



NORDSTROM

Q4 2018 EARNINGS CALL

FEBRUARY 28, 2019

FORWARD LOOKING STATEMENTS

This presentation contains statements that are forward looking. These statements are based upon current expectations and assumptions that are subject to risks and uncertainties. We may not achieve the results projected in these forward looking statements, and our actual results could materially differ because of factors discussed in this event, in the comments made during this presentation, and in the risk factors section of our Form 10-K, Form 10-Qs, and other reports and filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward looking statement to reflect subsequent events, new information or future circumstances.

Free cash flow and return on invested capital are measures of performance which meet the definition of a non-GAAP financial measure. These measures should be used in addition to and in conjunction with results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are found on our investor relations site at www.investor.nordstrom.com.

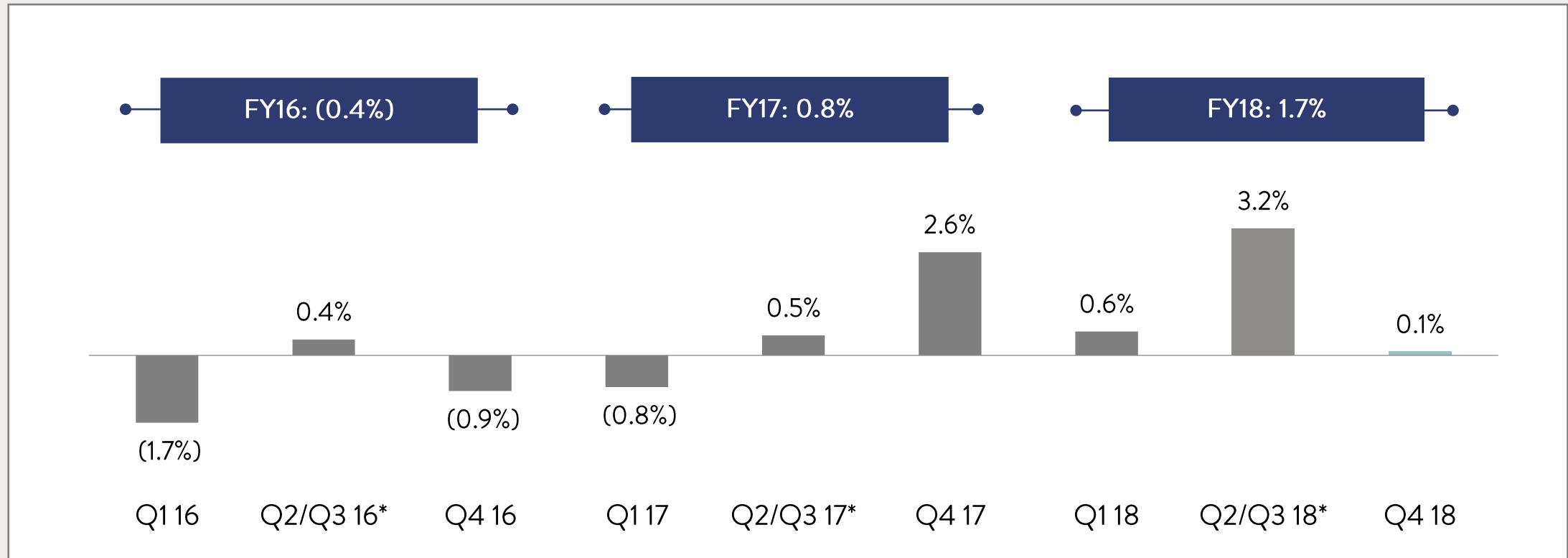
ERIK NORDSTROM

CO-PRESIDENT



TOTAL COMPANY COMP SALES TRENDS

FY 2018 INCREASED 1.7%



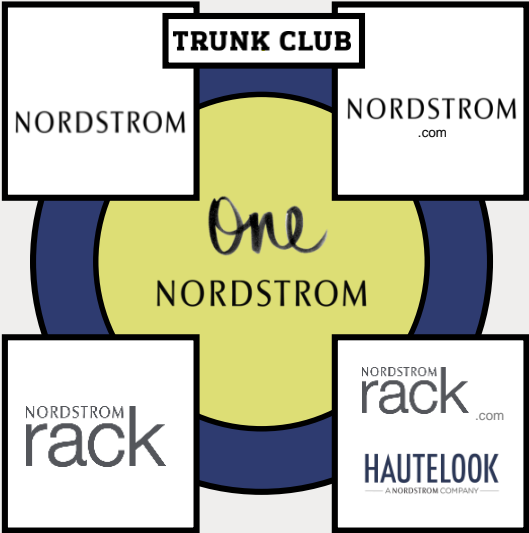
* Q2 and Q3 combined to remove Anniversary Sale timing impacts

Note that comp sales are not impacted by the 53rd week in FY2017

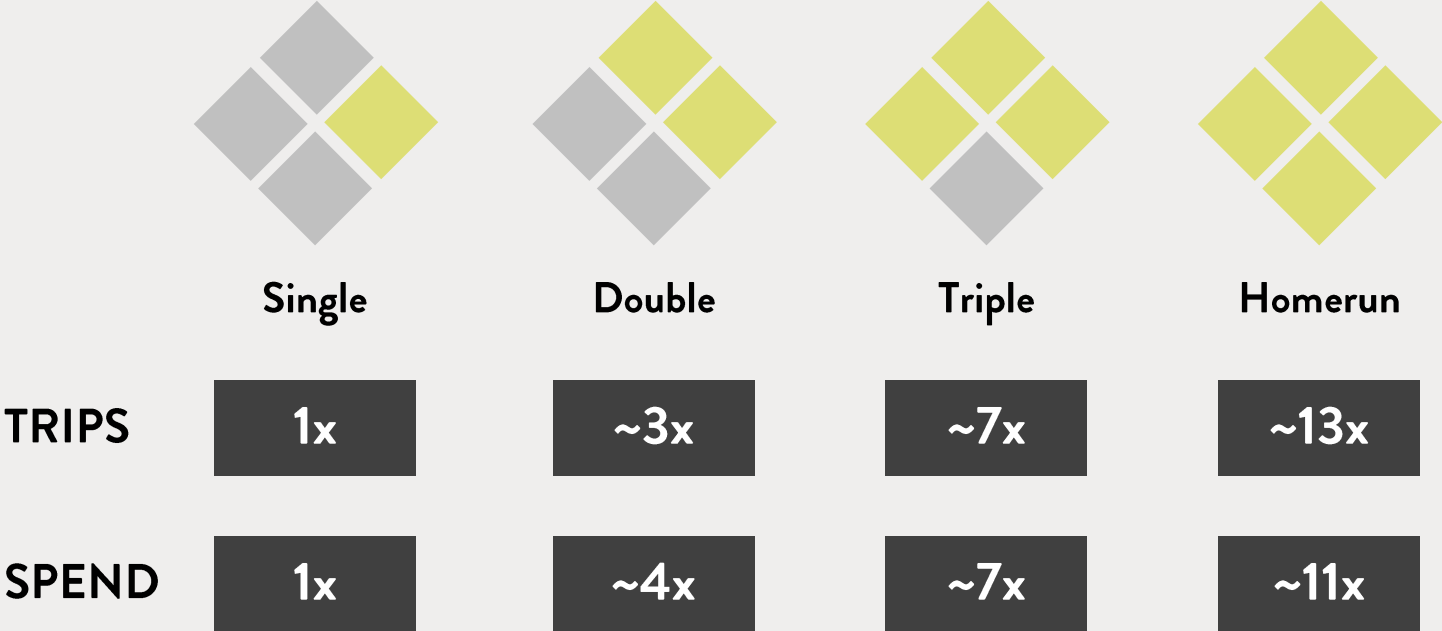
ONE NORDSTROM: WHOLE > SUM OF THE PARTS

ENGAGEMENT ACROSS OUR FOUR BOXES ENCOURAGES MORE VISITS AND MORE SPEND

OUR FOUR BOX OFFER

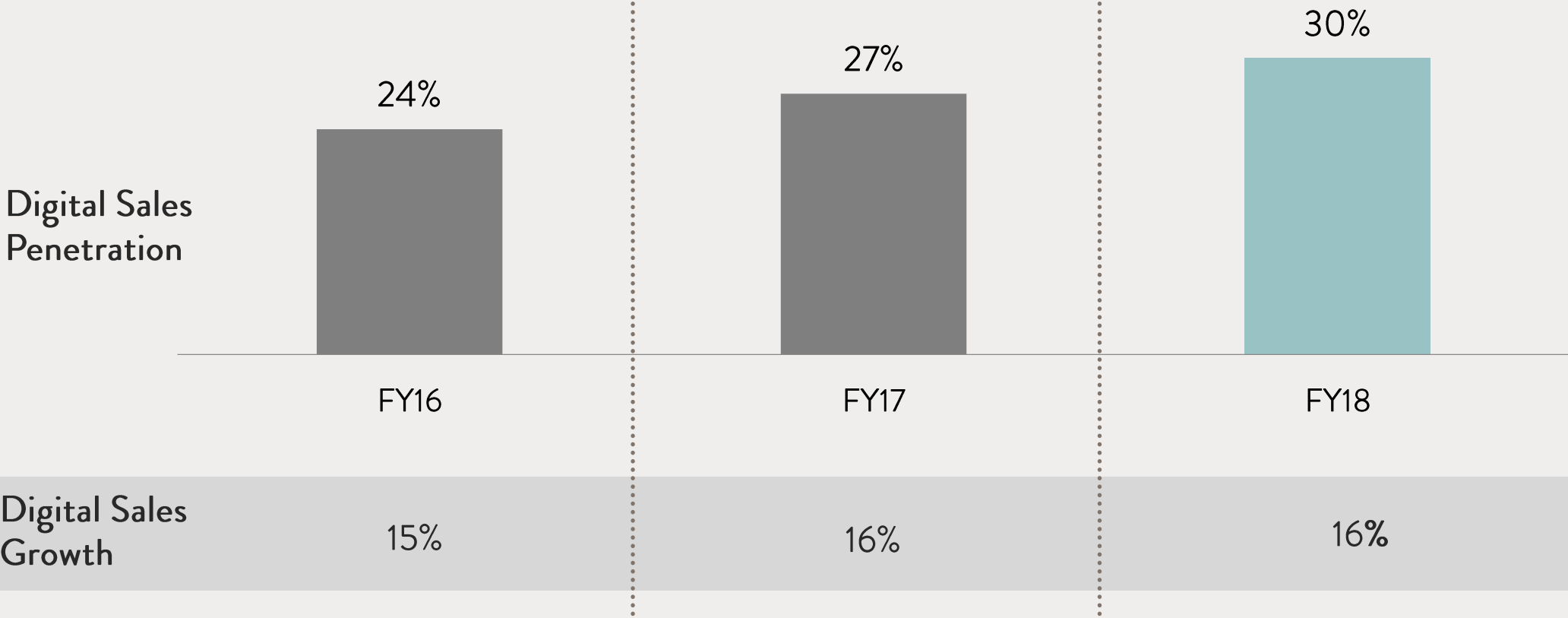


PER CUSTOMER IMPACT BY CHANNELS SHOPPED



MARKET-LEADING DIGITAL PRESENCE

DRIVING OUTSIZED GROWTH



STRATEGIC BRAND PARTNERSHIPS

RELEVANT & LIMITED DISTRIBUTION BRANDS



PREFERRED

TOPSHOP

LA MER

BIRKENSTOCK



DESIGNER

VALENTINO



GUCCI



CHANEL



EMERGING

SÉZANE

allbirds

GREATS

Reformation



**NORDSTROM
PRODUCT GROUP**

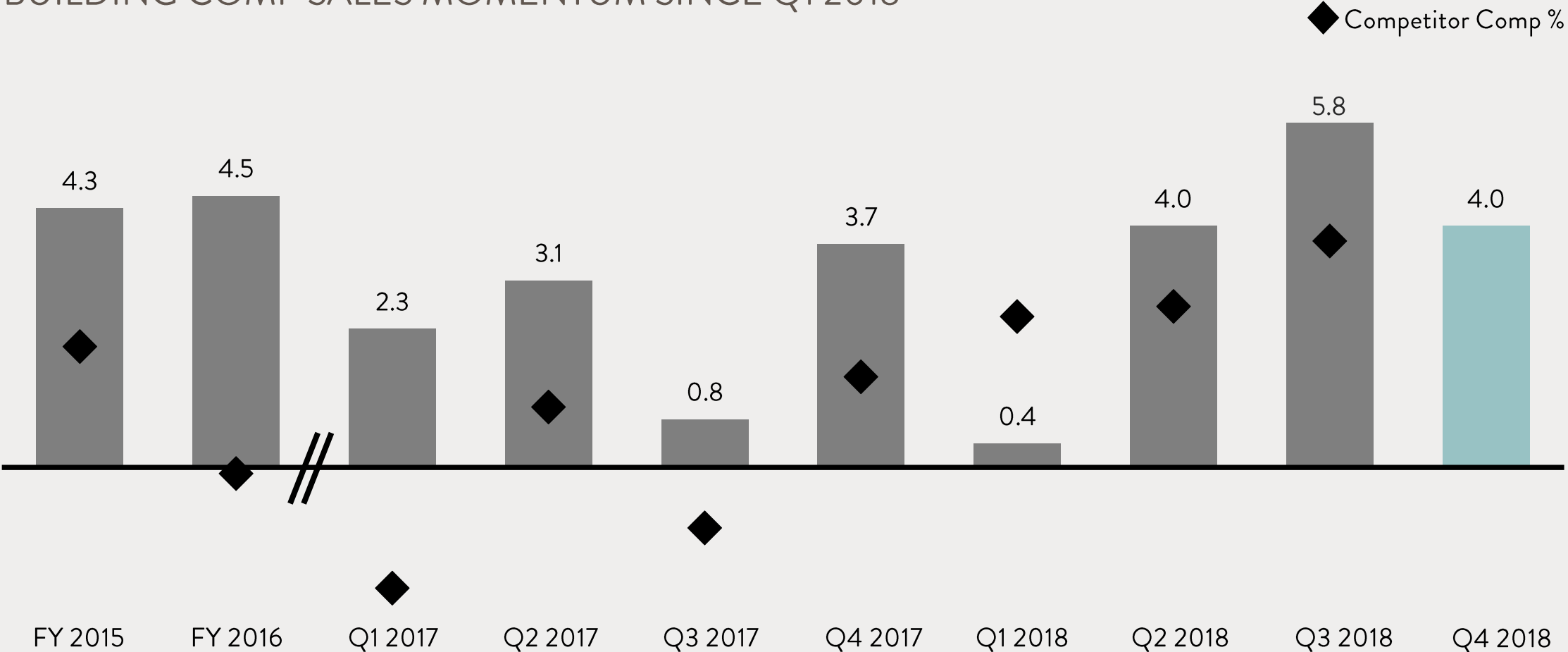
NORDSTROM SOMETHING NAVY

TREASURE & BOND

zella

STRONG OFF-PRICE EXECUTION

BUILDING COMP SALES MOMENTUM SINCE Q1 2018

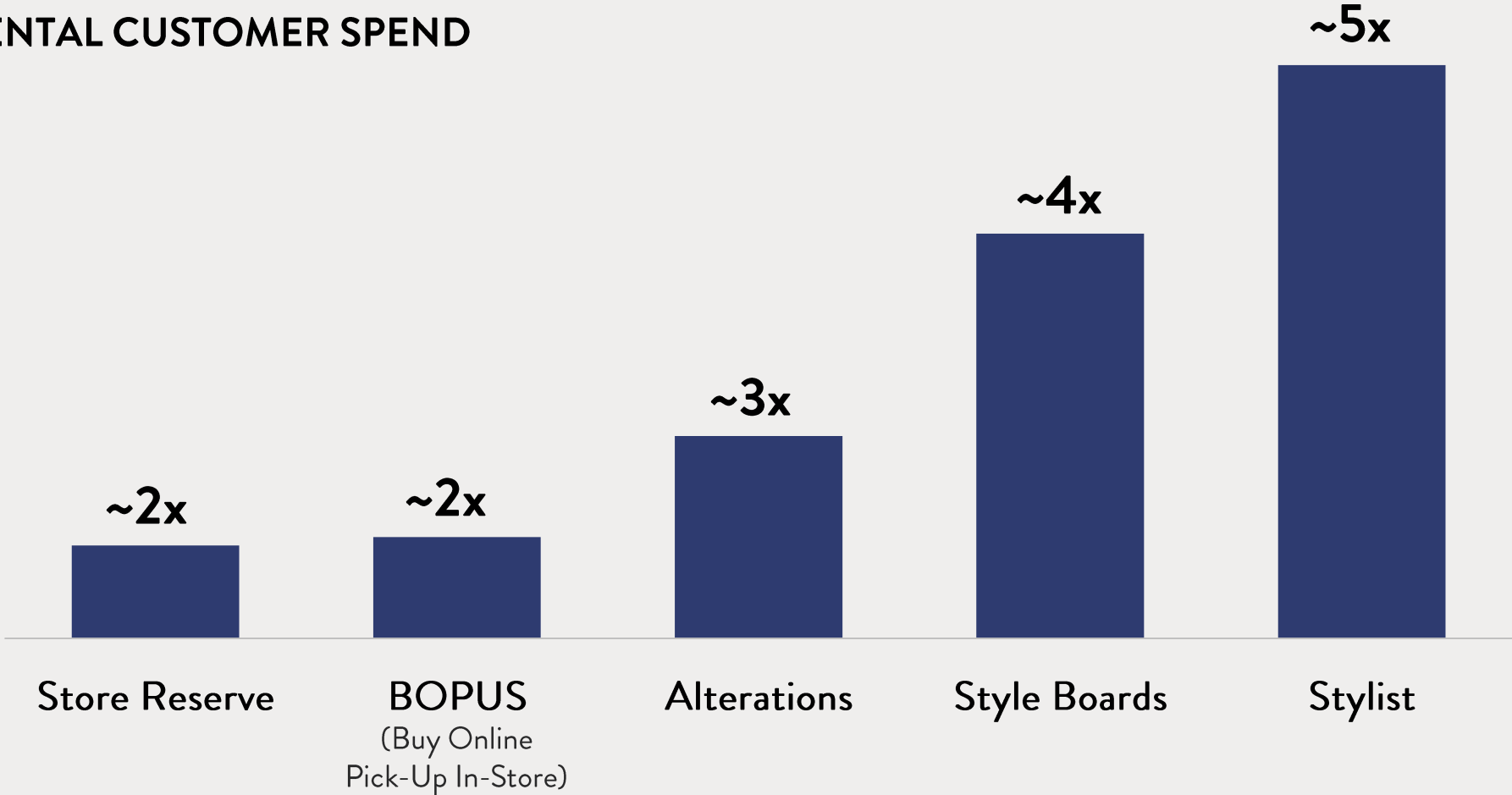


All results shown on a 52 week basis; Average competitors data shown through Q3 2018 and include TJMaxx, Ross, Burlington, Macy's, Hudson Bay Company Off-Price, DSW

ENGAGEMENT WITH OUR SERVICES DRIVES VALUE

OUR BEST CUSTOMER EXPERIENCES ARE ALSO OUR MOST VALUABLE

INCREMENTAL CUSTOMER SPEND



SCALING LOCAL MARKET STRATEGY

LEVERAGING INVENTORY THROUGH SUPPLY CHAIN

OUR LEGACY

OMNICHANNEL
SUPPLY CHAIN

FLEXIBLE
INVENTORY
FLOW

2

parallel supply chains to serve stores and online separately

Push

inventory based on initial allocation

OUR FUTURE

1

omnichannel supply chain

Pull

inventory based on customer demand



BETTER SERVE CUSTOMERS



LEVERAGE OUR INVENTORY

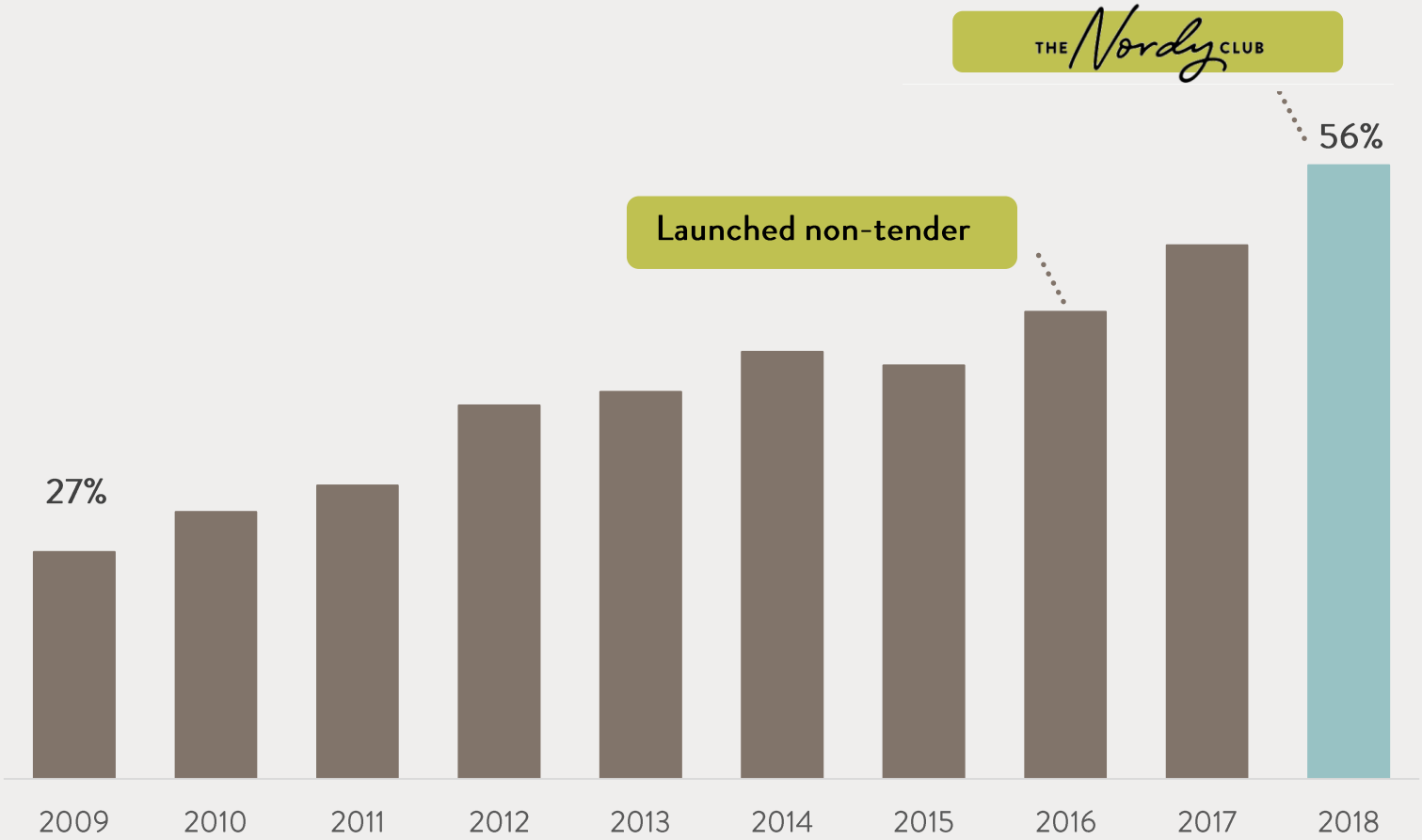
EVOLVING LOYALTY WITH CUSTOMER EXPECTATIONS

HIGHER ENGAGEMENT AND CUSTOMER SPEND



Launched non-tender

Loyalty
Penetration



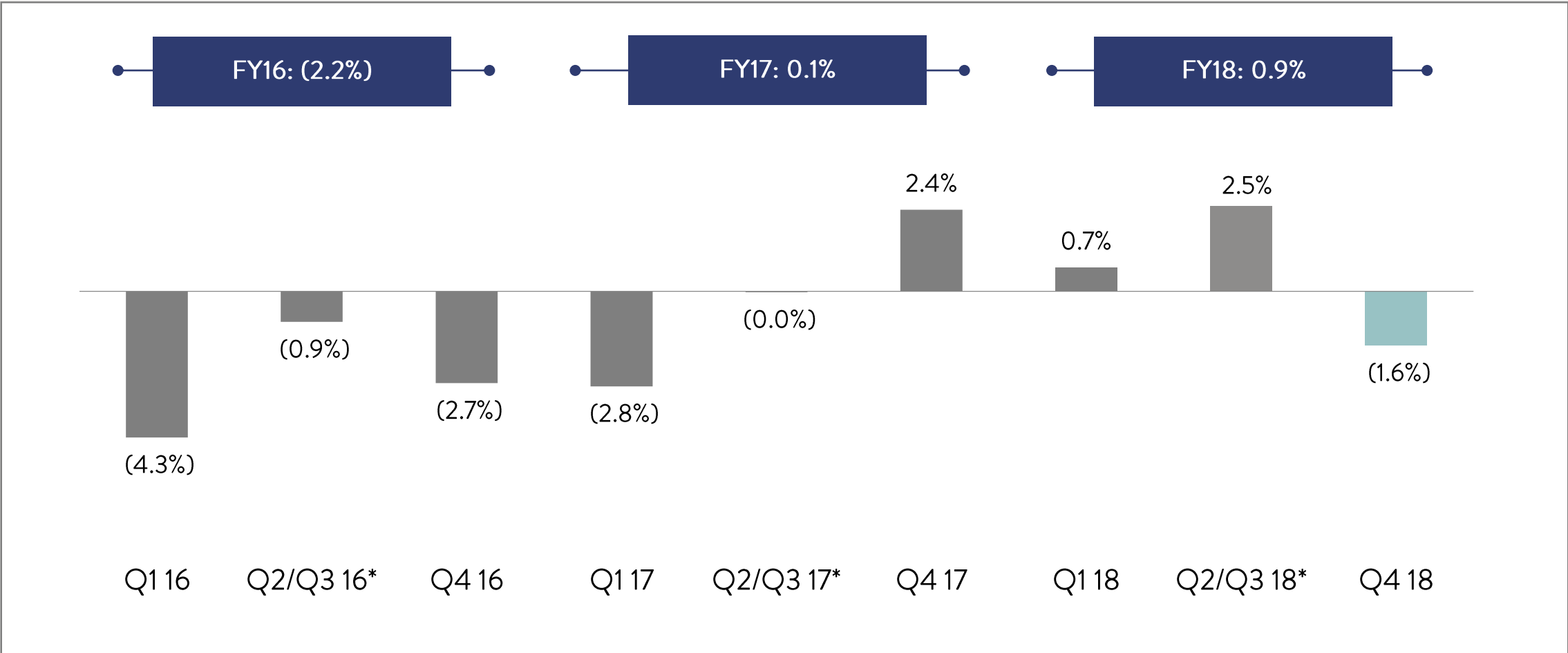


ANNE BRAMMAN

CHIEF FINANCIAL OFFICER

FULL-PRICE COMP SALES TRENDS

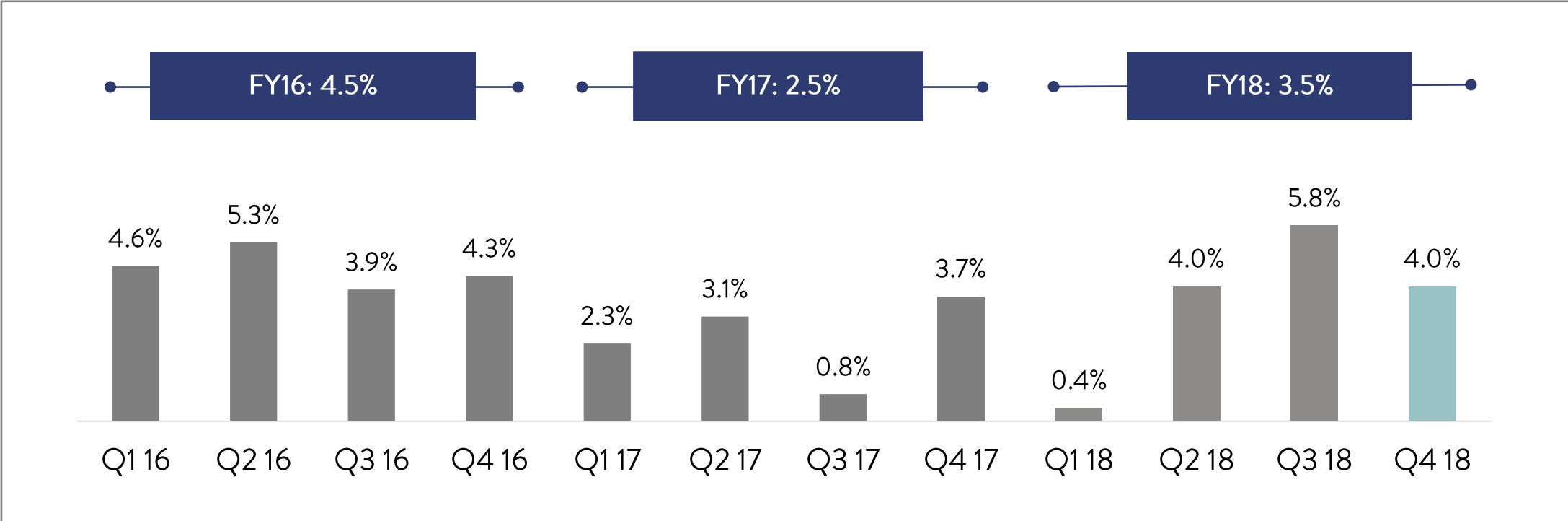
FY 2018 INCREASED 0.9%



* Q2 and Q3 combined to remove Anniversary Sale timing impacts.
 Note that comp sales are not impacted by the 53rd week in FY2017

OFF-PRICE COMP SALES TRENDS

FY 2018 INCREASED 3.5%



Note that comp sales are not impacted by the 53rd week in FY2017

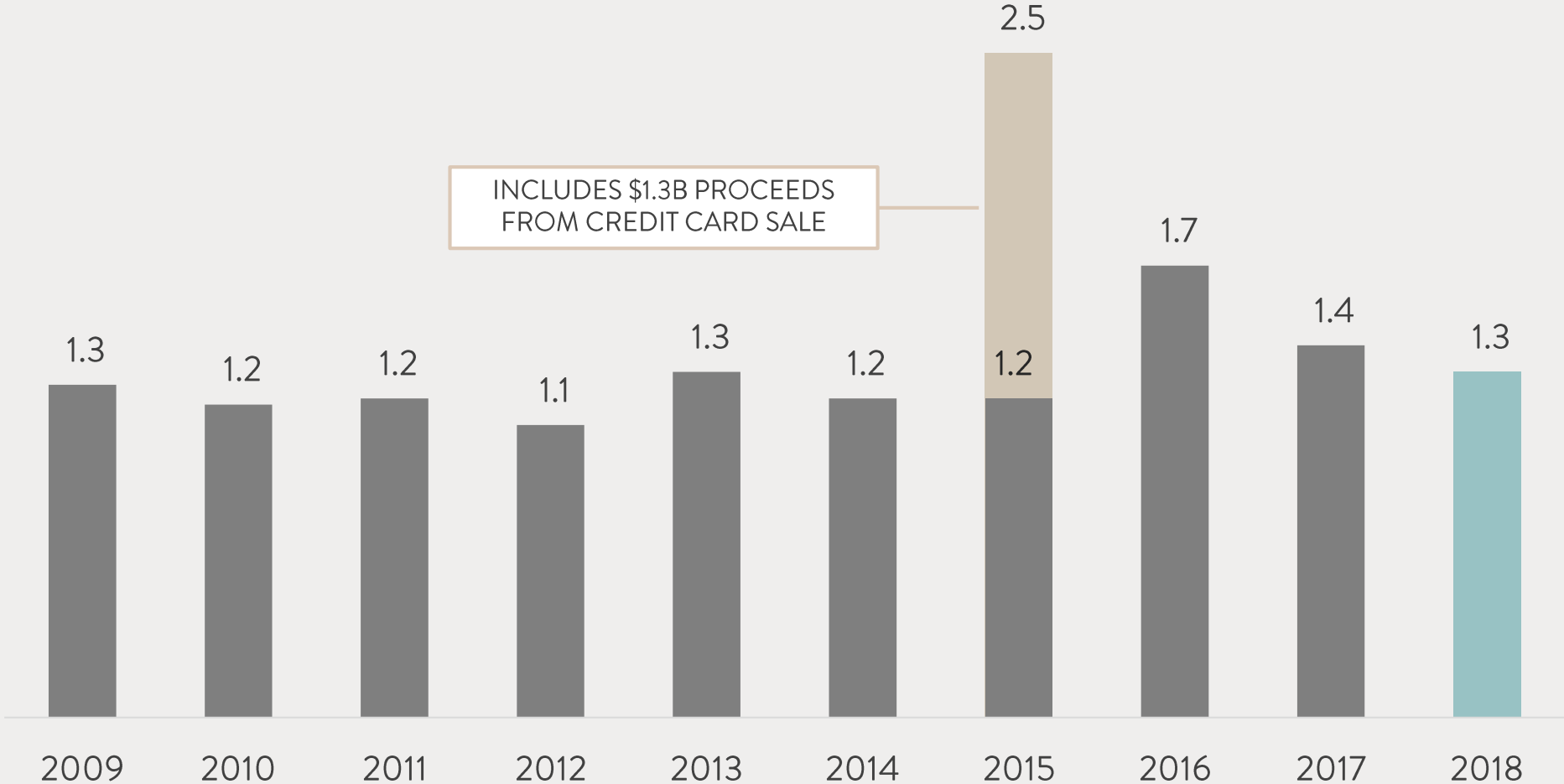
Q4 FINANCIAL SUMMARY

B/(W) VS. LY	Q4 2018
Total Sales	(4.7%)
Total Sales (excl 53 rd week)*	0.1%
Comp Sales	0.1%
<hr/>	
Gross Profit % of Sales	(33 bps)
SG&A % of Sales	23 bps
EBIT % of Sales	Flat

* The 53rd week in FY2017 represented approximately \$220M of sales

STRONG FINANCIAL POSITION

TEN CONSECUTIVE YEARS OF \$1B+ OPERATING CASH FLOW



2018 PROGRESS

TOWARD LONG-TERM FINANCIAL TARGETS

	DRIVE MARKET SHARE GAINS	IMPROVE PROFITABILITY AND RETURNS		CONTINUE DISCIPLINED CAPITAL ALLOCATION
	SALES GROWTH	EBIT MARGIN	ADJUSTED ROIC ¹	FCF
2020 TARGET	~3% 3-YEAR CAGR	6.3% to 6.5%	MID-TEENS	~\$0.8B
2018 REPORTED	2.3%	5.4%	12.0%	\$0.6B
2018 ADJUSTED	3.8% EX. 53 RD WEEK ²	5.9% EX. CREDIT CHARGE ³		

¹ Forecasted Adjusted ROIC does not include the impact from the adoption of lease accounting changes beginning in fiscal 2019. See reconciliation of non-GAAP measures on the company's investor relations website at investor.nordstrom.com.

² The 53rd week in FY2017 represented approximately \$220M of sales

³ Non-recurring estimated credit-related charge of \$72M in Q3 2018. Please reference Q3 2018 Earnings Release or Q3 Form 10-Q for additional information on credit-related charge.

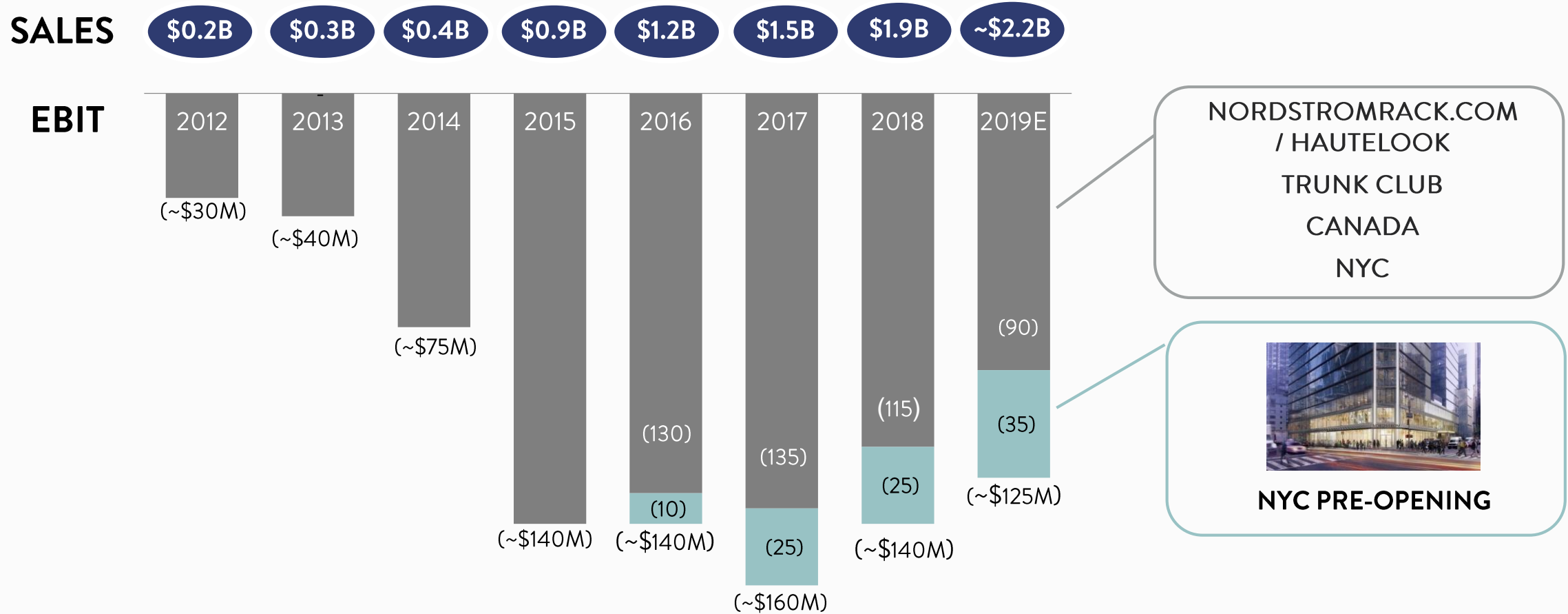
FY 2019 GUIDANCE

	FY 2018 ACTUAL	FY 2019 OUTLOOK
NET SALES GROWTH	2.3%	1% to 2%
CREDIT REVENUE GROWTH	11%	Mid to high single-digit growth
EBIT	\$837M	
EBIT MARGIN	5.4%	
EPS	\$3.32	
Excluding 2018 non-recurring items* EBIT	\$909M	\$915M to \$970M
EBIT MARGIN	5.9%	5.9% to 6.1%
EPS	\$3.55	\$3.65 to \$3.90

* Excludes Q3 non-recurring estimated credit-related charge of \$72M and Q4 favorable tax impact of \$0.05 per share. Please reference Q3 2018 Earnings Release or Q3 Form 10-Q for additional information on credit-related charge.

SCALING GENERATIONAL INVESTMENTS

CONTINUING TO IMPROVE PROFITABILITY



2019E represents estimated sales and EBIT

2019 GUIDANCE & TIMING ASSUMPTIONS

The following assumptions are incorporated in 2019 guidance:

- Estimated interest expense of ~\$115M
- Effective tax rate of ~26%
- Diluted shares outstanding ~162M

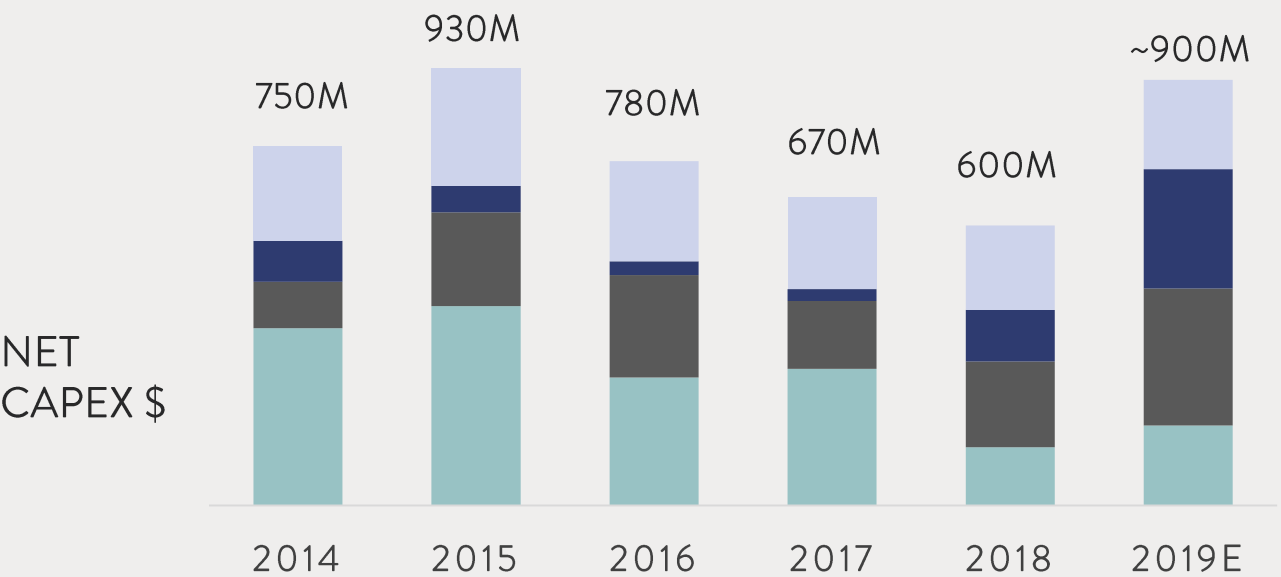
The Company is providing the following assumptions of quarterly trends:

- Gradual improvement in Full-Price sales trends
- EBIT margin expected to improve beginning in Q2
- Higher markdowns in Q1 to clear out pockets of excess inventory
- Pre-opening expenses of approximately \$35 million leading up to planned opening of Nordstrom NYC store in late October

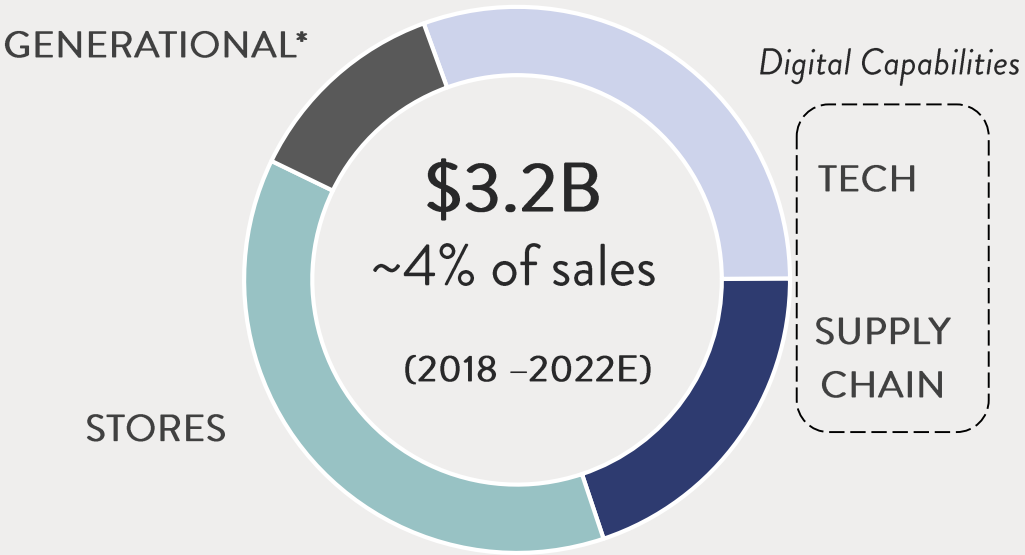
			YOY Growth	
	Q1	Q2 – Q4	FY 2019	FY 2019 (Adjusted*)
Sales	Below FY2019 <ul style="list-style-type: none"> • Current trends continuing into Q1 	Above FY2019 <ul style="list-style-type: none"> • Gradual Full-Price improvement • NYC opening 	1%-2%	1%-2%
EBIT	Below FY2019 <ul style="list-style-type: none"> • Higher markdowns in Q1 • SG&A growth slightly above FY 	Above FY2019 <ul style="list-style-type: none"> • Improved inventory turns and strategic brand growth • NYC pre-opening expenses • SG&A growth slightly below FY (efficiency initiatives) 	9% to 16%	1% to 7%

INVESTING IN DIGITAL CAPABILITIES

NEARING END OF GENERATIONAL INVESTMENTS CYCLE



NET CAPEX % OF SALES	2014	2015	2016	2017	2018	2019E
NET CAPEX % OF SALES	6%	7%	5%	4%	4%	<6%



*Generational investments include Nordstromrack.com / HauteLook, Trunk Club, Canada and NYC flagship
Net capex reflects gross capex less deferred property incentives



Q&A

OUR STORY

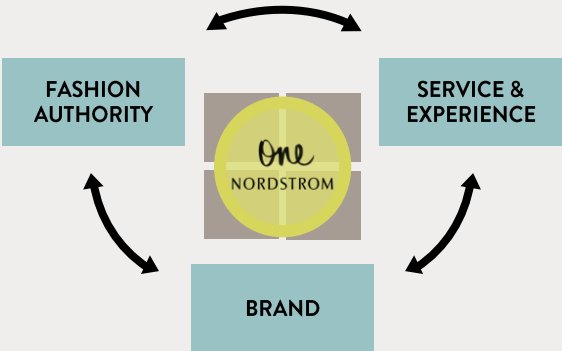
CORE PURPOSE

We strive to make people feel good and look their best

AMBITION

To be the best fashion retailer in a Digital world

STRATEGY



BRANDS

NORDSTROM
TRUNK CLUB

NORDSTROMrack
HAUTELOOK

INVESTMENT HIGHLIGHTS

	HIGHLIGHTS	2018 OUTCOMES
UNIQUE BUSINESS MODEL	<p>Serving customers in Full-Price and Off-Price, leveraging synergies across digital and physical assets</p> <p>Generational investments contributing to market share gains</p> <p>Loyalty program driving higher customer engagement and spend</p> <p>Compelling product offering through strategic brand partnerships</p>	<ul style="list-style-type: none"> – Of 35 million customers, 10 million shopped across Nordstrom, leading to increased customer spend by 4-11x – Digital sales grew 16%, representing 30% of business – Generational investments grew ~25% to ~\$2B in sales – 11M loyalty customers, increasing 16% and contributing 56% of sales – Outsized strategic brand growth of 9%, representing over 40% of Full-Price sales
FULL-PRICE	<p>Local market strategy to drive market share gains</p> <p>High quality store portfolio and robust digital platform</p>	<ul style="list-style-type: none"> – Launch of local market strategy drove market share gains in Los Angeles – High quality store portfolio with 95% of full-line stores in “A” or better malls – Digital business at scale, with contribution margin at parity with stores
OFF-PRICE	<p>Unique competitive position through omnichannel offering</p> <p>Leading source of customer acquisition</p>	<ul style="list-style-type: none"> – Sales CAGR of 8% over last five years, outpacing market growth – Nordstromrack.com/HauteLook fastest business to hit \$1B – 7 million new customers with one-third expected to cross-shop in Full-price business within a year
STRONG FINANCIAL MODEL	<p>Healthy balance sheet and strong cash flow generation</p> <p>Consistent and balanced capital allocation approach</p> <p>Targeting improved profit margins as generational investments near completion</p>	<ul style="list-style-type: none"> – 10th consecutive year of generating \$1B+ of operating cash flow – Returned \$1B to shareholders through share repurchase and dividends and maintained investment grade credit rating – Scaling of generational investments and digital capabilities expected to drive improved profitability

TARGETING HIGHER RETURNS TO SHAREHOLDERS

EXECUTING ON THREE KEY DELIVERABLES

CONTINUING MARKET SHARE GAINS

Investments in new
markets fueling growth

Market-leading digital presence

Core growth in Full-Price
and Off-Price

IMPROVING PROFITABILITY & RETURNS

Generational investments scaling

Leveraging digital capabilities

Strength in product margin

Improving return on invested capital

MAINTAINING DISCIPLINED CAPITAL ALLOCATION

Capital efficiency and
strong inventory management

Disciplined capex

Accelerating cash flow generation

Excess cash returned to shareholders

FINANCIAL COMMITMENTS DRIVING SUPERIOR RETURNS

5-YEAR CAGR TARGETS: EBIT GROWTH 5-6% OUTPACING SALES GROWTH 3-4%

	2017	2020E	2022E
CONTINUING MARKET SHARE GAINS	5% SALES 5-YEAR CAGR	~3% SALES 3-YEAR CAGR	3% TO 4% SALES 5-YEAR CAGR
IMPROVING PROFITABILITY & RETURNS	6.1% EBIT MARGIN 9.7% ADJUSTED ROIC	+20 TO 40 BPS 2017 TO 2020E MID-TEENS ADJUSTED ROIC	+50 TO 80 BPS 2017 TO 2022E MID-TEENS ADJUSTED ROIC
MAINTAINING DISCIPLINED CAPITAL ALLOCATION	\$0.6B FREE CASH FLOW	~\$0.8B FREE CASH FLOW BY 2020	~\$1B FREE CASH FLOW BY 2022

Forecasted Adjusted ROIC does not include the impact from the adoption of lease accounting changes beginning in fiscal 2019. See reconciliation of non-GAAP measures on the company's investor relations website at investor.nordstrom.com under the Websites & Presentations tab.