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PRESENTATION

Alexandra E. Walvis - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Good afternoon, and welcome to this next session of the Goldman Sachs Global Retailing Conference. My name is Alex Walvis. I cover the discretionary brands and the apparel retailers here at Goldman.

I'm excited to announce this next session where we'll be hosting Nordstrom. Nordstrom is, of course, a leading department store and Off-Pricer with a store base and, of course, a scaled e-commerce business. Here, joining me from the company, I have Erik Nordstrom, Chief Executive Officer; and Anne Bramman, Chief Financial Officer. Thank you, both, tremendously for joining us.

We're going to kick off with a few introductory remarks from Erik. And then we will move into some Q&A. So with that, over to you, Erik.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Thanks, Alexandra. Great to be with you all. I thought I'd start off with -- honestly, this is the word unprecedented gets used a lot in volatile times of -- and just how we're navigating through these times. Let me start with -- at the onset of the pandemic, our focus moved very quickly and very intensely to around protecting and enhancing our liquidity, really happy with how our plans -- how our results came on those plans. Earnings, cash, liquidity, all exceeded our expectations. We generated operating cash flow last quarter of \$185 million. We ended the quarter with \$1.3 billion in liquidity, and we realized \$420 million in cash savings year-to-date.

The fact is, we are in a much better position. We are a better company today than we were 5 months ago and certainly much better positioned for the times we're in. And the times we're in certainly include realities around a lot of stay at home. But we certainly believe, overarching that, the changes are really an acceleration of changes that were in place pre-COVID and changes that we've been investing against and executing towards and need to accelerate our efforts there.

We've exited the quarter in an advantageous position, not just from liquidity, inventory, in particular. Inventory challenge for us, as a fashion retailer, is certainly to have the inventory level meet sales but also where that inventory is invested. The shift in categories has been massive. As people stay at home, there's plenty of categories that are not as relevant for these times right now and plenty of categories that accelerated significantly. Really pleased with how our team not only got our inventory levels down but shifted our inventory investments. We're in a position to really stay relevant with the customer.

Okay. So that's the position we're in. And we think it's something that, again, we should take advantage of and can take advantage of. I'd step back and say, hopefully, not a surprise to all of you, our heritage. We've been around a long time. We're in our 119th year. And if there's one thing through all those years, it's been a focus around the customer and in particular, service.

But what does service mean today? For us, we really believe it's convenience and connection. Convenience really means for us leveraging the assets we have, the infrastructure we have to serve customers as they want to be served: that's Full-Price, that's Off-Price, that's stores and that's online.

Connection is clearly what we think service needs for the customer today. Connection, historically, especially in our stores, has meant a one-on-one personal connection with customers. That's still important. There's still a trust level, a human connection that is super important. But increasingly, it also means knowing the customer, being relevant and being able to personalize the experiences through digital means. And by connecting our ecosystem, we think we're well positioned to provide that connection to customers.

Since second quarter ended, a big event for us is our Anniversary Sale. That is our biggest event of the year. We moved it from July to August this year to better align with where customers were at and also to better align our inventories for the times. Very pleased with our results from Anniversary. We showed sequential improvement in our sales from -- leading into that and have a lot of good proof points that give us confidence that the back half will show better sales for us than we've had in the first half.

For Off-Price, we continue to see lots of growth opportunities for our Rack brand, and we'll get into that. And really, with our financial position stabilized, we are pivoting very purposely around market share gains and profitable sales growth. Again, Anniversary has some good proof points to that.

We are looking to specifically scale our market strategy, which we've been on that journey for a while and continue to be encouraged with our results, and we can get into that. Again, we see opportunities with our Nordstrom Rack and our digital capabilities. We're confident where we're at, really pleased with the position we're at. And looking at the back half, while we don't expect the external environment to necessarily get better, we believe we have great opportunities and are confident we can have -- continue to show sequential sales improvement in the back half from things that are within our control.

So with that, I'll turn it back to you.

QUESTIONS AND ANSWERS

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

Thank you so much for sharing those comments. And I do want to pick up on a lot of the threads that you've highlighted there in the discussion. The other thing you mentioned was market share gains. In the past, you've been able to gain market share versus other department stores. And clearly, we're in a very uncertain time today. But once again, you've indicated that you're positioning the business and market share capture. What do you see as the most important enablers of that for you? And how are you distorting your investments to make sure that you best capture those opportunities?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Yes. We put them in a couple of buckets. Our market strategy, which -- our market strategy is a couple of points. It is around engagement and leveraging both our digital and physical assets in a market to engage with customers on their terms. And so that does include things like Buy Online, Pick Up in Store, curbside services, alterations. What's changed this year is we are looking to leverage our Rack assets as part of that. So where we can provide express services of order pickup, order returns and alterations at Rack locations as well as full-line locations. We also have our Nordstrom local concept. And the point of that, be it a full-line store, be it a Rack store, be it a Local store, it's how can we leverage the assets we have to engage with customers.

The second part of market strategy is around inventory, leveraging our inventory. We have a lot of inventory in stores. We want to have inventory in stores. It happens to be real close to customers when it is in our stores. The challenge is how do we connect that inventory with customers. We've landed on that. It's working. We're at the scaling stage of [inaudible] inventory, really across the market versus looking at it store by store. Really, just the way to think about it is the end result is the customer gets a much bigger selection and gets their merchandise much faster. So market strategy, one piece of it.

Again, Rack, we see growth opportunities in our Rack brand. And 2 main efforts there. One, we think -- and we have some early evidence of this, is there's opportunities to -- for us to expand our price point, particularly lower prices. Off-Price, no secret, has seen a lot of market share growth. We, in our -- we have historically participated a little higher price than a lot of where that growth has occurred. We think there's opportunities to expand our price points there.

The second piece with Rack growth is to better connect our online and our physical stores. We tested -- and when the pandemic hit, having a bit of a hack of a solution of providing store fulfill capabilities for rack.com and HauteLook. And we've had that in Full-Price for a number of years. We haven't had that in Off-Price. That will launch in October. And the result of that is a significant increase in selection that we will have online by bringing to life that inventory we have in our stores. So 2 good growth avenues for us with Rack.

The third growth piece is around digital. And for us, the specific efforts around digital, a, growing our assortment, having a broad selection online is essential to growing online business. We see opportunities to continue to do that by leveraging our store inventory, but also by working differently with our vendors. We are a retailer of third-party brands. We think brands are really an essential part of the fashion business, of the discovery of newness. And we think we're well positioned, and have been for a number of years, and have a good track record of working with a wide variety of brands, from large national brands to true luxury designer brands to digitally native brands and bringing this unique mix to customers. But can bring away in these volatile times that not only brings a bigger selection to our customers, but it allows us to do that while having less risk of wholesale ownership of that inventory.

So growing the assortment, delivering personalization at scale, leveraging, we have -- information we have with customers, both from stores and online. And thirdly, of increasing the linkages between digital and physical. We've been investing against that for a number of years. There's still lots of opportunity for us to continue to connect the digital and physical, which is really how customers shop. They just have a shopping trait. They don't think of being a store customer or an e-commerce customer. Increasingly, they go back and forth without even thinking about it.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

You also mentioned the local market approach on the call. You talked about expanding the market strategy to your top 10 markets, and you've touched on it a couple of times here today. How much of your customer base and revenue is that touch? How far can that strategy go over time?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Yes. It's -- we're in 5 of our top markets right now. By the end of the year, we will be in our top 10 markets with our market strategy. That's over half of our business in our top 10 markets. And it's a flexible strategy. There's elements that can certainly apply to wherever we have stores. But in bigger markets, we have more physical assets. We're going to have more stores, which means we have more inventory there. We have more places for people to do things like these curbside services that are really accelerating in importance.

So we think by the end of this year, to be in our top 10 markets, where over half our business is done and where we have this broad range of assets to leverage that, it really makes a meaningful difference for our customers and for our business.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

You mentioned the Anniversary Sale in your opening remarks. You've also previously indicated that you started to flow inventory receipts in July ahead of that event. How much more aggressive did you get with your plans for the sale relative to the second quarter? And then can you give us a little bit more color on how Anniversary is progressing?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Yes. The aggressiveness with our Anniversary really had to come in changing the content of our buy, more so than the pure dollars of inventory. We had a lot more suits and ties on order, but when the pandemic hit for Anniversary, than we felt we needed. And really proud of our teams, how they responded quickly to that.

A proof point to that, we had, by quite a bit, the highest sell-through of Anniversary merchandising than we've ever had. And so that's: a, the mix really resonated with customers; but b, we exit the sale in a super clean position inventory and able to continue to respond and invest in those categories that customers really want right now.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

If you look across the last few months, clearly, we've seen some big shifts in the consumer and how they're shopping. Can you share your perspective on what the biggest changes are to consumer behavior as a result of COVID? And how are you approaching or adjusting your approach to the consumer annual service for them in the light of those changes?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Yes. I think it's pretty common what I've been reading around. Certainly, more customers are online. And again, that's a trend that's been happening for a while. And for us, in particular, discovery of newness is really important and a part of the shopping journey that we think we're very well positioned to, given our unique inventory mix and given our digital and physical assets. That certainly has been accelerated through that.

The opportunity there, and we've seen that, is to get new customers. We have more customers coming to our websites, more new customers because of the pandemic. The change in categories I touched on, it is dramatic. And again, I think we shifted real quickly to that. That topped our list when the pandemic hit and looking at our investment -- inventory investment and for how do we get that in the right categories. We still have a ways to go. Real pleased with the progress we've made, but we think we're set up very well.

And on that, yes there's -- like everything with the pandemic, some of it -- is there a going back to normal? I think there's some of that, but not pre-COVID. It's -- the move towards casualization has been obvious in our business for quite some time. It's greatly, greatly accelerated through the pandemic. And when things open up again and there's more events, there's more weddings, there's more trips, will some of these categories come back? Absolutely. But these trends around -- a general turnaround casualization, we think, sticks.

And lastly, I would just point to of really how customers want to shop. If you look at retailers outside of fashion, it's a pretty common playbook of leveraging physical assets, leveraging the inventory in those assets and providing, in particular, ways for customers to pick up their merchandise, both in store, but the curbside is really important and only growing. We've seen that as well. We think there's, again, ways for us to participate in there that fit with our brand, are a bit unique. Our brand is about service. Our brand is about having a personal touch. And even on something that's about convenience, like the curbside pickup, we think we can really make that a terrific experience.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

We have a few questions that we're asking all presenters at the conferences here. Maybe I'll get to Anne here. And the questions are, by what year would you expect sales through (inaudible) levels? And the second one is, do you expect margins to be higher or lower in calendar 2021 versus '19? Now I know it's a little early to ask for specific guidance, but perhaps you can give us some color on how you expect more sales and margin (inaudible) and if it's possible to get back to where we were [at some] stage.

Anne L. Bramman - Nordstrom, Inc. - CFO

Yes. So as you mentioned, Alex, it's -- there's a lot of unknowns out there. And so as we thought about it and as we talked about it on Erik's opening remarks and our Q2 earnings call, we do expect gradual improvement in the second half of the year, both in top line, in EBIT and in cash flow. And as a reminder, the Anniversary shift from our second quarter with July into August was worth about 10 points of top line. So that shifted into the Q3 piece.

And then the other piece of -- thinking that we are going to continue to see gradual improvement, our sequential improvement in the second half is also that the stores remain open. As part of what we saw even in Q2, our stores were closed for 50% of the days in that quarter. So our stores are open. We had Anniversary Sale. We're seeing momentum. And we're -- and as Erik talked about, we're really amplifying those categories that continue to be really relevant at the right price points with our customers.

As far as the -- as to how we're thinking about the second half in '21, what I would say is we're -- because of there are so many unknowns, we're taking a very, I would say, nimble and prudent approach, but also making sure we're positioned well for the unknowns, but also ensuring that we're positioned for growth, market share growth as well as profitable growth. And the way we're doing is through scenario planning. And we have a number of scenario plans. We've got levers in that we know, and we're watching it very closely to see indicators in order to pull different levers in those different scenario plans.

And the other piece of it is we did a lot of work in the end of Q1 into Q2 of rebasing our cost structure. So as we talked about, we pulled about 20% of our costs out, excluding occupancy, and that really positions us well as we go in the second half and really in 2021. Because of the -- as you see a sales recovery, those cost reductions are here to stick. And so you actually would see a better flow-through coming out of COVID than what you would have seen coming into COVID for us.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

That's super clear and very helpful context to think about it. I do want to come back to that point on casualization, Erik, that you made earlier. The pandemic has pushed consumers faster towards adopting casual styles alongside other trends. Can you tell us about how you're adapting to those shifts in terms of marketing, product presentation and any other strategic changes?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Sure. Yes, I think it's -- it starts with content, but it hits all those other parts, too: how do we present the product, how do we offer up to customers. Stores, as we've been investing in stores, oh, gosh, maybe the last 10 years, it has been, in particular, with an eye towards flexibility of having common floor surface, much more open space, which makes it very easy and efficient for us to move things around and present a different look. So that absolutely has happened and will continue to happen to -- for our stores to reflect our inventory content and what customers are looking for.

But your point also goes to the marketing and, in particular, just the customer journey that increasingly starts online of what customers see. And a big part of that is the personalization of being able to leverage the information we have from stores and from online to offer up what's most relevant for customers.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

One of the other shifts we've seen through the pandemic, which could continue if consumer spending remains under pressure, is the shift to value. How is Nordstrom shifting its approach to reflect that change also? The advantages of the Off-Price business that you've outlined in the past is that customers often transition into Full-Price customers [in a short period of] time. Can you comment a little on that as well? How are you ensuring that customers transfer to the Full-Price channel? And has that dynamic shifted a little bit the recent disruption?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Yes. There's a couple of things I would want to make clear here. One is to step back and think about our product range, which is unique. We have an Off-Price business, and I'll get into that. But we have a big Designer business. Designer has been the biggest area of growth, merchandise division-wise the last several years and, actually, has performed pretty darn well during the pandemic. That is a really important part of our business, not just in and of itself, but there is a synergy. Like everything we do with our ecosystem is about a synergy to it. There is a synergy with our Designer business with the rest of our business. Customers, we believe, for quite some time is just the modern approach to dressing is to mix and match, it is to do with the high and low, and we are well positioned to offer that up to customers.

So -- and I see that because it's important. It's just not about going lower price and, okay, it's a time of value. Yes, that's true. But customers want what they want. And for us, these things aren't mutually exclusive. We can expand our price range in Rack while still having the growth we've had the last couple of years in our Designer business. We certainly plan on that. There's a lot of disruption in our industry that you obviously know well. Having the scarcity of distribution with Designer product has always been important. We see opportunities to grab some more share of that portion of the business by doing more distribution.

With Rack, and I'm glad you brought up how we acquire customers in Rack and they move over to Full-Price customers. We continue to see that. It's about 1/3 of the new customers we acquire in Rack make a Full-Price purchase in the first year. And we're very excited about our growth opportunities with Rack.

And I want to emphasize the online portion of our Off-Price business. We have a very large online Off-Price business, a uniquely large. There really isn't anyone that has online, that scale of business like we have there. And the reason is the economics can be difficult. It's hard to sell lower-priced merchandise online. I mentioned earlier of us connecting our inventory between online and our Rack stores and being able to do things like store fulfill. That not only has this great customer outcome of greater selection and faster delivery, it provides much better economics for us as well. We're able to get significantly better inventory efficiency. And we saw it in our Full-Price business when we connected our online and our stores. So it's not a new play, but it will significantly improve our inventory efficiency and really makes the ecosystem of that Off-Price business between store and online work much better financially.

So it's not about having a stand-alone online Off-Price business that is challenging. It is about how it can work with stores and not only fulfilling from stores, but you get -- able to do things like Buy Online, Pick Up in Stores and the synergy of engaging customers, both physically and digitally, those things have all been proven before. It's a little harder nut to crack in Off-Price, but we are there. We're positioning. It's starting, piloting this month, but will be rolled out next month and we think will provide a lot of growth opportunities for us.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

You mentioned that you have made a lot of progress on omnichannel initiatives in the Full-Price business. (inaudible) Can you walk us through how that move from local support in the core pricing business and what you're seeing in those locations? Perhaps, I can also tag on a relevant question on the store base. One of the questions that we're asking all of our companies this year is whether they expect to have more or fewer stores in calendar '21 versus previously, a comment on the sort of size of the store basis as part of this would be an interested topic.

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Yes. Again, we look at it really by market and what are the assets to best serve that market. And when it comes to physical assets, there are our full line stores, our Nordstrom stores and there are our Rack stores. We have Local stores that we piloted in Los Angeles. We've opened 2 in Manhattan with -- coinciding with the opening of our flagship there. And we've -- have been retested and has been very successful of leveraging our Rack stores for some of these Full-Price services, like being able to buy on Nordstrom.com but pick up the order at a Rack store, being able to do a Full-Price return at a Rack store, being able to do an alterations, be it a Nordstrom or a Nordstrom Rack purchase at Rack store.

So we have this mix of physical assets, and we look at it by market. We've had store closures. We had 16 Nordstrom stores that we did not reopen from the pandemic. And we look at it by market, almost all of them are the smallest store in a multi-store market. And we think between the other assets of having bigger full-line stores, having the Rack stores, where it makes sense having some Nordstrom Local stores, that we're able to serve customers in that market and have a more efficient physical store fleet.

So are we going to have more or less stores in '21 than '19? For Full-Price, we'll have less. We had our 16 closures this year. Rack stores, we think there is room for physical store growth. And those are -- Rack stores do not take a lot of advanced planning. We can get those open pretty quickly. So as we -- as I mentioned, we think there's opportunities to expand our price point, especially in lower price points, our Rack stores. And as we pilot that, we think there's some store growth opportunity.

So I think it's too early, really, to say, if you look at both Rack stores what our store footprint will be. But we like that we have this portfolio of assets between Full-Price stores, Nordstrom stores, Rack stores and now Local stores. What that mix will be, I'm sure will change. And we think we're continuing to learn a lot. But we think there's a lot of opportunity there for us to serve customers better and have better economics for us by maximizing that mix.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

I have a couple of questions on the Rack stores. Maybe I'll combine them. The first is on availability. Can you talk about the level of availability and whether you see some pockets, limitation and availability are resolving themselves? And the second one was to comment a little bit more on Rack online. What makes you unique in being able to do that in an architectural way?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

So was it inventory availability? You're kind of breaking up there. Is that what you're asking about?

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

Yes. Sure. Inventory availability and the Rack business and in segue, what was it about as well?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Okay. The inventory availability -- the whole supply chain from suppliers has been disrupted during the pandemic. Our inventory flow for both Full-Price and Off-Price has been bumpier. And it's starting to ramp back in. Anniversary was certainly a big step in the right direction. And we've seen that in Off-Price as well.

So vendors pulled back. We pulled back. Getting us -- the inventory flow going and having it in the right categories has taken some time. We're starting to see that the last month, in particular. And even, I just heard yesterday of an Off-Price example for the back half of this year where things are starting to open up or merchandise is available in the shorter term for us to be able to respond more quickly. So it's been a bit of a challenge, but we see it getting better.

What was the second question?

Anne L. Bramman - Nordstrom, Inc. - CFO

Rack online.

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Oh, Rack online. You know what, there's a couple of unique parts to it. Our online Off-Price business started with our purchase of HauteLook. So it's a flash sale business. We were able -- the team there in Los Angeles was able to provide the platform for NordstromRack.com. So we had a flash business and a persistent business.

Again, we look for synergies. There's a synergy between flash and a persistent Off-Price business. There's some great elements of flash. Your customers sign up for it. You're able to communicate with customers on a daily basis, show them newness. The engagement is terrific.

The downside of flash is, you have a flash event, what do you do with the leftover? You don't have 100% sell-through. What do you do with the leftover? Having a persistent business of NordstromRack.com and Rack stores are very, very efficient at selling through the onesies and twosies that are leftover. So there's a big synergy there. We've had -- the synergy between online and stores mainly through taking returns. Over 80% of the returns from NordstromRack.com and HauteLook currently go to our Rack stores. That obviously helps store traffic, and many of those customers buy when they're in the stores.

But our systems have been different, and we haven't been able to do things, as I mentioned, like store fulfill and order pickup. Being able to do that, again, we're very confident. It changes the underlying economics of the Off-Price model -- online Off-Price model and makes it much more attractive for us. But any of those elements really don't work that well on their own, a flash sale business on its own, an online Off-Price business on its own. Having those elements combined with stores, we think, provides us a really great opportunity.

Alexandra E. Walvis - Goldman Sachs Group, Inc., Research Division - Research Analyst

I wanted to touch for a moment on some of the inventory and supply chain pieces. So firstly, on inventory, a little bit of (inaudible) inventories heading into the second quarter, and that meant some lost sales. Can you talk to us about how you're thinking about balance sheet inventory into the second half (inaudible)?

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Do you want to take that, Anne?

Anne L. Bramman - Nordstrom, Inc. - CFO

Sure. So we did talk about that. And as Erik mentioned, we really tried to get the categories and the mix shift where we want it to be. And we were really thoughtful about -- and there were a lot of those. We didn't know in stores were going to reopen. We just -- we were trying to get the categories shifted through. And being a fashion retailer, it's really important not to be sitting on less-than-relevant seasonal product in the moment as well. So we really worked hard to get through some of that -- those risks and investments.

So we were really prudent about those inventory plans. Going into the second half being very, very clean and looking at it against the demand that was out there, that really opened up a lot of open-to-buy for us in the right categories and the right price points for our customers. And it's -- a great proof point for us was Anniversary Sale. And having the really high sell-through on that was a great proof point. The customer wants to shop, but it's got to be what they want and in the way they want to buy it and in the categories and price points. And so the sell-through, I think, is a really good indicator for that.

The other piece to it is, we talked about the fact that we were slowly ramping up the inventory pieces in the Off-Price space. And I think, again, you're seeing relevant proof points. As you get the relevant inventory in and you've got choice comps and you've got newness and freshness, that really resonates with our customers. And so we're really seeing that we're going to increase assortment in those categories.

If I pivot a little bit to how we think about holiday, we're really focused on a gifting assortment. We did a lot of that last year with various price points. We learned a lot. In fact, it resonated with the customers. And we're leaning into that even more this year. So I think you're hearing common themes that holiday is coming earlier, but it's also about making sure you've got the right gift price points in the categories that people want to buy in. So we're really leaning into that heavy, and Anniversary is a great indicator for us on that.

Alexandra E. Walvis - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. Anne, probably staying with you here, a question on the cost-savings goals. You've identified \$250 million in savings procurement, generational investments and supply chain. You've also identified \$500 million in cash savings across various areas. Can you talk about how you're achieving those savings in more detail and what it means for the longer-term margin opportunity for the company?

Anne L. Bramman - *Nordstrom, Inc. - CFO*

Yes. We started the year with the plan, as you mentioned, the \$200 million to \$250 million, I would say, we were ahead of our plans on that on achieving those goals. And it's really about productivity improvements across the board, but in various areas of procurement savings, generational investments, that type of thing.

And we're getting a lot more with the store fulfillment and with some of the marketing efficiencies, we're actually delivering on that. When COVID hit, we did have additional target of \$500 million of cash savings. And it was split between additional expense savings, some working capital levers that we pulled, and then we did pull back a bit on some of our capital investments.

Where we pulled back was -- or where we actually kept the investments continuing in is on technology and supply chain. We see that as continuing to be really important as we move through this year and even going forward as well. So our cash savings were actually ahead of our plans on that. [We delivered \$420 million in cash savings in the first half of 2020 net of COVID charges (such as employee benefit payments) of the \$500 million goal AND \$200-\$250 million cost savings plan.] (corrected by company after the call) So we're continuing to see, and we actually did that net of our COVID charges. If you think about we paid for employees who are furloughed. We've been paying for some of their benefits. We paid for -- we did some store pay for one store we closed. So that savings number, that cash savings is actually net of all the COVID pieces that we paid on that as well. So we're tracking ahead of that plan.

I would say, in general, the majority of our savings, and we did a lot of restructuring and fixed cost pieces to this as well, is really about reducing our overhead. And as I mentioned, that gets us in a really nimble, flexible position financially. So that as we see sales recovery, as we see shifts in different consumer behavior, it allows us to flow through but also to be responsive to that as well. And so we see the vast majority of that, a significant majority of those savings sticking, being pretty permanent. And so we did talk about the fact that we were reducing our overhead, excluding occupancy by about 20% annualized at the end of this year.

Alexandra E. Walvis - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

That's super clear. Erik, Anne, I'm afraid we are at the end of our time here. So I will thank you so much and to the whole team at Nordstrom for joining us today and just sharing your insights on the business. Thank you also to everyone who tuned in to listen to this session.

Please do stick with us. Next, we have Capri. We've got Costco. We have a panel on the future of e-commerce, and we have big lots. So lots going on as part of a packed afternoon.

So finally, thank you again, Erik and Anne. Thank you to Nordstrom, and we hope you'll have a wonderful day.

Anne L. Bramman - Nordstrom, Inc. - CFO

Thank you.

Erik B. Nordstrom - Nordstrom, Inc. - CEO, Principal Executive Officer & Director

Thank you.

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