operating lease liabilities | **224** | 258 | 253 |
| Other current liabilities | **1,264** | 1,203 | 1,254 |
| Current portion of long-term debt | **249** | — | — |
| Total current liabilities | **3,546** | 2,990 | 3,556 |
| | | | |
| Long-term debt, net | **2,609** | 2,856 | 2,853 |
| Noncurrent operating lease liabilities | **1,392** | 1,526 | 1,526 |
| Other liabilities | **580** | 634 | 564 |
| | | | |
| Commitments and contingencies (Note 2) | | | |
| | | | |
| Shareholders' equity: | | | |
| Common stock, no par value: 1,000 shares authorized; 161.7, 160.1 and 159.8 shares issued and outstanding | **3,388** | 3,353 | 3,314 |
| Accumulated deficit | **(2,717)** | (2,588) | (2,601) |
| Accumulated other comprehensive gain (loss) | **3** | (26) | (50) |
| Total shareholders' equity | **674** | 739 | 663 |
| **Total liabilities and shareholders' equity** | **$8,801** | $8,745 | $9,162 |

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 | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| **Common stock** | | | | |
| Balance, beginning of period | **$3,372** | $3,301 | **$3,353** | $3,283 |
| Issuance of common stock under stock compensation plans | **2** | 1 | **13** | 9 |
| Stock-based compensation | **14** | 12 | **22** | 22 |
| **Balance, end of period** | **$3,388** | $3,314 | **$3,388** | $3,314 |
| | | | | |
| **Accumulated deficit** | | | | |
| Balance, beginning of period | **($2,824)** | ($2,662) | **($2,588)** | ($2,652) |
| Net earnings (loss) | **137** | 126 | **(67)** | 146 |
| Dividends | **(30)** | (30) | **(61)** | (60) |
| Repurchase of common stock | **—** | (35) | **(1)** | (35) |
| **Balance, end of period** | **($2,717)** | ($2,601) | **($2,717)** | ($2,601) |
| | | | | |
| **Accumulated other comprehensive gain (loss)** | | | | |
| Balance, beginning of period | **$3** | ($50) | **($26)** | ($50) |
| Accumulated translation loss reclassified to earnings | **—** | — | **33** | — |
| Other comprehensive loss | **—** | — | **(4)** | — |
| **Balance, end of period** | **$3** | ($50) | **$3** | ($50) |
| | | | | |
| **Total shareholders' equity** | **$674** | $663 | **$674** | $663 |
| | | | | |
| **Dividends per share** | **$0.19** | $0.19 | **$0.38** | $0.38 |

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)

| | Six Months Ended | |
|---|---|---|
| | **July 29, 2023** | **July 30, 2022** |
| **Operating Activities** | | |
| Net (loss) earnings | **($67)** | $146 |
| Adjustments to reconcile net (loss) earnings to net cash provided by operating activities: | | |
| Depreciation and amortization expenses | **285** | 301 |
| Canada wind-down costs | **220** | — |
| Right-of-use asset amortization | **86** | 93 |
| Deferred income taxes, net | **(17)** | (31) |
| Stock-based compensation expense | **28** | 39 |
| Other, net | **(47)** | (41) |
| Change in operating assets and liabilities: | | |
| Merchandise inventories | **(78)** | (38) |
| Other current and noncurrent assets | **(81)** | (116) |
| Accounts payable | **99** | 133 |
| Accrued salaries, wages and related benefits | **89** | (82) |
| Lease liabilities | **(134)** | (133) |
| Other current and noncurrent liabilities | **82** | 102 |
| Net cash provided by operating activities | **465** | 373 |
| | | |
| **Investing Activities** | | |
| Capital expenditures | **(225)** | (215) |
| Decrease in cash and cash equivalents resulting from Canada deconsolidation | **(33)** | — |
| Proceeds from the sale of assets and other, net | **29** | 82 |
| Net cash used in investing activities | **(229)** | (133) |
| | | |
| **Financing Activities** | | |
| Change in cash book overdrafts | **18** | 36 |
| Cash dividends paid | **(61)** | (60) |
| Payments for repurchase of common stock | **(1)** | (35) |
| Proceeds from issuances under stock compensation plans | **13** | 9 |
| Other, net | **(7)** | (18) |
| Net cash used in financing activities | **(38)** | (68) |
| | | |
| Net increase in cash and cash equivalents | **198** | 172 |
| Cash and cash equivalents at beginning of period | **687** | 322 |
| **Cash and cash equivalents at end of period** | **$885** | $494 |
| | | |
| **Supplemental Cash Flow Information** | | |
| Income taxes paid, net of refunds received | **$12** | $91 |
| Interest paid, net of capitalized interest | **68** | 69 |

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 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 2022 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 July 29, 2023 and July 30, 2022 are unaudited. The Condensed Consolidated Balance Sheet as of January 28, 2023 has been derived from the audited Consolidated Financial Statements included in our 2022 Annual Report. The interim Condensed Consolidated Financial Statements should be read together with the Consolidated Financial Statements and related footnote disclosures contained in our 2022 Annual Report.

### Principles of Consolidation

The Condensed Consolidated Financial Statements include the balances of Nordstrom, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

On March 2, 2023, Nordstrom Canada commenced a wind-down of its business operations (see Note 2: Canada Wind-down) and as of this date, Nordstrom Canada was deconsolidated from Nordstrom, Inc.'s financial statements. Nordstrom Canada results prior to March 2, 2023 are included in the Company's Condensed Consolidated Financial Statements.

### Fiscal Year

We operate on a 52/53-week fiscal year ending on the Saturday closest to January 31st. References to 2023 relate to the 53-week fiscal year ending February 3, 2024. References to any other years included within this document are based on a 52-week fiscal year.

### 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. One week of our Anniversary Sale shifted from the second quarter in 2022 to the third quarter in 2023.

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 (typically from 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, income taxes and contingent liabilities, including assumptions related to our Canada wind-down, all of which involve assumptions about future events.

### Leases

We incurred operating lease liabilities arising from lease agreements of $121 for the six months ended July 29, 2023 and $113 for the six months ended July 30, 2022.

### 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 value to the estimated fair value. These charges are included in our Retail segment SG&A expense on the Condensed Consolidated Statement of Earnings. During the second quarter of 2022, we also 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. All 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**
From time to time, we invest in financial interests of private companies and venture capital funds 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 within investing activities 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 within investing activities on the Condensed Consolidated Statement of Cash Flows.

**Reclassification**
We reclassified amounts in our fiscal 2022 Condensed Consolidated Statement of Cash Flows to conform with current period presentation. As a result, we aggregated:

- Accounts receivable, net with prepaid expenses and other assets into other current and noncurrent assets
- Other current liabilities with other liabilities into other current and noncurrent liabilities
- Tax withholding on share-based awards with other financing, net

These reclassifications had no impact on cash flows from operations, cash flows from investing or cash flows from financing.

## NOTE 2: CANADA WIND-DOWN

**Background**
On March 2, 2023, as part of our initiatives to drive long-term profitable growth and enhance shareholder value, and after careful consideration of all reasonably available options, we announced the decision to discontinue support for Nordstrom Canada's operations. Accordingly, Nordstrom Canada commenced a wind-down of its business operations, obtaining an Initial Order from the Ontario Superior Court of Justice under the CCAA on March 2, 2023 to facilitate the wind-down in an orderly fashion. Nordstrom Canada's ecommerce platform ceased operations on March 2, 2023 and the closure of our six Nordstrom and seven Nordstrom Rack stores was completed in June 2023.

The Ontario Superior Court of Justice has appointed a monitor to oversee the wind-down process. Subsequent to the CCAA filing, Nordstrom has been providing limited support to Nordstrom Canada for the purpose of supporting an orderly wind-down, including providing shared services and temporary use of intellectual property.

**Wind-down Costs and Deconsolidation of Nordstrom Canada**
The following table provides detail of pre-tax charges, recorded in the first quarter of 2023, associated with the wind-down of operations in Canada:

| | **Six Months Ended July 29, 2023** |
|---|---|
| Loss on Canada write-off[1] | **$187** |
| Accumulated translation loss reclassified to earnings[1] | **33** |
| Contingent liabilities[2] | **77** |
| Other exit costs[3] | **12** |
| **Total pre-tax costs** | **$309** |

[1] Non-cash amounts are included in Canada wind-down costs on the Condensed Consolidated Statement of Cash Flows.
[2] Amounts are included in other current liabilities on the Condensed Consolidated Balance Sheets.
[3] Other exit costs include funding an employee trust and professional fees.

These charges are primarily included in Corporate/Other in Note 9: Segment Reporting. The decrease in cash due to the deconsolidation of Nordstrom Canada is included in investing activities on the Condensed Consolidated Statement of Cash Flows and all other impacts are included in operating cash flows.

*Loss on Canada Write-off and Accumulated Translation Loss*
While Nordstrom continues to own 100% of the shares of Nordstrom Canada, as of March 2, 2023, the date of the CCAA filing, we no longer have a controlling interest under GAAP and have deconsolidated Nordstrom Canada. We hold a variable interest in the Nordstrom Canada entities, which are considered variable interest entities, but are not consolidated, as we are no longer the primary beneficiary.

In the first quarter of 2023, we recorded a pre-tax loss on Canada write-off of $187 that included the derecognition of Nordstrom Canada's assets and liabilities and the write-down of both our Nordstrom Canada investment and related-party receivables to estimated fair value. In addition, in the first quarter of 2023, we recognized a charge of $33 related to the derecognition of the accumulated comprehensive loss on foreign currency translation.

To assess the estimated fair value of our Nordstrom Canada investment and our related-party receivables, we estimated the assets available for distribution in relation to expected claims. At the time of filing, the estimated amount of Nordstrom Canada's liabilities exceeded the estimated fair value of assets available for distribution to creditors, and in relation to the receivables, we may not recover any proceeds. As a result, our fair value was recorded as zero in our Condensed Consolidated Balance Sheets as of April 29, 2023. As of July 29, 2023, based on currently available information, there have been no significant changes in our estimates.

Prior to deconsolidation, Nordstrom made loans to and incurred receivables from the Canadian subsidiaries. These loans were considered intercompany transactions and were eliminated in consolidation of Nordstrom. Subsequent to deconsolidation, these receivables were no longer eliminated through consolidation, are considered related-party transactions and are recorded in our Condensed Consolidated Balance Sheets at estimated fair value. As of July 29, 2023, Nordstrom had an outstanding liability to Nordstrom Canada of $62 related to certain intercompany charges incurred prior to deconsolidation, which is expected to be addressed as part of the wind-down process.

*Contingent Liabilities and Guarantees*
As of July 29, 2023, we recorded a contingent liability of $77 as our current best estimate of expected payments for claims that may be asserted against us, primarily consisting of lease guarantees. Nordstrom has guaranteed certain lease obligations of Nordstrom Canada, with payment required by Nordstrom, Inc. upon failure of Nordstrom Canada to fulfill its obligations under the leases. Our estimate is based on expectations that claims will be asserted against us and negotiated settlements will be reached, and not on any determination that it is probable that we would be found liable were these claims to be litigated and for how much. The maximum potential undiscounted future minimum lease and real estate tax payments under these guarantees were approximately $200 as of July 29, 2023.

*Employee Trust*
In connection with the filing, Nordstrom established an employee trust to fund termination and severance payments to employees of Nordstrom Canada. For the six months ended July 29, 2023, we contributed $10 based on our best estimate to fully fund the employee trust, and we committed to provide up to an additional $8 depending on eligible employee claims. The cash balance of the employee trust is not recorded in Nordstrom, Inc.'s Condensed Consolidated Balance Sheets.

*Debtor-in-Possession Financing*
If needed, Nordstrom has agreed to provide Nordstrom Canada debtor-in-possession financing up to $11. However, we believe Nordstrom Canada has sufficient liquidity to sustain operations through the wind-down period. As of July 29, 2023, there were no outstanding borrowings.

*Estimates*
All our estimates are dependent on the outcome of the Nordstrom Canada wind-down process, including the amount of third-party and Nordstrom claims asserted and recognized in the claims process, the amount of assets available for distribution, the negotiation of a CCAA plan of arrangement approved by the creditors and the Ontario Superior Court of Justice and the outcome of negotiations regarding the leases. We continue to work through the wind-down process and our estimates of losses are based on currently available information and our assessment of the validity of certain expected claims. These estimates may change as new information becomes available and it is reasonably possible that they may materially change from the estimated amounts. Increases in estimated costs to settle claims and decreases in estimated assets available for distribution may result in additional material charges. At the same time, any future decreases in estimated costs to settle claims or increases in estimated assets available for distribution may result in a gain, which would reduce our estimated charges.

**Amendment of Revolver Agreement**
On March 1, 2023, we amended our Revolver originally dated May 6, 2022. Prior to this amendment, Nordstrom Canada Retail, Inc. was a loan party under the Revolver and the obligations under the Revolver were secured, in part, by the assets of this subsidiary. As a result of this amendment, Nordstrom Canada Retail, Inc. was removed as a loan party and obligations under the Revolver are no longer secured by these assets. In addition, this amendment excludes as subsidiaries or affiliates all Nordstrom Canada entities and carves out certain CCAA-related expenses and obligations from financial covenants under the Revolver.

**Income Taxes**
In the first quarter of 2023, we recognized net tax benefits of $93 primarily related to the write-off of excess tax basis in our investment in Canada, net of tax expense related to an increase in valuation allowance for Canada deferred tax assets.

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

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## NOTE 3: 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), gift cards and our amended 2022 TD program agreement. Our contract liabilities are classified on the Condensed Consolidated Balance Sheets as follows:

| | Other current liabilities | Other liabilities |
|---|---|---|
| Balance as of January 29, 2022 | $478 | $— |
| Balance as of April 30, 2022 | 442 | — |
| Balance as of July 30, 2022 | 438 | — |
| | | |
| Balance as of January 28, 2023 | 536 | 136 |
| Balance as of April 29, 2023 | 489 | 123 |
| Balance as of July 29, 2023 | 464 | 111 |

Revenues recognized from our beginning contract liability balance were $131 and $218 for the quarter and six months ended July 29, 2023 and $119 and $197 for the quarter and six months ended July 30, 2022.

### Disaggregation of Revenue

The following table summarizes our disaggregated net sales:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2023 | July 30, 2022 | July 29, 2023 | July 30, 2022 |
| Nordstrom | **$2,491** | $2,771 | **$4,518** | $5,060 |
| Nordstrom Rack | **1,171** | 1,220 | **2,208** | 2,398 |
| **Total net sales** | **$3,662** | $3,991 | **$6,726** | $7,458 |
| | | | | |
| Digital sales as a % of total net sales | **36%** | 38% | **36%** | 38% |

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

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2023 | July 30, 2022 | July 29, 2023 | July 30, 2022 |
| Women's Apparel | **28%** | 29% | **28%** | 29% |
| Shoes | **26%** | 25% | **26%** | 25% |
| Men's Apparel | **15%** | 15% | **15%** | 15% |
| Accessories | **12%** | 13% | **12%** | 13% |
| Beauty | **12%** | 11% | **12%** | 11% |
| Kids' Apparel | **4%** | 4% | **4%** | 4% |
| Other | **3%** | 3% | **3%** | 3% |
| **Total net sales** | **100%** | 100% | **100%** | 100% |

## NOTE 4: DEBT AND CREDIT FACILITIES

### Credit Facilities

As of July 29, 2023, we had total short-term borrowing capacity of $800 and no outstanding borrowings under the Revolver that expires in May 2027. 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.

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

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. On March 1, 2023, we amended our Revolver agreement (see Note 2: Canada Wind-down).

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 July 29, 2023, we were in compliance with all covenants.

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. The Revolver allows us to issue dividends and repurchase shares 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.

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 July 29, 2023, we had no issuances outstanding under our commercial paper program.

## NOTE 5: 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:

| | July 29, 2023 | January 28, 2023 | July 30, 2022 |
|---|---|---|---|
| Carrying value of long-term debt | **$2,858** | $2,856 | $2,853 |
| Fair value of long-term debt | **2,324** | 2,278 | 2,433 |

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

We 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 and liabilities using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements.

In the first quarter of 2023, we measured our investment in Nordstrom Canada, our related-party receivables and related lease guarantees at fair value (see Note 2: Canada Wind-down for additional information).

# 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 Measured at NAV**

We have certain investments that are measured at fair value using the NAV per share, or its equivalent, as a practical expedient. This class of investments consists of partnership interests that mainly invest in venture capital strategies with a focus on privately held consumer and technology companies. The NAV is based on the fair value of the underlying net assets owned by the fund and the relative interest of each participating investor in the fair value of the underlying assets. Our interest in these partnerships is generally not redeemable and is subject to significant restrictions regarding transfers. Distributions from each fund will be received as the underlying assets of the funds are liquidated. Liquidation is triggered by clauses within the partnership agreements or at the funds' stated end date. The contractual terms of the partnership interests range from six to ten years.

## NOTE 6: STOCK-BASED COMPENSATION

The following table summarizes our stock-based compensation expense:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| RSUs | **$10** | $11 | **$20** | $23 |
| Stock options | **3** | 6 | **4** | 11 |
| Other[1] | **2** | 3 | **4** | 5 |
| Total stock-based compensation expense, before income tax benefit | **15** | 20 | **28** | 39 |
| Income tax benefit | **(4)** | (5) | **(7)** | (10) |
| **Total stock-based compensation expense, net of income tax benefit** | **$11** | $15 | **$21** | $29 |

[1] Other stock-based compensation expense includes PSUs, ESPP and nonemployee director stock awards.

The following table summarizes our grant allocations:

| | Six Months Ended | | | |
|---|---|---|---|---|
| | July 29, 2023 | | July 30, 2022 | |
| | **Granted** | **Weighted-average grant-date fair value per unit** | **Granted** | **Weighted-average grant-date fair value per unit** |
| RSUs | **2.8** | **$17** | 2.3 | $23 |
| Stock options | **1.2** | **$8** | 1.1 | $10 |
| PSUs | **0.4** | **$16** | 0.5 | $23 |

Under our deferred and stock-based compensation plan arrangements, we issued 0.3 and 1.7 shares of common stock during the quarter and six months ended July 29, 2023 and 0.8 and 1.9 shares during the quarter and six months ended July 30, 2022.

## NOTE 7: 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. We repurchased 0.03 shares of common stock for $1 at an average purchase price per share of $19.41 during the six months ended July 29, 2023, compared with 1.5 shares for $35 at an average purchase price per share of $23.17 during the six months ended of July 30, 2022, and had $438 remaining in share repurchase capacity as of July 29, 2023.

*Dividends*

In August 2023, subsequent to quarter end, we declared a quarterly dividend of $0.19 per share, which will be paid on September 13, 2023 to shareholders of record at the close of business on August 29, 2023.

We have certain limitations with respect to the payment of dividends and share repurchases under our Revolver agreement (see Note 4: Debt and Credit Facilities).

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

*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. In June 2023, shareholders approved an advisory vote on the extension of our Rights Plan at our 2023 Annual Meeting, and in August 2023, the Board of Directors extended the expiration date to September 19, 2025, unless redeemed, exchanged or terminated earlier by our Board. 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 are not exercisable and trade with our shares of common stock.

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. There is currently no impact to our Condensed Consolidated Financial Statements.

## NOTE 8: EARNINGS PER SHARE

The computation of EPS is as follows:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Net earnings (loss) | **$137** | $126 | **($67)** | $146 |
| | | | | |
| Basic weighted-average shares outstanding | **161.7** | 160.6 | **161.3** | 160.3 |
| Dilutive effect of common stock equivalents | **1.5** | 2.3 | **—** | 2.6 |
| Diluted weighted-average shares outstanding | **163.2** | 162.9 | **161.3** | 162.9 |
| | | | | |
| **Basic EPS** | **$0.85** | $0.78 | **($0.42)** | $0.91 |
| **Diluted EPS** | **$0.84** | $0.77 | **($0.42)** | $0.90 |
| | | | | |
| Anti-dilutive common stock equivalents | **8.1** | 8.9 | **10.5** | 9.5 |

## NOTE 9: SEGMENT REPORTING

The following table sets forth information for our reportable segment:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Retail segment EBIT | **$246** | $265 | **$386** | $352 |
| Corporate/Other EBIT | **(54)** | (63) | **(453)** | (77) |
| Interest expense, net | **(26)** | (34) | **(54)** | (69) |
| **Earnings (loss) before income taxes** | **$166** | $168 | **($121)** | $206 |

For information about disaggregated revenues, see Note 3: 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 six months ended July 29, 2023 compared with the quarter and six months ended July 30, 2022. 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.

## 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

Second quarter results reflected continued progress on our 2023 key priorities of improving Nordstrom Rack performance, increasing our inventory productivity and optimizing our supply chain capabilities. We reported net earnings of $137, or $0.84 per diluted share. Earnings before interest and income taxes was $192 and 5.3% as a rate of sales in the second quarter of 2023, compared with EBIT of $202 and 5.1% as a rate of sales during the same period in 2022.

Total Company net sales decreased 8.3% compared with the second quarter of 2022 and included negative impacts of 275 basis points from the wind-down of Canadian operations and approximately 200 basis points from one week of the Anniversary Sale shifting into the third quarter of 2023. We had sequential improvement in sales trends at both Nordstrom and Nordstrom Rack from the first quarter of 2023, and most categories also improved sequentially from the first quarter of 2023, when compared with the same period in 2022.

Our Anniversary Sale is a unique event that rewards and engages our loyal customers with brand new products from the best brands at reduced prices for a limited time. Total Anniversary event sales, including the eight days that fall into the fiscal third quarter of 2023, were 5% lower compared with Anniversary event sales in 2022. Our Anniversary Sale had very strong inventory sell-through, with a 15% increase over last year's event, helping to put us in a better inventory position as we enter the second half of the year.

We are encouraged by the progress we are making as a result of our focus on our key priorities. We are committed to delivering profitable growth while improving the customer experience through our key priorities.

**Nordstrom Rack –** Consistent with our customer promise to deliver great brands at great prices, we continued to increase the penetration of our top performing strategic brands. We expanded our reach and convenience for customers by opening eight new stores and relocating one store year to date through September 1, 2023. We believe that Rack stores are a great investment, with returns that exceed our cost of capital and have a short payback period, and they are also our largest source of new customer acquisition. We are excited to roll out to more markets and increase our Rack footprint and have announced plans to open 23 more stores, including 11 later this year.

**Inventory Productivity –** We are focused on better inventory discipline to provide customers with relevant and new assortments and improve our earnings and returns on invested capital. We continue to manage with leaner inventories, with overall inventory levels 18% lower than the second quarter of 2022. We also improved sell-through and had faster turns across most of our categories. In the second quarter, we made progress on reducing our Designer inventory and we will continue to right size to the shift in consumer demand in this category.

**Supply Chain Optimization –** We continue to make significant progress on our supply chain initiatives, which drive improvements in customer experience and profitability. We delivered a better experience to our customers through faster delivery, especially during our Anniversary Sale. We continue to increase productivity throughout our network and reduce transportation costs. For the fourth consecutive quarter, variable supply chain costs fell by over 100 basis points compared with the prior year, helping to mitigate overall SG&A deleverage on lower sales. Supply chain is the largest component of our SG&A expenses, and we believe there is more opportunity to improve our efficiency and help drive overall expense leverage as sales improve.

We made solid progress against each of our priorities, which we believe will help us expand market share and improve profitability. We believe continued focus and execution will help us navigate through the near-term uncertain environment and drive incremental improvement over the remainder of the year, and position us well to build capabilities to better serve our customers, drive profitable growth and increase shareholder value.

# 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 in both our 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. One week of our Anniversary Sale shifted from the second quarter in 2022 to the third quarter in 2023.

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. Beginning in the first quarter of 2023, we made changes to how we calculate these metrics to more closely align with how our business is operated. Changes in the methodologies are discussed below and prior periods have been adjusted to reflect a comparable presentation.

- *GMV:* calculated as the total dollar value of merchandise sold through our digital platforms and stores. GMV includes net merchandise sales from inventory we own, as well as the retail value of merchandise sold under our unowned inventory models with our vendors. We use GMV as an indicator of the scale and growth of our operations and the impact of our unowned inventory models. Prior to the first quarter of 2023, we also included non-merchandise sales in our GMV calculation.
- *Inventory Turnover Rate:* calculated as the trailing 4-quarter merchandise cost of sales divided by the trailing 13-month average inventory. Inventory turnover rate is an indicator of our success in optimizing inventory volumes in accordance with customer demand. Prior to the first quarter of 2023, we calculated inventory turnover rate as the trailing 4-quarter cost of sales and related buying and occupancy costs divided by the trailing 4-quarter average inventory.

### Net Sales

The following table summarizes net sales:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2023 | July 30, 2022 | July 29, 2023 | July 30, 2022 |
| **Net sales:** | | | | |
| Nordstrom | **$2,491** | $2,771 | **$4,518** | $5,060 |
| Nordstrom Rack | **1,171** | 1,220 | **2,208** | 2,398 |
| **Total net sales** | **$3,662** | $3,991 | **$6,726** | $7,458 |
| | | | | |
| **Net sales (decrease) increase:** | | | | |
| Nordstrom | **(10.1%)** | 14.7% | **(10.7%)** | 18.5% |
| Nordstrom Rack | **(4.1%)** | 6.3% | **(7.9%)** | 8.2% |
| Total Company | **(8.3%)** | 12.0% | **(9.8%)** | 15.0% |
| | | | | |
| Digital sales as a % of total net sales | **36%** | 38% | **36%** | 38% |
| Digital sales (decrease) increase | **(13%)** | 6% | **(15%)** | 3% |
| | | | | |
| Nordstrom GMV (decrease) increase | **(10.4%)** | 14.3% | **(11.0%)** | 18.5% |
| Total Company GMV (decrease) increase | **(8.5%)** | 11.6% | **(10.1%)** | 15.0% |

Total Company net sales and GMV decreased for the quarter and six months ended July 29, 2023, compared with the same periods in 2022. For the second quarter of 2023, 275 basis points of the decrease was due to the deconsolidation of our Canadian operations as of March 2, 2023 (see Note 2: Canada Wind-down). Approximately 200 basis points of the decrease in the second quarter of 2023 was due to the timing shift of the Anniversary Sale, with one week shifting from the second quarter in 2022 to the third quarter in 2023. Total Company net sales for the six months ended July 29, 2023, compared with the same period in 2022, were negatively impacted 230 basis points from the wind-down of Canadian operations and approximately 100 basis points due to the timing shift of the Anniversary Sale. For the second quarter and six months ended July 29, 2023, active and beauty were the strongest categories compared with the same periods in 2022.

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

Nordstrom net sales and GMV decreased for the second quarter and six months ended July 29, 2023, compared with the same periods in 2022. Nordstrom net sales for the second quarter of 2023, compared with the second quarter of 2022, were negatively impacted by 400 basis points from the wind-down of Canadian operations and approximately 300 basis points due to the timing shift of the Anniversary Sale. Nordstrom net sales for the six months ended July 29, 2023, compared with the same period in 2022, were negatively impacted 340 basis points from the wind-down of Canadian operations and approximately 100 basis points due to the timing shift of the Anniversary Sale. For both the quarter and six months ended July 29, 2023, 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.

Nordstrom Rack net sales decreased for the second quarter and six months ended July 29, 2023, compared with the same periods in 2022, which reflected a decrease in the number of items sold, partially offset by an increase in the average selling price per item sold. Eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of 2022 negatively impacted Nordstrom Rack sales by approximately 500 basis points for both the second quarter and six months ended July 29, 2023, compared with the same periods in 2022.

Total Company digital sales decreased for the second quarter and six months ended July 29, 2023, compared with the same periods in 2022. Eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of 2022 and sunsetting Trunk Club in the second quarter of 2022 negatively impacted digital sales by approximately 500 basis points for the second quarter of 2023 and approximately 650 basis points for the six months ended July 29, 2023. The timing of the Anniversary Sale had a negative impact on digital sales of approximately 300 basis points for the second quarter of 2023 and approximately 200 basis points for the six months ended July 29, 2023, compared with the same periods in 2022.

During the six months ended July 29, 2023, we opened seven Nordstrom Rack stores, relocated one Nordstrom Rack store and closed one Nordstrom Rack store. We deconsolidated six Nordstrom and seven Nordstrom Rack stores in Canada as of March 2, 2023 (see Note 2: Canada Wind-down in Item 1). Subsequent to the end of the second quarter of 2023, we opened one Nordstrom Rack store and closed one Nordstrom store.

### Credit Card Revenues, Net

Credit card revenues, net increased $6 and $20 for the second quarter and six months ended July 29, 2023, compared with the same periods in 2022. The increases were due to higher revenue recognized in connection with our 2022 TD program agreement amendment and higher finance charges from both higher rates and outstanding balances. The increases were partially offset by increased credit losses.

### Fiscal Year 2023 Total Revenue Outlook

In fiscal 2023, which includes a 53rd week, we expect total revenue, including retail sales and credit card revenues, to decline 4 to 6 percent compared with fiscal 2022. Our outlook includes approximately 250 basis points of negative impact from the wind-down of business operations in Canada (see Note 2: Canada Wind-down) and approximately 130 basis points of positive impact from the 53rd week.

### Gross Profit

The following table summarizes gross profit:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Gross profit | **$1,282** | $1,405 | **$2,319** | $2,541 |
| Gross profit as a % of net sales | **35.0%** | 35.2% | **34.5%** | 34.1% |
| | | | | |
| | | | **July 29, 2023** | **July 30, 2022** |
| Inventory turnover rate | | | **3.44** | 3.38 |

Gross profit decreased $123 and $222 for the quarter and six months ended July 29, 2023, compared with the same periods in 2022, primarily due to lower sales, partially offset by lower buying and occupancy costs. For the second quarter of 2023, gross profit as a rate of net sales decreased 20 basis points, compared with the same period in 2022, primarily due to deleverage on lower sales, partially offset by lower buying and occupancy costs. For the six months ended July 29, 2023, gross profit as a rate of net sales increased 40 basis points, compared with the same period in 2022, due to lower buying and occupancy costs and increased inventory productivity, partially offset by deleverage on lower sales.

Ending inventory as of July 29, 2023 decreased 17.5%, compared with the same period in 2022, versus an 8.3% decrease in sales for the second quarter of 2023, reflecting continued strong inventory discipline.

# 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)

**Selling, General and Administrative Expenses**

SG&A is summarized in the following table:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2023 | July 30, 2022 | July 29, 2023 | July 30, 2022 |
| SG&A expenses | **$1,200** | $1,307 | **$2,304** | $2,473 |
| SG&A expenses as a % of net sales | **32.8%** | 32.8% | **34.3%** | 33.2% |

SG&A decreased $107 and $169 for the second quarter and six months ended July 29, 2023, compared with the same periods in 2022, primarily due to lower variable costs on lower sales, supply chain cost improvements from efficiency initiatives and more favorable carrier rates than expected, as well as a gain on the sale of a real estate asset. These were partially offset by higher labor costs. SG&A as a percent of net sales was flat for the second quarter of 2023, compared with the same period in 2022, as the improvements in variable costs were offset by higher labor costs and deleverage from lower sales. SG&A as a percent of net sales increased 110 basis points for the six months ended July 29, 2023, compared with the same period in 2022, primarily due to deleverage on lower sales volume and higher labor costs, partially offset by improvements in variable costs.

**Canada Wind-down Costs**

We recognized charges associated with the wind-down of Nordstrom Canada of $309 in the six months ended July 29, 2023 (see Note 2: Canada Wind-down in Item 1).

**Earnings Before Interest and Income Taxes**

EBIT is summarized in the following table:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | July 29, 2023 | July 30, 2022 | July 29, 2023 | July 30, 2022 |
| EBIT | **$192** | $202 | **($67)** | $275 |
| EBIT as a % of net sales | **5.3%** | 5.1% | **(1.0%)** | 3.7% |

EBIT decreased $10 for the second quarter of 2023, compared with the same period in 2022, primarily due to lower volume and higher labor costs, partially offset by supply chain efficiencies. EBIT as a rate of net sales increased 20 basis points for the second quarter of 2023 due to supply chain efficiencies and lower buying and occupancy costs, partially offset by deleverage on lower sales and higher labor costs. EBIT decreased $342 and 470 basis points as a rate of net sales for the six months ended July 29, 2023, compared with the same period in 2022, primarily due to $309 of expenses associated with the wind-down of Canadian operations and lower sales, partially offset by supply chain efficiencies. The six months ended July 30, 2022 also included a $51 gain on sale of our interest in a corporate office building and an $18 impairment charge related to costs associated with the wind-down of Trunk Club.

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

### Interest Expense, Net

Interest expense, net was $26 for the second quarter of 2023, compared with $34 for the same period in 2022, and $54 for the six months ended July 29, 2023, compared with $69 for the same period in 2022. The decreases in interest expense, net were primarily due to an increase in interest income from higher prevailing rates.

### Income Tax

Income tax expense is summarized in the following table:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Income tax expense (benefit) | **$29** | $42 | **($54)** | $60 |
| Effective tax rate | **17.2%** | 25.2% | **44.3%** | 29.3% |

The effective tax rate decreased in the second quarter of 2023, compared with the same period in 2022, primarily due to the favorable resolution of certain tax matters. The effective tax rate increased for the six months ended July 29, 2023, compared with the same period in 2022, primarily due to the favorable resolution of certain tax matters and net tax benefits of $93 related to the wind-down of Canadian operations recorded in the first quarter of 2023.

### Earnings Per Share

EPS is as follows:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| Basic | **$0.85** | $0.78 | **($0.42)** | $0.91 |
| Diluted | **$0.84** | $0.77 | **($0.42)** | $0.90 |

Diluted EPS improved $0.07 for the second quarter of 2023 primarily due to improvements in variable costs from supply chain efficiency initiatives, partially offset by lower sales. For the six months ended July 29, 2023, diluted EPS decreased $1.32 primarily due to charges related to the wind-down of Canadian operations that decreased diluted EPS by $1.33 per share and lower sales, partially offset by improvements in variable costs from supply chain efficiency initiatives. The six months ended July 30, 2022 includes a net favorable impact of $0.15 per diluted share due to the gain on sale of our interest in a corporate office building, partially offset by an impairment charge related to costs associated with the wind-down of Trunk Club.

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

The following 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, Adjusted EBIT margin 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 earnings (loss). The financial measure calculated under GAAP which is most directly comparable to Adjusted EBIT margin is net earnings as a percent of net sales. The financial measure calculated under GAAP which is most directly comparable to Adjusted EPS is diluted EPS.

Adjusted EBIT, Adjusted EBITDA, Adjusted EBIT margin 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, net earnings as a percent of net sales, operating cash flows, earnings per share, earnings 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 earnings (loss) to Adjusted EBIT and Adjusted EBITDA and net earnings as a percent of net sales to Adjusted EBIT margin:

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| **Net earnings (loss)** | **$137** | $126 | **($67)** | $146 |
| Income tax expense (benefit) | **29** | 42 | **(54)** | 60 |
| Interest expense, net | **26** | 34 | **54** | 69 |
| Earnings (loss) before interest and income taxes | **192** | 202 | **(67)** | 275 |
| Canada wind-down costs | **—** | — | **309** | — |
| Trunk Club wind-down costs | **—** | 8 | **—** | 18 |
| Gain on sale of interest in a corporate office building | **—** | — | **—** | (51) |
| **Adjusted EBIT** | **192** | 210 | **242** | 242 |
| Depreciation and amortization expenses | **141** | 149 | **285** | 301 |
| Amortization of developer reimbursements | **(17)** | (18) | **(35)** | (37) |
| **Adjusted EBITDA** | **$316** | $341 | **$492** | $506 |
| | | | | |
| **Net sales** | **$3,662** | $3,991 | **$6,726** | $7,458 |
| **Net earnings (loss) as a % of net sales** | **3.8%** | 3.1% | **(1.0%)** | 2.0% |
| **EBIT margin %** | **5.3%** | 5.1% | **(1.0%)** | 3.7% |
| **Adjusted EBIT margin %** | **5.3%** | 5.3% | **3.6%** | 3.2% |

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

| | Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 29, 2023** | **July 30, 2022** | **July 29, 2023** | **July 30, 2022** |
| **Diluted EPS** | **$0.84** | $0.77 | **($0.42)** | $0.90 |
| Canada wind-down costs | **—** | — | **1.91** | — |
| Trunk Club wind-down costs | **—** | 0.05 | **—** | 0.11 |
| Gain on sale of interest in a corporate office building | **—** | — | **—** | (0.31) |
| Income tax impact on adjustments[1] | **—** | (0.01) | **(0.58)** | 0.05 |
| **Adjusted EPS** | **$0.84** | $0.81 | **$0.91** | $0.75 |

[1] The income tax impact of non-GAAP adjustments is calculated using the estimated tax rate for the respective non-GAAP adjustment.

(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.

Beginning in the second quarter of 2023, the Adjusted ROIC calculation was updated to exclude certain items that we do not consider representative of our core operating performance. Refer to non-operating related adjustments included within adjusted net operating profit after tax and adjusted average invested capital. Prior periods have been modified to conform with current period presentation.

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 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 ROIC is return on assets. The following shows the components to reconcile the return on assets calculation to Adjusted ROIC:

| | Four Quarters Ended | |
|---|---|---|
| | **July 29, 2023** | **July 30, 2022** |
| **Net earnings** | **$32** | $410 |
| Income tax (benefit) expense | **(22)** | 153 |
| Interest expense | **137** | 140 |
| Earnings before interest and income tax expense | **147** | 703 |
| | | |
| Operating lease interest[1] | **85** | 84 |
| Non-operating related adjustments[2] | **380** | (32) |
| Adjusted net operating profit | **612** | 755 |
| | | |
| Adjusted estimated income tax expense[3] | **(141)** | (206) |
| **Adjusted net operating profit after tax** | **$471** | $549 |
| | | |
| Average total assets | **$8,986** | $9,194 |
| Average deferred property incentives in excess of ROU assets[4] | **(177)** | (214) |
| Average non-interest bearing current liabilities | **(3,149)** | (3,396) |
| Non-operating related adjustments[5] | **184** | (15) |
| **Adjusted average invested capital** | **$5,844** | $5,569 |
| | | |
| **Return on assets** | **0.4%** | 4.5% |
| **Adjusted ROIC** | **8.1%** | 9.9% |

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

[2] Non-operating related adjustments primarily relate to the wind-down of our Canadian operations and a supply chain impairment charge for the four quarters ended July 29, 2023 and the gain on sale of our interest in a corporate office building for the four quarters ended July 30, 2022. See the Adjusted EBIT and Adjusted EBITDA section, as well as our 2022 Annual Report, for detailed information on certain non-operating related adjustments.

[3] Adjusted estimated income tax expense is calculated by multiplying the adjusted net operating profit by the adjusted effective tax rate (which removes the impact of non-operating related adjustments) for the trailing twelve-month periods ended July 29, 2023 and July 30, 2022. The adjusted effective tax rate is calculated by dividing adjusted income tax by adjusted earnings before income taxes for the same trailing twelve-month periods.

[4] 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 noncurrent amounts are used to reduce average total assets above, as this better reflects how we manage our business.

[5] Non-operating related adjustments primarily relate to the wind-down of our Canadian operations for the trailing twelve-month period ended July 29, 2023 and the gain on sale of our interest in a corporate office building for the trailing twelve-month period ended July 30, 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)

### 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 Revolver 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 second quarter of 2023 with $885 in cash and cash equivalents and $800 of additional liquidity available on our Revolver. Cash and cash equivalents in the second quarter of 2023 increased from $494 in the second quarter of 2022, driven by cash flow from earnings, partially offset by capital expenditures and dividends. 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.

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

| | Six Months Ended | |
|---|---|---|
| | **July 29, 2023** | **July 30, 2022** |
| Net cash provided by operating activities | **$465** | $373 |
| Net cash used in investing activities | **(229)** | (133) |
| Net cash used in financing activities | **(38)** | (68) |

### Operating Activities

Net cash provided by operating activities increased $92 for the six months ended July 29, 2023 due to lower compensation payments in 2023 compared with 2022, partially offset by the timing of purchases and payments for inventory.

### Investing Activities

Net cash used in investing activities increased $96 for the six months ended July 29, 2023, compared with the same period in 2022, primarily due to the sale of our interest in a corporate office building in 2022 and the decrease in cash and cash equivalents resulting from the deconsolidation of Canada in 2023 (see Note 1: Basis of Presentation and Note 2: Canada Wind-down in Item 1).

*Capital Expenditures*

Our capital expenditures, net are summarized as follows:

| | Six Months Ended | |
|---|---|---|
| | **July 29, 2023** | **July 30, 2022** |
| Capital expenditures | **$225** | $215 |
| Deferred property incentives[1] | **(15)** | (7) |
| **Capital expenditures, net** | **$210** | $208 |
| | | |
| **Capital expenditures as a % of net sales** | **3.3%** | 2.9% |

[1] 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 $30 for the six months ended July 29, 2023, compared with the same period in 2022, primarily due to decreased share repurchases.

### Share Repurchases

We repurchased $1 for the six months ended July 29, 2023, compared with $35 in the six months ended July 30, 2022.

### Dividends

We paid dividends of $61 and $60 for the six months ended July 29, 2023 and July 30, 2022, or $0.38 per share for each year-to-date period.

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

### 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:

| | Six Months Ended | |
|---|---|---|
| | July 29, 2023 | July 30, 2022 |
| **Net cash provided by operating activities** | **$465** | $373 |
| Capital expenditures | **(225)** | (215) |
| Change in cash book overdrafts | **18** | 36 |
| **Free Cash Flow** | **$258** | $194 |

## CAPITAL RESOURCES

### Borrowing Capacity and Activity

As of July 29, 2023, we had total short-term borrowing capacity of $800 under the Revolver that expires in May 2027. As of July 29, 2023, we had no borrowings outstanding under our Revolver and no issuances outstanding under our commercial paper program. For more information about our credit facilities, see Note 4: 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 | Negative |
| S&P Global Ratings | BB+ | Negative |
| Fitch | BB+ | Stable |

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 July 29, 2023, 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 4: Debt and Credit Facilities in Item 1.

On March 1, 2023, we amended our Revolver agreement. See Note 2: Canada Wind-down in Item 1.

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(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 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 4: 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:

| | July 29, 2023 |
|---|---|
| **Debt** | **$2,858** |
| Operating lease liabilities | **1,616** |
| **Adjusted debt** | **$4,474** |

| | Four Quarters Ended July 29, 2023 |
|---|---|
| **Net earnings** | **$32** |
| Income tax benefit | **(22)** |
| Interest expense, net | **114** |
| Earnings before interest and income taxes | **124** |
| | |
| Depreciation and amortization expenses | **588** |
| Operating Lease Cost | **272** |
| Amortization of developer reimbursements[1] | **70** |
| Canada wind-down costs | **309** |
| Other Revolver covenant adjustments[2] | **108** |
| **Adjusted EBITDAR** | **$1,471** |
| | |
| **Debt to Net Earnings** | **88.8** |
| **Adjusted debt to EBITDAR** | **3.0** |

[1] 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.

[2] 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 July 29, 2023, other Revolver covenant adjustments primarily include a supply chain impairment charge. See our 2022 Annual Report for detailed information on certain non-operating related adjustments.

## 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)

### CRITICAL ACCOUNTING ESTIMATES

The preparation of our 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.

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 2022 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 2022 Annual Report, except as noted below, and the following should be read in conjunction with Note 2: Canada Wind-down in Item 1.

#### Canada Wind-down

To assess the estimated fair value of our Nordstrom Canada investment and our related-party receivables, we estimated the assets available for distribution in relation to expected claims. At the time of filing, the estimated amount of Nordstrom Canada's liabilities exceeded the estimated fair value of assets available for distribution to creditors, and in relation to the receivables, we may not recover any proceeds. As a result, our fair value was recorded as zero in our Condensed Consolidated Balance Sheets as of April 29, 2023. As of July 29, 2023, based on currently available information, there have been no significant changes in our estimates.

In the six months ended July 29, 2023, we recognized a liability for certain Nordstrom, Inc. guarantees related to a portion of Nordstrom Canada leases. The estimated liability is our current best estimate and is based on expectations that claims will be asserted against us and negotiated settlements will be reached, and not on any determination that it is probable that we would be found liable were these claims to be litigated and for how much.

Our estimates are dependent on the outcome of the Nordstrom Canada wind-down process, including the amount of third-party and Nordstrom claims asserted and recognized in the claims process, the amount of assets available for distribution, the negotiation of a CCAA plan of arrangement approved by the creditors and the Ontario Superior Court of Justice and the outcome of negotiations regarding the leases. We continue to work through the wind-down process and our estimates of losses are based on currently available information and our assessment of the validity of certain expected claims. These estimates may change as new information becomes available and it is reasonably possible that they may materially change from the estimated amounts. Increases in estimated costs to settle claims and decreases in estimated assets available for distribution may result in additional material charges. At the same time, any future decreases in estimated costs to settle claims or increases in estimated assets available for distribution may result in a gain, which would reduce our estimated charges. See Note 2: Canada Wind-down for additional information.

### RECENT ACCOUNTING PRONOUNCEMENTS

In December 2022, the SEC adopted the final rule under SEC Release No. 33-11138, *Insider Trading Arrangements and Related Disclosures*, which creates new disclosure requirements regarding our insider trading policies and procedures and equity compensation awards made close in time to disclosure of material nonpublic information. Quarterly disclosure requirements under this final rule became effective for us in the second quarter of 2023 and annual disclosure requirements will be effective for us in the fourth quarter of 2023. The adoption of this final rule is not anticipated to have a material impact on our results of operations, liquidity or capital resources.

In May 2023, the SEC adopted the final rule under SEC Release No. 34-97424, *Share Repurchase Disclosure Modernization,* requiring disclosures related to issuers' share repurchases that will provide investors with enhanced information to assess the purposes and effects of the repurchases. Disclosure requirements under this rule will be effective for us in the fourth quarter of 2023. The adoption of this final rule is not anticipated to have a material impact on our results of operations, liquidity or capital resources.

In July 2023, the SEC adopted the final rule under SEC Release No. 33-11216, *Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure,* requiring disclosure of material cybersecurity incidents on Form 8-K and periodic disclosure of a registrant's cybersecurity risk management, strategy and governance in annual reports. Regulation S-K Item 6 disclosure requirements under this rule will be effective for us in the fourth quarter of 2023. Incident disclosure requirements in Form 8-K will be effective for us on December 18, 2023. The adoption of this final rule is not 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 2022 Annual Report. There have been no material changes to these risks since that time.

## Item 4. Controls and Procedures.

### DISCLOSURE CONTROLS AND PROCEDURES

On May 29, 2023, Cathy R. Smith was appointed Chief Financial Officer, and the Company's principal financial officer and principal accounting officer. In the second quarter of 2023, Michael W. Maher, who was an officer, employee and had been serving as the Company's interim principal financial officer for the purposes of the Exchange Act since the third quarter of 2022, departed the Company. We do not believe that Mr. Maher's resignation has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our Chief Executive Officer, Erik B. Nordstrom, serves as our principal executive officer for the 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.

On March 2, 2023, Nordstrom Canada commenced a wind-down of its business operations. Nordstrom Canada entities obtained an Initial Order from the Ontario Superior Court of Justice under the CCAA to facilitate the wind-down in an orderly fashion. See Note 2: Canada Wind-down in Part I for more information.

As of the date of this report, we do not believe any other 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 2022 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)

We repurchased no shares of common stock during the second quarter of 2023 and we had $438 remaining in share repurchase capacity as of July 29, 2023. See Note 7: Shareholders’ Equity in Item 1 for more information about our May 2022 share repurchase program.

## Item 3. Defaults Upon Senior Securities.

None.

## Item 4. Mine Safety Disclosures.

None.

## Item 5. Other Information.

None.

## 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 |
|---|---|
| Nordstrom, Inc. and Subsidiaries Exhibit Index | 31 |

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

| | | | Incorporated by Reference | | |
|---|---|---|---|---|---|
| | | Exhibit | Form | Exhibit | Filing Date |
| 4.1 | | First Amendment to the Shareholder Rights Agreement, dated as of August 21, 2023, by and between Nordstrom, Inc. and Computershare Trust Company, N.A., as rights agent | 8-K | 4.1 | 8/21/2023 |
| 10.1 | * | Nordstrom, Inc. Employee Stock Purchase Plan (2023 Amendment) | DEF 14A | Appendix C | 4/28/2023 |
| 31.1 | † | Certification of Chief Executive Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002 | | | |
| 31.2 | † | Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002 | | | |
| 32.1 | ‡ | 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 | | | |
| 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) | | | |

* Management contract, compensatory plan or arrangement

† 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/ Cathy R. Smith
Cathy R. Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: September 1, 2023