UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended October 28, 2023

or

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

For the transition period from ___________ to___________

Commission File Number: 001-15059

NORDSTROM

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

Washington
(State or other jurisdiction of incorporation or organization)

91-0515058
(I.R.S. Employer Identification No.)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large Accelerated Filer
☐ Accelerated filer
☐ Non-accelerated filer
☐ Smaller reporting company
☐ Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Common stock outstanding as of November 24, 2023: 162,332,792 shares

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements regarding matters that are not historical facts, and are based on our management's beliefs and assumptions and on information currently available to our management. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. In some cases, forward-looking statements can be identified by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," "pursue," "going forward" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, our anticipated financial outlook for the fiscal year ending February 3, 2024, trends in our operations and the following:

Strategic and Operational

- successful execution of our customer strategy to provide customers superior service, products and experiences, online, through our fulfillment capabilities and in stores,
- timely and effective implementation and execution of our evolving business model, including:
  - winning at our market strategy by providing a differentiated and seamless experience, which consists of the integration of our digital and physical assets, development of new supply chain capabilities and timely delivery of products,
  - broadening the reach of Nordstrom Rack, including delivering great brands at great prices and leveraging our digital and physical assets,
  - enhancing our platforms and processes to deliver core capabilities to drive customer, employee and partner experiences both digitally and in stores,
- our ability to effectively manage our merchandise strategy, including our ability to offer compelling assortments and optimize our inventory to ensure we have the right product mix and quantity in each of our channels and locations, allowing us to get closer to our customers,
- our ability to effectively allocate and scale our marketing strategies and resources, as well as realize the expected benefits of, Nordstrom Media Network, The Nordy Club, advertising and promotional campaigns,
- our ability to respond to the evolving retail environment, including new fashion trends, environmental considerations and our customers' changing expectations of service and experience in stores and online, and our development and outcome of new market strategies and customer offerings,
- our ability to mitigate the effects of disruptions in the global supply chain, including factory closures, transportation challenges or stoppages of certain imports, and rising prices of raw materials and freight expenses,
- our ability to control costs through effective inventory management and supply chain processes and systems,
- our ability to acquire, develop and retain qualified and diverse talent by providing appropriate training, compelling work environments and competitive compensation and benefits, especially in areas with increased market compensation, all in the context of any labor shortage and competition for talent,
- our ability to realize expected benefits, anticipate and respond to potential risks and appropriately manage costs associated with our credit card revenue sharing program,
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames or if our strategic direction changes,

Data, Cybersecurity and Information Technology

- successful execution of our information technology strategy, including engagement with third-party service providers,
- the impact of any system or network failures, cybersecurity and/or security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information, or that results in the interruption of business processes or causes financial loss, and our compliance with information security and privacy laws and regulations, as well as third-party contractual obligations in the event of such an incident,

Reputation and Relationships

- our ability to maintain our reputation and relationships with our customers, employees, vendors and third-party partners and landlords,
- our ability to act responsibly and with transparency with respect to our corporate social responsibility practices and initiatives, meet any communicated targets, goals or milestones and adapt to evolving reporting requirements,
- our ability to market our brand and distribute our products through a variety of third-party publisher or platform channels, as well as access mobile operating system and website identifiers for personalized delivery of targeted advertising,
- the impact of a concentration of stock ownership on our shareholders' ability to influence corporate matters,

Investment and Capital

- efficient and proper allocation of our capital resources,
- our ability to properly balance our investments in technology, Supply Chain Network facilities and existing and new store locations, including the expansion of our market strategy,
- our ability to maintain or expand our presence, including timely completion of construction associated with Supply Chain Network facilities and new, relocated and remodeled stores, as well as any potential store closures, all of which may be impacted by third parties, consumer demand and other natural or man-made disruptions, and government responses to any such disruptions,
- market fluctuations, increases in operating costs, exit costs and overall liabilities and losses associated with owning and leasing real estate,
- compliance with debt and operating covenants, availability and cost of credit, changes in our credit rating and changes in interest rates,
- the actual timing, price, manner and amounts of future share repurchases, dividend payments or share issuances, if any, subject to the discretion of our Board of Directors, contractual commitments, market and economic conditions and applicable SEC rules,

Economic and External

- the length and severity of epidemics or pandemics, or other catastrophic events, and the related impact on customer behavior, store and online operations and supply chain functions, as well as our future consolidated financial position, results of operations and cash flows,
- the impact of the seasonal nature of our business and cyclical customer spending,
- the impact of economic and market conditions, including inflation and measures to control inflation, and resulting changes to customer purchasing behavior, unemployment and bankruptcy rates, as well as any fiscal stimulus or the cessation of any fiscal stimulus, and the resulting impact on consumer spending and credit patterns,
- the impact of economic, environmental or political conditions,
- the impact of changing traffic patterns at shopping centers and malls,
- financial insecurity or potential insolvency experienced by our vendors, suppliers, developers, landlords, competitors or customers,
- weather conditions, natural disasters, climate change, national security concerns, global conflicts, civil unrest, other market and supply chain disruptions, the effects of tariffs, or the prospects of these events, and the resulting impact on consumer spending patterns or information technology systems and communications,

Legal and Regulatory

- our, and our vendors', compliance with applicable domestic and international laws, regulations and ethical standards, minimum wage, employment and tax, information security and privacy, consumer credit and environmental regulations and the outcome of any claims, litigation and regulatory investigations and resolution of such matters,
- the impact of changes in laws relating to consumer credit, the current regulatory environment, the financial system and tax reforms,
- the impact of changes in accounting rules and regulations, changes in our interpretation of the rules or regulations, or changes in underlying assumptions, estimates or judgments,
- the outcome of events or occurrences related to the wind-down of business operations in Canada.

These and other factors, including those factors we discuss in Part II, Item 1A. Risk Factors, could affect our financial results and cause our actual results to differ materially from any forward-looking information we may provide. Given these risks, uncertainties and other factors, undue reliance should not be placed on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing, and these estimates and assumptions may prove to be incorrect. This Quarterly Report on Form 10-Q should be read completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. In addition, forward-looking statements may be impacted by the actual outcome of events or occurrences related to the wind-down of business operations in Canada.

DEFINITIONS OF COMMONLY USED TERMS

Term	Definition
2022 Annual Report	Annual Report on Form 10-K filed on March 10, 2023
Adjusted EPS	Adjusted earnings (loss) per diluted share (a non-GAAP financial measure)
Adjusted ROIC	Adjusted return on invested capital (a non-GAAP financial measure)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CCAA	Companies' Creditors Arrangement Act
Digital sales	Sales conducted through a digital platform such as our websites or mobile apps. Digital sales may be self-guided by the customer, as in a traditional online order, or facilitated by a salesperson using a virtual styling or selling tool. Digital sales may be delivered to the customer or picked up in our Nordstrom stores, Nordstrom Rack stores or Nordstrom Local service hubs. Digital sales also includes a reserve for estimated returns.
EBIT	Earnings (loss) before interest and income taxes
EBIT Margin	Earnings (loss) before interest and income taxes as a percent of net sales
EBITDA	Earnings (loss) before interest, income taxes, depreciation and amortization
EBITDAR	Earnings (loss) before interest, income taxes, depreciation, amortization and rent, as defined by our Revolver covenant
EPS	Earnings (loss) per share
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Third quarter of 2023	13 fiscal weeks ending October 28, 2023
Third quarter of 2022	13 fiscal weeks ending October 29, 2022
Fiscal year 2023	53 fiscal weeks ending February 3, 2024
Fiscal year 2022	52 fiscal weeks ending January 28, 2023
GAAP	U.S. generally accepted accounting principles
GMV	Gross merchandise value
Gross profit	Net sales less cost of sales and related buying and occupancy costs
Leverage Ratio	The sum of our funded debt and operating lease liabilities divided by the preceding twelve months of Adjusted EBITDAR as defined by our Revolver covenant
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
NAV	Net asset value
Nordstrom	Nordstrom.com, Nordstrom U.S. stores, Nordstrom Local and ASOS | Nordstrom. Nordstrom also included Canada operations prior to March 2, 2023, inclusive of Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and TrunkClub.com prior to October 2022.
Nordstrom Canada	Nordstrom Canada Retail, Inc., Nordstrom Canada Holdings, LLC and Nordstrom Canada Holdings II, LLC
Nordstrom Local	Nordstrom Local service hubs, which offer order pickups, returns, alterations and other services
Nordstrom Rack	NordstromRack.com, Nordstrom Rack U.S. stores and Last Chance clearance stores
The Nordy Club	Our customer loyalty program
NYSE	New York Stock Exchange
Operating Lease Cost	Fixed rent expense, including fixed common area maintenance expense, net of developer reimbursement amortization
Property incentives	Developer and vendor reimbursements
PSU	Performance share unit
Revolver	Senior revolving credit facility
Rights Plan	Our limited-duration Shareholder Rights Agreement adopted by the Board of Directors
ROU asset	Operating lease right-of-use asset
RSU	Restricted stock unit
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative
Supply Chain Network	Fulfillment centers that primarily process and ship orders to our customers, distribution centers that primarily process and ship merchandise to our stores and other facilities and omni-channel centers that both fulfill customer orders and ship merchandise to our stores
TD	Toronto-Dominion Bank, N.A.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

NORDSTROM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Amounts in millions except per share amounts)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Net sales	**$3,200**	$3,433	**$9,926**	$10,891
Credit card revenues, net	**120**	113	**347**	320
Total revenues	**3,320**	3,546	**10,273**	11,211
Cost of sales and related buying and occupancy costs	**(2,080)**	(2,294)	**(6,488)**	(7,211)
Selling, general and administrative expenses	**(1,163)**	(1,249)	**(3,466)**	(3,722)
Canada wind-down costs	**25**	—	**(284)**	—
Earnings before interest and income taxes	**102**	3	**35**	278
Interest expense, net	**(24)**	(32)	**(78)**	(101)
Earnings (loss) before income taxes	**78**	(29)	**(43)**	177
Income tax (expense) benefit	**(11)**	9	**43**	(51)
Net earnings (loss)	**$67**	($20)	**$—**	$126
Earnings (loss) per share:				
Basic	**$0.41**	($0.13)	**$—**	$0.79
Diluted	**$0.41**	($0.13)	**$—**	$0.77
Weighted-average shares outstanding:				
Basic	**162.0**	159.5	**161.5**	160.1
Diluted	**163.6**	159.5	**161.5**	162.3

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

NORDSTROM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Amounts in millions)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Net earnings (loss)	**$67**	($20)	**$—**	$126
Foreign currency translation adjustment	**—**	(10)	**(4)**	(11)
Post retirement plan adjustments, net of tax	**—**	1	**—**	2
Comprehensive net earnings (loss)	**$67**	($29)	**($4)**	$117

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

NORDSTROM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions)
(Unaudited)

	October 28, 2023	January 28, 2023	October 29, 2022
Assets			
Current assets:			
Cash and cash equivalents	**$375**	$687	$293
Accounts receivable, net	**322**	265	288
Merchandise inventories	**2,626**	1,941	2,878
Prepaid expenses and other current assets	**392**	316	348
Total current assets	**3,715**	3,209	3,807
Land, property and equipment (net of accumulated depreciation of $8,258, $8,289 and $8,135)	**3,187**	3,351	3,373
Operating lease right-of-use assets	**1,402**	1,470	1,490
Goodwill	**249**	249	249
Other assets	**460**	466	476
Total assets	**$9,013**	$8,745	$9,395
Liabilities and Shareholders' Equity			
Current liabilities:			
Borrowings under revolving line of credit	**$—**	$—	$100
Accounts payable	**1,890**	1,238	2,073
Accrued salaries, wages and related benefits	**245**	291	242
Current portion of operating lease liabilities	**232**	258	256
Other current liabilities	**1,092**	1,203	1,168
Current portion of long-term debt	**250**	—	—
Total current liabilities	**3,709**	2,990	3,839
Long-term debt, net	**2,611**	2,856	2,855
Noncurrent operating lease liabilities	**1,403**	1,526	1,544
Other liabilities	**561**	634	551
Commitments and contingencies			
Shareholders' equity:			
Common stock, no par value: 1,000 shares authorized; 162.3, 160.1 and 159.7 shares issued and outstanding	**3,407**	3,353	3,334
Accumulated deficit	**(2,681)**	(2,588)	(2,669)
Accumulated other comprehensive gain (loss)	**3**	(26)	(59)
Total shareholders' equity	**729**	739	606
Total liabilities and shareholders' equity	**$9,013**	$8,745	$9,395

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

NORDSTROM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in millions except per share amounts)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Common stock				
Balance, beginning of period	**$3,388**	$3,314	**$3,353**	$3,283
Issuance of common stock under stock compensation plans	**7**	9	**19**	18
Stock-based compensation	**12**	11	**35**	33
Balance, end of period	**$3,407**	$3,334	**$3,407**	$3,334
Accumulated deficit				
Balance, beginning of period	**($2,717)**	($2,601)	**($2,588)**	($2,652)
Net earnings (loss)	**67**	(20)	**—**	126
Dividends	**(31)**	(30)	**(92)**	(90)
Repurchase of common stock	**—**	(18)	**(1)**	(53)
Balance, end of period	**($2,681)**	($2,669)	**($2,681)**	($2,669)
Accumulated other comprehensive gain (loss)				
Balance, beginning of period	**$3**	($50)	**($26)**	($50)
Accumulated translation loss reclassified to earnings	**—**	—	**33**	—
Other comprehensive loss	**—**	(9)	**(4)**	(9)
Balance, end of period	**$3**	($59)	**$3**	($59)
Total shareholders' equity	**$729**	$606	**$729**	$606
Dividends per share	**$0.19**	$0.19	**$0.57**	$0.57

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

NORDSTROM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Nine Months Ended	
	October 28, 2023	**October 29, 2022**
Operating Activities		
Net earnings	**$—**	$126
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization expenses	**430**	453
Canada wind-down costs	**207**	—
Asset impairment	**—**	80
Right-of-use asset amortization	**132**	141
Deferred income taxes, net	**2**	(85)
Stock-based compensation expense	**41**	50
Other, net	**(61)**	(53)
Change in operating assets and liabilities:		
Merchandise inventories	**(687)**	(550)
Other current and noncurrent assets	**(140)**	(61)
Accounts payable	**509**	469
Accrued salaries, wages and related benefits	**(41)**	(142)
Lease liabilities	**(203)**	(201)
Other current and noncurrent liabilities	**(82)**	13
Net cash provided by operating activities	**107**	240
Investing Activities		
Capital expenditures	**(375)**	(325)
Decrease in cash and cash equivalents resulting from Canada deconsolidation	**(33)**	—
Proceeds from the sale of assets and other, net	**32**	82
Net cash used in investing activities	**(376)**	(243)
Financing Activities		
Proceeds from revolving line of credit	**—**	100
Change in cash book overdrafts	**37**	21
Cash dividends paid	**(92)**	(90)
Payments for repurchase of common stock	**(1)**	(53)
Proceeds from issuances under stock compensation plans	**19**	18
Other, net	**(6)**	(19)
Net cash used in financing activities	**(43)**	(23)
Effect of exchange rate changes on cash and cash equivalents	**—**	(3)
Net decrease in cash and cash equivalents	**(312)**	(29)
Cash and cash equivalents at beginning of period	**687**	322
Cash and cash equivalents at end of period	**$375**	$293
Supplemental Cash Flow Information		
Income taxes paid, net of refunds received	**$35**	$161
Interest paid, net of capitalized interest	**106**	108

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

NORDSTROM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar and share amounts in millions except per share, per option and per unit amounts)
(Unaudited)

NOTE 1: BASIS OF PRESENTATION
The interim Condensed Consolidated Financial Statements have been prepared on a basis consistent in all material respects with the accounting policies described and applied in our 2022 Annual Report and reflect all adjustments of a normal recurring nature that are, in management's opinion, necessary for the fair presentation of the results of operations, financial position and cash flows for the periods presented.

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

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

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

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

Seasonality
Our business, like that of other retailers, is subject to seasonal fluctuations and cyclical trends in consumer spending. Our sales are typically higher in our second quarter, which usually includes most of our Anniversary Sale, and in the fourth quarter due to the holidays. One week of our Anniversary Sale shifted from the second quarter in 2022 to the third quarter in 2023.

Results for any one quarter are not indicative of the results that may be achieved for a full fiscal year. We plan our merchandise purchases and receipts to coincide with expected sales trends. For instance, our merchandise purchases and receipts increase prior to the Anniversary Sale and in the fall as we prepare for the holiday shopping season (typically from November through December). Consistent with our seasonal fluctuations, our working capital requirements have historically increased during the months leading up to the Anniversary Sale and the holidays as we purchase inventory in anticipation of increased sales.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires that we make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from these estimates and assumptions. Our most significant accounting judgments and estimates include revenue recognition, inventory valuation, long-lived asset recoverability, income taxes and contingent liabilities, including assumptions related to our Canada wind-down, all of which involve assumptions about future events.

Leases
We incurred operating lease liabilities arising from lease agreements of $200 for the nine months ended October 28, 2023 and $212 for the nine months ended October 29, 2022.

Supply Chain Impairment
During the third quarter of 2022, as part of our supply chain optimization initiatives, we decommissioned certain supply chain technology and related assets and incurred a non-cash impairment charge of $70. This included $58 on long-lived tangible assets and $12 on ROU assets to adjust the carrying values to their estimated fair values. These charges are included in our Corporate/Other SG&A expense on the Condensed Consolidated Statement of Earnings and asset impairment on the Condensed Consolidated Statement of Cash Flows. We evaluated the assets for impairment by comparing the carrying values to the related projected future cash flows, among other quantitative and qualitative analyses. After impairment, the carrying values of the remaining long-lived tangible and ROU assets were not material.

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

Trunk Club Wind-down
During the first quarter of 2022, in conjunction with the decision to sunset the Trunk Club brand, we incurred non-cash impairment charges of $10 related to a Trunk Club property to adjust the carrying value to the estimated fair value. These charges are included in our Retail segment SG&A expense on the Condensed Consolidated Statement of Earnings. During the second quarter of 2022, we also incurred additional costs of $8 associated with the wind-down of Trunk Club. These expenses are primarily included in our Retail segment cost of sales and related buying and occupancy costs on the Condensed Consolidated Statement of Earnings. All charges are classified as operating activities on the Condensed Consolidated Statement of Cash Flows.

Investments
From time to time, we invest in financial interests of private companies and venture capital funds that align with our business and omni-channel strategies, which are recorded in other assets in the Condensed Consolidated Balance Sheets and proceeds from the sale of assets and other, net within investing activities on the Condensed Consolidated Statements of Cash Flows.

During the first quarter of 2022, in connection with the sale of a limited partnership interest in a corporate office building, we recognized a gain of $51 in our Corporate/Other SG&A expense in the Condensed Consolidated Statement of Earnings and $73 in proceeds from the sale of assets and other, net within investing activities on the Condensed Consolidated Statement of Cash Flows.

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

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

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

NOTE 2: CANADA WIND-DOWN

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

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

Wind-down Charges and Deconsolidation of Nordstrom Canada
The following table provides detail of pre-tax charges associated with the wind-down of operations in Canada:

	October 28, 2023	
	Quarter Ended	Nine Months Ended
(Gain) loss on Canada write-off[1]	($14)	$174
Accumulated translation loss reclassified to earnings[1]	—	33
Contingent liabilities	(5)	72
Other exit costs[2]	(6)	5
Total pre-tax charges	**($25)**	**$284**

[1] Non-cash amounts are included in Canada wind-down costs on the Condensed Consolidated Statement of Cash Flows.
[2] Other exit costs include funding an employee trust, net of expected recoveries, and professional fees.

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

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

For the nine months ended October 28, 2023, we recorded a pre-tax loss on Canada write-off of $174 that included the derecognition of Nordstrom Canada's assets and liabilities and the write-down of both our Nordstrom Canada investment and related-party receivables to estimated fair value. In addition, in the first quarter of 2023, we recognized a charge of $33 related to the derecognition of the accumulated comprehensive loss on foreign currency translation.

To assess the estimated fair value of our Nordstrom Canada investment and our related-party receivables, we estimated the assets available for distribution in relation to expected claims. At the time of filing, the estimated amount of Nordstrom Canada's liabilities exceeded the estimated fair value of assets available for distribution to creditors, and in relation to the receivables, we may not recover significant proceeds. As a result, our fair value was recorded as zero in our Condensed Consolidated Balance Sheets as of April 29, 2023. As of October 28, 2023, we adjusted our receivables by an immaterial amount based on currently available information.

Prior to deconsolidation, Nordstrom made loans to the Canadian subsidiaries and incurred liabilities related to certain intercompany charges. These were considered intercompany transactions and were eliminated in consolidation of Nordstrom. Subsequent to deconsolidation, these liabilities and receivables were no longer eliminated through consolidation, are considered related-party transactions and are recorded in our Condensed Consolidated Balance Sheets at estimated fair value. As of October 28, 2023, Nordstrom had a net outstanding liability to Nordstrom Canada of $50 related to certain intercompany charges incurred prior to deconsolidation. In the third quarter of 2023, we reduced the estimated liability by $12 based on the amount we ultimately expect to pay based on currently available information.

Contingent Liabilities and Guarantees
In the third quarter of 2023, Nordstrom, Inc. reached a settlement with former landlords related to guarantees of certain lease obligations of Nordstrom Canada. As part of the agreements, we have made cash payments to the former landlords in exchange for a release of substantially all our guarantee obligations, as well as the right to these landlords' distributions from Nordstrom Canada as part of the CCAA proceedings. The net financial impact of the expected settlement of these agreements are materially consistent with amounts previously recorded in our financial statements.

Employee Trust
In connection with the filing, Nordstrom established an employee trust to fund termination and severance payments to employees of Nordstrom Canada. For the nine months ended October 28, 2023, we contributed $11 based on our best estimate to fully fund the employee trust. We anticipate that the trust will be terminated in the fourth quarter of 2023, and we expect to have no additional commitments related to the trust. The cash balance of the employee trust is not recorded in Nordstrom, Inc.'s Condensed Consolidated Balance Sheet.

Debtor-in-Possession Financing
If needed, Nordstrom has agreed to provide Nordstrom Canada debtor-in-possession financing up to $11. However, we believe Nordstrom Canada has sufficient liquidity to sustain operations through the wind-down period. As of October 28, 2023, there were no outstanding borrowings.

Estimates
As of October 28, 2023, we recorded $69 within accounts receivable, net on the Condensed Consolidated Balance Sheet to reflect the amount we believe probable of receipt as part of the claims process. This includes receipts related to the rights to the former landlords' distributions, reimbursement of employee trust contributions and other receivables existing at the time of deconsolidation. The receivable and our other estimates are dependent on the outcome of the Nordstrom Canada wind-down process, including the amount of third-party and Nordstrom claims asserted and recognized in the claims process, the amount of assets available for distribution and the negotiation of a CCAA plan of arrangement approved by the creditors and the Ontario Superior Court of Justice. We continue to work through the wind-down process and our estimates of net losses are based on currently available information, our assessment of the validity of certain expected claims and our assessment of the recoverability of amounts receivable from Nordstrom Canada. These estimates may change as new information becomes available and it is reasonably possible that they may materially change from the estimated amounts. Increases in estimated costs to settle claims and decreases in estimated assets available for distribution may result in additional material charges. At the same time, any future decreases in estimated costs to settle claims or increases in estimated assets available for distribution may result in a gain, which would reduce our estimated charges.

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

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

Income Taxes
For the nine months ended October 28, 2023, we recognized net tax benefits of $95 primarily related to the write-off of excess tax basis in our investment in Canada, net of tax expense related to an increase in valuation allowance for Canada deferred tax assets.

NOTE 3: REVENUE

Contract Liabilities
Contract liabilities represent our obligation to transfer goods or services to customers and include deferred revenue for The Nordy Club (including points and Nordstrom Notes), gift cards and our amended 2022 TD program agreement. Our contract liabilities are classified on the Condensed Consolidated Balance Sheets as follows:

	Other current liabilities	Other liabilities
Balance as of January 29, 2022	$478	$—
Balance as of April 30, 2022	442	—
Balance as of July 30, 2022	438	—
Balance as of October 29, 2022	430	—
Balance as of January 28, 2023	536	136
Balance as of April 29, 2023	489	123
Balance as of July 29, 2023	464	111
Balance as of October 28, 2023	472	98

Revenues recognized from our beginning contract liability balance were $114 and $268 for the quarter and nine months ended October 28, 2023 and $100 and $232 for the quarter and nine months ended October 29, 2022.

Disaggregation of Revenue
The following table summarizes our disaggregated net sales:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Nordstrom	**$2,051**	$2,264	**$6,570**	$7,324
Nordstrom Rack	**1,149**	1,169	**3,356**	3,567
Total net sales	**$3,200**	$3,433	**$9,926**	$10,891
Digital sales as a % of total net sales	**34 %**	34 %	**35 %**	37 %

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

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

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Women's Apparel	**28 %**	29 %	**28 %**	29 %
Shoes	**27 %**	27 %	**26 %**	26 %
Men's Apparel	**15 %**	15 %	**15 %**	15 %
Accessories	**11 %**	11 %	**12 %**	12 %
Beauty	**12 %**	11 %	**12 %**	11 %
Kids' Apparel	**4 %**	4 %	**4 %**	4 %
Other	**3 %**	3 %	**3 %**	3 %
Total net sales	**100 %**	100 %	**100 %**	100 %

NOTE 4: DEBT AND CREDIT FACILITIES

Credit Facilities

As of October 28, 2023, we had total short-term borrowing capacity of $800 and no outstanding borrowings under the Revolver that expires in May 2027. Provided that we obtain written consent from the lenders, we have the option to increase the Revolver by up to $200, to a total of $1,000, and two options to extend the Revolver for additional one-year terms.

Any outstanding borrowings under the Revolver are secured by substantially all our personal and intellectual property assets and are guaranteed by certain of our subsidiaries. Under the Revolver, our obligation to secure any outstanding borrowings will be eliminated if no default exists and we either have an unsecured investment-grade debt rating from two of three specified ratings agencies, or we have one investment-grade rating and achieve two consecutive fiscal quarters with a Leverage Ratio of less than 2.5 times. On March 1, 2023, we amended our Revolver agreement (see Note 2: Canada Wind-down).

Under the Revolver, we have two financial covenant tests that need to be met on a quarterly basis: a Leverage Ratio that is less than or equal to 4 times and a fixed charge coverage ratio that is greater than or equal to 1.25 times. As of October 28, 2023, we were in compliance with all covenants.

The Revolver contains customary representations, warranties, covenants and terms, including paying a variable rate of interest and a facility fee based on our debt rating, and is available for working capital, capital expenditures and general corporate purposes. The Revolver allows us to issue dividends and repurchase shares provided we are not in default and no default would arise as a result of such payments. If the pro-forma Leverage Ratio after such payments is less than 3 times, then such payments are unlimited. If the pro-forma Leverage Ratio is greater than or equal to 3 times but less than 3.5 times, then we are limited to $100 per fiscal quarter and if the pro-forma Leverage Ratio is greater than or equal to 3.5 times then the limit is $60 per fiscal quarter.

Our $800 commercial paper program allows us to use the proceeds to fund operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect of reducing available liquidity under the Revolver by an amount equal to the principal amount of commercial paper outstanding. Conversely, borrowings under our Revolver have the effect of reducing the available capacity of our commercial paper program by an amount equal to the amount outstanding. As of October 28, 2023, we had no issuances outstanding under our commercial paper program.

NOTE 5: FAIR VALUE MEASUREMENTS

We disclose our financial assets and liabilities that are measured at fair value in our Condensed Consolidated Balance Sheets by level within the fair value hierarchy as defined by applicable accounting standards:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Other observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs that cannot be corroborated by market data that reflect the reporting entity's own assumptions

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

Financial Instruments Measured at Carrying Value

Financial instruments measured at carrying value on a recurring basis include cash and cash equivalents, accounts receivable, accounts payable and our Revolver, which approximate fair value due to their short-term nature.

Long-term debt is recorded at carrying value. If long-term debt was measured at fair value, we would use quoted market prices of the same or similar issues, which is considered a Level 2 fair value measurement. The following table summarizes the carrying value and fair value estimate of our long-term debt, including current maturities:

	October 28, 2023	January 28, 2023	October 29, 2022
Carrying value of long-term debt	**$2,861**	$2,856	$2,855
Fair value of long-term debt	**2,168**	2,278	2,224

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

We measure certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill and long-lived tangible and ROU assets, in connection with periodic evaluations for potential impairment. We estimate the fair value of these assets and liabilities using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements.

During the nine months ended October 28, 2023, we measured our investment in Nordstrom Canada, our related-party receivables and related lease guarantees at fair value (see Note 2: Canada Wind-down for additional information).

Investments Measured at NAV

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

NOTE 6: STOCK-BASED COMPENSATION

The following table summarizes our stock-based compensation expense:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
RSUs	**$11**	$10	**$31**	$32
Stock options	**1**	1	**5**	12
Other[1]	**1**	1	**5**	6
Total stock-based compensation expense, before income tax benefit	**13**	12	**41**	50
Income tax benefit	**(3)**	(3)	**(10)**	(12)
Total stock-based compensation expense, net of income tax benefit	**$10**	$9	**$31**	$38

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

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

The following table summarizes our grant allocations:

	Nine Months Ended			
	October 28, 2023		October 29, 2022	
	Granted	**Weighted-average grant-date fair value per unit**	**Granted**	**Weighted-average grant-date fair value per unit**
RSUs	**3.2**	**$16**	2.9	$22
Stock options	**1.2**	**$8**	1.1	$10
PSUs	**0.4**	**$16**	0.5	$23

Under our deferred and stock-based compensation plan arrangements, we issued 0.7 and 2.3 shares of common stock during the quarter and nine months ended October 28, 2023 and 0.7 and 2.6 shares during the quarter and nine months ended October 29, 2022.

NOTE 7: SHAREHOLDERS' EQUITY

Share Repurchases
In May 2022, our Board of Directors authorized a program to repurchase up to $500 of our outstanding common stock, with no expiration date. We repurchased 0.03 shares of common stock for $1 at an average purchase price per share of $19.41 during the nine months ended October 28, 2023, compared with 2.3 shares for $53 at an average purchase price per share of $22.95 during the nine months ended October 29, 2022, and had $438 remaining in share repurchase capacity as of October 28, 2023.

Dividends
In November 2023, subsequent to quarter end, we declared a quarterly dividend of $0.19 per share, which will be paid on December 13, 2023 to shareholders of record at the close of business on November 28, 2023.

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

Rights Plan
In September 2022, our Board of Directors approved a shareholder rights agreement and declared a dividend of one right for each outstanding share of Nordstrom common stock to shareholders of record on September 30, 2022. In June 2023, shareholders approved an advisory vote on the extension of our Rights Plan at our 2023 Annual Meeting, and in August 2023, the Board of Directors extended the expiration date to September 19, 2025, unless redeemed, exchanged or terminated earlier by our Board. Each right entitles holders to purchase one newly issued share of Nordstrom common stock at an exercise price of $94 per right, subject to adjustment. Initially, the rights are not exercisable and trade with our shares of common stock.

In general, the rights become exercisable following a public announcement that a person acquires 10% or more of the outstanding shares of Nordstrom common stock. If the rights are exercised, each holder (except the acquiring person) will have the right to receive common stock equal to two times the exercise price of the right. The Company may redeem the rights for $0.001 per right anytime prior to the rights becoming exercisable. The agreement also provides for exceptions and additional terms for other certain situations and circumstances. There is currently no impact to our Condensed Consolidated Financial Statements.

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

NOTE 8: EARNINGS PER SHARE

The computation of EPS is as follows:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Net earnings (loss)	**$67**	($20)	**$—**	$126
Basic weighted-average shares outstanding	**162.0**	159.5	**161.5**	160.1
Dilutive effect of common stock equivalents	**1.6**	—	**—**	2.2
Diluted weighted-average shares outstanding	**163.6**	159.5	**161.5**	162.3
Basic EPS	**$0.41**	($0.13)	**$—**	$0.79
Diluted EPS	**$0.41**	($0.13)	**$—**	$0.77
Anti-dilutive common stock equivalents	**8.2**	10.1	**10.3**	9.2

NOTE 9: SEGMENT REPORTING

The following table sets forth information for our reportable segment:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Retail segment EBIT	**$149**	$119	**$535**	$471
Corporate/Other EBIT	**(47)**	(116)	**(500)**	(193)
Interest expense, net	**(24)**	(32)	**(78)**	(101)
Earnings (loss) before income taxes	**$78**	($29)	**($43)**	$177

For information about disaggregated revenues, see Note 3: Revenue.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

The following MD&A provides a narrative of our financial performance and is intended to promote understanding of our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, Item 1. Financial Statements (Unaudited) and generally discusses the results of operations for the quarter and nine months ended October 28, 2023 compared with the quarter and nine months ended October 29, 2022. The following discussion and analysis contains forward-looking statements and should also be read in conjunction with cautionary statements and risks described elsewhere in this Form 10-Q before deciding to purchase, hold or sell shares of our common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

OVERVIEW

Third quarter results reflected continued progress on our 2023 key priorities of improving Nordstrom Rack performance, increasing inventory productivity and optimizing our supply chain capabilities. Execution on these priorities and quickly adapting to shifting sales trends helped us deliver earnings growth despite lower sales in a challenging macroeconomic environment.

For the third quarter of 2023, we reported net earnings of $67, or $0.41 per diluted share, compared with a loss of $20, or $0.13 loss per diluted share, in 2022. After excluding adjustments from the wind-down of Canadian operations, Adjusted EPS[1] in the third quarter of 2023 was $0.25, compared with Adjusted EPS[1] of $0.20 in the third quarter of 2022, which excludes an asset impairment charge.

Total Company net sales decreased 6.8% compared with the third quarter of 2022. This included a negative 270 basis point impact from the wind-down of Canadian operations and an approximately 200 basis point positive impact from one week of the Anniversary Sale shifting into the third quarter of 2023. The majority of our categories improved sequentially from the second quarter of 2023, when compared with the same period in 2022.

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

Nordstrom Rack – We deliver great brands at great prices for our customers at Nordstrom Rack, and we continue to improve by growing the most desirable brands offered, driving greater engagement and profitability at NordstromRack.com and expanding our reach and convenience with new Rack stores in key markets. We adjusted our assortment throughout the quarter to meet shifting demand and ensure our customers have a compelling flow of new and relevant products. As we continue to focus on our digital offering, we made progress on its profitability. Our Rack digital channel is now profitable on a year-to-date basis.

We opened 19 new stores and relocated one store year to date through December 1, 2023. We believe that Rack stores are a great investment, with returns that exceed our cost of capital and have a short payback period, and they are also our largest source of new customer acquisition. We are excited to roll out to more markets and increase our Rack footprint, and have announced plans to open 17 more stores beyond 2023.

Inventory Productivity – We are focused on better inventory discipline to provide customers with relevant and new assortments and improve our earnings and return on invested capital. We continue to manage with leaner inventories, with overall ending inventory levels 9% lower than the third quarter of 2022 and a positive sales-to-inventory spread. This lower level of inventory required fewer markdowns and helped drive 180 basis points of expansion in our gross profit as a rate of sales, compared with the third quarter of 2022. We are also gaining traction with our Nordstrom private label brands, which are more profitable and have lower return rates. Our overall inventory position is healthy heading into the holiday season, and while our designer category remains pressured, we expect to end the year with an improved inventory position in this category.

Supply Chain Optimization – We continue to make good progress on our supply chain initiatives, which drive improvements in customer experience and profitability. We delivered a better experience to our customers through faster delivery, lower cancellation rates and increased accuracy of inventory, while also driving cost savings. Following four consecutive quarters of reductions in our variable supply chain costs of more than 100 basis points compared with the prior year, we were able to drive another 50 basis point reduction in the third quarter of 2023. We expect the level of cost savings to stabilize going forward, as we have been focused on this priority for over a year. However, we will continue to seek out additional efficiencies in flow and improved productivity through inventory management initiatives.

Throughout this year, we made solid progress against each of our priorities, which we believe will help us expand market share and improve profitability. Looking ahead, we are excited to fulfill our brand purpose to help our customers feel good and look their best this holiday season and beyond. We are navigating through near-term uncertainty while continuing to advance our long-term strategic priorities to better serve our customers and increase shareholder value.

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[1] Adjusted EPS is a non-GAAP financial measure. For a reconciliation between GAAP and non-GAAP financial measures, see Adjusted EBIT, Adjusted EBITDA, Adjusted EBIT margin and Adjusted EPS (Non-GAAP financial measures) below.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

RESULTS OF OPERATIONS

In our ongoing effort to enhance the customer experience, we are focused on providing a seamless retail experience across our Company. We invested early in integrating our operations, merchandising and technology across our stores and online in both our Nordstrom and Nordstrom Rack banners. By connecting our digital and physical assets across Nordstrom and Nordstrom Rack, we are able to better serve customers when, where and how they want to shop. We have one Retail reportable segment and analyze our results on a total Company basis, using customer, market share, operational and net sales metrics.

Our Anniversary Sale, historically the largest event of the year, typically falls in the second quarter. One week of our Anniversary Sale shifted from the second quarter in 2022 to the third quarter in 2023.

We monitor a number of key operating metrics to evaluate our Company's performance. In addition to net sales, net earnings (loss) and other results under GAAP, two other key operating metrics we use are GMV and inventory turnover rate. Beginning in the first quarter of 2023, we made changes to how we calculate these metrics to more closely align with how our business is operated. Changes in the methodologies are discussed below and prior periods have been adjusted to reflect a comparable presentation.

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

Net Sales

The following table summarizes net sales:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Net sales:				
Nordstrom	**$2,051**	$2,264	**$6,570**	$7,324
Nordstrom Rack	**1,149**	1,169	**3,356**	3,567
Total net sales	**$3,200**	$3,433	**$9,926**	$10,891
Net sales (decrease) increase:				
Nordstrom	**(9.4 %)**	(3.4 %)	**(10.3 %)**	10.7 %
Nordstrom Rack	**(1.8 %)**	(1.9 %)	**(5.9 %)**	4.7 %
Total Company	**(6.8 %)**	(2.9 %)	**(8.9 %)**	8.7 %
Digital sales as a % of total net sales	**34 %**	34 %	**35 %**	37 %
Digital sales decrease	**(11 %)**	(16 %)	**(14 %)**	(4 %)
Nordstrom GMV (decrease) increase	**(9.8 %)**	(3.3 %)	**(10.6 %)**	10.8 %
Total Company GMV (decrease) increase	**(7.1 %)**	(3.0 %)	**(9.1 %)**	8.6 %

Total Company net sales and GMV decreased for the quarter and nine months ended October 28, 2023, compared with the same periods in 2022. For the third quarter of 2023, 270 basis points of the decrease was due to the deconsolidation of our Canadian operations as of March 2, 2023 (see Note 2: Canada Wind-down in Item 1). This was partially offset by the timing shift of the Anniversary Sale, which had a positive impact on net sales of approximately 200 basis points compared with the third quarter of 2022. Total Company net sales for the nine months ended October 28, 2023, compared with the same period in 2022, were negatively impacted 245 basis points from the wind-down of Canadian operations. For the third quarter and nine months ended October 28, 2023, active and beauty were the strongest categories compared with the same periods in 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Nordstrom net sales and GMV decreased for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022. Nordstrom net sales were negatively impacted 410 basis points for the third quarter of 2023 and 360 basis points for the nine months ended October 28, 2023 from the wind-down of Canadian operations. For the third quarter of 2023, this was partially offset by the timing shift of the Anniversary Sale which had a positive impact on net sales of approximately 300 basis points, compared with the third quarter of 2022. For both the quarter and nine months ended October 28, 2023, Nordstrom net sales reflected a decrease in the number of items sold, partially offset by an increase in the average selling price per item sold.

Nordstrom Rack net sales decreased for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022, which reflected a decrease in the number of items sold, partially offset by an increase in the average selling price per item sold. Eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of 2022 negatively impacted Nordstrom Rack sales by approximately 100 basis points for the third quarter of 2023 and approximately 400 basis points for the nine months ended October 28, 2023, compared with the same periods in 2022.

Total Company digital sales decreased for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022. Eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of 2022 and sunsetting Trunk Club in the second quarter of 2022 negatively impacted digital sales by approximately 100 basis points for the third quarter of 2023 and approximately 500 basis points for the nine months ended October 28, 2023. The decrease in digital sales for the third quarter of 2023 was partially offset by the timing of the Anniversary Sale, which had a positive impact on digital sales of approximately 400 basis points, compared with the same period in 2022.

During the nine months ended October 28, 2023, we opened 18 Nordstrom Rack stores and relocated one Nordstrom Rack store. We also closed one Nordstrom Rack store, one Nordstrom store and one Nordstrom Local service hub. We deconsolidated six Nordstrom and seven Nordstrom Rack stores in Canada as of March 2, 2023 (see Note 2: Canada Wind-down in Item 1).

Credit Card Revenues, Net

Credit card revenues, net increased $7 and $27 for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022. The increases were due to higher revenue recognized in connection with our 2022 TD program agreement amendment and higher finance charges from both higher outstanding balances and rates. The increases were partially offset by increased credit losses.

Fiscal Year 2023 Total Revenue Outlook

In fiscal 2023, which includes a 53rd week, we expect total revenue, including retail sales and credit card revenues, to decline 4 to 6 percent compared with fiscal 2022. Our outlook includes approximately 250 basis points of negative impact from the wind-down of business operations in Canada (see Note 2: Canada Wind-down in Item 1) and approximately 130 basis points of positive impact from the 53rd week.

Gross Profit

The following table summarizes gross profit:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Gross profit	**$1,120**	$1,139	**$3,438**	$3,680
Gross profit as a % of net sales	**35.0%**	33.2%	**34.6%**	33.8%
			October 28, 2023	**October 29, 2022**
Inventory turnover rate			**3.43**	3.26

Gross profit decreased $19 and $242 for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022, due to lower sales, partially offset by lower markdowns, increased inventory productivity and lower buying and occupancy costs. Gross profit as a rate of net sales increased 180 and 85 basis points for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022, due to lower markdowns, increased inventory productivity and lower buying and occupancy costs, partially offset by deleverage on lower sales.

Ending inventory as of October 28, 2023 decreased 8.8%, compared with the same period in 2022, versus a 6.8% decrease in sales for the third quarter of 2023, reflecting continued strong inventory discipline.

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

Selling, General and Administrative Expenses

SG&A is summarized in the following table:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
SG&A expenses	**$1,163**	$1,249	**$3,466**	$3,722
SG&A expenses as a % of net sales	**36.3%**	36.4%	**34.9%**	34.2%

SG&A decreased $86 and $256 for the third quarter and nine months ended October 28, 2023, compared with the same periods in 2022, primarily due to lower variable costs, driven by lower sales and supply chain efficiency initiatives, partially offset by higher labor costs. The third quarter of 2022 included a supply chain technology and related asset impairment charge of $70, and the nine months ended October 29, 2022 also included a $51 gain on sale of our interest in a corporate office building and an $18 impairment charge related to costs associated with the wind-down of Trunk Club.

SG&A as a percent of net sales decreased 5 basis points for the third quarter of 2023, compared with the same period in 2022, due to a supply chain technology and related asset impairment charge incurred in the third quarter of 2022 and improvements in variable costs from supply chain efficiency initiatives, partially offset by deleverage from lower sales and higher labor costs. SG&A as a percent of net sales increased 75 basis points for the nine months ended October 28, 2023, compared with the same period in 2022, primarily due to deleverage from lower sales and higher labor costs, partially offset by supply chain efficiencies.

Canada Wind-down Costs

We recognized charges associated with the wind-down of Nordstrom Canada of $284 in the nine months ended October 28, 2023, including a favorable adjustment of $25 in the third quarter of 2023 (see Note 2: Canada Wind-down in Item 1).

Earnings Before Interest and Income Taxes

EBIT is summarized in the following table:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
EBIT	**$102**	$3	**$35**	$278
EBIT as a % of net sales	**3.2%**	0.1%	**0.4%**	2.6%

EBIT improved $99 and 310 basis points as a rate of net sales for the third quarter of 2023, compared with the same period in 2022, due to an improved gross profit rate and supply chain efficiency initiatives, partially offset by lower sales volume. The third quarter of 2023 included a $25 favorable impact from the wind-down of Nordstrom Canada, while the third quarter of 2022 included a supply chain technology and related asset impairment charge of $70.

EBIT decreased $243 and 220 basis points as a rate of net sales for the nine months ended October 28, 2023, compared with the same period in 2022, primarily due to $284 of expenses associated with the wind-down of Canadian operations and lower sales, partially offset by an improved gross profit rate and supply chain efficiency initiatives. The nine months ended October 29, 2022 included a supply chain technology and related asset impairment charge of $70, a $51 gain on sale of our interest in a corporate office building and an $18 impairment charge related to costs associated with the wind-down of Trunk Club.

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

Interest Expense, Net

Interest expense, net was $24 for the third quarter of 2023, compared with $32 for the same period in 2022, and $78 for the nine months ended October 28, 2023, compared with $101 for the same period in 2022. The decreases in interest expense, net were primarily due to an increase in interest income from higher prevailing rates.

Income Tax

Income tax expense is summarized in the following table:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Income tax expense (benefit)	**$11**	($9)	**($43)**	$51
Effective tax rate	**14.2 %**	30.6 %	**99.7 %**	29.0 %

The effective tax rate decreased in the third quarter of 2023, compared with the same period in 2022, primarily due to additional tax benefits related to the wind-down of Canadian operations during the quarter. The effective tax rate increased for the nine months ended October 28, 2023, compared with the same period in 2022, primarily due to the favorable resolution of certain tax matters and net tax benefits of $95 related to the wind-down of Canadian operations.

Earnings Per Share

EPS is as follows:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Basic	**$0.41**	($0.13)	**$—**	$0.79
Diluted	**$0.41**	($0.13)	**$—**	$0.77

Diluted EPS improved $0.54 for the third quarter of 2023 primarily due to an improved gross profit rate and supply chain efficiency initiatives, partially offset by lower sales. The third quarter of 2023 includes an adjustment from the wind-down of Canadian operations that increased diluted EPS $0.16 per share, while the third quarter of 2022 includes a net unfavorable impact of $0.33 per diluted share due to a supply chain impairment charge. For the nine months ended October 28, 2023, diluted EPS decreased $0.77 primarily due to charges related to the wind-down of Canadian operations that decreased diluted EPS by $1.16 per share and lower sales, partially offset by an improved gross profit rate and supply chain efficiency initiatives. The nine months ended October 29, 2022 includes a net unfavorable impact of $0.18 per diluted share due to a supply chain impairment charge, an impairment charge related to costs associated with the wind-down of Trunk Club, partially offset by the gain on sale of our interest in a corporate office building.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

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

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

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

The following is a reconciliation of net earnings (loss) to Adjusted EBIT and Adjusted EBITDA and net earnings as a percent of net sales to Adjusted EBIT margin:

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Net earnings (loss)	**$67**	($20)	**$—**	$126
Income tax expense (benefit)	**11**	(9)	**(43)**	51
Interest expense, net	**24**	32	**78**	101
Earnings before interest and income taxes	**102**	3	**35**	278
Canada wind-down costs	**(25)**	—	**284**	—
Supply chain impairment	**—**	70	**—**	70
Trunk Club wind-down costs	**—**	—	**—**	18
Gain on sale of interest in a corporate office building	**—**	—	**—**	(51)
Adjusted EBIT	**77**	73	**319**	315
Depreciation and amortization expenses	**145**	152	**430**	453
Amortization of developer reimbursements	**(17)**	(18)	**(52)**	(54)
Adjusted EBITDA	**$205**	$207	**$697**	$714
Net sales	**$3,200**	$3,433	**$9,926**	$10,891
Net earnings (loss) as a % of net sales	**2.1 %**	(0.6 %)	**— %**	1.2 %
EBIT margin %	**3.2 %**	0.1 %	**0.4 %**	2.6 %
Adjusted EBIT margin %	**2.4 %**	2.1 %	**3.2 %**	2.9 %

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

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Diluted EPS	**$0.41**	($0.13)	**$—**	$0.77
Canada wind-down costs	**(0.15)**	—	**1.74**	—
Supply chain impairment	**—**	0.44	**—**	0.44
Trunk Club wind-down costs	**—**	—	**—**	0.11
Gain on sale of interest in a corporate office building	**—**	—	**—**	(0.31)
Income tax impact on adjustments[1]	**(0.01)**	(0.11)	**(0.58)**	(0.06)
Adjusted EPS	**$0.25**	$0.20	**$1.16**	$0.95

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

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

Adjusted ROIC (Non-GAAP financial measure)

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

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

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

	Four Quarters Ended	
	October 28, 2023	**October 29, 2022**
Net earnings	**$119**	$326
Income tax (benefit) expense	**(2)**	117
Interest expense	**136**	138
Earnings before interest and income tax expense	**253**	581
Operating lease interest[1]	**86**	85
Non-operating related adjustments[2]	**284**	38
Adjusted net operating profit	**623**	704
Adjusted estimated income tax expense[3]	**(144)**	(186)
Adjusted net operating profit after tax	**$479**	$518
Average total assets	**$8,956**	$9,227
Average noncurrent deferred property incentives in excess of ROU assets[4]	**(167)**	(205)
Average non-interest bearing current liabilities	**(3,134)**	(3,369)
Non-operating related adjustments[5]	**294**	(7)
Adjusted average invested capital	**$5,949**	$5,646
Return on assets	**1.3 %**	3.5 %
Adjusted ROIC	**8.1 %**	9.2 %

[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 for the four quarters ended October 28, 2023 and a supply chain impairment charge, partially offset by the gain on sale of our interest in a corporate office building for the four quarters ended October 29, 2022. See the Adjusted EBIT and Adjusted EBITDA section, as well as our 2022 Annual Report, for detailed information on certain non-operating related adjustments.

[3] Adjusted estimated income tax expense is calculated by multiplying the adjusted net operating profit by the adjusted effective tax rate (which removes the impact of non-operating related adjustments) for the trailing twelve-month periods ended October 28, 2023 and October 29, 2022. The adjusted effective tax rate is calculated by dividing adjusted income tax by adjusted earnings before income taxes for the same trailing twelve-month periods.

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

[5] Non-operating related adjustments primarily relate to the wind-down of our Canadian operations for the trailing twelve-month period ended October 28, 2023 and a supply chain impairment charge, partially offset by the gain on sale of our interest in a corporate office building for the trailing twelve-month period ended October 29, 2022.

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

LIQUIDITY

We strive to maintain a level of liquidity sufficient to allow us to cover our seasonal cash needs and to maintain appropriate levels of short-term borrowings. In the short term, our ongoing working capital and capital expenditure requirements, and any dividend payments or share repurchases, are generally funded through cash flows generated from operations. In addition, we have access to the commercial paper market and can draw on our Revolver for working capital, capital expenditures and general corporate purposes. Over the long term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position, manage refinancing risk and allow flexibility for strategic initiatives. We regularly assess our debt and leverage levels, capital expenditure requirements, debt service payments, dividend payouts, share repurchases and other future investments.

We ended the third quarter of 2023 with $375 in cash and cash equivalents and $800 of additional liquidity available on our Revolver. Cash and cash equivalents in the third quarter of 2023 increased from $293 in the third quarter of 2022, driven by cash flow from earnings, partially offset by payments for capital expenditures, Canadian guarantee settlements (see Note 2: Canada Wind-down in Item 1) and dividends. We believe that our cash flows from operations are sufficient to meet our cash requirements for the next 12 months and beyond. Our cash requirements are subject to change as business conditions warrant and opportunities arise and we may elect to raise additional funds in the future through the issuance of either debt or equity.

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

	Nine Months Ended	
	October 28, 2023	**October 29, 2022**
Net cash provided by operating activities	**$107**	$240
Net cash used in investing activities	**(376)**	(243)
Net cash used in financing activities	**(43)**	(23)

Operating Activities

Net cash provided by operating activities decreased $133 for the nine months ended October 28, 2023, compared with the same period in 2022, due to the Canadian guarantee settlements and the timing of purchases and payments for inventory, partially offset by changes in compensation.

Investing Activities

Net cash used in investing activities increased $133 for the nine months ended October 28, 2023, compared with the same period in 2022, primarily due to increased capital expenditures for Nordstrom Rack new store openings, the sale of our interest in a corporate office building in 2022 and the decrease in cash and cash equivalents resulting from the deconsolidation of Canada in 2023 (see Note 1: Basis of Presentation and Note 2: Canada Wind-down in Item 1).

Capital Expenditures

Our capital expenditures, net are summarized as follows:

	Nine Months Ended	
	October 28, 2023	**October 29, 2022**
Capital expenditures	**$375**	$325
Deferred property incentives[1]	**(25)**	(10)
Capital expenditures, net	**$350**	$315
Capital expenditures as a % of net sales	**3.8 %**	3.0 %

[1] Deferred property incentives are included in our cash provided by operations in our Condensed Consolidated Statements of Cash Flows in Item 1. We operationally view the property incentives we receive from our developers and vendors as an offset to our capital expenditures.

Financing Activities

Net cash used in financing activities increased $20 for the nine months ended October 28, 2023, compared with the same period in 2022, primarily due to the drawdown on the Revolver in 2022, partially offset by decreased share repurchases.

Share Repurchases

We repurchased $1 for the nine months ended October 28, 2023, compared with $53 in the nine months ended October 29, 2022.

Dividends

We paid dividends of $92 and $90 for the nine months ended October 28, 2023 and October 29, 2022, or $0.57 per share for each year-to-date period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Free Cash Flow (Non-GAAP financial measure)

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

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

	Nine Months Ended	
	October 28, 2023	**October 29, 2022**
Net cash provided by operating activities	**$107**	$240
Capital expenditures	**(375)**	(325)
Change in cash book overdrafts	**37**	21
Free Cash Flow	**($231)**	($64)

CAPITAL RESOURCES

Borrowing Capacity and Activity

As of October 28, 2023, we had total short-term borrowing capacity of $800 under the Revolver that expires in May 2027. As of October 28, 2023, we had no borrowings outstanding under our Revolver and no issuances outstanding under our commercial paper program. For more information about our credit facilities, see Note 4: Debt and Credit Facilities in Item 1.

Impact of Credit Ratings and Revolver Covenants

Changes in our credit ratings may impact our costs to borrow, whether our personal property secures our Revolver and whether and to what extent we are permitted to pay dividends or conduct share repurchases.

For our Revolver, the interest rate applicable to any borrowings we may enter into depends upon the type of borrowing incurred plus an applicable margin, which is determined based on our credit ratings. At the time of this report, our credit ratings and outlook were as follows:

	Credit Ratings	**Outlook**
Moody's	Ba1	Negative
S&P Global Ratings	BB+	Negative
Fitch	BB+	Stable

Should the ratings assigned to our long-term debt improve, the applicable margin associated with any borrowings under the Revolver may decrease, resulting in a lower borrowing cost under this facility. Conversely, should the ratings assigned to our long-term debt worsen, the applicable margin associated with any borrowings under the Revolver may increase, resulting in a higher borrowing cost under this facility.

As of October 28, 2023, we were in compliance with all covenants. We have certain limitations with respect to the payment of dividends and share repurchases under our Revolver agreement. For more information about our Revolver covenants, see Note 4: Debt and Credit Facilities in Item 1.

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

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

Adjusted Debt to EBITDAR (Non-GAAP financial measure)

Adjusted debt to EBITDAR is one of our key financial metrics and we believe that our debt levels are best analyzed using this measure, as it provides a reflection of our creditworthiness which could impact our credit ratings and borrowing costs. This metric is calculated in accordance with the updates in our Revolver covenant and is a key component in assessing whether our revolving credit facility is secured or unsecured, as well as our ability to make dividend payments and share repurchases. Our goal is to manage debt levels to achieve and maintain investment-grade credit ratings while operating with an efficient capital structure. For more information regarding our Revolver, see Note 4: Debt and Credit Facilities in Item 1.

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

	October 28, 2023
Debt	**$2,861**
Operating lease liabilities	**1,635**
Adjusted debt	**$4,496**

	Four Quarters Ended October 28, 2023
Net earnings	**$119**
Income tax benefit	**(2)**
Interest expense, net	**106**
Earnings before interest and income taxes	**223**
Depreciation and amortization expenses	**581**
Operating Lease Cost	**270**
Amortization of developer reimbursements[1]	**69**
Canada wind-down costs	**284**
Other Revolver covenant adjustments[2]	**46**
Adjusted EBITDAR	**$1,473**
Debt to Net Earnings	**24.0**
Adjusted debt to EBITDAR	**3.1**

[1] Amortization of developer reimbursements is a non-cash reduction of Operating Lease Cost and is therefore added back to Operating Lease Cost for purposes of our Revolver covenant calculation.

[2] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income, certain non-cash charges and other gains and losses where relevant. For the four quarters ended October 28, 2023, other Revolver covenant adjustments primarily includes interest income. See our 2022 Annual Report for detailed information on certain non-operating related adjustments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with GAAP requires that we make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities.

We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. We believe that the estimates, assumptions and judgments involved in the accounting policies referred to in our 2022 Annual Report have the greatest potential effect on our financial statements, so we consider these to be our critical accounting policies and estimates. Our management has discussed the development and selection of these critical accounting estimates with the Audit & Finance Committee of our Board of Directors. There have been no material changes to our significant accounting policies or critical accounting estimates as described in our 2022 Annual Report, except as noted below, and the following should be read in conjunction with Note 2: Canada Wind-down in Item 1.

Canada Wind-down

To assess the estimated fair value of our Nordstrom Canada investment and our related-party receivables, we estimated the assets available for distribution in relation to expected claims. At the time of filing, the estimated amount of Nordstrom Canada's liabilities exceeded the estimated fair value of assets available for distribution to creditors, and in relation to the receivables, we may not recover significant proceeds. As a result, our fair value was recorded as zero in our Condensed Consolidated Balance Sheets as of April 29, 2023. As of October 28, 2023, we adjusted our receivables by an immaterial amount based on currently available information.

As of October 28, 2023, we recorded the amount we believe probable of receipt as part of the claims process. This includes receipts related to the rights to the former landlords' distributions, reimbursement of employee trust contributions and other receivables existing at the time of deconsolidation. The receivable and our other estimates are dependent on the outcome of the Nordstrom Canada wind-down process, including the amount of third-party and Nordstrom claims asserted and recognized in the claims process, the amount of assets available for distribution and the negotiation of a CCAA plan of arrangement approved by the creditors and the Ontario Superior Court of Justice. We continue to work through the wind-down process and our estimates of net losses are based on currently available information, our assessment of the validity of certain expected claims and our assessment of the recoverability of amounts receivable from Nordstrom Canada. These estimates may change as new information becomes available and it is reasonably possible that they may materially change from the estimated amounts. Increases in estimated costs to settle claims and decreases in estimated assets available for distribution may result in additional material charges. At the same time, any future decreases in estimated costs to settle claims or increases in estimated assets available for distribution may result in a gain, which would reduce our estimated charges.

See Note 2: Canada Wind-down in Item 1 for additional information.

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

In July 2023, the SEC adopted the final rule under SEC Release No. 33-11216, *Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure,* requiring disclosure of material cybersecurity incidents on Form 8-K and periodic disclosure of a registrant's cybersecurity risk management, strategy and governance in annual reports. Regulation S-K Item 6 disclosure requirements under this rule will be effective for us in the fourth quarter of 2023. Incident disclosure requirements in Form 8-K will be effective for us on December 18, 2023. The adoption of this final rule is not anticipated to have a material impact on our results of operations, liquidity or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We discussed our interest rate risk and foreign currency exchange risk in our 2022 Annual Report. There have been no material changes to these risks since that time.

Item 4. Controls and Procedures.

DISCLOSURE CONTROLS AND PROCEDURES

For the purposes of the Exchange Act, our Chief Executive Officer, Erik B. Nordstrom, serves as our principal executive officer and our Chief Financial Officer, Cathy R. Smith, is our principal financial officer and principal accounting officer.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we have performed an evaluation of the design and effectiveness of our disclosure controls and procedures as of the last day of the period covered by this report.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) under the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified within the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits alleging violations of state and/or federal wage and hour and other employment laws, privacy and other consumer-based claims. Some of these lawsuits may include certified classes of litigants, or purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. We believe the recorded accruals in our Condensed Consolidated Financial Statements are adequate in light of the probable and estimable liabilities.

On March 2, 2023, Nordstrom Canada commenced a wind-down of its business operations pursuant to a CCAA proceeding overseen by the Ontario Superior Court of Justice. See Note 2: Canada Wind-down in Part I for more information.

As of the date of this report, we do not believe any other currently identified claim, proceeding or litigation, either alone or in the aggregate, will have a material impact on our results of operations, financial position or cash flows. Since these matters are subject to inherent uncertainties, our view of them may change in the future.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described in our 2022 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) SHARE REPURCHASES
(Dollar and share amounts in millions, except per share amounts)

We repurchased no shares of common stock during the third quarter of 2023 and we had $438 remaining in share repurchase capacity as of October 28, 2023. See Note 7: Shareholders' Equity in Item 1 for more information about our May 2022 share repurchase program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) The information required under this item is incorporated herein by reference or filed or furnished as part of this report at:

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All other exhibits are omitted because they are not applicable, not required or because the information required has been given as part of this report.

NORDSTROM, INC.
Exhibit Index

			Incorporated by Reference		
		Exhibit	Form	Exhibit	Filing Date
3.1		Bylaws, as amended and restated on September 20, 2023	8-K	3.1	9/21/2023
10.1	†	2023 Form of Independent Director Indemnification Agreement			
31.1	†	Certification of Chief Executive Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002			
31.2	†	Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002			
32.1	‡	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101.INS	†	Inline XBRL Instance Document			
101.SCH	†	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	†	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.LAB	†	Inline XBRL Taxonomy Extension Labels Linkbase Document			
101.PRE	†	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
101.DEF	†	Inline XBRL Taxonomy Extension Definition Linkbase Document			
104	†	Cover Page Interactive Data File (Inline XBRL)			

† Filed herewith electronically
‡ Furnished herewith electronically

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

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

Date: December 1, 2023

Exhibit 10.1

NORDSTROM, INC.

INDEMNIFICATION AGREEMENT

THIS **INDEMNIFICATION AGREEMENT** (the "Agreement") is entered into effective as of ______________, between **Nordstrom, Inc.**, a Washington corporation (the "Company"), and ______________, a director of the Company ("Indemnitee").

RECITALS

A. Indemnitee is a director of the Company and in such capacity is performing valuable services for the Company.

B. The Company's directors have certain existing indemnification arrangements pursuant to the Bylaws of the Company ("Bylaws") and may be entitled to indemnification pursuant to the Washington Business Corporation Act (the "Statute"). Nevertheless, the Board of Directors of the Company (the "Board") recognizes the limitations on the protection provided by such indemnification and the uncertainties as to its availability in any particular situation.

C. The Bylaws specifically provide that the indemnification arrangements provided thereunder are not exclusive, and that contracts may be entered into between the Company and the members of its Board with respect to indemnification of such directors.

D. The Company has determined that it is reasonable and prudent for the Company to minimize any uncertainty regarding the availability of indemnification protections and that in order to facilitate the Company's ability to attract and retain qualified individuals to serve as directors, the Company should act to assure such persons that there will be increased certainty of such protection in the future so that the Company's directors are able to continue to serve free from undue concern that they will not be adequately protected.

E. This Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

F. In order to induce Indemnitee to serve or to continue to serve as a director of the Company, the Company has agreed to enter into this Agreement with Indemnitee.

NOW, THEREFORE, in consideration of the recitals above, the mutual covenants and agreements set forth in this Agreement, and Indemnitee's service as a director after the date hereof, the Company and Indemnitee agree as follows:

1. **Indemnification**

a. **Scope.** The Company agrees to hold harmless and indemnify (and shall also advance expenses as incurred to the full extent permitted by law and as set forth herein) Indemnitee to the fullest extent permitted by law, including, without limitation to Title 12 Part 359 of the Code of Federal Regulations, against any Damages (as defined in Section 1(c)) incurred by Indemnitee with respect to any Proceeding (as defined in Section 1(d)) to which Indemnitee is or is threatened to be made a party or witness, notwithstanding that such indemnification is not specifically authorized by this Agreement, the Company's Articles of Incorporation ("Articles") or Bylaws, the Statute or otherwise. Such right to indemnification shall be without regard to the limitations in RCW 23B.08.510 through 23B.08.550; ***provided, however***, that Indemnitee shall have no right to indemnification on account of (i) acts or omissions of Indemnitee finally adjudged to be intentional misconduct or a knowing violation of law; (ii) conduct of Indemnitee finally adjudged to be in violation of RCW 23B.08.310; or (iii) any transaction with respect to which it is finally adjudged that Indemnitee personally received a benefit in money, property or services to which Indemnitee was not legally entitled. To the extent not prohibited by applicable law, the indemnification shall apply without regard to negligent acts or omissions by Indemnitee. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule regarding the right of a Washington corporation to indemnify a member of its board of directors, such changes, to the extent that they would expand Indemnitee's rights hereunder, shall be within the scope of Indemnitee's rights and the Company's obligations hereunder, and to the extent that they would narrow Indemnitee's rights hereunder, shall be excluded from this Agreement; ***provided, however,*** that any change that is required by applicable laws, statutes or rules to be applied to this Agreement shall be so applied regardless of whether the effect of such change is to narrow Indemnitee's rights hereunder.

To the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in the defense of any Proceeding or any claim, issue or matter therein, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is successful, on the merits or otherwise, as to one or more but fewer than all claims, issues or matters in any Proceeding, the Company shall indemnify Indemnitee against all expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter and any claim, issue or matter related to each such successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 1 and without limitation, the termination of any Proceeding or any claim, issue or matter in a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such Proceeding, claim, issue or matter. To the extent that Indemnitee is, by reason of Indemnitee's corporate status, a witness in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

b. **Nonexclusivity.** The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles or Bylaws, any vote of shareholders or disinterested directors, the Statute or otherwise, whether as to actions or omissions by Indemnitee in Indemnitee's official capacity or otherwise.

c. **Included Coverage.** If Indemnitee is made a party (or is threatened to be made a party) to, or is otherwise involved (including, but not limited to, as a witness) in any Proceeding, the Company shall hold harmless and indemnify Indemnitee from and against any and all losses, claims, damages, costs, expenses and liabilities actually and reasonably incurred in connection with investigating, defending, being a witness in, participating in or otherwise being involved in (including on appeal), or preparing to defend, be a witness in, participate in or otherwise be involved in (including on appeal), such Proceeding, including but not limited to attorneys' fees, judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments pursuant to this Agreement, and other expenses (collectively, "Damages"), including all interest, assessments or charges paid or payable in connection with or in respect of such Damages; ***provided, however***, nothing in this Agreement shall require the Company to make any indemnification payment prohibited by law.

d. **Definition of Proceeding.** For purposes of this Agreement, "Proceeding" shall mean any actual, pending, threatened or completed action, suit, claim, investigation, hearing or proceeding (whether civil, criminal, administrative or investigative and whether formal or informal) in which Indemnitee is, has been or becomes involved based in whole or in part on or arising out of the fact that Indemnitee is or has been a director, officer, member of a committee of the Board, employee or agent of the Company or that, being or having been such a director, officer, member of a committee of the Board, employee or agent, Indemnitee is or was serving at the request of the Company as a director, officer, employee, trustee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (collectively, a "Related Company"), including but not limited to service with respect to any employee benefit plan, whether the basis of such action, suit, claim, investigation, hearing or proceeding is alleged action or omission by Indemnitee in an official capacity as a director, officer, employee, trustee or agent or in any other capacity while serving as a director, officer, employee, trustee or agent; ***provided, however,*** that, except with respect to an action to enforce this Agreement, "Proceeding" shall not include any action, suit, claim, investigation, hearing or proceeding instituted by or at the direction of Indemnitee unless such action, suit, claim, investigation, hearing or proceeding is or was authorized by the Board.

e. **Notification.** Promptly after receipt by Indemnitee of notice of the commencement of any Proceeding, Indemnitee will, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof (which notice shall be in the form of Exhibit A hereto); ***provided, however,*** that failure to so notify the Company will relieve the Company from any liability that it may otherwise have to Indemnitee under this Agreement only if and to the extent that such failure can be shown to have prejudiced the Company's ability to defend the Proceeding.

f. **Determination of Entitlement.**

i. Upon the final disposition of the matter that is the subject of the request for indemnification, a determination shall be made with respect to Indemnitee's entitlement thereto in the specific case. If a Change in Control shall not have occurred, the determination shall be made by: (A) a majority vote of a quorum consisting of directors not at the time parties to the proceeding; (B) a majority vote of a committee (duly designated by the Board) consisting solely of two or more directors not at the time parties to the proceeding (even though less than a quorum of the Board); (C) by Special Legal Counsel; or (D) if so directed by the Board, by the shareholders of the Company. If a Change in Control shall have occurred, the determination shall be made by Special Legal Counsel. Any determination made by Special Legal Counsel pursuant to this Section 1(f)(i) shall be in the form of a written opinion to the Board, a copy of which shall be delivered to Indemnitee. Indemnitee shall reasonably cooperate with the person or persons making the determination, including providing to the person or persons upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to the determination. Any costs or expenses (including fees and expenses of counsel) incurred by Indemnitee in so cooperating with the person or persons making the determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification), and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

ii. In making any determination as to Indemnitee's entitlement to indemnification hereunder, Indemnitee shall, to the fullest extent not prohibited by law, be entitled to a presumption that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 1(e), and the Company shall, to the fullest extent not prohibited by law, have the burdens of coming forward with evidence and of persuasion to overcome that presumption.

iii. The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption: (A) that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; (B) that with respect to any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful; or (C) that Indemnitee did not otherwise satisfy the applicable standard of conduct to be indemnified pursuant to this Agreement.

iv. For purposes of any determination of good faith, to the fullest extent permitted by law, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company, as applicable, including financial statements, or on information supplied to Indemnitee by the officers of such entity in the course of their duties, or on the advice of legal counsel for such entity or on information or records given or reports made to such entity by an independent certified public accountant, appraiser or other expert selected with reasonable care by such entity. The provisions of this Section 1(f)(iv) shall not be deemed to be exclusive or to limit in any way other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct to be indemnified pursuant to this Agreement.

v. The knowledge or actions or failure to act of any other director, officer, employee or agent of the Company shall not be imputed to Indemnitee for purposes of determining Indemnitee's right to indemnification under this Agreement.

vi. If a determination as to Indemnitee's entitlement to indemnification shall not have been made pursuant to this Agreement within 60 days after the final disposition of the matter that is the subject of the request for indemnification, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made in favor of Indemnitee, and Indemnitee shall be entitled to such indemnification, absent (A) a misstatement of a material fact in the information provided by Indemnitee pursuant to Section 1(e) or an omission of a material fact necessary in order to make the information provided not misleading, or (B) a prohibition of such indemnification under applicable law; provided that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person or persons making the determination in good faith requires such additional time to obtain or evaluate any documentation or information relating thereto.

vii. For the purposes of this Agreement, a "Change in Control" of the Company shall be deemed to have occurred if: (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company, a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Company representing more than 15% of the total voting power represented by the Company's then outstanding Voting Securities; (B) individuals who, as of the date of this Indemnification Agreement, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets; (D) a transaction or a series of transactions causes the class of equity securities of the Company which, as of the date of this Agreement, is subject to Section 12(g) or Section 15(d) of the Securities Exchange Act of 1934, as amended, to be held of record by less than 300 persons; or (E) a transaction or a series of transactions causes the class of equity securities of the Company which, as of the date of this Indemnification Agreement, is either listed on a national securities exchange or authorized to be quoted in an inter-dealer quotation system of a registered national securities association to be neither listed on any national securities exchange nor authorized to be quoted in an inter-dealer quotation system of a registered national securities association.

viii. For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

ix. For the purposes of this Agreement, "Special Legal Counsel" shall mean an attorney or firm of attorneys, selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld), who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

g. **Survival.** The indemnification provided under this Agreement shall apply to any and all Proceedings, notwithstanding that Indemnitee has ceased to be a director, officer, employee, trustee or agent of the Company or a Related Company.

2. **Expense Advances**

a. **Generally.** To the extent not prohibited by law, the right to indemnification conferred by Section 1 shall include the right to have the Company pay Indemnitee's attorneys' fees and other expenses in any Proceeding as such expenses are incurred and in advance of final disposition of the Proceeding (such right is referred to hereinafter as an "Expense Advance").

b. **Conditions to Expense Advance.** The Company's obligation to provide an Expense Advance is subject to the following conditions:

i. **Undertaking.** If the Proceeding arose in connection with Indemnitee's service as a director of the Company or member of a committee of the Board (and not in any other capacity in which Indemnitee rendered service, including but not limited to service to any Related Company), then Indemnitee or Indemnitee's representative shall have executed and delivered to the Company an undertaking (in the form of Exhibit B hereto), which need not be secured (unless specifically required by applicable law) and shall be accepted without reference to Indemnitee's financial ability to make repayment and without reference to Indemnitee's ultimate entitlement to indemnification under this Agreement or otherwise, by or on behalf of Indemnitee, to repay all Expense Advances if and to the extent that it shall ultimately be determined, by a final decision not subject to appeal rendered by a court having proper jurisdiction, that Indemnitee is not entitled to be indemnified with respect to the Proceeding for which the Indemnitee sought the Expense Advance under this Agreement or otherwise. Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon.

ii. **Cooperation.** Indemnitee shall give the Company such information and cooperation as the Company may reasonably request.

iii. **Affirmation.** If required under applicable law, Indemnitee shall furnish a written affirmation of Indemnitee's good faith belief that Indemnitee has met all applicable standards of conduct.

3. **Procedures for Enforcement**

a. **Enforcement.** If a claim for indemnification made by Indemnitee hereunder is not paid in full within sixty (60) days, or a claim for an Expense Advance made by Indemnitee hereunder is not paid in full within twenty (20) days, after written notice of such claim is delivered to the Company, Indemnitee may, but need not, at any time thereafter bring suit against the Company to recover the unpaid amount of the claim (an "Enforcement Action"). In the alternative, Indemnitee may pursue Indemnitee's claim specified in this Section 3 through arbitration subject to the rules, terms, and conditions of the American Arbitration Association (AAA).

b. **Presumptions in Enforcement Action.** In any Enforcement Action the following presumptions (and limitations on presumptions) shall apply:

i. The Company shall conclusively be presumed to have entered into this Agreement and assumed the obligations imposed hereunder in order to induce Indemnitee to serve or to continue to serve as a director of the Company;

ii. Neither: (A) the failure of the Company (including but not limited to the Board, independent or Special Legal Counsel or the Company's shareholders) to make a determination prior to the commencement of the Enforcement Action that indemnification of Indemnitee is proper in the circumstances; nor (B) an actual determination by the Company, the Board, independent or Special Legal Counsel or the Company's shareholders that Indemnitee is not entitled to indemnification shall be a defense to the Enforcement Action or create a presumption that Indemnitee is not entitled to indemnification hereunder; and

iii. If Indemnitee is or was serving as a director, officer, employee, trustee or agent of a corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Company or in an executive or management capacity in a partnership, joint venture, trust or other enterprise of which the Company or a wholly-owned subsidiary of the Company is a general partner or has a majority ownership, then such corporation, partnership, joint venture, trust or enterprise shall conclusively be deemed a Related Company and Indemnitee shall conclusively be deemed to be serving such Related Company at the request of the Company.

c. **Attorneys' Fees and Expenses for Enforcement Action.** If Indemnitee is required to bring an Enforcement Action, the Company shall hold harmless and indemnify Indemnitee against all of Indemnitee's attorneys' fees and expenses in bringing and pursuing the Enforcement Action (including but not limited to attorneys' fees at any stage, and on appeal); ***provided, however,*** that the Company shall not be required to provide indemnification for such fees and expenses if a court of competent jurisdiction determines that any of the material assertions made by Indemnitee in such Enforcement Action were not made in good faith or were frivolous.

4. **Defense of Claim.** With respect to any Proceeding as to which Indemnitee has provided notice to the Company pursuant to Section 1(e):

a. The Company may participate therein at its own expense.

b. The Company, jointly with any other indemnifying party similarly notified, may assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to so assume the defense thereof, the Company shall not be liable to Indemnitee under this Agreement for any legal fees or other expenses (other than reasonable costs of investigation) subsequently incurred by Indemnitee in connection with the defense thereof unless: (i) the employment of counsel by

Indemnitee or the incurring of such expenses has been authorized by the Company; (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such Proceeding; or (iii) the Company shall not in fact have employed counsel to assume the defense of such Proceeding, in each of which cases the legal fees and other expenses of Indemnitee shall be borne by the Company. The Company shall not be entitled to assume the defense of a Proceeding brought by or on behalf of the Company or as to which Indemnitee shall have reached the conclusion described in clause (ii) above.

c. The Company shall not be liable for any amounts paid in settlement of any Proceeding effected without its written consent.

d. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent.

e. Neither the Company nor Indemnitee will unreasonably withhold its or Indemnitee's consent to any proposed settlement of any Proceeding.

5. **Maintenance of D&O Insurance**

a. Subject to Section 5(c) below, during the period (the "Coverage Period") beginning as soon as practicable following the date of this Agreement and ending not less than six (6) years following the time Indemnitee is no longer serving as either a director or officer of the Company or any Related Company, or, if later, such time as Indemnitee shall no longer be reasonably subject to any possible Proceeding, the Company shall maintain a directors' and officers' liability insurance policy ("D&O Insurance") in full force and effect, providing in all respects coverage at least comparable to and in similar amounts as that obtained by other comparable companies.

b. Under all policies of D&O Insurance, Indemnitee shall during the Coverage Period be named as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company's directors or officers most favorably insured by the policy.

c. The Company shall have no obligation to obtain or maintain D&O Insurance if the Board determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, or the coverage provided by such insurance is so limited by exclusions as to provide an insufficient benefit.

d. It is the intention of the parties in entering into this Agreement that the insurers under the D&O Insurance, if any, shall be obligated ultimately to pay any claims by Indemnitee which are covered by D&O Insurance, and nothing herein shall be deemed to diminish or otherwise restrict the Company's or Indemnitee's right to proceed or collect against any insurers under D&O Insurance or to give such insurers any rights against the Company or Indemnitee under or with respect to this Agreement, including but not limited to any right to be subrogated to the Company's or Indemnitee's rights hereunder, unless otherwise expressly agreed to by the Company and Indemnitee in writing. The obligation of such insurers to the Company and Indemnitee shall not be deemed reduced or impaired in any respect by virtue of the provisions of this Agreement.

6. **Limitations on Indemnification; Mutual Acknowledgment**

a. **Limitation on Indemnity.** No indemnification pursuant to this Agreement shall be provided by the Company:

i. On account of any suit in which a final, unappealable judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto; or

ii. For Damages or Expense Advances that have been paid directly to Indemnitee by an insurance carrier under a policy of D&O Insurance or other insurance maintained by the Company; or

iii. In connection with any action, suit or other proceeding (except for an Enforcement Action brought by the Indemnitee pursuant to Section 3) initiated by Indemnitee (including any such action, suit or other proceeding (or part thereof) initiated by Indemnitee against the Company or its directors, officers, employees, agents or other indemnitees), unless: (A) the Board authorized the action, suit or other proceeding (or part thereof) prior to its initiation; or (B) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

b. **Mutual Acknowledgment.** The Company and Indemnitee acknowledge that, in certain instances, federal law or public policy may override applicable state law and prohibit the Company from indemnifying Indemnitee under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Furthermore, Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit for judicial determination the issue of the Company's power to indemnify Indemnitee in certain circumstances.

7. **Subrogation.** In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all such actions necessary to secure such rights, including but not limited to execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

8. **Other Agreements.** This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

9. **Severability.** Nothing in this Agreement is intended to require or shall be construed as requiring the Company to take or fail to take any action in violation of applicable law. The Company's inability to perform its obligations under this Agreement pursuant to court order shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable, as provided in this Section 9. If a court of competent jurisdiction should decline to enforce any of the provisions of this Agreement, the Company and Indemnitee agree that such provisions shall be deemed to be reformed to provide Indemnitee indemnification by the Company to the maximum extent permitted by the other portions of this Agreement that are not unenforceable, the remainder of this Agreement shall not be affected, and this Agreement shall continue in force.

10. **Governing Law; Binding Effect; Amendment and Termination**

a. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Washington.

b. This Agreement shall be binding upon Indemnitee and upon the Company, its successors and assigns, and shall inure to the benefit of Indemnitee, Indemnitee's heirs, personal representatives and assigns and to the benefit of the Company, its successors and assigns.

c. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

d. Nothing in this Agreement shall confer upon Indemnitee the right to continue to serve the Company in any capacity. If Indemnitee is an employee of the Company, then, unless otherwise expressly provided in a written employment agreement between the Company and Indemnitee, the employment of Indemnitee with the Company shall be terminable at will by either party.

e. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective as of the day and year first set forth above.

"Company"

NORDSTROM, INC.

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

"Indemnitee"

____
[type name of Director]

EXHIBIT A

NOTICE OF CLAIM

1. Notice is hereby given by the undersigned, ____________________, pursuant to Section 1(e) of the Indemnification Agreement ("Agreement") dated as of ____________________, between Nordstrom, Inc., a Washington corporation (the "Company"), and the undersigned, of the commencement of a Proceeding, as defined in the Agreement.

2. The undersigned hereby requests indemnification with respect to the Proceeding by the Company under the terms of the Agreement.

3. **[Add brief description of the Proceeding]**

Dated: ____________________, ________.

____

EXHIBIT B

STATEMENT OF UNDERTAKING

STATE OF ____________________)
) ss.
COUNTY OF ____________________)

I, ____________________, being first duly sworn, do depose and say as follows:

1. This Statement is submitted pursuant to the Indemnification Agreement (the "Agreement") dated as of ____________________ between Nordstrom, Inc., a Washington corporation (the "Company"), and me.

2. I am requesting an Expense Advance, as defined in the Agreement.

3. I hereby undertake to repay the Expense Advance if and to the extent it is ultimately determined by a final, unappealable decision rendered by a court having proper jurisdiction that I am not entitled to be indemnified by the Company.

4. The expenses for which advancement is requested are as follows:

[Add brief description of expenses]

DATED: ____________________, ________.

____

SUBSCRIBED AND SWORN TO before me this _____ day of ______________,

(Seal or stamp)

____
Notary Signature

____
Print/Type Name
Notary Public in and for the State of ______,residing at ______
My appointment expires ________________

Exhibit 31.1

Certification required by Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Erik B. Nordstrom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nordstrom, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 1, 2023

/s/ Erik B. Nordstrom
Erik B. Nordstrom

Chief Executive Officer of Nordstrom, Inc.

Exhibit 31.2

Certification required by Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Cathy R. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nordstrom, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 1, 2023

/s/ Cathy R. Smith
Cathy R. Smith
Chief Financial Officer of Nordstrom, Inc.

Exhibit 32.1

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nordstrom, Inc. (the “Company”) on Form 10-Q for the period ended October 28, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Erik B. Nordstrom, Chief Executive Officer (Principal Executive Officer), and Cathy R. Smith, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer), of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 1, 2023

/s/ Erik B. Nordstrom
Erik B. Nordstrom
Chief Executive Officer of Nordstrom, Inc.

/s/ Cathy R. Smith
Cathy R. Smith
Chief Financial Officer of Nordstrom, Inc.

A signed original of this written statement required by Section 906 has been provided to Nordstrom, Inc. and will be retained by Nordstrom, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.