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

FORM 8-K

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

Date of Report (Date of earliest event reported) **August 23, 2022**

NORDSTROM, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

Emerging growth company ☐

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

ITEM 2.02 Results of Operations and Financial Condition

On August 23, 2022, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and six months ended July 30, 2022, its financial position as of July 30, 2022, and its cash flows for the six months ended July 30, 2022 ("Second Quarter Results"). A copy of this earnings release is furnished as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On August 23, 2022, Nordstrom, Inc. issued an earnings release announcing its Second Quarter Results. A copy of this earnings release is furnished as Exhibit 99.1.

In addition, furnished hereby and incorporated by reference herein is the earnings call commentary on its Second Quarter Results and 2022 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on August 23, 2022. A copy of this earnings call commentary is furnished as Exhibit 99.2.

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

ITEM 9.01 Financial Statements and Exhibits

99.1	Nordstrom earnings release dated August 23, 2022 relating to the Company's Second Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's Second Quarter Results and 2022 financial outlook
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

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

Date: August 23, 2022

Exhibit 99.1

NORDSTROM

Nordstrom Reports Second Quarter 2022 Earnings

- *Total Company sales increase 12 percent*
- *Reports EPS of $0.77 and adjusted EPS of $0.81*[1]
- *Updating fiscal year outlook to reflect revised plans for second half*

SEATTLE – August 23, 2022 – Nordstrom, Inc. (NYSE: JWN) today reported second quarter net earnings of $126 million and earnings per diluted share ("EPS") of $0.77 for the quarter ended July 30, 2022. Excluding costs associated with the wind-down of Trunk Club, the Company reported adjusted earnings per share of $0.81.[1]

For the second quarter, net sales increased 12.0 percent versus the same period in fiscal 2021, exceeding pre-pandemic sales levels, and gross merchandise value ("GMV") increased 12.2 percent. Anniversary Sale timing, with one week shifting from the third quarter to the second quarter, had a positive impact of approximately 200 basis points on net sales compared with 2021. During the quarter, Nordstrom banner net sales increased 14.7 percent and GMV increased 14.9 percent. Net sales for Nordstrom Rack increased 6.3 percent.

"We delivered solid results in the second quarter, with topline growth, increased profitability and continued progress in our strategic initiatives," said Erik Nordstrom, chief executive officer of Nordstrom, Inc. "While our quarterly results were consistent with our previous outlook, customer traffic and demand decelerated significantly beginning in late June, predominantly at Nordstrom Rack. We are adjusting our plans and taking action to navigate this dynamic in the short term, including aligning inventory and expenses to recent trends, and we remain confident in our ability to deliver on our long-term strategic and financial goals."

In the second quarter, men's apparel had the strongest growth versus 2021, and shoes, women's apparel and beauty also had double-digit growth, as customers updated their wardrobes and returned to occasions. Total Anniversary event sales increased 5 percent, including one day of the event that fell in the third quarter.

"We elevated the customer experience and increased engagement during this year's Anniversary Sale, and we're proud of our team's execution and dedication to customers," said Pete Nordstrom, president and chief brand officer of Nordstrom, Inc. "As we look to the second half of the year, we are aggressively right-sizing our inventory while investing in supply chain and merchandising capabilities that will benefit us in 2023 and beyond."

As previously announced on August 17, 2022, the board of directors declared a quarterly cash dividend of $0.19 per share to be paid to shareholders of record at the close of business on August 30, 2022, payable on September 14, 2022. During the second quarter, the Company repurchased 1.5 million shares of its common stock for $35 million under its $500 million share repurchase program, which was previously announced as authorized by the board of directors on May 18, 2022. A total capacity of $465 million remains available under this share repurchase authorization.

SECOND QUARTER 2022 SUMMARY

- Total Company net sales increased 12.0 percent and GMV increased 12.2 percent compared with the same period in fiscal 2021. The timing shift of the Anniversary Sale, with one day falling into the third quarter of 2022 versus roughly one week in 2021, had a positive impact on net sales of approximately 200 basis points compared with the second quarter of 2021.
- For the Nordstrom banner, net sales increased 14.7 percent, improving sequentially from the first quarter versus pre-pandemic sales levels, and GMV increased 14.9 percent compared with the same period in fiscal 2021. The timing shift of the Anniversary Sale had a positive impact on Nordstrom banner net sales of approximately 400 basis points compared with the second quarter of 2021.
- For the Nordstrom Rack banner, net sales increased 6.3 percent compared with the same period in fiscal 2021, improving sequentially from the first quarter versus pre-pandemic sales levels.
- Digital sales increased 6.3 percent compared with the same period in fiscal 2021. The timing shift of the Anniversary Sale had a positive impact on Company digital sales of approximately 400 basis points compared with the second quarter of 2021. Digital sales represented 38 percent of total sales during the quarter.

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

- Gross profit, as a percentage of net sales, of 35.2 percent increased 65 basis points compared with the same period in fiscal 2021 primarily due to leverage on buying and occupancy costs, partially offset by higher markdown rates.
- Ending inventory increased 9.9 percent compared with the same period in fiscal 2021, versus a 12.0 percent increase in sales.
- Selling, general and administrative expenses, as a percentage of net sales, of 32.8 percent decreased 15 basis points compared with the same period in fiscal 2021 primarily due to leverage on higher sales, partially offset by higher labor expense.
- Earnings before interest and tax ("EBIT") was $202 million in the second quarter of 2022, compared with $151 million during the same period in fiscal 2021, primarily due to higher sales, partially offset by higher markdowns and higher labor expense. Adjusted EBIT of $210 million for the second quarter of 2022 excluded costs associated with the wind-down of Trunk Club.[2]
- Interest expense, net, of $34 million decreased from $40 million during the same period in fiscal 2021 as a result of the redemption of $500 million of unsecured notes in the second quarter of 2021.
- Income tax expense was $42 million, or 25.2 percent of pretax earnings, compared with $31 million, or 27.9 percent of pretax earnings, in the same period in fiscal 2021.
- The Company ended the second quarter with $1.3 billion in available liquidity, including $494 million in cash and the full $800 million available on its revolving line of credit. In May 2022, the Company entered into a new $800 million revolving credit agreement expiring in May 2027, replacing its previous revolving credit agreement that was scheduled to expire in September 2023.

STORES UPDATE

To date in fiscal 2022, the Company has opened one store:

City	Location	Square Footage (000s)	Timing of Opening
ASOS | Nordstrom			
Los Angeles, CA	The Grove	30	May 20, 2022

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

City	Location	Square Footage (000s)	Timing of Opening
Nordstrom Rack			
Phoenix, AZ	Desert Ridge Marketplace	23.5	Fall 2022
Riverside, CA	Canyon Springs Marketplace	30	Fall 2022
Birmingham, AL	The Summit (relocation from River Ridge)	27	Spring 2023
Los Angeles, CA	NOHO West	26	Spring 2023
Chattanooga, TN	The Terrace at Hamilton Place	24	Spring 2023
Wichita, KS	Bradley Fair	28	Spring 2023

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

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

	July 30, 2022	July 31, 2021
Nordstrom		
Nordstrom – U.S.	**94**	94
Nordstrom – Canada	**6**	6
Nordstrom Local service hubs	**7**	7
ASOS | Nordstrom	**1**	—
Nordstrom Rack		
Nordstrom Rack – U.S.	**240**	240
Nordstrom Rack – Canada	**7**	7
Last Chance clearance stores	**2**	2
Total	**357**	356
Gross store square footage	**27,555,000**	27,569,000

FISCAL YEAR 2022 OUTLOOK

The Company is updating its financial expectations for fiscal 2022 as follows:

	Prior Outlook	Current Outlook
Revenue growth, including retail sales and credit card revenues	6 to 8 percent	5 to 7 percent
EBIT margin, as percent of sales	5.8 to 6.2 percent	4.5 to 4.9 percent
Adjusted EBIT margin[3]	5.6 to 6.0 percent	4.3 to 4.7 percent
Income tax rate	Approximately 27 percent	Approximately 27 percent
EPS, excluding the impact of share repurchase activity, if any	$3.38 to $3.68	$2.45 to $2.75
Adjusted EPS, excluding the impact of share repurchase activity, if any[3]	$3.20 to $3.50	$2.30 to $2.60
Leverage ratio by year-end	Approximately 2.5 times	Below 2.9 times

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss second quarter 2022 financial results and fiscal 2022 outlook at 4:45 p.m. EDT today. To listen to the live call online and view the speakers' prepared remarks and the conference call slides, visit the Investor Relations section of the Company's corporate website at investor.nordstrom.com. An archived webcast with the speakers' prepared remarks and the conference call slides will be available in the Quarterly Results section for one year. Interested parties may also dial 201-689-8354. A telephone replay will be available beginning approximately three hours after the conclusion of the call by dialing 877-660-6853 or 201-612-7415 and entering Conference ID 13731473, until the close of business on August 30, 2022.

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

ABOUT NORDSTROM

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

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

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

	Quarter Ended		Six Months Ended	
	July 30, 2022	July 31, 2021	**July 30, 2022**	July 31, 2021
Net sales	**$ 3,991**	$ 3,565	**$ 7,458**	$ 6,486
Credit card revenues, net	**104**	92	**207**	180
Total revenues	**4,095**	3,657	**7,665**	6,666
Cost of sales and related buying and occupancy costs	**(2,586)**	(2,332)	**(4,917)**	(4,351)
Selling, general and administrative expenses	**(1,307)**	(1,174)	**(2,473)**	(2,249)
Earnings before interest and income taxes	**202**	151	**275**	66
Interest expense, net	**(34)**	(40)	**(69)**	(177)
Earnings (loss) before income taxes	**168**	111	**206**	(111)
Income tax (expense) benefit	**(42)**	(31)	**(60)**	25
Net earnings (loss)	**$ 126**	$ 80	**$ 146**	$ (86)
Earnings (loss) per share:				
Basic	**$ 0.78**	$ 0.50	**$ 0.91**	$ (0.54)
Diluted	**$ 0.77**	$ 0.49	**$ 0.90**	$ (0.54)
Weighted-average shares outstanding:				
Basic	**160.6**	159.0	**160.3**	158.7
Diluted	**162.9**	162.8	**162.9**	158.7
Percent of net sales:				
Gross profit	**35.2 %**	34.6 %	**34.1 %**	32.9 %
Selling, general and administrative expenses	**32.8 %**	32.9 %	**33.2 %**	34.7 %
Earnings before interest and income taxes	**5.1 %**	4.2 %	**3.7 %**	1.0 %

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

	July 30, 2022	January 29, 2022	July 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	**$ 494**	$ 322	$ 487
Accounts receivable, net	**300**	255	317
Merchandise inventories	**2,399**	2,289	2,182
Prepaid expenses and other	**408**	306	475
Total current assets	**3,601**	3,172	3,461
Land, property and equipment (net of accumulated depreciation of $7,943, $7,737 and $7,471)	**3,443**	3,562	3,573
Operating lease right-of-use assets	**1,466**	1,496	1,532
Goodwill	**249**	249	249
Other assets	**403**	390	415
Total assets	**$ 9,162**	$ 8,869	$ 9,230
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	**1,747**	1,529	1,961
Accrued salaries, wages and related benefits	**302**	383	487
Current portion of operating lease liabilities	**253**	242	238
Other current liabilities	**1,254**	1,160	1,170
Total current liabilities	**3,556**	3,314	3,856
Long-term debt, net	**2,853**	2,853	2,849
Non-current operating lease liabilities	**1,526**	1,556	1,619
Other liabilities	**564**	565	638
Commitments and contingencies			
Shareholders' equity:			
Common stock, no par value: 1,000 shares authorized; 159.8, 159.4 and 158.9 shares issued and outstanding	**3,314**	3,283	3,245
Accumulated deficit	**(2,601)**	(2,652)	(2,916)
Accumulated other comprehensive loss	**(50)**	(50)	(61)
Total shareholders' equity	**663**	581	268
Total liabilities and shareholders' equity	**$ 9,162**	$ 8,869	$ 9,230

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

	Six Months Ended	
	July 30, 2022	**July 31, 2021**
Operating Activities		
Net earnings (loss)	**$ 146**	$ (86)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization expenses	**301**	321
Right-of-use asset amortization	**93**	90
Deferred income taxes, net	**(31)**	17
Stock-based compensation expense	**39**	45
Other, net	**(41)**	80
Change in operating assets and liabilities:		
Accounts receivable	**(17)**	(72)
Merchandise inventories	**(38)**	(189)
Prepaid expenses and other assets	**(99)**	314
Accounts payable	**133**	(88)
Accrued salaries, wages and related benefits	**(82)**	137
Other current liabilities	**97**	123
Lease liabilities	**(133)**	(156)
Other liabilities	**5**	9
Net cash provided by operating activities	**373**	545
Investing Activities		
Capital expenditures	**(215)**	(217)
Proceeds from the sale of assets and other, net	**82**	(13)
Net cash used in investing activities	**(133)**	(230)
Financing Activities		
Proceeds from revolving line of credit	**—**	200
Payments on revolving line of credit	**—**	(200)
Proceeds from long-term borrowings	**—**	675
Principal payments on long-term borrowings	**—**	(1,100)
Increase in cash book overdrafts	**36**	6
Cash dividends paid	**(60)**	—
Payments for repurchase of common stock	**(35)**	—
Proceeds from issuances under stock compensation plans	**9**	7
Tax withholding on share-based awards	**(14)**	(13)
Make-whole premium payment and other, net	**(4)**	(86)
Net cash used in financing activities	**(68)**	(511)
Effect of exchange rate changes on cash and cash equivalents	**—**	2
Net increase (decrease) in cash and cash equivalents	**172**	(194)
Cash and cash equivalents at beginning of period	**322**	681
Cash and cash equivalents at end of period	**$ 494**	$ 487

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

Our Nordstrom brand includes Nordstrom.com, TrunkClub.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, Nordstrom Local, and ASOS | Nordstrom. Our Nordstrom Rack brand includes NordstromRack.com, Nordstrom Rack-branded U.S. stores and Last Chance clearance stores. The following table summarizes net sales for the quarter and six months ended July 30, 2022, compared with the quarter and six months ended July 31, 2021:

	Quarter Ended		Six Months Ended	
	July 30, 2022	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
Net sales:				
Nordstrom	**$ 2,771**	$ 2,417	**$ 5,060**	$ 4,270
Nordstrom Rack	**1,220**	1,148	**2,398**	2,216
Total net sales	**$ 3,991**	$ 3,565	**$ 7,458**	$ 6,486
Net sales increase:				
Nordstrom	**14.7 %**	126.7 %	**18.5 %**	76.3 %
Nordstrom Rack	**6.3 %**	61.4 %	**8.2 %**	60.4 %
Total Company	**12.0 %**	100.5 %	**15.0 %**	70.5 %
Digital sales as % of total net sales[1]	**38 %**	40 %	**38 %**	42 %

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

NORDSTROM, INC.
ADJUSTED EBIT, ADJUSTED EBITDA AND ADJUSTED EPS
(NON-GAAP FINANCIAL MEASURES)

(unaudited; amounts in millions, except per share amounts)

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

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

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

	Quarter Ended		Six Months Ended	
	July 30, 2022	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
Net earnings (loss)	**$ 126**	$ 80	**$ 146**	$ (86)
Add (Less): income tax expense (benefit)	**42**	31	**60**	(25)
Add: interest expense, net	**34**	40	**69**	177
Earnings before interest and income taxes	**202**	151	**275**	66
Add: Trunk Club wind-down costs	**8**	—	**18**	—
Less: gain on sale of interest in a corporate office building	**—**	—	**(51)**	—
Adjusted EBIT	**210**	151	**242**	66
Add: depreciation and amortization expenses	**149**	159	**301**	321
Less: amortization of developer reimbursements	**(18)**	(20)	**(37)**	(40)
Adjusted EBITDA	**$ 341**	$ 290	**$ 506**	$ 347

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

	Quarter Ended		Six Months Ended	
	July 30, 2022	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
Earnings (loss) per diluted share[1]	**$ 0.77**	$ 0.49	**$ 0.90**	$ (0.54)
Add: Trunk Club wind-down costs	**0.05**	—	**0.11**	—
Less: gain on sale of interest in a corporate office building	**—**	—	**(0.31)**	—
Add: debt refinancing charges included within interest expense, net	**—**	—	**—**	0.56
(Less) Add: income tax impact on adjustments[2]	**(0.01)**	—	**0.05**	(0.15)
Adjusted EPS	**$ 0.81**	$ 0.49	**$ 0.75**	$ (0.13)

[1] Due to the anti-dilutive effect resulting from the adjusted net loss, the impact of potentially dilutive shares on the adjusted per share amounts has been omitted from the calculation of weighted-average shares for earnings (loss) per share for the six months ended July 31, 2021.

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

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

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

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

	52 Weeks Ending January 28, 2023	
	Low	**High**
Expected net earnings as a % of net sales	**2.6%**	**2.9%**
Add: income tax expense	1.0%	1.1%
Add: interest expense, net	0.9%	0.9%
Expected earnings before interest and income taxes as a % of net sales	4.5%	4.9%
Add: Trunk Club wind-down costs	0.1%	0.1%
Less: gain on sale of interest in a corporate office building	(0.3%)	(0.3%)
Expected adjusted EBIT margin	**4.3%**	**4.7%**

The following is a reconciliation of earnings per diluted share to adjusted EPS included within our Fiscal Year 2022 Outlook:

	52 Weeks Ending January 28, 2023	
	Low	**High**
Expected earnings per diluted share	**$ 2.45**	**$ 2.75**
Add: Trunk Club wind-down costs	0.11	0.11
Less: gain on sale of interest in a corporate office building	(0.31)	(0.31)
Add: income tax impact on adjustments	0.05	0.05
Expected adjusted EPS	**$ 2.30**	**$ 2.60**

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

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

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

	Four Quarters Ended	
	July 30, 2022	**July 31, 2021**
Net earnings	**$ 410**	$ 1
Add (Less): income tax expense (benefit)	**153**	(72)
Add: interest expense	**140**	274
Earnings before interest and income tax expense	**703**	203
Add: operating lease interest[1]	**84**	92
Adjusted net operating profit	**787**	295
Less: estimated income tax expense[2]	**(214)**	(300)
Adjusted net operating profit (loss) after tax	**$ 573**	$ (5)
Average total assets	**$ 9,194**	$ 9,489
Less: average non-current deferred property incentives in excess of operating lease right-of-use (ROU) assets[3]	**(214)**	(255)
Less: average non-interest bearing current liabilities	**(3,396)**	(3,267)
Average invested capital	**$ 5,584**	$ 5,967
Return on assets	**4.5 %**	— %
Adjusted ROIC	**10.3 %**	(0.1 %)

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

[2] Estimated income tax expense is calculated by multiplying the adjusted net operating profit by the effective tax rate for the trailing twelve month periods ended July 30, 2022 and July 31, 2021. The effective tax rate is calculated by dividing income tax expense (benefit) by earnings (loss) before income taxes for the same trailing twelve month periods.

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

NORDSTROM, INC.

ADJUSTED DEBT TO EBITDAR (NON-GAAP FINANCIAL MEASURE)

(unaudited; dollars in millions)

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

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

	July 30, 2022
Debt	**$ 2,853**
Add: operating lease liabilities	**1,779**
Adjusted debt	**$ 4,632**

	Four Quarters Ended July 30, 2022
Net earnings	**$ 410**
Add: income tax expense	**153**
Add: interest expense, net	**138**
Adjusted earnings before interest and income taxes	**701**
Add: depreciation and amortization expenses	**595**
Add: operating lease cost[1]	**272**
Add: amortization of developer reimbursements[2]	**75**
Less: other Revolver covenant adjustments[3]	**(22)**
Adjusted EBITDAR	**$ 1,621**
Debt to Net Earnings	**7.0**
Adjusted debt to EBITDAR	**2.9**

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

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

[3] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income and certain non-cash charges and other gains and losses where relevant. For the four quarters ended July 30, 2022, other Revolver covenant adjustments primarily included a gain on sale of the Company's interest in a corporate office building, partially offset by costs associated with the wind-down of Trunk Club.

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

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

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

	Six Months Ended	
	July 30, 2022	**July 31, 2021**
Net cash provided by operating activities	**$ 373**	$ 545
Less: capital expenditures	**(215)**	(217)
Add: change in cash book overdrafts	**36**	6
Free Cash Flow	**$ 194**	$ 334

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Q2 2022 NORDSTROM EARNINGS CALL — PREPARED REMARKS

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

Thank you, Heather, and good afternoon everyone. Thank you for joining us today.

We delivered solid results in the second quarter, with topline growth, increased profitability, and continued progress toward our long-term strategic and financial goals. We delivered these results despite customer demand decelerating significantly in late June, predominantly at Nordstrom Rack and in our lowest income customer cohorts. Though our second quarter was consistent with our previous guidance, we are updating our outlook for the balance of the year to reflect these softening trends and actions we are taking to reduce our inventory levels.

In the second quarter, customers continued to shop for occasions while also refreshing their wardrobes, which drove demand for our core categories and services. We know customers look to us for the occasions that matter most and we were well-positioned to serve them with our differentiated product offering, the convenience of our interconnected model, and our commitment to customer service.

Total sales increased 12 percent over last year, which includes a benefit of approximately 200 basis points from one week of the Anniversary Sale shifting into the second quarter. Total digital sales grew 6 percent. Nordstrom banner sales and gross merchandise value, or GMV, each increased 15 percent over last year, and sales showed sequential improvement over pre-pandemic levels. Rack sales grew 6 percent.

Before I discuss the second half of the year, I'll share our perspective on spending and behavior within our customer base. As we discussed while reporting our first quarter results, at the time, we did not see macroeconomic pressures adversely impact customer spending, which we attributed to the higher-income profile of our customer base. This continued through most of the second quarter until late June, when demand began to soften, mostly in Nordstrom Rack.

Compared to the first two months of the quarter, July sales decelerated 9 percentage points in the Rack banner.

Across both banners, the softening trend was more significant in customer segments with the lowest income profiles, while we saw greater resilience in the higher income segments.

For example, in the Nordstrom banner, items with lower AURs underperformed higher AURs. Within our Designer business, higher-priced luxury product significantly outperformed lower-priced product. Customers sought newness and responded very positively to the Fall assortment overall, but were less responsive to our private label product and clearance items.

Taking all of this into account, we are updating our 2022 financial outlook to reflect the deceleration at the end of the quarter as well as anticipated margin pressure from clearing through excess inventory. Anne will provide more detail on those updates.

We are prioritizing actions in the short term to position our business for success in a rapidly evolving environment. This means adjusting our plans for the second half, aligning expenses to those plans, reducing inventory levels, and exiting the year in a clean and current inventory position. At the same time, we continue to focus on improving Rack performance, increasing profitability, and optimizing our supply chain and inventory flow. We are making progress in these initiatives, and while they will not fully offset the gross margin impacts of our inventory reductions this year, we expect them to benefit our performance in 2023 and beyond.

While we take action to address these short-term headwinds, we will continue to build additional capabilities to better serve customers and drive profitable long-term growth, with a focus on winning in our most important markets, advancing our digital capabilities, and improving Nordstrom Rack performance.

- A fundamental component of our Closer to You strategy is winning in our most important markets. Our strategy provides customers convenience, connection, and access to the best product selection through a strong store fleet, two unique banners, and omnichannel capabilities linked at the market level. For example, during this year's Anniversary Sale, as customers utilized the convenience of our integrated touchpoints, order pickup in stores increased 9 percent, compared to last year's event. Building on our progress, this quarter, we scaled our Closer to You strategy by expanding next day order pickup capabilities to more than 60 additional Rack stores in our top 20 markets. And our top 20 markets outperformed our other markets by 7 percentage points.

- We also continue to advance our digital capabilities, working to further extend our heritage of customer service and personalization to a digital world. We are scaling our styling program and offering a range of digital services, including stylist-inspired looks, virtual styleboards, and online styling appointments. While we still see the highest number of customers engaged with our in-person styling, we are seeing rapid growth within these digital services. Digital styling customers are also highly engaged, spending 5 times more than an average Nordstrom customer.

- Finally, we continue to focus on improving Nordstrom Rack performance by increasing our supply of premium brands, improving our assortment, and growing brand awareness. We are making progress and have driven sequential improvement in sales growth versus pre-pandemic levels the last three quarters since initiating these workstreams.

  We are also encouraged by the positive customer response to our growth initiatives. For example, we are seeing strong early results from our Rack beauty program expansion.

  Despite this progress at Rack in the first half of the year, demand trends decelerated significantly in late June. The deceleration was more pronounced in the lowest income customer segments, which represent a greater proportion of Rack's customer base than at Nordstrom.

  We also have more work ahead to fully optimize our Rack assortment. As we've said before, 90 percent of the top brands at Nordstrom are sold at Nordstrom Rack. Premium brands are a differentiator for the Rack and we are focusing on having the best brands at the best prices at each of our locations. This quarter, sales of our top 100 brands at the Rack increased 17%, which underscores the opportunity from increasing our supply of premium brands. In addition to improving penetration of premium brands, we are shifting away from the lower price point items that have not resonated with Rack customers. As Pete will describe later, we are taking aggressive action to clear through this inventory in the second half of the year. We believe that increasing the penetration of top brands at the Rack will differentiate our offer and fuel our growth.

In closing, though we face uncertainty as the consumer shifts, we have a seasoned team that has successfully managed through a range of business cycles. We have continued to build on our legacy of being a market leader in customer service, that is always a result of our teams putting the customer at the center of everything we do. We are fortunate to have so many people with us who truly care about the customer. We have a strong balance sheet and cash position, and through investments in our Closer to You strategy and digital assets, we are well-positioned to capture pockets of demand. We are taking the necessary steps to navigate the short term, while also continuing to invest in capabilities to better serve our customers, drive long-term profitable growth, and increase shareholder value.

With that, I'll turn it over to Pete.

PETE NORDSTROM | PRESIDENT AND CHIEF BRAND OFFICER

Thanks, Erik.

I'll begin by talking about our category performance and the Anniversary Sale, then I'll discuss the actions we're taking to clear through excess inventory in the second half of the year. Finally, I'll update you on our work to improve supply chain and inventory flow and increase gross margin.

Starting with the category performance …

- We were pleased to see customers shopping for events and updating their closets this quarter, driving double-digit growth over last year in both Men's and Women's Apparel. Sales of occasion-based items such as suiting and dresses were particularly strong.
- Both our Shoes and Beauty categories also had double-digit growth this quarter, with Shoes performing well across dressy and casual styles. Beauty's results were supported by our expanded offering at the Rack.
- Designer also posted double-digit growth, although growth trends decelerated. As Erik indicated, higher-priced premium product significantly outperformed lower-priced product.

Turning now to our Anniversary Sale.

As always, the Anniversary Sale rewards and engages our loyal customers as we offer new product from the best brands at reduced prices for a limited time. Each year, we use a data-driven process to evolve and improve event performance. This quarter, total Anniversary event sales increased 5% over last year, including one day that fell in the third quarter, despite softening customer trends that began in late June. We were pleased to see customers responding positively, overall, to new Fall product during the event. However, private label product underperformed, leaving us with a portion of that inventory to clear in the third quarter.

While our sales to inventory spread improved in the second quarter, we are reducing our sales plans and inventory levels in the second half of the year. We are taking action to align our inventory with current demand trends and improve the balance of our offering by clearing through product that customers are not responding to, and focusing on the fashion and newness they want. Our right-sizing efforts are focused in the following areas:

- First, customers have been less responsive to clearance product. In the second quarter, we had to take deeper markdowns than anticipated to move clearance inventory and we expect that dynamic to continue in the second half of the year.
- Second, we are disappointed in the performance of our private label product. We have brought in new leadership and are resetting our strategy to deliver more compelling product to our customers.
- Third, though Designer category sales are still posting double digit growth, trends have decelerated. We are anticipating increased markdown pressure based on current sales trends.
- And finally, we are clearing through lower price point items at Nordstrom Rack, to make room for the premium brands at great prices that drive the Rack business.

We expect that this clearance activity and associated markdown pressure will reduce second half gross profit by approximately $200 million, which we're reflecting in our updated outlook.

We estimate that approximately half of this additional markdown pressure reflects actions we are taking to improve our assortment. The other half is related to external factors such as softening demand and our expectation that the promotional environment in retail will become more competitive in the second half of the year.

We are taking aggressive action to clear through excess inventory and plan to have inventory clean and current by the end of the year. While this clearance activity exerts pressure on gross profit in the near term, it is necessary to align with consumer shifts and implement strategies that will drive our longer term growth and profitability.

We are also taking action to deliver operational efficiencies through our supply chain optimization work and we are making good progress.

- We realized initial benefits from our improved supply chain capabilities in this year's Anniversary Sale. With better inventory flow, we delivered product to our customers three days faster on average, reduced order cancellation rates, and decreased handling costs per unit.
- In the second half of the year, we expect to deliver more significant customer benefits and operational efficiencies by accelerating our work on the following four initiatives:
    - First, improving the consistency and predictability of unit flow through our network,
    - Second, increasing productivity in our distribution and fulfillment centers,
    - Third, accelerating delivery speed,
    - And finally, expanding the market-level selection for in-store shopping as well as same-day and next-day pickup.

- Beyond supply chain improvements, we remain focused on expanding our merchandise margins over the long term, using advanced analytics to better understand customer needs, identify opportunities to improve assortment, increase promotional effectiveness, and optimize markdowns. Most importantly, we know that managing our inventory levels conservatively will allow us to be more agile in responding to a rapidly changing business environment.

In closing, we are taking action to right-size our inventory, improve our sales to inventory spread, and enter 2023 in a clean inventory position. We're confident in our ability to deliver long-term benefits from our supply chain optimization work and improved merchandising capabilities.

I'll now turn it over to Anne to discuss our financial results.

ANNE BRAMMAN | CHIEF FINANCIAL OFFICER

Thank you, Pete.

I'd like to start with a review of our results, then take you through our outlook for the remainder of the year.

Earnings for the second quarter were 77 cents per diluted share. After excluding charges related to the wind-down of Trunk Club, adjusted EPS was 81 cents.

Overall, net sales increased 12 percent, which includes a benefit of approximately 200 basis points from one week of the Anniversary Sale shifting into the second quarter.

Nordstrom banner sales and GMV grew 15 percent, with sales exceeding pre-pandemic levels.

Nordstrom Rack sales increased 6 percent in the second quarter.

Digital sales increased 6 percent and represented 38 percent of total sales during the quarter.

Gross profit, as a percentage of net sales, increased 65 basis points, primarily due to leverage on buying and occupancy costs, partially offset by higher markdown rates on clearance product.

Ending inventory increased 10 percent, versus a 12 percent increase in sales.

Total SG&A as a percentage of net sales decreased 15 basis points due to leverage on higher sales, partially offset by higher labor expense. Inflationary cost pressures were consistent with our expectations. Since last year, we've been making progress on our supply chain optimization initiatives to provide offsets to labor and fulfillment cost pressure. We expect that these initiatives will deliver more significant benefits in the second half of the year.

EBIT margin was 5.1 percent of sales for the second quarter. After excluding charges related to the wind-down of Trunk Club, adjusted EBIT margin was 5.3 percent.

We maintained a strong financial position, ending the second quarter with $1.3 billion in available liquidity, including $494 million in cash and the full $800 million available on our revolving line of credit.

Now turning to our updated outlook for fiscal 2022.

In the first quarter, we were encouraged by the momentum in our business as customers updated their wardrobes and prepared for occasions. As we described on our Q1 call, we had not seen an adverse impact on customer spending from inflationary pressures.

That continued until late June, when demand began to soften, predominantly at Nordstrom Rack and in our lowest income customer segments. We reacted quickly to this shift by managing expenses and aligning staffing schedules.

As Pete described, we are right-sizing and rebalancing our inventory in the second half of the year to address customer demand shifts and improve our assortment.

Taking all these factors into consideration, we are updating our 2022 financial outlook to reflect deceleration at the end of the second quarter, reduced topline growth expectations for Nordstrom Rack, and increased markdown pressure.

For fiscal year 2022, we now expect revenue growth of 5 to 7 percent versus 2021, supported by high-single digit sales growth in the Nordstrom banner.

We expect Adjusted EBIT margin of approximately 4.3 to 4.7 percent for the full year, up from 3.4 percent in 2021.

Our forecast assumes that EBIT margin improvement for the year will be driven by SG&A leverage. Though first half Gross Profit margin improved by 115 basis points over last year, we expect Gross Profit to be roughly flat for the full year. Our revised outlook reflects approximately $200 million of incremental markdown impacts in the second half, relative to our previous outlook.

Despite our lower sales outlook, our SG&A leverage assumptions for the year remain unchanged. Though we are facing inflationary expense pressures, we contemplated that pressure in our outlook at the beginning of the year, along with the offsetting benefits of our supply chain optimization initiatives.

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

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

I'd also like to provide some additional detail on our forecast for the third quarter. At the beginning of the year, we expected that third quarter year-over-year sales growth would decelerate vs. the second quarter, given tougher prior year comparisons and the Anniversary Sale shift. Due to the demand deceleration we saw in the latter part of the second quarter, we now expect a mid-single digit decrease in revenue in the third quarter, versus the prior year. Our projections include the impact of one week of our Anniversary Sale shifting out of the third quarter, which reduces revenue growth by approximately 200 basis points. We anticipate that third quarter EBIT margin will be approximately 200 basis points below last year's third quarter.

Our forecast assumes that the $200 million of incremental markdown pressure in the second half of the year will be split relatively evenly between the third and fourth quarters.

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

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

Our third priority is returning cash to shareholders. Last week, our board of directors declared a quarterly cash dividend of $0.19 per share. In the second quarter, we also repurchased approximately $35 million of our stock at an average price of $23 per share. We have approximately $465 million remaining on our share repurchase authorization. We will continue to take a measured approach to share repurchases this year, aligning with our cash flow and market conditions.

In closing, though customer demand decelerated at the end of the quarter, we are encouraged by continued demand for occasion-based apparel and wardrobe refreshes, as well as big ticket items. Within Nordstrom Rack, despite a recent softening of demand, customers are responding well to our growth initiatives, and we are actively working to improve our supply of premium brands. Though clearance activity in the second half of the year will pressure gross profit, we still expect to derive SG&A benefits from our supply chain optimization work and expense management, and we still plan to increase our year-over-year profitability. We remain confident in our ability to navigate the current environment and deliver on our long-term strategic and financial goals.