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PRESENTATION

Dana Lauren Telsey *Telsey Advisory Group LLC - CEO & Chief Research Officer*

Good afternoon, everyone. Thank you so very much for joining us today. I'm Dana Telsey, and I'm thrilled to have with me today the senior management of Nordstrom. To my left, Erik Nordstrom, the CEO. To my right, and I don't know which Hollywood Squares you're on. But to my right, Anne Bramman, the CFO; and Heather Hollander of IR.

We are thrilled to hear more today about the story of Nordstrom. It's been an amazing few years with the enhancements to the business model of Nordstrom have been put well in place, in order that they serve their customers across multiple touch points through both of their brands, both in-store and online for Nordstrom and Rack.

The memorable experiences that they've been creating are only accelerating given the return to stores that people have now with the experience and occasions that people are enjoying, celebrating and buying for. To tell us more about what's happening, I'm thrilled to have with us today, as I mentioned, Erik and Anne. We'll do a conversation, and I'll turn it over to Erik first to do some opening remarks.

But before I do that, I want to turn it over to Heather for a moment. Heather?

Heather Hollander *Nordstrom, Inc. - Head of Investor Relations*

Thanks, Dana. Just one quick housekeeping item before we begin. So today, we will not be commenting on our second quarter results. Any discussion of our performance today will be based on our results through the end of the first quarter, unless otherwise noted.

And with that, I'll hand it over to Erik.

Erik B. Nordstrom *Nordstrom, Inc. - CEO & Director*

All right. Thanks. Dana, thanks for having us. It's always good to chat with you.

I thought I would just give a little context before we get into Q&A and underscore a couple of points. And we hit this on our Q1 earnings call. And I think the (inaudible), first of all, it starts with our top line. We're encouraged with the growth we've seen in the top line through the quarter and really broad-based improvements across the vast majority of our areas.

That includes categories and, in particular, categories that more of people getting out there. And I wouldn't put it as narrow as kind of formal occasions. Certainly, there's a lot of weddings. There's a lot of suits and dresses and high-heel shoes for such events. But it's more broad than that and I would say, in general, it's just people getting out there and having -- being more concerned of how they look for these more important occasions.

And that is a strength of ours. We know customers think of us for more important occasions. And again, that could be a wedding. It could be returning to the office. It could be a trip. It could be going out on a date. Those are events and reasons to buy something new that has been historical strength of ours and one we should be really good at. So we're seeing some great growth across there in categories. But a better piece I'd call out is geographically.

As we mentioned last year, in our earnings calls, we saw a pretty big difference geographically, sliced 2 ways. One, north and south. The south parts of the United States last year being much stronger. The other say kind of urban and suburban, that the more densely populated locations we have had the toughest business last year and more urban locations where the vast majority of our biggest and

best stores are. So both those things have switched significantly through Q1.

We're seeing the North picking up, but really haven't seen the South drop off, but I'm seeing the North really close the gap there. And our more urban stores are performing very well compared with the rest of the fleet. And in fact, we called out our #1 store in Q1 was our Manhattan store. And so --those of you in New York know there's -- it's returned to a significant degree. I still think there's some ways to go. There's still some upside, but the improvement there, what we're seeing is really helping drive our business.

Also it's important to call out that we're making progress on our goals and in particular our goals that we laid out in our investor event in 2021. We have line of sight to achieving those goals and are encouraged certainly by that.

And just lastly, I'd just say, we're excited of, and to touch on this a bit, it's -- in addition to the financial results, the transformation journey we're on, there's no doubt retail has been changing for quite some time and that the pandemic really accelerated a lot of these changes. Our model, we've got 2 brands. We got the Nordstrom banner. We've got the Nordstrom Rack banner. We certainly have stores, and we think a really strong portfolio in both those banners. And we have a big, robust digital business and one we've been investing in for quite some time. But really, the key to our model is the connection of those assets.

We believe, for quite some time, that is how customers shop. And while our roots are very much in customer service, really is about defining the modern version of service, how do you serve customers today. We believe for some time that it's in the connection of those assets, both digital and physical, that allow us to serve customers in some very unique ways. And we're seeing that resonating. That's a big part of the driver of our results is the customer engagement we get across the 2 banners and the channels of stores and digital.

So with that, Dana, I'll turn it back to you for Q&A.

QUESTIONS AND ANSWERS

Dana Lauren Telsey *Telsey Advisory Group LLC - CEO & Chief Research Officer*

Great. So what everyone is focused on is the health of the consumer. Given the 2 banners and the wide price point range that you have, how do you foresee the health of the consumer, both for full-line, Rack, e-commerce? What are you seeing? And are there any changes in the promotional environment in terms of how you're looking at it?

Erik B. Nordstrom *Nordstrom, Inc. - CEO & Director*

Yes, let me start with the customer. We're seeing a healthy customer. And look, our strongest areas really are our key core areas, women's apparel, men's apparel, shoes, designer. And designer has been strong for several years now and it continues to be. We do not see any evidence in our business of the customer trading down. It's quite the opposite. Really one of the tougher parts of our business is discounted clearance merchandise. Lower prices on older merchandise is, in general, not what our customers are looking for. They're really responding to newness.

And as goes with the category shifts we're seeing, and they're, in general, more expensive categories. So we're seeing a very healthy customer that way. And I think what we're most seeing correlated to our business is mobility. As the customer gets out there in -- some of that is certainly travel. And travel is super healthy right now. That's part of it, but also returning to office and again, events like weddings.

So seeing a lot of help for our customer, both -- across both banners in Nordstrom and Nordstrom Rack. And the -- I think that common -- one of the common threads through the 2 banners and really goes a big part of our model and the synergy with our model is the brands. Having -- which I think is a fairly unique price range and product range, the -- both in Nordstrom and Nordstrom Rack, that's what we're seeing resonating the customers. The customers coming in, wanting something new, looking for brands that they may know of, but that discovery part is super important to our business, both Nordstrom and Nordstrom Rack. And we've seen that.

So the second part of your question on promotion, we haven't seen a really unhealthy promotional environment. Now we certainly went into the year not expecting a repeat of last year. Last year, it was unusual to have really less supply in the industry and some demand in some particular categories that caused inventories to be very lean in a less promotional environment. It was in our guidance and our

plans of this year, there would be a more return to normal promotional cadence. And so we're seeing that, and it's consistent with our plans and our guidance.

And the last thing I would just -- I would anticipate, moving forward, that I think you're seeing very different performance by category. There's some categories that -- in retail that were very strong and changed pretty quickly. And so there's some excess inventory there.

But just the supply and demand by category is not even. Some -- there's still some scarcity. I mean, if you look at the designer business, it's really driven on scarcity. That's a very healthy full price business. And again, for us, we're not a big price promotional retailer. We really need to show up as a great place of discovering newness. And right now, it's -- what we're seeing, for our customers, that's a healthy environment.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

And I take it, given the current inflation that's out there with your customer, is it at all different this year or the high end versus Rack and what you're seeing with the current topic of inflation, and then we'll go on to strategy.

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. I think, first and foremost, our customer -- and we'd acknowledge our customer is a little higher on the income, and that includes Nordstrom Rack. It's -- and so the impact, I think, does vary quite a bit by income level across the customer spectrum. And I'd point back to last year, we really didn't see much of a lift from stimulus, that we didn't get a big bump there. And so now as we're anniversarying that, it's not a headwind for us either.

So again, we're not seeing a lot of kind of clear change in behavior due to inflation right now. And I think that is mainly due to the income level of our customers. Now we are seeing effects of inflation in our own expense base. There's no doubt wages have gone up. Supply chain in particular is -- continues to be challenging from a cost perspective. But from customer behavior right now, we haven't seen some explicit behavioral change.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Great. When I think of the priorities of Nordstrom, I think about improving Nordstrom Rack performance. I think about optimizing supply chain and inventory flow, increasing profitability, winning in the most important markets. If we dive deeper into a few of those, tell us about Rack. How's Rack doing? How's the inventory flow? How have you progressed and where you're going?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. We've had -- Rack has been challenging for a bit. And as we hit the back half of last year, we laid out a very specific plan to get the business improving. And you've seen that. Quarter-over-quarter, we have seen and continue to see improvement there and we showed in Q1. And so we're encouraged by the early results. And what I would point to, first and foremost, is progress with our inventory, we had both quantity and content issues kind of through the pandemic with Rack, and they're related.

The real -- the key to Rack and with our north star is having coveted brands at great prices. And when I say coveted brands, it's brands that a lot of them, that customers see in our Nordstrom channel, but also just brands that they see out there. And we have access to these brands to give us a fairly unique product offering there. The access to those brands was hampered during the pandemic, just, those brands didn't have that excess inventory, the supply chain issues, the flow of that product was certainly challenged.

And part of that left us, just from a quantity perspective, light in many of our Rack stores. Both the subjects, the content and the quantity, are in a much better place than they were last year. Still got some progress to make there. But gotten much better and in particular, that flow of all those coveted brands. And part of what we've learned and we've adjusted, I think for the times in particular call for is really narrowing our focus on our Rack business on those coveted brands at great prices. And one of the things we've learned a lot from was a segmentation of our Rack stores to different price mix.

And we do believe that price balance and having this breadth of prices is important to our Rack business. But what's most important, again, are these coveted brands. So we've learned from that and really have narrowed our focus away from segmenting stores to, let's

make sure every one of our Rack stores, I go visit Rack stores, it's the same thing. What our customers want are those premium brands, those coveted brands at great prices. And that's what we're really holding ourselves to. We're starting to make good progress there.

The other piece I'd call out in Rack is around our flow. It's -- we entered the pandemic, we did not have a pack and hold inventory base to help mitigate some of the bumpiness to our flow. We've been purposely building that pack and hold inventory back, and it gives us a lot of flexibility, allows us to be more opportunistic as great opportunities come to buy this merchandise. So overall, we feel much better about our inventory and, again, still some ways to go. There's still a lot of supply chain bumpiness that we don't have control over, but it is improved, and we're seeing it in our results.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Got it. Tell us about the real estate part of Rack. What is the potential? How many do you see opening?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. We think there is opportunity to have more Rack stores. We went -- if you go back a few years, we had a period of fairly impressive store openings and really paused that for the last few years and been focusing on our comp business and understanding the dynamics between e-commerce and physical store business.

And one of the things that may sound obvious, but we had to learn this. The big difference between our Nordstrom and Nordstrom Rack banner business, the off-price business is much more dependent on stores, physical stores and this convenience of those stores. We've actually got a lot of great customer data that you get outside of a 15-, 20-minute drive circle of a store, people don't go as far for off-price business.

So having that convenience is super important. And as we look across -- and we've got about 250 Rack stores and there's opportunity for us to add more. So we've announced 4 new stores for [this year and] (added by company after the call) next year. We're continuing to look, and we'll announce them as we get them signed up. But we are cranking up that store opening engine again, and we're excited about it.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

That's very exciting in terms of seeing the newness there. Another part is supply chain and inventory flow. As you had mentioned for the Rack, how do you see it for the rest of the company in the full-line stores in e-commerce, what are you seeing about consistency and predictability of unit flow? Where is delivery speed going to and productivity in both the distribution and fulfillment centers?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. I mean there's no doubt there's bumpiness in the external supply chain. And it changes what the issues are. I don't think there's as many ships anchored off of ports as there used to be, but there continues to be some surprises there and some unpredictability, which is fine. What we really entered the year with as our plan around our supply chain, what are the things that we can control to mitigate some of these things that we can't control.

And we -- there's plenty there to work on. Let's start with improving our internal network and processes of making them more efficient, making it faster to move things through our system. Big part of that is being more consistent, having more predictable flow and that has resulted us having some changes in how we order, working with brands further in advance, having some earlier ship times to give us that confidence that we have the product when we really need it.

For example, our biggest event is our Anniversary Sale that's coming up in a couple of weeks. And we had some product late last year that really hurt us. Our team worked really hard to get that product in earlier. We've gotten it in earlier. It's that we -- we came out of last [quarter] (corrected by company after the call), a little heavier in inventory because of we're retaining that product, but that was very purposeful and a good example of how we're mitigating some of the supply chain headwinds.

The other piece I'd call out that we're working on is positioning of our inventory. We view our inventory that is close to customers, it is in stores in particular, but also in our supply chain facilities as big assets and how do we leverage those assets and leverage that product

that's close to the customer to get it to them. And that really has been one of the key tenets of our market strategy is connecting the inventory we have at the market level that results in a significant increase in selection for the customer that's available for next day pickup.

Customers -- I often hear from customers that they think that product is in the store where they're picking it up. But a lot of it is we're able to -- we have it in the market there somewhere, it's pretty efficient for us to move it around that market. We can do that really quickly and it results, again, in the next day pickup for customers. So that's some of the things we're working on in supply chain.

Dana Lauren Telsey *Telsey Advisory Group LLC - CEO & Chief Research Officer*

The other big thing, I think, is all about the drivers of profitability. I think, Anne, that's a topic very near and dear to your heart. How would you frame it?

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

Yes. Thanks, Dana. So we've been working -- as Erik talked about, we've been working quite diligently on this. And even as of Q3 of last year, we really started talking about some of the initiatives that we were driving. So clearly, Rack was a big initiative for us, which Erik addressed. But the second piece that is really driving profitability both in our merchandise margin line as well as in SG&A, primarily through fulfillment and supply chain costs.

And so we were really pleased to drive improvements in that Q1 and really continue to drive on that for the rest of the year. And so let me just break it apart a little bit between the 2 components.

So merchandise margin improvement, now, first of all, we are seeing some price increases there. We're an MSRP shop for the Nordstrom banner, Rack we have more say or we control the pricing on that. We started testing that last fall with our Rack customers on certain key items and key categories. We didn't really -- we didn't see any resistance from customers on that. So that was really encouraging for us as we continue to look at that and ramp that.

And so overall, for the year, we're seeing -- we're expecting to see mid-single-digit average retail price increases, which certainly helps offset some of the inflationary costs and pressures that Erik talked about earlier as well.

The second thing is really, for us, we're not a promotional retailer, by and large. But we are improving some of the promotional effectiveness in really using AI and data to really look at how we manage the life cycle of a product, meaning we're using AI to inform decisions around when to promote, how deep to promote and looking at factors such as product profitability, seasonality, where it's located, price elasticity and even our in-stock levels.

And we're really getting much more granular on that and using data to drive those decisions as we're going through that. So we're using that as a way to continue to optimize profitability. And you started seeing some of that in Q1 and we'll continue to see that ramp more importantly in the second half of the year.

The other piece to it is we're really looking at managing categories. And so as we think about categories that are destinations, shoes for us, that's our heritage. That's what we're known for. That is a destination category for us and others that are traffic drivers, really using data and customer feedback on how we're leveraging that from an overall profitability and margin perspective as well.

I think the other thing that Erik talked about was on supply chain. Look, there's a lot of choppiness out there. There's a lot of headwinds out there. But the things that we can control, we're really focusing on. So how do we leverage the inventory position, which also reduces some of our supply chain costs? Secondly, how do we continue to drive profitability and productivity in our buildings. And then third, really looking at being much more crisp on the flow-through, the unit flow optimization as well as how to make sure that we're staying very consistent in that unit flow to drive efficiencies as well.

And then lastly, it's just getting much better at predicting the units. When are they coming in, how they're coming in, and how we're getting it out to the customer? So all of those are unlocks for us. Again, on supply chain, we're early innings on that. I would expect to see more coming through on our profitability drivers in the second half of the year but we're certainly green shoots in those areas.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Terrific. And then as you're thinking about the opportunities, whether it's channel, digital and full line, what do you see as the digital capabilities with convenience and connection that are enhancing full line? And what do you see as the opportunities in full line?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Okay. I'll take that. Anne, you can chime in, if I miss anything. Yes, it's -- we do think about -- we start with service as our deal, right? That's our heritage. And historically, that has been defined by a physical encounter between a salesperson and a customer in a store. Really working on, what's the modern definition of that? How do we engage with customers on their terms, which increasingly involves digital touch points.

And we think about serving customers kind of in 2 buckets. One is convenience. And there's been -- I think it's where the bulk of digital activity has been. The book of e-commerce has been, is taking friction out and making shopping very convenient. So the second piece for us, and we think this is where we really need to separate ourselves is in connection, where our customer feels that we know them, that feels that the journey is not just about kind of transactional efficiency.

And, I think, a good example there is around the discovery journey. For what we sell, it's different than in some other categories. Most customers don't come to us with a specific shopping list of knowing exactly what they want. They don't search for products by dimensions. They come to us because they may have an interest in something new and are interested in discovering something new. And so that discovery journey lends itself to connection and is something, again, that we really focus on and should be better.

So I put it -- let me step back, a little context. Our digital business is big, robust and a super important part of our business. We're -- just about 40% of our business is digital. And in particular, when the customer clicks the buy button online or buys in store, that digital -- those digital touch points are part of almost every customer's journey these days. So we use data. We use AI to really help in that discovery process in particular.

I'd say kind of one example in particular is around our styling program. Styling is, I think, really a core competency of ours and is something that we continue to invest in. And it needs investment because the spectrum of what styling means continues to expand. It certainly includes, as it has for a while, an in-store personal stylist appointment, and those are some of the greatest customer experiences we can provide.

But there's also a more lightly engaged styling encounters that customers want and need to have. It could be a virtual styling, it could be using style boards, which is a tool for our salespeople to take care of customers who aren't in the store. And again, they're a way of making connection with the customer on the customers' terms, but making that connection.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

And when you think of the full line opportunity, like you had mentioned with Rack. What -- you've closed like 16 stores, I think, during the pandemic. What's the steady state of what you would like full line to look like?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. So yes, we -- early in the pandemic, did not reopen 16 of our Nordstrom banner stores. So we're around 100. And as our practice before pandemic, there are some changes to the portfolio as stores age and their operating covenants expire and lease obligations. We usually have a few stores a year that we look to relocate or do close.

And in particular, when we have multi-store markets to have a -- more of a candid to have closed the weakest store in a multi-store

market and focus our investment on our better-performing stores. So I would say it's pretty steady state with our Nordstrom portfolio. I think you might see, as you saw before pandemic, 1, 2, 3 store closings a year as things come up. There may be some relocation opportunities in there as well, but we don't see that changing a whole lot.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Got it. And then the other part of the business that's exciting lately, the alternative business models. ASOS, Fanatics. And a question that I just got in, is Local -- is Nordstrom Local, remaining a part of where do you see that going to?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. So I would say our portfolio of physical locations, it's Nordstrom stores, it's Rack stores and it's Nordstrom Locals. And there are Locals, we have some in L.A., we have some in New York, have been terrific. And actually were our fastest and strongest to recover during the pandemic. And I think it makes sense. It kind of goes to what's attractive about Locals. If you think about a pandemic, to go into a convenient neighborhood location and that's high in convenience. And there's a point to do a return, and there's a point to do an order pickup or doing alterations became really important.

So our results from our Local stores have exceeded our original business cases, and we look at them a little differently. We don't allocate inventory for those stores. It's really about engagement. And we know when our customer gets engaged in any of the activities in a Local store, their spend goes up with us significantly.

Now we haven't opened as many last couple of years. It really -- that reflects our learnings of what services that our Locals provide, that customers respond to the most and looking to get those into our Rack stores. Our Rack stores are existing assets we have. We have about 250 of them, and really looking at our biggest markets of taking those Rack stores and making them hubs for pickup of Nordstrom.com orders, places that a customer can return, not only a Nordstrom Rack purchase, but a Nordstrom purchase. And many of them have alteration services as well.

So -- that's gone really well. It serves customers better, but it also brings some traffic to our Rack stores, and we do see customer acquisitions, we're able to expose our Rack banner business to some new customers. For Q2, we do have plans. We're in the midst of them, of adding 60 more Rack stores to be part of our market strategy, to be these hubs for our pickups and returns. So that's been our focus right now. How do we leverage these existing assets and many more that we have in Rack stores? And once we do that, we still like the Local model and look to expand those.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

And then on partnerships, ASOS, Fanatics?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. So -- yes, partnerships have been increasingly important. I think it's been a strength of ours going back a ways. We have a lot of examples of doing some unique partnerships. And I would say in the last, I don't know, 5 years or so, I mean, the lines between traditional wholesale and traditional retail have really blurred. It's -- and we don't look at it that way. We look at it as what are the best brands in the world and how do we bring access to those to our customers. And we do believe we need to have more models to be able to do that.

Some historical examples, we were original partner with Bonobos. It was a born online, digitally native brand, not a traditional wholesaler, but was carried in our stores. Topshop is a big one for us, a top 10 brand for us in a really important category, our younger category. And we just view them as being great in that category, and they're not a wholesaler, but we went to them and (inaudible) and was able to sell their business and since has been this big important part of our business.

Other example, SKIMS, on running, L.L.Bean, Good American, Vuori, these are some examples that -- more recent examples of not traditional wholesalers. So ASOS is a really good example. ASOS buys Topshop, which got us talking with them and we had a lot of admiration for their business, in particular and their capabilities around serving young customers. They're really good at it. They're great at making that product for 20-somethings and selling in a digital way.

So that -- we've got this growing partnership with them. We opened an ASOS store at The Grove in L.A., and it's -- we are the only physical stores in the world where you can -- our customers can find ASOS product. And it's just -- it's a good example of starting with the selection, starting with the great brands that we want to bring to our customers and then having the flexibility, the capabilities to have different business models that would support that.

And as you mentioned Fanatics too, Dana. And Fanatics is -- I like that example, we launched that in the fall. And Fanatics -- sometimes we get the question is, it may struck people as odd that sports teamed licensed merchandise is -- do people come to Nordstrom for that. And that's not really the point. The point is we have a customer base that's attractive to all sorts of brand. Our customers buy sports licensed merchandise. And if they're on our site, they love being able to find that on our site.

So we don't have to be -- not everything has to be a destination category for us. It's a way to serve our customers better and what's great about Fanatics, a couple of things. One, it's the category that I say is maybe adjacent to what we do, but it's not so far out there that it doesn't make sense, and we see opportunities there. But the other piece is where we're going with these alternative models. Here's -- we lit up, I think it was 30,000 customer choices from Fanatics in a couple of weeks. And to do that, we had to do things differently. It was not our traditional wholesale model of writing a purchase order, setting up the item digitally and taking ownership of it. It was tapping into their inventory and having the information, the item setup information transmitted digitally.

So that got us a significant selection in a very efficient way and is doing really well. So we see a lot of opportunities for us. We think we need to be the retail brand of -- the retail partner of choice for a lot of these coveted brands, be it digitally native brands, up-and-coming brands, designers. They take different models, and it allows us to bring the customer, which we think is a unique selection.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

And then coming up soon is the Anniversary Sale. Tell us a little about how you're planning for that differently this year, I believe, using data, choice counts? What's different about it this year than years past?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes. Well, we're building upon last year. Last year's sale was successful for us. And it was our first kind of effort in taking a more data-driven approach, not to product selection, but to the depth and breadth of our buy. And I think it's a good example because our buyers are really good at the art part of the business of picking the newness, picking what resonates most with customers. But it's such an intense event over a limited time frame that getting the quantities right is a big deal. And so we saw really good results last year from using data to really help us on how much investment in to make in those items.

So now we're building upon that this year. We also have abilities to connect with customers in, again, more personalized ways, to have exposed product, expose the great values that we have during the event to customers in a more precise way. So it's -- there's a lot of product choices on the event, but really getting it where it resonates with customers with the most relevant offering is -- imagine it's super important.

So we're doing that as well. And then I think, as I mentioned, and what particularly -- we're particularly excited about just given the timing of it, we've got the product, we're loaded. We're going to be full offering ready to go when Anniversary starts, which we didn't have last year. And the timing is good. It's just there's -- customers are looking for something new. Anniversary, we know is -- resonates with customers.

And to be clear, why it resonates, it is not a clearance sale. Anniversary is brand-new product that we reduced the price of and the legitimacy to the event comes that the prices go back up after the sale is over. So it's really driven by newness. It's driven by our best brands. And the environment, as I talked earlier, is really right for that. So we think the timing is fortuitous for us and should be a good event.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

And why don't you just, for the plug, remind everyone when the date is that it starts because I think you'll get some shoppers out there.

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

That's a good point. Anne, do you have that handy?

Anne L. Bramman Nordstrom, Inc. - CFO

I don't. Heather, do you have that?

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

We'll go on to another question, and we'll end with that. So question...

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

You set me up so well for that. The public start of the sale starts July 15. We have early access for our cardholders that starts on, I believe, July 6. So -- yes, July 6. So depending on level of -- loyalty level, between the 6th and the 15th, there's some access for our best customers and on July 15, it opens up for everyone.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Let me get a couple of questions in from the audience. One is about what further improvements or changes are you making in supply chain that can help to drive improvement in the second half of the year?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Well, certainly there's an improvement over last year. Last year, it was kind of the perfect storm of supply chain challenges. And we had external challenges that I think everyone knows of. Internally, it was really hard hiring environment. And so, probably, we're pretty good in staffing, particularly in fourth quarter, but we had more turnover than usual there. And there's some loss of efficiency, some productivity that goes with that.

And you add to this that the inbound flow was very inconsistent. Those things are better right now. I wouldn't say it's perfect, but it is significantly better, and we expect that to continue to be better. Internally, we have in the back half of the year, a number of initiatives within the supply chain that we'll take. We'll get traction and will help our results in the back half of the year.

And again, I view it -- there's all sorts of headwinds of supply chain. Transportation costs are going up for everyone. Wages have gone up. There's still unpredictability in the flow. But there's -- there are plenty of things we can do internally, which I think goes to the question of, that to offset some of those things. And we've seen -- starting to see some improvements, and we expect to see that ramp up even more in the back half of the year.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Great. Just 2 last things. Anne, long-term goals. You've talked about low single-digit revenue growth off the 2019 levels. Annual EBIT margins above 6%. You're already targeting 6% this year. How do you think of the future opportunities and where we could get to, as Erik mentioned, this customer is vibrant and certainly spending it at the high end with the newness that they'd like?

Anne L. Bramman Nordstrom, Inc. - CFO

Yes, Dana, so when we set those targets, just to remind you, it was in early 2021, we were in the midst of a pandemic, and we were in categories that won't necessarily -- our strength were not in categories that necessarily resonated with customers. And so you're right, we're seeing the customer respond. We're seeing the demand coming back. What we said from the top line perspective was I think -- and again, we're coming in a macro environment that's very volatile right now as well. So without my crystal ball, we're coming out in a more normal state. That's where we're targeting is that mid-single digit.

As you mentioned, our EBIT percentage, we are -- it's in our guide at the high end of our guide for this year. So we certainly have a line of sight to achieving that.

I think for me, stepping back, the things that we talked about in our investor event and we talked about it today. So the Rack growth, right, the premium brands our customers are responding to it, the opportunity that to be more convenient to customers from a Rack

perspective, it's a great growth opportunity for us.

We talked about the alternative partnership models. That is a great opportunity for us to continue to expand brands and categories and catalogs to our customers as well, without having necessarily to own that inventory outright. And so -- and then we think about the continued enhancements of that connection point, whether it's digitally or in physical stores, whether it's styling, it's alterations, it's digital styling or in-person styling or the alternative marketplace that we're offering our customers as well.

We have a number of levers that we're pulling to be more -- and continue to be even more relevant to our customers and have that connection point. So for us, it's focus on the discipline on the margin, it's focus on the inventory, it's focus on our -- on the expenses that we can control, and it's really having a great customer experience.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Great. Erik, do you want to wrap it up? Anything, what we'll be discussing next year when we do this in June of 2023?

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Yes, I don't know that. I would -- just to wrap it up, number one, thank you for having us. It's -- appreciate the opportunity to shed a little light on our story. Yes, we've been on a transformation journey for a while, and we use the descriptor, closer to you, as our strategy. And it's -- we like that in that it really goes to what we think is our strengths and we're uniquely positioned to do, which is to serve customers, not just in better and unique ways, but in particular, that fits with what we sell, the categories that we sell and what customers are looking for and how increasingly, and I think they're -- no doubt, the pandemic accelerated customer expectations and being served on their terms, having seamless journey that involves digital and physical touch points.

So that's the journey we've been on. Certainly, the -- almost total headwinds we had during the pandemic as some of those have shifted. We have a few tailwinds with us now category-wise, geography-wise, which is obviously a lot more fun to be in that. But it is -- we continue to be encouraged about where we're at on our journey, how that resonates with customers. We like our strategy and the path we've been on. We need to move, but we need to move quickly, but it's encouraging the customer response we're getting.

Dana Lauren Telsey Telsey Advisory Group LLC - CEO & Chief Research Officer

Terrific to hear. Thank you very much, Erik, Anne and Heather for joining us today and giving us this opportunity to host you. We look forward to continuing to follow the path of progress that Nordstrom is making. And we'll also be at the Anniversary Sale. So thank you very much. Have a great day, everyone. Stay safe and healthy. Thank you.

Erik B. Nordstrom Nordstrom, Inc. - CEO & Director

Thanks, Dana.

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