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

FORM 8-K

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

Date of Report (Date of earliest event reported) **March 1, 2022**

NORDSTROM, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

Emerging growth company ☐

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

ITEM 2.02 Results of Operations and Financial Condition

On March 1, 2022, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and year ended January 29, 2022, its financial position as of January 29, 2022, and its cash flows for the year ended January 29, 2022 (“Fourth Quarter Results”). A copy of this earnings release is furnished as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On March 1, 2022, Nordstrom, Inc. issued an earnings release announcing its Fourth Quarter Results. A copy of this earnings release is furnished as Exhibit 99.1.

In addition, furnished hereby and incorporated by reference herein is the earnings call commentary on its Fourth Quarter Results and 2022 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on March 1, 2022. A copy of this earnings call commentary is furnished as Exhibit 99.2.

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

ITEM 9.01 Financial Statements and Exhibits

99.1	Nordstrom earnings release dated March 1, 2022 relating to the Company's Fourth Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's Fourth Quarter Results and 2022 financial outlook
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Ann Munson Steines
Ann Munson Steines
Executive Vice President,
General Counsel and Corporate Secretary

Date: March 1, 2022

Exhibit 99.1

NORDSTROM

Nordstrom Reports Fourth Quarter 2021 Earnings

- *Sales and earnings in line with fiscal 2021 outlook*
- *Digital sales growth of 23 percent over fourth quarter of 2019; digital penetration of 44 percent*
- *Company expects fiscal 2022 EPS of $3.15 to $3.50*

SEATTLE – March 1, 2022 – Nordstrom, Inc. (NYSE: JWN) today reported fourth quarter results in line with the Company's fiscal year 2021 outlook, demonstrating progress against its long-term growth strategy. The Company reported net earnings of $200 million, or $1.23 per diluted share ("EPS"), and earnings before interest and taxes ("EBIT") of $299 million, or 6.8 percent of sales, for the fourth quarter. For the fiscal year ended January 29, 2022, net earnings were $178 million and diluted EPS was $1.10, with EBIT of $492 million, or 3.4 percent of sales. Net earnings for the fiscal year included an $88 million debt refinancing charge ($65 million after tax, or diluted EPS of $0.40) in the first quarter.

For the fourth quarter ended January 29, 2022, net sales increased 23 percent versus the same period in fiscal 2020 and decreased 1 percent versus the same period in fiscal 2019. Gross merchandise value ("GMV") increased 24 percent versus the same period in fiscal 2020 and was flat versus the same period in fiscal 2019. Nordstrom banner net sales were flat and GMV increased 2 percent compared with the fourth quarter of 2019. Net sales for Nordstrom Rack decreased 5 percent versus the fourth quarter of fiscal 2019, a sequential improvement of 320 basis points over the third quarter.

Sales in the home, active, designer, beauty and kids categories had the strongest growth compared with the fourth quarter of 2019. Geographically, Nordstrom banner sales in the Southern markets, including Southern California, outperformed the Northern markets by approximately 7 percentage points. Suburban stores continued to be stronger than urban stores in the fourth quarter.

"We advanced our strategic initiatives this quarter, with sequential sales improvement, strong digital growth and a significant increase in profitability," said Erik Nordstrom, chief executive officer of Nordstrom, Inc. "Our team continues to work with urgency to accelerate our progress and invest in our capabilities to better serve customers and profitably grow sales. Our primary focus is on three areas: improving Nordstrom Rack performance, increasing profitability and optimizing our supply chain and inventory flow. Our progress has given us line of sight to achieve in the coming year the financial targets we presented at our 2021 Investor Event."

The Company made significant progress on its merchandising strategies throughout 2021, with choice count at an all-time high, increasing 50 percent over last year, and more than 300 new brands launched during the year. Additionally, alternative vendor partnership models accounted for 10 percent of Nordstrom banner GMV in the fourth quarter, up from 7 percent in 2019.

"We drove a significant increase in merchandise margin this quarter, as we engaged customers through our compelling and expanded holiday gift offering, while also reducing promotional activity," said Pete Nordstrom, president and chief brand officer of Nordstrom, Inc. "Looking ahead, we are focused on more effectively balancing inventory with demand while increasing efficiency throughout our network and delivering newness and selection to our customers."

The Company continued to navigate global supply chain disruptions throughout the quarter by accelerating receipts and investing in improved in-stock levels. Inventory levels at the end of the quarter were higher than planned, but the Company expects to reduce its inventory relative to sales during the first quarter of fiscal 2022.

Nordstrom continued to strengthen its financial position and reduced its leverage ratio to 3.2 times at the end of fiscal 2021. Subject to the completion of certain year-end certification requirements with its bank group, the Company anticipates that it will be in a position to resume returning cash to shareholders in the first quarter of fiscal 2022.

FOURTH QUARTER 2021 SUMMARY

- Total Company net sales in the fourth quarter increased 23 percent compared with the same period in fiscal 2020. Net sales decreased 1 percent compared with the same period in fiscal 2019, consistent with the third quarter of 2021. After taking into account an approximately 200 basis point impact due to the timing of this year's Anniversary Sale, fourth quarter sales improved sequentially over the third quarter. Full-year revenue for fiscal 2021, including retail sales and credit card revenues, increased 38 percent compared with fiscal 2020. GMV was flat in the fourth quarter and decreased 4 percent in fiscal 2021 when compared with the same periods in 2019.

- For the Nordstrom banner, net sales in the fourth quarter increased 23 percent compared with the same period in fiscal 2020 and were flat against the same period in fiscal 2019. GMV increased 2 percent and decreased 2 percent in the fourth quarter and in the fiscal year, respectively, when compared with the same periods in 2019.
- For the Nordstrom Rack banner, net sales increased 23 percent and decreased 5 percent compared with the same periods in fiscal 2020 and fiscal 2019, respectively. Fourth quarter net sales were a sequential improvement of 320 basis points over the third quarter of 2021.
- Digital sales in the fourth quarter decreased 1 percent compared with the same period in fiscal 2020 and increased 23 percent compared with the same period in fiscal 2019. Digital sales represented 44 percent of total sales during the quarter and 42 percent of sales for the fiscal year.
- Gross profit, as a percentage of net sales, of 38 percent increased 500 basis points compared with the same period in fiscal 2020, and increased 340 basis points compared with the same period in 2019, due to improved merchandise margins from reduced markdowns, and increased leverage on buying and occupancy costs.
- Ending inventory increased 19 percent compared with the same period in fiscal 2019, versus a 1 percent decrease in sales. Approximately half of the inventory increase versus 2019 was due to planned investments to prioritize in-stock levels.
- Selling, general and administrative ("SG&A") expenses, as a percentage of net sales, of 34 percent decreased 125 basis points compared with the same period in fiscal 2020, primarily due to leverage on higher sales, partially offset by labor cost pressure. SG&A expenses, as a percentage of net sales, increased 340 basis points compared with the same period in fiscal 2019 primarily as a result of fulfillment and labor cost pressures, partially offset by the non-cash asset impairment in 2019 of $32 million resulting from the integration of Trunk Club and continued benefit from resetting the cost structure in 2020.
- EBIT was $299 million in the fourth quarter of 2021, compared with $30 million during the same period in fiscal 2020, primarily due to higher sales volume and improved merchandise margins, partially offset by labor cost pressure. EBIT was flat versus the fourth quarter of fiscal 2019, which included the impact of the Trunk Club impairment charge. EBIT margin was 6.8 percent of sales for the quarter, which was 10 basis points higher than the fourth quarter of 2019, and 3.4 percent for the fiscal year.
- Interest expense, net, of $33 million decreased from $48 million during the same period in fiscal 2020 as a result of the redemption of the 8.75% secured notes during the first quarter of fiscal 2021 and the 4.0% unsecured notes during the second quarter of fiscal 2021.
- Income tax expense during the fourth quarter was $66 million, or 25 percent of pretax earnings, compared with income tax benefit of $51 million in the same period of fiscal 2020. Last year's income tax included benefits associated with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").
- Fourth quarter net earnings of $200 million increased from $33 million during the same period in fiscal 2020 primarily due to higher sales volume and gross margin.
- The Company finished the year with $1.1 billion in liquidity including $322 million in cash and the full $800 million available on its revolving line of credit, and a leverage ratio of 3.2 times.

FISCAL YEAR 2022 OUTLOOK

The Company has provided the following financial outlook for fiscal 2022:

- Revenue growth, including retail sales and credit card revenues, of 5 to 7 percent versus fiscal 2021
- EBIT margin of 5.6 to 6.0 percent of sales
- Income tax rate of approximately 27 percent
- Earnings per share of $3.15 to $3.50, excluding the impact of share repurchase activity, if any
- Leverage ratio of approximately 2.5 times by year-end

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss fourth quarter 2021 financial results and fiscal year 2022 outlook at 4:45 p.m. Eastern Standard Time today. To listen to the live call online and view the speakers' prepared remarks and the conference call slides, visit the Investor Relations section of the Company's corporate website at investor.nordstrom.com. An archived webcast with the speakers' prepared remarks and the conference call slides will be available in the Quarterly Results section for one year. Interested parties may also dial 201-689-8354. A telephone replay will be available beginning approximately three hours after the conclusion of the call by dialing 877-660-6853 or 201-612-7415 and entering Conference ID 13726542, until the close of business on March 8, 2022.

ABOUT NORDSTROM

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

Certain statements in this press release contain or may suggest "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainties that could cause results to be materially different from expectations. The words "will," "may," "designed to," "outlook," "believes," "should," "targets," "anticipates," "assumptions," "plans," "expects" or "expectations," "intends," "estimates," "forecasts," "guidance" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All statements contained or incorporated in this press release or in any other public statements that address such future events or expectations are forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements are detailed in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021, its Form 10-Qs for the fiscal quarters ended May 1, 2021, July 31, 2021 and October 30, 2021, and our Form 10-K for the fiscal year ended January 29, 2022, to be filed with the SEC on or about March 11, 2022 . These forward-looking statements are not guarantees of future performance and speak only as of the date made, and, except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

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

	Quarter Ended		Year Ended	
	January 29, 2022	**January 30, 2021**	**January 29, 2022**	**January 30, 2021**
Net sales	**$ 4,382**	$ 3,551	**$ 14,402**	$ 10,357
Credit card revenues, net	**104**	94	**387**	358
Total revenues	**4,486**	3,645	**14,789**	10,715
Cost of sales and related buying and occupancy costs	**(2,699)**	(2,365)	**(9,344)**	(7,600)
Selling, general and administrative expenses	**(1,488)**	(1,250)	**(4,953)**	(4,162)
Earnings (loss) before interest and income taxes[1]	**299**	30	**492**	(1,047)
Interest expense, net[2]	**(33)**	(48)	**(246)**	(181)
Earnings (loss) before income taxes	**266**	(18)	**246**	(1,228)
Income tax (expense) benefit	**(66)**	51	**(68)**	538
Net earnings (loss)[1,2]	**$ 200**	$ 33	**$ 178**	$ (690)
Earnings (loss) per share:				
Basic	**$ 1.26**	$ 0.21	**$ 1.12**	$ (4.39)
Diluted[1,2]	**$ 1.23**	$ 0.21	**$ 1.10**	$ (4.39)
Weighted-average shares outstanding:				
Basic	**159.5**	157.9	**159.0**	157.2
Diluted	**162.4**	160.9	**162.5**	157.2
Percent of net sales:				
Gross profit	**38.4 %**	33.4 %	**35.1 %**	26.6 %
Selling, general and administrative expenses	**34.0 %**	35.2 %	**34.4 %**	40.2 %
Earnings (loss) before interest and income taxes	**6.8 %**	0.8 %	**3.4 %**	(10.1 %)

[1] In 2020, we incurred COVID-19 related charges, which reduced net earnings for the year ended January 30, 2021 by $192 or $1.22 per diluted share. These charges consisted primarily of asset impairments from store closures, premium pay and benefits, and restructuring charges, which were slightly offset by credits from the CARES Act.

[2] In the first quarter of 2021, we incurred charges related to our debt refinancing that increased interest expense by $88. Collectively, these charges reduced net earnings for the year ended January 29, 2022 by $65 or $0.40 per diluted share.

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

	January 29, 2022	January 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 322**	$ 681
Accounts receivable, net	**255**	245
Merchandise inventories	**2,289**	1,863
Prepaid expenses and other[1]	**306**	853
Total current assets	**3,172**	3,642
Land, property and equipment (net of accumulated depreciation of $7,737 and $7,159)	**3,562**	3,732
Operating lease right-of-use assets	**1,496**	1,581
Goodwill	**249**	249
Other assets	**390**	334
Total assets	**$ 8,869**	$ 9,538
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 1,529**	$ 1,960
Accrued salaries, wages and related benefits	**383**	352
Current portion of operating lease liabilities	**242**	260
Other current liabilities	**1,160**	1,048
Current portion of long-term debt	**—**	500
Total current liabilities	**3,314**	4,120
Long-term debt, net	**2,853**	2,769
Non-current operating lease liabilities	**1,556**	1,687
Other liabilities	**565**	657
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value: 1,000 shares authorized; 159.4 and 157.8 shares issued and outstanding	**3,283**	3,205
Accumulated deficit	**(2,652)**	(2,830)
Accumulated other comprehensive loss	**(50)**	(70)
Total shareholders' equity	**581**	305
Total liabilities and shareholders' equity	**$ 8,869**	$ 9,538

[1] As of January 30, 2021 prepaid expenses and other included $612 of taxes receivable primarily related to CARES Act benefits. As of January 29, 2022 prepaid expenses and other included $18 of income taxes receivable.

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

	Year Ended	
	January 29, 2022	**January 30, 2021**
Operating Activities		
Net earnings (loss)	**$ 178**	$ (690)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expenses	**615**	671
Asset impairment	**—**	137
Right-of-use asset amortization	**175**	168
Deferred income taxes, net	**(11)**	(7)
Stock-based compensation expense	**79**	67
Other, net	**81**	4
Change in operating assets and liabilities:		
Accounts receivable	**(10)**	(46)
Merchandise inventories	**(383)**	53
Prepaid expenses and other assets	**542**	(607)
Accounts payable	**(400)**	432
Accrued salaries, wages and related benefits	**31**	(157)
Other current liabilities	**112**	(143)
Lease liabilities	**(284)**	(237)
Other liabilities	**(20)**	7
Net cash provided by (used in) operating activities	**705**	(348)
Investing Activities		
Capital expenditures	**(506)**	(385)
Other, net	**(15)**	38
Net cash used in investing activities	**(521)**	(347)
Financing Activities		
Proceeds from revolving line of credit	**400**	800
Payments on revolving line of credit	**(400)**	(800)
Proceeds from long-term borrowings	**675**	600
Principal payments on long-term borrowings	**(1,100)**	—
Decrease in cash book overdrafts	**(32)**	(4)
Cash dividends paid	**—**	(58)
Proceeds from issuances under stock compensation plans	**14**	16
Tax withholding on share-based awards	**(15)**	(9)
Other, net	**(86)**	(15)
Net cash (used in) provided by financing activities	**(544)**	530
Effect of exchange rate changes on cash and cash equivalents	**1**	(7)
Net decrease in cash and cash equivalents	**(359)**	(172)
Cash and cash equivalents at beginning of year	**681**	853
Cash and cash equivalents at end of year	**$ 322**	$ 681

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

Our Nordstrom brand includes Nordstrom.com, TrunkClub.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and Nordstrom Local. Our Nordstrom Rack brand includes NordstromRack.com, Nordstrom Rack-branded U.S. stores, Last Chance clearance stores and, prior to the first quarter of 2021, HauteLook.com. The following table summarizes net sales for the quarter and year ended January 29, 2022, compared with the quarter and year ended January 30, 2021:

	Quarter Ended		Year Ended	
	January 29, 2022	**January 30, 2021**	**January 29, 2022**	**January 30, 2021**
Net sales:				
Nordstrom	**$ 3,027**	$ 2,454	**$ 9,640**	$ 6,997
Nordstrom Rack	**1,355**	1,097	**4,762**	3,360
Total net sales	**$ 4,382**	$ 3,551	**$ 14,402**	$ 10,357
Net sales increase (decrease):				
Nordstrom	**23.3 %**	(18.6 %)	**37.8 %**	(29.6 %)
Nordstrom Rack	**23.5 %**	(22.9 %)	**41.7 %**	(35.3 %)
Total Company	**23.4 %**	(20.0 %)	**39.1 %**	(31.6 %)
Digital sales as % of total net sales[1]	**44 %**	54 %	**42 %**	55 %

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

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

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

Adjusted ROIC is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other GAAP financial measures. Our method of calculating 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 is a reconciliation of return on assets to Adjusted ROIC:

	Four Quarters Ended	
	January 29, 2022	**January 30, 2021**
Net earnings (loss)	**$ 178**	$ (690)
Add (Less): income tax expense (benefit)	**68**	(538)
Add: interest expense	**247**	184
Earnings (loss) before interest and income tax expense	**493**	(1,044)
Add: operating lease interest[1]	**87**	95
Adjusted net operating profit (loss)	**580**	(949)
(Less) Add: estimated income tax (expense) benefit[2]	**(159)**	416
Adjusted net operating profit (loss) after tax	**$ 421**	$ (533)
Average total assets	**$ 9,301**	$ 9,718
Less: average deferred property incentives in excess of ROU assets[3]	**(232)**	(276)
Less: average non-interest bearing current liabilities	**(3,352)**	(3,138)
Average invested capital	**$ 5,717**	$ 6,304
Return on assets[4]	**1.9 %**	(7.1 %)
Adjusted ROIC[4]	**7.4 %**	(8.5 %)

[1] We add back the operating lease interest to reflect how we manage our business. Operating lease interest is a component of operating lease cost recorded in occupancy costs.
[2] Estimated income tax (expense) benefit is calculated by multiplying the adjusted net operating profit (loss) by the effective tax rate for the trailing twelve month periods ended January 29, 2022 and January 30, 2021. The effective tax rate is calculated by dividing income tax expense (benefit) by earnings (loss) before income taxes for the same trailing twelve month periods.
[3] For leases with property incentives that exceed the ROU assets, we reclassify the amount from assets to other current liabilities and other liabilities and reduce average total assets, as this better reflects how we manage our business.
[4] COVID-19 related charges for the four quarters ended January 30, 2021 negatively impacted return on assets by approximately 200 basis points and Adjusted ROIC by approximately 280 basis points.

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

Adjusted Debt to earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") is one of our key financial metrics and we believe that our debt levels are best analyzed using this measure, as it provides a reflection of our creditworthiness which could impact our credit rating and borrowing costs. This metric is calculated in accordance with 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 maintain an investment-grade credit rating while operating with an efficient capital structure.

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

	January 29, 2022
Debt	**$ 2,853**
Add: estimated capitalized operating lease liability[1]	**1,373**
Adjusted Debt	**$ 4,226**

	Four Quarters Ended January 29, 2022
Net earnings	**$ 178**
Add: income tax expense	**68**
Add: interest expense, net	**246**
Adjusted earnings before interest and income taxes	**$ 492**
Add: depreciation and amortization expenses	**615**
Add: rent expense, net[2]	**229**
Add: other Revolver covenant adjustments[3]	**1**
Adjusted EBITDAR	**$ 1,337**
Debt to Net Earnings	**16.0**
Adjusted Debt to EBITDAR	**3.2**

[1] Based upon the estimated lease liability as of the end of the period, calculated as the trailing four quarters of rent expense multiplied by six, a method of estimating the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease or we had purchased the property and is calculated under the previous lease standard (ASC 840), consistent with our Revolver covenant calculation requirements. The estimated lease liability is not calculated in accordance with, nor an alternative for, GAAP and should not be considered in isolation or as a substitution for our results reported under GAAP.
[2] Rent expense, net of amortization of developer reimbursements, is added back for consistency with our Revolver covenant calculation requirements, and is calculated under the previous lease standard (ASC 840).
[3] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income and certain non-cash charges where relevant.

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

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

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

	Year Ended	
	January 29, 2022	**January 30, 2021**
Net cash provided by (used in) operating activities	**$ 705**	$ (348)
Less: capital expenditures	**(506)**	(385)
Less: change in cash book overdrafts	**(32)**	(4)
Free Cash Flow	**$ 167**	$ (737)

NORDSTROM, INC.

ADJUSTED EBITDA (NON-GAAP FINANCIAL MEASURE)

(unaudited; amounts in millions)

Adjusted earnings (loss) before interest, income taxes, depreciation and amortization (“EBITDA”) is one of our key financial metrics and, when used in conjunction with GAAP measures, we believe it provides investors with a meaningful analysis of our ability to generate pre-tax earnings and cash flow from our operations. Adjusted EBITDA excludes significant items which are non-operating in nature in order to evaluate our core operating performance against prior periods. The financial measure calculated under GAAP which is most directly comparable to Adjusted EBITDA is net earnings.

Adjusted EBITDA is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for net earnings, overall change in cash or liquidity of the business as a whole. 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 following is a reconciliation of net earnings (loss) to Adjusted EBITDA:

	Year Ended	
	January 29, 2022	**January 30, 2021**
Net earnings (loss)	**$ 178**	$ (690)
Add (Less): income tax expense (benefit)	**68**	(538)
Add: interest expense, net	**246**	181
Earnings (loss) before interest and income taxes	**492**	(1,047)
Add: depreciation and amortization expenses	**615**	671
Less: amortization of developer reimbursements	**(78)**	(86)
Add: asset impairments	**—**	137
Adjusted EBITDA	**$ 1,029**	$ (325)

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Q4 2021 NORDSTROM EARNINGS CALL — PREPARED REMARKS

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

Good afternoon and thank you for joining us today.

Our fourth quarter results were marked by sequential sales improvement, strong digital growth, improved profitability, and continued progress in executing on our long-term strategy. Looking back on the fiscal year, revenue increased 38 percent versus 2020 and we delivered an EBIT margin of 3.4 percent, in line with our guidance.

Importantly, we’ve made progress on our strategic initiatives, and have line of sight to achieving, in the coming year, the financial targets we presented at our 2021 Investor Event.

Our team continues to work with urgency to build additional capabilities to better serve customers, expand market share, and deliver greater profitability. We are laser focused on the three key areas we outlined in the third quarter: improving Nordstrom Rack performance, increasing profitability, and optimizing our supply chain and inventory flow.

Starting with Nordstrom Rack, last quarter we undertook a thorough analysis of the business and developed prescriptive plans to optimize the customer experience and improve our performance. As we raised inventory levels and improved average price points in our stores, we posted a sequential sales improvement of 320 basis points in the fourth quarter. Though we are in the early stages of implementation, the Rack results and improving store customer satisfaction scores reaffirm our confidence in the plans we’ve outlined.

Nordstrom Rack has a unique mix of brands with limited distribution in the off-price sector. Customers are drawn to the Rack to purchase sought after brands at a terrific price. Rack faces a unique challenge as off-price procurement of the same top brands we carry at Nordstrom is particularly difficult in the current environment with production constraints and lower levels of clearance product.

As a result, we are executing a multi-layered plan to both expand our offerings of the most coveted brands we carry, as well as source from new vendors, to ensure we have the selection our customers want. In Q4, we improved our in-stock position at the Rack by increasing the flow of inventory, making more frequent deliveries to our stores, partnering with brands to prioritize Rack deliveries, and focusing our sourcing efforts on core categories that matter most to customers, such as Shoes and Apparel.

We are also increasing our opportunistic use of Pack and Hold inventory, allowing us to buy larger quantities of select relevant items when available, then hold a portion of it to deploy in periods with high demand, tight supply, or system constraints.

As we improve our supply of premium brands and fine tune our assortment to better align with customer needs, we expect to achieve a better balance of price points at the Rack.

Finally, we are taking action to strengthen Rack's brand awareness and drive traffic. We are pleased with the results of our "More Reasons to Rack" marketing campaign which showed a meaningful increase in future purchase intent.

Through this comprehensive set of actions, we anticipate continued improvement in Rack performance throughout fiscal 2022. To be clear, we are confident in our ability to profitably grow our Rack business and won't be satisfied until we do so.

Turning to profitability, we delivered significant improvement in merchandise margin this quarter. Pete will take you through our progress to date and our plans to deliver incremental improvement in 2022 through strategic pricing and category management.

Within SG&A, we rationalized our overhead cost structure in 2020 and remain committed to sustaining our expense discipline. Given the significant macro-related pressure in fulfillment and labor costs that we're facing currently, the team is taking action to mitigate the overall impact from those pressures, including optimizing our supply chain to drive efficiencies.

We expect that the supply chain optimization workstreams we began implementing this quarter will enhance the customer experience and drive topline growth while also driving efficiencies in labor and fulfillment in 2022. Pete will provide more detail on our plans for supply chain improvement in a moment.

Turning to fourth quarter performance, in addition to sequential improvement in our Rack banner, we saw strong enterprise digital growth of 23 percent versus 2019, and increased utilization of the interconnected capabilities delivered by our Market Strategy.

Nordstrom banner sales were flat, while Gross Merchandise Value, or GMV, increased 2 percent in the fourth quarter versus 2019. We continued to see significant disparity in geographic performance. The Southern U.S., where 44 percent of our stores are located, was a source of strength for the Nordstrom banner, outperforming the Northern U.S. by approximately 7 percentage points. Notably, suburban locations outperformed our urban locations by 10 percentage points in the fourth quarter as city centers have been disproportionately impacted by the effects of the pandemic.

In addition to the three focus areas that I've discussed, the team continues to make progress in the key strategic growth priorities we laid out at our Investor Event last year - winning in our most important markets and increasing our digital velocity.

Starting with our priority to win in our most important markets ... we are leveraging a strong store fleet that positions us physically closer to the customer. Our strategy links our omnichannel capabilities at the local market level, allowing us to drive customer engagement through better service and greater access to product no matter how customers choose to shop. This platform is a unique differentiator, delivering unmatched convenience and providing customers with four times more product available for next day pickup, a one day reduction in average shipping time, and the ability to pick up orders at the Nordstrom, Nordstrom Local, or Nordstrom Rack location of their choice.

We continue to scale the enhanced options we launched in 2020 like the expansion of order pickup and ship to store to all Nordstrom Rack locations, with order pickup reaching a record high 11 percent of Nordstrom.com sales this quarter. And one-third of next day Nordstrom.com demand was picked up at Rack stores, demonstrating the power of integrating capabilities across our two banners and across our digital and physical platforms. We are encouraged by increases in order pickup demand, a leading indicator of future growth as customers utilizing in-store pickup have higher engagement and spend 3.5 times more than customers who don't utilize the service. Increasing Buy Online Pick Up In Store utilization is advantageous as it is both our highest satisfaction customer experience and most profitable customer journey.

Customers clearly value the strength of our omni-channel model as evidenced by a dramatic increase in spend when they engage across our multiple channels, banners, and services. For example, the average customer that shops across both banners, in store and online, spends over 12 times more than a customer utilizing a single channel and banner.

We also continue to evolve our approach to get closer to our customers than ever before, building deeper connections through our loyalty program and differentiated service model. Our Nordy Club loyalty program is a powerful engagement driver, with 67 percent sales penetration in 2021. Our core customers remain highly engaged, with loyalty customer counts exceeding 2019 levels. We are also pleased to see customers responding well to our assortment and services, with new customer acquisition activity returning to 2019 levels.

We continue to advance our digital tools, including virtual styleboards and style links, to allow our salespeople to offer our customers highly relevant recommendations, both in-store and digitally. This year, remote selling sales volume increased 63 percent versus last year. We are encouraged by the results of this program with very high customer satisfaction scores and average customer spend over six times that of an average Nordstrom customer.

With regard to increasing our digital velocity, we maintained strong growth at Nordstrom.com and NordstromRack.com this quarter, with digital sales increasing 23 percent over the fourth quarter of 2019. With continued growth in digital, our total penetration has increased by 9 percentage points over the past 2 years to 44 percent. In the fourth quarter, we also saw record high mobile app usage, with mobile users representing approximately 70 percent of total digital traffic.

Though we still have much work to do on our transformation, the progress we’ve made gives us confidence in our strategic plans and business outlook for 2022. We believe there is a meaningful opportunity ahead for us to better serve customers by improving Rack performance and transforming our supply chain, leading to increased profitability and shareholder value creation. We have line of sight to achieving the financial targets outlined at our 2021 Investor Event while building the capabilities to profitably grow market share beyond that. We look forward to sharing our continued progress in the quarters ahead.

As we look back on the year, and look forward to 2022, we’d like to thank our outstanding team for their tireless dedication to serving customers, building new capabilities, and evolving our company. Our people are truly our greatest asset.

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

PETE NORDSTROM | PRESIDENT AND CHIEF BRAND OFFICER

Thanks, Erik, and good afternoon everyone.

I’d like to talk about our category performance during the fourth quarter, then follow with an update on our initiatives to increase gross margin, improve supply chain and inventory flow, and transform our merchandising model.

Starting with the category performance …

- We were pleased to see continued strength in our Luxury categories in the fourth quarter, with Designer and Fine Jewelry posting strong double-digit growth over 2019.

- Beauty also had a double-digit increase, driven by strong growth in our Nordstrom banner and the launch of an expanded offering in the Rack.
- And pandemic-related categories continued to outperform, particularly Home and Active, with sales up 52 and 22 percent, respectively, compared to 2019 levels.

Our core categories in Apparel and Shoes, which collectively make up more than 70 percent of our business, are not quite back to 2019 levels, but they are recovering. We saw signs of renewing customer interest in post-pandemic occasion-based categories, with improving trends in Dresses, Men's Sportswear, Outerwear, and Women's Shoes.

Now on to our initiatives.

We believe we have a meaningful opportunity to improve both the customer experience and our financial outcomes through our efforts around merchandising and inventory flow.

This quarter, we made significant progress improving our merchandise margins versus 2019. As we entered the holiday season, our team focused on driving sales and engaging customers through our compelling holiday offering, while also increasing profitability. Leveraging advanced analytical tools, we identified opportunities to expand holiday gifting and increase our promotional effectiveness by optimizing the pace and depth of markdowns. We're very encouraged by the results, with merchandise margins up 235 basis points over 2019, and we see more opportunity to drive additional margin improvements in '22.

To provide the best possible assortment for our customers, we are also using a data-driven, customer-centric approach to optimize our category management. Through this work, we are defining the role of each category at Nordstrom and Nordstrom Rack and then optimizing our assortment for the role each category plays. Our goal is to attract new customers, increase share of wallet with existing customers, and improve merchandise margins by focusing on the most highly sought after items.

Women's Denim is a great example of the potential in our category management work. Denim has always been an important category for our customers and a strong performer for us too, but our analysis highlighted an opportunity to lean into it as more of a destination category.

In response to our analysis, we:

- Increased inventory depth for the most highly sought after jeans to ensure that we are in-stock for our customers,
- Piloted a dedicated in-store Women's Denim shop to better highlight our extensive selection and make it easier to shop,
- And planned a campaign aligned with April's Earth Month to showcase a curated group of denim brands with a focus on sustainability.

We are very pleased with the initial results we've seen with our category management initiative and plan to build on this momentum in 2022.

While we continue to develop these merchandising capabilities, we're simultaneously focused on improving our supply chain and inventory flow. We've all been dealing with global supply chain disruptions for a while now, with product scarcity, order cancellations, and shipment delays. Entering the fourth quarter, we took an aggressive approach to securing product for the holiday season and early Spring. This helped to ensure that we were in-stock for our customers. However, these supply chain challenges have recently begun to improve a bit, and order cancellations weren't as significant as we anticipated. As a result, our ending inventory was higher than planned, but we expect to cut our sales-to-inventory spread in half by the end of the first quarter.

We've learned a lot from our experience navigating pandemic-related supply chain disruptions, and we're evolving our network, processes, and capabilities across several fronts:

- First, improving the consistency and predictability of unit flow through our network,
- Second, improving velocity and throughput in our distribution and fulfillment centers,
- Third, increasing delivery speed,
- And finally, expanding the selection for in-store shopping as well as same day and next day pickup.

These actions will improve the customer experience, increase sell-through and reduce markdowns by allowing us to place the right assortment with the right depth closer to the customer. They'll also help us improve our expense efficiency. We expect to see benefits from these actions beginning in the first half of fiscal 2022, with more to follow in the second half.

As we look ahead, we are excited about the ongoing transformation of our business and our plans to deliver enhanced experiences to our customers and value to our shareholders.

- We continue to scale our Nordstrom Media Network, which allows our brand partners to directly connect with Nordstrom customers through on and off-site media campaigns to increase traffic, sales, and engagement. We grew the concept in 2021 with some of our best brands and were pleased with the value it brought to our customers and partners. We look forward to expanding this program over the next 2-3 years.
- We are also delivering newness, selection, and inspiration to our customers by partnering with brands in new ways. Our alternative partnership models have gained approximately 300 basis points as a percent of Nordstrom banner GMV since 2019, reaching 10 percent today.
- We launched over 300 new brands and partnerships this year including Open Edit, Farm Rio, Fanatics, and ASOS DESIGN.
- We also grew and scaled top brands through 2021, including Nike, Ugg, Tory Burch, Adidas, Free People, and Luxottica.
- We've also scaled brands that started out as Direct To Consumer partners, such as SKIMS, ON Running, LL Bean, Good American, and Vuori.
- And we continue to grow our business in Designer & Luxury brands, including Chanel, Gucci, Saint Laurent, Dior, and Burberry.
- After growing choice count by 50% this year, we enter 2022 with record high selection. We'll continue to significantly expand our choice count, leveraging our category management process and enhanced analytics to deliver a curated, relevant assortment that attracts new customers while expanding wallet share with our existing customers.

In closing, as we enhance our capabilities, the customer remains at the center of our work. We are transforming our approach and leveraging deeper insights to give the customer more choices while increasing relevance and profitability. As we improve our supply chain and merchandising ecosystems, we'll deliver a better experience through faster and more flexible fulfillment, providing newness at the right price with the right quantities, where and when our customers want it … all while improving our agility and productivity.

With that, I'll turn it over to Anne to discuss our financial results.

ANNE BRAMMAN | CHIEF FINANCIAL OFFICER

Thanks, Pete.

I'd like to begin with a review of our results, then take you through our outlook for fiscal 2022.

Overall, net sales increased 23 percent in the fourth quarter compared to the same period in fiscal 2020, and decreased 1 percent compared to the same period in fiscal 2019. Total revenue finished the year up 38 percent, in line with our guidance.

From this point forward, I'll speak to comparisons versus 2019, unless otherwise noted.

In the fourth quarter, Nordstrom banner sales were flat, while GMV increased 2 percent. As alternative vendor partnership models have become a more significant portion of the business, GMV provides an additional measure of our top-line performance.

Nordstrom Rack sales declined 5 percent in the fourth quarter, a sequential improvement of 320 basis points over the third quarter, as we raised inventory levels and improved average price points in our stores. And as Erik mentioned, we are executing a multi-layered plan to improve Rack's performance and capture market share in the off-price sector.

Our digital business continues to grow, with fourth quarter sales increasing 23 percent.

Gross profit, as a percentage of net sales, increased 340 basis points, primarily due to increased promotional effectiveness, fewer markdowns, and leverage in buying and occupancy costs.

Ending inventory increased 19 percent, with approximately half of the inventory increase due to planned investments to ensure in-stock merchandise availability. As Pete indicated, we plan to reduce our sales-to-inventory spread by half by the end of the first quarter.

Total SG&A as a percentage of net sales increased 340 basis points in the fourth quarter as a result of continued macro-related fulfillment and labor cost pressures. We made purposeful investments in both store and fulfillment center staffing as we prioritized serving our customers and navigating the continuing COVID-related disruptions. These increased expenses were partially offset by continued benefits from resetting the cost structure in 2020 and a $32 million non-cash asset impairment charge in 2019.

EBIT margin was 6.8 percent of sales for the fourth quarter, an improvement of 10 basis points. For the year, EBIT margin was 3.4 percent, toward the high end of our guidance.

We continue to strengthen our financial position, ending the year with $1.1 billion in liquidity, including $800 million fully available on our revolver, and a leverage ratio of 3.2 times.

Now turning to our outlook for fiscal 2022.

I'll begin by outlining the macroeconomic assumptions underlying our projections. We expect that wage growth and higher employment levels will support consumer spending in 2022. Potential headwinds include the impact of inflation, which could reduce overall discretionary income, and geopolitical risks to the economy and financial markets.

We are seeing encouraging early signs of a resumption of activities such as travel, in-person social events, and return to office after being delayed by the Omicron variant. At the same time, we continue to be prepared for the potential of further pandemic-related disruptions in consumer behavior and global supply chains.

Taking all these factors into consideration, we are assuming a roughly even balance of upside and downside macroeconomic risk relative to current conditions, and are planning accordingly.

Our 2022 outlook reflects our plans to drive topline growth through our interconnected digital and physical assets and deliver continued improvement in Nordstrom Rack performance. As we derive more benefits from our pricing and category management improvements, as well as planned mid-single digit average retail price increases, we expect continued merchandise margin improvements. Finally, we plan to partially offset inflationary freight and labor costs with greater productivity from the actions we are taking to optimize our supply chain.

Today, we are providing our fiscal 2022 business outlook with comparisons to 2021.

For fiscal year 2022, we expect revenue growth of 5 to 7 percent. We anticipate that seasonality between the first and second halves of the year will be consistent with pre-COVID levels, resulting in higher year over year growth rates in the first half, as we lap softer comparisons from early 2021. We also expect that year over year sales growth will be roughly consistent between Q1 and Q2, with the Anniversary Sale shifting back to the second quarter.

We expect EBIT margin of approximately 5.6 to 6.0 percent for the full year. We anticipate that EBIT margin improvements will also be consistent between the first and second halves of 2022, as a result of increased operating leverage, improvements in gross profit margins, and greater expense efficiencies. Our plan assumes that first quarter EBIT will be slightly better than breakeven.

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

Given solid topline growth, coupled with progress on our productivity initiatives, we expect diluted earnings per share of $3.15 to $3.50 for the year, which excludes the impact of share repurchases, if any.

Turning now to capital allocation, our first priority is investment in the business to serve our customers and deliver the highest quality experience. We’re planning capital expenditures at normalized levels of 3 to 4 percent primarily to support supply chain and technology capabilities.

Our second priority is reducing our leverage. We are committed to an investment grade credit rating and remain on track to decrease our leverage ratio to approximately 2.5 times by the end of 2022.

Our third priority is returning cash to shareholders. Subject to completion of our year-end audit and the related certification process with our bank group, we expect to be in position to resume returning cash to shareholders in the first quarter. We anticipate completing that process by mid-March, and discussing with our Board shortly thereafter the resumption of a quarterly dividend at an appropriate rate.

As you've heard today, we delivered results in line with our guidance and demonstrated progress against our strategic initiatives. We now have a clear line of sight to achieving our Investor Event targets in the coming year. Though there is more work ahead, the early indicators we're seeing with improving Rack performance and increased merchandise margin give us confidence in our plans. We also made significant progress on our merchandising strategies throughout 2021. Choice count is now at an all-time high, with more than 300 new brands launched last year, and growth in alternative partnership models … all of which position us to grow sales by delivering newness, selection, and inspiration to our customers. Our stores and fulfillment centers are fully staffed and ready to serve customers no matter how they want to shop. We continue to act with a sense of urgency to achieve greater profitability and cash flow as we optimize across platforms and drive scale. In closing, we remain excited about the future of our business, the work ahead, and our ability to deliver significant shareholder value over the long term.