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 24, 2023**

NORDSTROM

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
Common stock purchase rights		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 24, 2023, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and six months ended July 29, 2023, its financial position as of July 29, 2023, and its cash flows for the six months ended July 29, 2023 ("Second Quarter Results"). A copy of this earnings release is furnished as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On August 24, 2023, 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 2023 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on August 24, 2023. 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 24, 2023 relating to the Company's Second Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's Second Quarter Results and 2023 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 24, 2023

Exhibit 99.1

NORDSTROM

Nordstrom Reports Second Quarter 2023 Earnings

- *Reports EPS of $0.84, compared to EPS of $0.77 and adjusted EPS of $0.81 in the prior year*[1]
- *Results reflect continued progress on Company's key priorities of Nordstrom Rack improvement, inventory productivity and supply chain optimization*
- *Reaffirms fiscal 2023 revenue and adjusted earnings outlook*

SEATTLE – August 24, 2023 – Nordstrom, Inc. (NYSE: JWN) today reported second quarter net earnings of $137 million, or earnings per diluted share ("EPS") of $0.84, and earnings before interest and taxes ("EBIT") of $192 million.

For the second quarter ended July 29, 2023, net sales decreased 8.3 percent versus the same period in fiscal 2022, compared to a decrease of 11.6 percent in the first quarter, reflecting sequential improvement in sales at both Nordstrom and Nordstrom Rack. Gross merchandise value ("GMV") decreased 8.5 percent. Second quarter net sales include a 275 basis point negative impact from the wind-down of Canadian operations. Anniversary Sale timing, with one week shifting from the second quarter to the third quarter, had a negative impact of approximately 200 basis points on net sales compared with 2022. Excluding the impacts of the Canadian wind-down and Anniversary Sale timing shift, net sales would have been down approximately 4 percent. During the quarter, Nordstrom banner net sales decreased 10.1 percent and GMV decreased 10.4 percent. Net sales for Nordstrom Rack decreased 4.1 percent.

"We've worked hard to improve our operating model, and our solid results reflect the continued progress we made against our top priorities to improve Nordstrom Rack performance, increase inventory productivity and deliver efficiencies through supply chain optimization," said Erik Nordstrom, chief executive officer of Nordstrom, Inc. "These 2023 priorities improve the way we operate and drive profitability in the near term, and better position us to succeed and deliver value to our shareholders in the long-term. Looking ahead, we remain confident in our ability to deliver on these priorities, all while keeping the customer at the center of everything we do."

In the second quarter, active and beauty grew by low single-digits versus 2022. Kids' apparel and men's apparel performed better than average for the quarter.

"Our annual Anniversary Sale was a successful event, especially among our most loyal customers. We were pleased by strong sell-through of new merchandise from the best brands, both in stores and online," said Pete Nordstrom, president and chief brand officer of Nordstrom, Inc. "In the second quarter, we were also encouraged by sequential improvement in sales trends at both Nordstrom and Rack. We remain focused on managing inventory with greater discipline, improving mix and productivity, and thank our teams for their hard work in bringing it all to life for our customers."

As previously announced, on August 16, 2023, the board of directors declared a quarterly cash dividend of $0.19 per share, payable on September 13, 2023, to shareholders of record at the close of business on August 29, 2023.

SECOND QUARTER 2023 SUMMARY

- Total Company net sales decreased 8.3 percent, improving sequentially from the first quarter decrease of 11.6 percent, and GMV decreased 8.5 percent compared with the same period in fiscal 2022. The wind-down of Canadian operations had a negative impact on total Company net sales of 275 basis points. The second quarter of 2023 included no sales from Canadian operations, compared with a full quarter of sales from Canadian operations in the second quarter of 2022. The timing shift of the Anniversary Sale, with roughly one week falling into the third quarter of 2023 versus one day in 2022, had a negative impact on net sales of approximately 200 basis points compared with the second quarter of 2022.
- For the Nordstrom banner, net sales decreased 10.1 percent, improving sequentially from the first quarter decrease of 11.4 percent, and GMV decreased 10.4 percent compared with the same period in fiscal 2022. The wind-down of Canadian operations had a negative impact on Nordstrom banner net sales of 400 basis points. The timing shift of the Anniversary Sale had a negative impact on Nordstrom banner net sales of approximately 300 basis points compared with the second quarter of 2022.
- For the Nordstrom Rack banner, net sales decreased 4.1 percent compared with the same period in fiscal 2022, improving sequentially from the first quarter decrease of 11.9 percent. Eliminating store fulfillment for Nordstrom

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

- Rack digital orders during the third quarter of fiscal 2022 negatively impacted second quarter Rack banner sales by approximately 500 basis points.
- Digital sales decreased 12.9 percent compared with the same period in fiscal 2022. Collectively, eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of fiscal 2022 and sunsetting Trunk Club during the second quarter of fiscal 2022 negatively impacted second quarter digital sales by approximately 500 basis points. The timing shift of the Anniversary Sale had a negative impact on Company digital sales of approximately 300 basis points compared with the second quarter of 2022. Digital sales represented 36 percent of total sales during the quarter.
- Gross profit, as a percentage of net sales, of 35.0 percent decreased 20 basis points compared with the same period in fiscal 2022 primarily due to deleverage on lower sales, partially offset by lower buying and occupancy costs.
- Ending inventory decreased 17.5 percent compared with the same period in fiscal 2022, versus an 8.3 percent decrease in sales, reflecting continued strong discipline.
- SG&A expenses, as a percentage of net sales, of 32.8 percent was flat compared with the same period in fiscal 2022 primarily due to improvements in variable costs from supply chain efficiency initiatives and more favorable carrier rates than expected, and a gain on the sale of a real estate asset. These were offset by higher labor costs and deleverage from lower sales.
- EBIT was $192 million in the second quarter of 2023, compared with $202 million during the same period in fiscal 2022. Adjusted EBIT of $210 million in the second quarter of 2022 excluded costs associated with the wind-down of Trunk Club.[2]
- Interest expense, net, of $26 million decreased from $34 million during the same period in fiscal 2022 due to higher interest income.
- Income tax expense was $29 million, or 17.2 percent of pretax earnings, compared with income tax expense of $42 million, or 25.2 percent of pretax earnings, in the same period in fiscal 2022. The decrease in the second quarter of fiscal 2023 was driven by the favorable resolution of certain tax matters.
- The Company ended the second quarter with $1.7 billion in available liquidity, including $885 million in cash and the full $800 million available on its revolving line of credit.

STORES UPDATE

To date in fiscal 2023, the Company has opened or relocated nine stores:

City	Location	Square Footage (000s)	Timing of Opening
Nordstrom Rack			
Los Angeles, CA	NOHO West	26	April 13, 2023
Clovis, CA	Clovis Crossing	31	April 13, 2023
Delray Beach, FL	Delray Place	26	May 11, 2023
Chattanooga, TN	The Terrace at Hamilton Place	24	May 18, 2023
Las Vegas, NV	Best in the West	31	May 18, 2023
Birmingham, AL	The Summit (relocation from River Ridge)	27	May 25, 2023
Wichita, KS	Bradley Fair	28	May 25, 2023
San Clemente, CA	San Clemente Plaza	32	May 25, 2023
Aurora, CO	Southlands	30	August 17, 2023

[2]Adjusted EBIT is a non-GAAP financial measure. Refer to the "Adjusted EBIT, Adjusted EBITDA, Adjusted EBIT Margin 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 has also announced plans to open the following stores:

City	Location	Square Footage (000s)	Timing of Opening
Nordstrom Rack			
Union Gap, WA	Valley Mall	28	Fall 2023
Olympia, WA	Cooper Point Marketplace	32	Fall 2023
Salem, OR	Willamette Town Center	25	Fall 2023
Anaheim Hills, CA	Anaheim Hills Festival	24	Fall 2023
Overland Park, KS	Overland Crossing	27	Fall 2023
San Luis Obispo, CA	SLO Promenade	24	Fall 2023
Allen, TX	The Village at Allen	29	Fall 2023
Visalia, CA	Sequoia Mall	29	Fall 2023
Denton, TX	Denton Crossing	25	Fall 2023
Sacramento, CA	The Promenade at Sacramento Gateway	26	Fall 2023
San Antonio, TX	Northwoods	35	Fall 2023
Pinole, CA	Pinole Vista Crossing	23	Spring 2024
Kennesaw, GA	Barrett Place	25	Spring 2024
Elk Grove, CA	The Ridge Elk Grove	25	Spring 2024
Gilroy, CA	Gilroy Crossing	25	Spring 2024
Oceanside, CA	Pacific Coast Plaza	31	Spring 2024
Wheaton, IL	Danada Square East	29	Spring 2024
Snellville, GA	Presidential Markets	35	Spring 2024
Macedonia, OH	Macedonia Gateway	28	Spring 2024
Jacksonville Beach, FL	South Beach Regional	30	Spring 2024
Queen Creek, AZ	Queen Creek Marketplace	28	Spring 2024
San Mateo, CA	Bridgepointe Shopping Center	36	Fall 2024
Davis, CA	The Davis Collection	25	Spring 2025

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

	July 29, 2023	July 30, 2022
Nordstrom		
Nordstrom – U.S.	**94**	94
Nordstrom – Canada	**—**	6
Nordstrom Local service hubs	**7**	7
ASOS | Nordstrom	**1**	1
Nordstrom Rack		
Nordstrom Rack – U.S.	**247**	240
Nordstrom Rack – Canada	**—**	7
Last Chance clearance stores	**2**	2
Total	**351**	357
Gross store square footage	**26,348,000**	27,555,000

During the second quarter, the Company closed one U.S. Nordstrom Rack store.

FISCAL YEAR 2023 OUTLOOK

The Company reaffirmed its revenue and adjusted financial outlook for fiscal 2023, which includes a 53rd week:

- Revenue decline, including retail sales and credit card revenues, of 4.0 to 6.0 percent versus fiscal 2022, including an approximately 250 basis point negative impact from the wind-down of Canadian operations and an approximately 130 basis point positive impact from the 53rd week
- EBIT margin (including the negative impact of charges related to the wind-down of Canadian operations) of 1.5 to 2.0 percent of sales
- Adjusted EBIT margin (excluding charges related to the wind-down of Canadian operations) of 3.7 to 4.2 percent of sales[3]
- Income tax rate of approximately 6 percent, including an approximately 2,100 basis point favorable impact primarily from the one-time Canada charges
- EPS (including the negative impact of charges related to the wind-down of Canadian operations) of \$0.60 to \$1.00, excluding the impact of share repurchase activity, if any
- Adjusted EPS (excluding charges related to the wind-down of Canadian operations) of \$1.80 to \$2.20, excluding the impact of share repurchase activity, if any[3]

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss second quarter 2023 financial results and fiscal 2023 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 13740522, until the close of business on August 31, 2023.

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 28, 2023, and our Form 10-Qs for the fiscal quarters ended April 29, 2023 and July 29, 2023, to be filed with the SEC on or about September 1, 2023. In addition, forward-looking statements contained in this release may be impacted by the actual outcome of events or occurrences related to the wind-down of business operations in Canada. 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 the discretion of our board of directors, contractual commitments, market and economic conditions and applicable Securities and Exchange Commission rules.

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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.

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

	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
Percent of net sales:				
Gross profit	**35.0 %**	35.2 %	**34.5 %**	34.1 %
Selling, general and administrative expenses	**32.8 %**	32.8 %	**34.3 %**	33.2 %
Earnings (loss) before interest and income taxes	**5.3 %**	5.1 %	**(1.0 %)**	3.7 %

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

	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
Non-current operating lease liabilities	**1,392**	1,526	1,526
Other liabilities	**580**	634	564
Commitments and contingencies			
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

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

	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

NORDSTROM, INC.

ADJUSTED EBIT, ADJUSTED EBITDA, ADJUSTED EBIT MARGIN AND ADJUSTED EPS (NON-GAAP FINANCIAL MEASURES)

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

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.

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

Our Nordstrom brand includes 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. Our Nordstrom Rack brand includes NordstromRack.com, Nordstrom Rack U.S. stores and Last Chance clearance stores. The following table summarizes net sales for the quarter and six months ended July 29, 2023, compared with the quarter and six months ended July 30, 2022:

	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 % of total net sales[1]	**36 %**	38 %	**36 %**	38 %

[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.
FISCAL YEAR 2023 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 2023 excludes the impacts from certain items that we do not consider representative of our core operating performance. These items include charges from the wind-down of Canadian operations recognized in the first quarter of 2023.

The following is a reconciliation of expected net earnings as a percent of net sales to expected adjusted EBIT margin included within our Fiscal Year 2023 Outlook:

	53 Weeks Ending February 3, 2024	
	Low	**High**
Expected net earnings as a % of net sales	**0.7%**	**1.1%**
Income tax expense	—%	0.1%
Interest expense, net	0.8%	0.8%
Expected EBIT as a % of net sales	1.5%	2.0%
Canada wind-down costs	2.2%	2.2%
Expected adjusted EBIT margin	**3.7%**	**4.2%**

The following is a reconciliation of expected diluted EPS to expected adjusted EPS included within our Fiscal Year 2023 Outlook:

	53 Weeks Ending February 3, 2024	
	Low	**High**
Expected diluted EPS	**$0.60**	**$1.00**
Canada wind-down costs	1.89	1.89
Income tax impact on adjustments	(0.69)	(0.69)
Expected adjusted EPS	**$1.80**	**$2.20**

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.

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 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 non-current deferred property incentives in excess of operating lease right-of-use (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 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 of 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 non-current 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 interest in a corporate office building for the trailing twelve-month period ended July 30, 2022.

NORDSTROM, INC.
ADJUSTED DEBT TO EBITDAR (NON-GAAP FINANCIAL MEASURE)
(unaudited; amounts 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 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.

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[1]	**272**
Amortization of developer reimbursements[2]	**70**
Canada wind-down costs	**309**
Other Revolver covenant adjustments[3]	**108**
Adjusted EBITDAR	**$1,471**
Debt to Net Earnings	**88.8**
Adjusted debt to EBITDAR	**3.0**

[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, 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 of certain non-operating related adjustments.

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 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

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Q2 2023 NORDSTROM EARNINGS CALL — PREPARED REMARKS

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

Good afternoon, everyone. Thanks for joining us today. Before we begin, I'd like to welcome our new CFO, Cathy Smith, to our earnings call. Cathy is a proven finance leader with many years of experience delivering business results. She has deep expertise navigating the dynamic retail environment in her prior roles with some of the largest retailers in the country. We are thrilled to have her on the team, you will hear more from her today.

I'll start with our Q2 performance.

We delivered solid results in the second quarter, with earnings per share higher than last year, despite lower sales. As we've said since the beginning of this year, we saw clear opportunities to drive higher profitability, even in a challenging sales environment. We continue to make progress on our three key priorities to improve performance at Nordstrom Rack, increase inventory productivity, and optimize our supply chain capabilities. Our teams performed well, working to improve the customer experience while staying focused on these priorities.

Our topline results improved sequentially from the first quarter at both banners. At the Nordstrom banner, our teams did a good job curating the assortment for our Anniversary Sale, balancing relevance, the things customers expect to find, with inspiration, the new items they discover shopping online and in store. Customers responded positively to newness and our Fall assortment during our successful Anniversary event, particularly in stores. At its core, Anniversary is a one-of-a-kind event that rewards and engages our loyal customers with brand new product from the best brands at reduced prices for a limited time. We saw higher engagement throughout the event, with more customers this year attending over 740 events, and over 90 percent of our highest level Nordy Club members shopping during the sale. In addition, we're pleased that Anniversary had a very strong inventory sell-through, which was up 15 percent from last year and puts us in a better inventory position as we enter the second half.

At Nordstrom Rack, our initiatives to improve our product mix with strategic brands helped deliver sequential improvements in both topline and profitability. Sales trends at the Rack also improved sequentially throughout the quarter, and July was our best month.

Looking ahead, we remain confident in our ability to deliver against the financial outlook we set for 2023, even as we continue to navigate economic uncertainty in the near term. We're encouraged by the progress we've made this year and remain focused on delivering against our three key priorities in the second half, to drive higher profitability and return to long-term profitable growth.

I'll highlight a few wins we had during the second quarter within our three priorities: improving performance at Nordstrom Rack, increasing inventory productivity, and continuing to advance our supply chain optimization initiatives.

At Nordstrom Rack, we are delivering on our promise of offering great brands at great prices, and our teams made significant progress on our initiatives to improve both sales and profitability. As we shift our assortment mix to include more of the brands we know our customers respond to, we are seeing results improve through higher sell-through and faster inventory turns, giving customers newness each time they shop at Nordstrom Rack. In the second quarter, sales from strategic brands came in at our target of 65 percent, and we've planned our on-order for the second half similarly to meet our goal.

We are also pleased with the progress we made to expand our reach with eight new Rack stores opened to date in 2023 and we look forward to opening 11 additional new stores by the end of the year. Rack stores are a great investment, with returns that exceed our cost of capital and a short payback period. Rack stores also represent the largest source of new customers for Nordstrom, and we are bringing the Rack's unique product offering and suite of convenient services to more markets as we expand our footprint.

Turning to our second priority of improving inventory productivity, we continue to manage with leaner inventories, improved sell-through and faster turns across most of our categories, resulting in gross margins that are on par with last year's Q2, which was the highest margin quarter of 2022. We also made progress right sizing our Designer inventory and continue our work to further reduce our position there.

We are entering the second half of the year in a good inventory position at both banners, with overall levels down 18 percent compared to last year, versus an 8 percent decrease in sales. Stronger sell-through during the Anniversary Sale positions us well to be more responsive to what customers are buying in the second half of the year. Our lower inventory levels will set us up to deliver gross margin improvements, particularly in the fourth quarter compared to last year.

Turning now to our third priority, supply chain optimization, we delivered a better experience to our customers through faster delivery, especially during Anniversary. For the fourth consecutive quarter, variable supply chain costs fell by over 100 basis points as a rate of sales versus the prior year, helping to mitigate overall SG&A deleverage on lower sales. Since we started, we're delivering faster and at lower cost. We began our current supply chain optimization work in early 2022 and since then, we have delivered significant customer benefits and operational efficiencies. Compared to the first quarter of 2022, supply chain costs per unit in the second quarter of this year were 5 percent lower against an inflationary backdrop of about 7 percent over that time. Looking ahead, we continue to seek out additional efficiencies in flow and improved productivity through inventory management initiatives.

In closing, we are making solid progress against the three priorities we set at the beginning of the year and will continue to focus on these goals.

We are fortunate to have an experienced team who has embraced the more disciplined operational approach we are taking to manage near-term headwinds while continuing to keep the customer at the center of everything we do. We have a strong balance sheet and cash position and are confident that by continuing to invest in our digital and supply chain capabilities, as well as in our stores, we will be better positioned to drive sustained profitable growth and long-term shareholder value.

We look forward to sharing our continued progress in the quarters ahead. With that, I'll turn it over to Pete.

PETE NORDSTROM | PRESIDENT AND CHIEF BRAND OFFICER

Thanks, Erik.

I'll cover our category performance and the Anniversary Sale, and then I'll discuss the progress we're making on inventory management and supply chain.

Starting with merchandise performance…

- Most categories improved sequentially from the first quarter in terms of year-over-year trends.
- The Active category was up slightly from last year, driven by Active footwear. Customers responded well to new offerings and selections from brands Hoka, On Running, New Balance and Nike.

- Beauty continued to perform relatively well at both banners and the category was up slightly versus last year. At Nordstrom Rack, our expanded offerings from great brands including MAC, Too Faced and Clinique did well.
- Kids' and Men's Apparel each performed better than average. Women's Apparel improved sequentially from the first quarter but performed lower than average. Within Men's and Women's Apparel, we saw customers drawn to more dressed up and tailored looks with contemporary brands including Veronica Beard, Vince and Theory.
- At Nordstrom Rack, sales of Accessories, especially handbags, showed strength.

As anticipated, Designer remains under pressure. We made significant progress reducing our inventory position during the second quarter and will continue to right size to the shift in consumer demand in this category.

In order to improve inventory flow and margin health, we are focused on driving faster turns this year across both banners. During the second quarter, we made solid progress on this.

Now, turning to Anniversary.

As Erik described, the Anniversary Sale is a unique event that rewards and engages our loyal customers with brand new products from many of their favorite brands, marked down during the sale before they are marked up to full price. Customers responded well to our curated assortment which balanced both relevance and inspiration. This helped drive the very strong sell-through Erik highlighted earlier and puts us in a favorable inventory position as we enter the second half.

We were pleased to see customers shop active wear and Fall items including dressed up looks in sweaters, boots and jackets. They also shopped for baby gear, from brands like Nuna. In addition, customers responded positively to our improved assortment of Nordstrom private brands, which were important to the event's success.

Our teams did an outstanding job during Anniversary, welcoming customers into our stores and at Nordstrom.com, and delivering a convenient and connected experience through events and personalized services. We were better prepared to start the sale this year given complete and timely delivery of product as a result of the continued productivity initiatives in our supply chain.

Total Anniversary event sales were 5 percent lower compared to last year, in line with overall trends given the ongoing softness in customer spending. This includes the eight days that fell in the third quarter this year, whereas one day was included in last year's Q3 results. We are pleased by the strong sell-through on Anniversary products, which exceeded our plans and puts us in a favorable inventory position as we enter the second half of the year.

We are committed to serving customers on their own terms and we've integrated our physical and digital assets to create a seamless journey. Digital sales accounted for over 60 percent of the overall event, and over 40 percent of these digital sales were enabled by our stores through either buy online / pick-up in store, store fulfill, or ship-to-store. We had our highest hour of demand on Nordstrom.com of all time during our early loyalty member access window of the sale.

We continue to enhance our inventory flow across most of our categories, with inventory turn improving slightly in the second quarter. For the second half, we are focused on managing with discipline by improving inventory health in both banners and we'll continue to drive for higher productivity. We are maintaining reserves against our buy plans, which enables us to respond in season to trends and customer demand.

At Nordstrom Rack, we made significant progress increasing strategic brand penetration and will continue to improve our mix in the second half. Strategic brands have better productivity than other brands in terms of sell-through. They also create a point of differentiation with our customers because we know they want great brands at great prices.

Turning to supply chain…

Erik spoke earlier to the benefits our teams delivered from our supply chain optimization initiatives. Looking forward, we expect to deliver additional operational efficiencies by continuing our work in inventory productivity, returns processing and transportation, and ramping up RFID initiatives.

To wrap up, we're making solid progress on each of our 2023 priorities. We're confident in our ability to improve our profitability this year. There's more to accomplish ahead and we're well positioned for the second half.

With that, I'd like to welcome Cathy to our call, and I'll now turn it over to her to discuss our financial results.

CATHY SMITH | CHIEF FINANCIAL OFFICER

Thanks, Pete. I'm excited to be part of the Nordstrom team. I have tremendous respect for the company, brand and legacy of customer experience and service. I am honored to help Nordstrom drive profitable growth and long-term success. I look forward to reconnecting with those of you I already know and getting to know those of you I don't. Now I will expand on what Erik and Pete have already shared about our quarter.

I'll start with our second quarter results, and then discuss our outlook for the remainder of 2023.

For the second quarter, we reported earnings per share of 84 cents, compared to last year's earnings per share of 77 cents. When excluding charges related to the wind-down of Trunk Club, last year's adjusted earnings per share was 81 cents. We are pleased with the year-over-year EPS increase, despite the $330 million fewer sales.

Net sales as well as gross merchandise value, or GMV, decreased 8 percent in Q2. Net sales included a negative impact of 275 basis points from the wind-down of Canadian operations. They also reflect a negative impact of approximately 200 basis points from the timing shift of the Anniversary Sale, with approximately one week falling into the third quarter this year compared to one day last year. Excluding the impact of these two items, net sales would have been down about 4 percent versus last year. During the quarter, sales trends improved each month when excluding the impact of the Anniversary timing shift, and the improvement was most pronounced at Rack.

Nordstrom banner sales and GMV each decreased 10 percent versus last year, with sales improving sequentially from the first quarter, when year-over-year net sales decreased 11 percent. The wind-down of Canadian operations included a negative impact on Nordstrom banner net sales of 400 basis points, and the Anniversary timing shift had a negative impact of approximately 300 basis points.

Nordstrom Rack sales decreased 4 percent, improving sequentially compared to a 12 percent year-over-year decrease in the first quarter. We estimate the decision to eliminate store fulfillment of Rack digital orders starting in the third quarter of 2022 had a negative impact to this year's Q2 sales of approximately 500 basis points.

Digital sales decreased 13 percent in the second quarter. This includes an estimated 500 basis point negative combined impact from eliminating store fulfillment of Rack digital orders in the third quarter last year, and sunsetting Trunk Club in the second quarter of 2022. It also includes an estimated 300 basis point negative impact from the Anniversary timing shift.

Gross profit as a percentage of net sales decreased 20 basis points, primarily reflecting deleverage on lower sales, partially offset by lower buying and occupancy costs.

Ending inventory decreased 18 percent versus last year, compared to an 8 percent decrease in sales. Our inventory is better positioned as we move into the back half of the year thanks to the strong sell-through during our Anniversary Sale. Looking ahead, we will continue to benefit from improved inventory management routines and disciplines while meeting customer demand.

SG&A as a percentage of net sales was flat to last year's second quarter, driven by improvements in variable costs from supply chain efficiency initiatives, which helped offset higher labor expenses and deleverage from lower sales. In addition, expenses in the second quarter this year benefited from a couple of items outside of our normal run rate, namely a gain on the sale of a real estate asset and lower carrier costs than previously expected.

We are pleased with the momentum in our supply chain initiatives, and as Erik mentioned, this marks the fourth consecutive quarter where we have delivered over 100 basis points of improvement in our variable costs as a percentage of sales.

EBIT margin was 5.3 percent for the second quarter, up 20 basis points from last year's EBIT margin. After excluding charges in last year's second quarter related to the sunsetting of Trunk Club for comparison purposes, EBIT margin was flat to last year's adjusted margin of 5.3 percent, again, despite lower sales this quarter.

We continue to maintain a solid balance sheet and financial position, ending the second quarter with $1.7 billion in available liquidity, including the full $800 million available on our revolving line of credit.

Turning to our outlook for the rest of the year, I'll start by discussing the current environment and related assumptions underlying our guidance.

We continue to see a cautious consumer and it remains to be seen how changes in inflation and higher interest rates will affect discretionary consumer spending in the second half of the year, particularly during the holiday season. We saw sequential topline improvements in the second quarter. However, while it is early in the third quarter, sales trends have decelerated at both banners. We expect to make continued progress on our key priorities, which will help improve our profitability and mitigate inflationary cost pressures.

Considering these factors, we are taking a cautious approach to planning. We maintain our outlook for the full year, despite better-than-expected results in the first half.

I'll highlight a few factors that shape our outlook for the rest of the year, starting with revenue.

We continue to expect revenue to decline 4 to 6 percent versus 2022. This outlook includes an approximately 2.5 percentage point negative impact from the wind-down of our Canadian operations, which delivered sales of approximately $400 million in 2022. It also includes an approximately 1.3 percentage point positive impact from the 53rd week in fiscal 2023, which we expect will add approximately $200 million in sales in the fourth quarter.

Year-over-year sales comparisons will become more favorable in the second half of the year, and we continue to expect sequential topline improvements, compared to the first half.

Two things benefit year-over-year comparisons in the third quarter. One, we will start to lap the impact of eliminating the store fulfillment of Rack digital orders. Second, the Anniversary Sale timing shift will positively impact third quarter sales by approximately 200 basis points.

Offsetting the tailwinds are headwinds with respect to our credit card business. Our credit card revenues were up 10 percent in the first half of the year from higher revenue recognized in connection with our credit card partner agreement, and with lower than expected credit card losses. That said, we have seen delinquencies rising gradually and they are now above pre-pandemic levels, which could result in higher credit losses in the second half and into 2024.

Turning to EBIT, we continue to expect adjusted EBIT margin of approximately 3.7 to 4.2 percent for the full year, versus 3.3 percent in 2022.

Our forecast assumes that adjusted EBIT margin expansion will be driven primarily by gross margin improvements in the second half from our focus on inventory productivity, when compared to the elevated markdowns we took in 2022.

We expect SG&A expense rate will be impacted by deleverage from lower sales given our sales trend outlook, with partial offset from our ongoing supply chain optimization initiatives, although to a lesser extent as time progresses.

We also maintain our outlook for adjusted EPS for the full year. Our GAAP earnings per share outlook remains 60 cents to 1 dollar for the full year, which includes the Canadian wind-down charges and related tax impact. Excluding the impact of these charges, we continue to expect adjusted earnings per share of $1.80 to $2.20 for the full year.

Shifting to capital allocation, our priorities remain the same. The first is investing in the business to better serve our customers and support long-term growth. We continue to plan for capital expenditures of 3 to 4 percent of net sales.

Our second priority is reducing our leverage. We remain committed to an investment grade credit rating through a combination of earnings improvement and debt reduction and 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.

We are pleased with our solid results in the second quarter and progress on our 2023 priorities of improving Nordstrom Rack, increasing inventory productivity, and optimizing our supply chain capabilities. We continue to focus on driving profitable growth. We remain confident in our ability to navigate through the near-term uncertain environment and deliver shareholder value over the long term.