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) **November 21, 2023**

NORDSTROM

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

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

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

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

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

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

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

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

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

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

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

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

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

Emerging growth company ☐

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

ITEM 2.02 Results of Operations and Financial Condition

On November 21, 2023, Nordstrom, Inc. issued an earnings release announcing its results of operations for the quarter and nine months ended October 28, 2023, its financial position as of October 28, 2023, and its cash flows for the nine months ended October 28, 2023 ("Third Quarter Results"). A copy of this earnings release is furnished as Exhibit 99.1.

ITEM 7.01 Regulation FD Disclosure

On November 21, 2023, Nordstrom, Inc. issued an earnings release announcing its Third 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 Third Quarter Results and 2023 financial outlook, as posted on the Company's investor relations website, investor.nordstrom.com, on November 21, 2023. A copy of this earnings call commentary is furnished as Exhibit 99.2.

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

ITEM 9.01 Financial Statements and Exhibits

99.1	Nordstrom earnings release dated November 21, 2023 relating to the Company's Third Quarter Results
99.2	Nordstrom earnings call commentary relating to the Company's Third Quarter Results and 2023 financial outlook
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Cathy R. Smith
Cathy R. Smith
Chief Financial Officer

Date: November 21, 2023

NORDSTROM

Nordstrom Reports Third Quarter 2023 Earnings

- *Third quarter total revenue of $3.3 billion*
- *Reports EPS of $0.41, adjusted EPS of $0.25*[1]
- *Reaffirms fiscal 2023 revenue outlook, narrows EPS range*

SEATTLE – November 21, 2023 – Nordstrom, Inc. (NYSE: JWN) today reported third quarter net earnings of $67 million, or earnings per diluted share ("EPS") of $0.41, and earnings before interest and taxes ("EBIT") of $102 million. Excluding a favorable true-up related to the wind-down of Canadian operations, the Company reported adjusted EPS of $0.25.[1]

For the third quarter ended October 28, 2023, net sales decreased 6.8 percent versus the same period in fiscal 2022. Gross merchandise value ("GMV") decreased 7.1 percent. Third quarter net sales include a 270 basis point negative impact from the wind-down of Canadian operations. Anniversary Sale timing, with one week shifting from the second quarter to the third quarter, had a positive impact of approximately 200 basis points on net sales compared with 2022. Excluding the impacts of the Canadian wind-down and Anniversary Sale timing shift, net sales would have been down approximately 6 percent. During the quarter, Nordstrom banner net sales decreased 9.4 percent and GMV decreased 9.8 percent. Net sales for Nordstrom Rack decreased 1.8 percent. During the third quarter, active grew by double-digits, and beauty and accessories were up by low single-digits, versus 2022.

"In the third quarter we continued to make progress against our priorities, and we're especially pleased with the resulting improvements in gross margin and earnings," said Erik Nordstrom, chief executive officer of Nordstrom, Inc. "Given continued uncertainty and softening consumer spend, we're remaining agile and focused on serving our customers."

"Thanks to solid execution by our merchants, we're heading into holiday in a favorable inventory position across both banners," said Pete Nordstrom, president of Nordstrom, Inc. "We have a strong and relevant assortment of brands and products we know our customers respond to, and we're excited to help them celebrate the moments that matter this holiday season."

As previously announced, on November 15, 2023, the board of directors declared a quarterly cash dividend of $0.19 per share, payable on December 13, 2023, to shareholders of record at the close of business on November 28, 2023.

THIRD QUARTER 2023 SUMMARY

- Total Company net sales decreased 6.8 percent and GMV decreased 7.1 percent compared with the same period in fiscal 2022. The wind-down of Canadian operations had a negative impact on total Company net sales of 270 basis points. The timing shift of the Anniversary Sale, with roughly one week falling into the third quarter of 2023 versus one day in 2022, had a positive impact on net sales of approximately 200 basis points compared with the third quarter of 2022.
- For the Nordstrom banner, net sales decreased 9.4 percent and GMV decreased 9.8 percent compared with the same period in fiscal 2022. The wind-down of Canadian operations had a negative impact on Nordstrom banner net sales of 410 basis points. The timing shift of the Anniversary Sale had a positive impact on Nordstrom banner net sales of approximately 300 basis points compared with the third quarter of 2022.
- For the Nordstrom Rack banner, net sales decreased 1.8 percent compared with the same period in fiscal 2022. Eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of fiscal 2022 negatively impacted third quarter Rack banner sales by approximately 100 basis points.
- Digital sales decreased 11.3 percent compared with the same period in fiscal 2022. Eliminating store fulfillment for Nordstrom Rack digital orders during the third quarter of fiscal 2022 negatively impacted third quarter digital sales by approximately 100 basis points. The timing shift of the Anniversary Sale had a positive impact on Company digital sales of approximately 400 basis points compared with the third quarter of 2022. Digital sales represented 34 percent of total sales during the quarter.
- Gross profit, as a percentage of net sales, of 35.0 percent increased 180 basis points compared with the same period in fiscal 2022 primarily due to lower markdowns, increased inventory productivity and lower buying and occupancy

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

costs, partially offset by deleverage on lower sales.

- Ending inventory decreased 8.8 percent compared with the same period in fiscal 2022, versus a 6.8 percent decrease in sales.
- Selling, general and administrative ("SG&A") expenses, as a percentage of net sales, of 36.3 percent decreased 5 basis points compared with the same period in fiscal 2022. SG&A expenses increased 200 basis points when compared with adjusted SG&A expenses in fiscal 2022, primarily due to deleverage from lower sales and higher labor costs, partially offset by improvements in variable costs from supply chain efficiency initiatives. Adjusted SG&A expenses, as a percentage of net sales, of 34.3 percent in the third quarter of fiscal 2022 excluded a $70 million supply chain technology and related asset impairment charge.
- EBIT was $102 million in the third quarter of 2023, compared with $3 million during the same period in fiscal 2022. Adjusted EBIT of $77 million in the third quarter of 2023 excluded a $25 million favorable true-up related to the wind-down of Canadian operations. Adjusted EBIT of $73 million in the third quarter of 2022 excluded an impairment charge associated with supply chain technology and related assets.[2]
- Interest expense, net, of $24 million decreased from $32 million during the same period in fiscal 2022 due to higher interest income.
- Income tax expense was $11 million, or 14.2 percent of pretax earnings, compared with income tax benefit of $9 million, or 30.6 percent of pretax loss, in the same period in fiscal 2022. The decrease in the rate in the third quarter of fiscal 2023 was driven by additional tax benefits associated with the wind-down of Canadian operations.
- The Company ended the third quarter with $1.2 billion in available liquidity, including $375 million in cash and the full $800 million available on its revolving line of credit.

STORES UPDATE

To date in fiscal 2023, the Company has opened or relocated 20 stores:

City	Location	Square Footage (000s)	Timing of Opening
Nordstrom Rack			
Los Angeles, CA	NOHO West	26	April 13, 2023
Clovis, CA	Clovis Crossing	31	April 13, 2023
Delray Beach, FL	Delray Place	26	May 11, 2023
Chattanooga, TN	The Terrace at Hamilton Place	24	May 18, 2023
Las Vegas, NV	Best in the West	31	May 18, 2023
Birmingham, AL	The Summit (relocation from River Ridge)	27	May 25, 2023
Wichita, KS	Bradley Fair	28	May 25, 2023
San Clemente, CA	San Clemente Plaza	32	May 25, 2023
Aurora, CO	Southlands	29	August 17, 2023
Olympia, WA	Cooper Point Marketplace	32	September 7, 2023
San Antonio, TX	Northwoods	35	September 7, 2023
Union Gap, WA	Valley Mall	28	September 14, 2023
Salem, OR	Willamette Town Center	25	September 21, 2023
Visalia, CA	Sequoia Mall	29	October 5, 2023
Denton, TX	Denton Crossing	25	October 5, 2023
Overland Park, KS	Overland Crossing	27	October 12, 2023
Allen, TX	The Village at Allen	29	October 19, 2023
San Luis Obispo, CA	SLO Promenade	24	October 26, 2023
Sacramento, CA	The Promenade at Sacramento Gateway	26	October 26, 2023
Anaheim Hills, CA	Anaheim Hills Festival	24	November 9, 2023

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

The Company has also announced plans to open the following stores:

City	Location	Square Footage (000s)	Timing of Opening
Nordstrom Rack			
Pinole, CA	Pinole Vista Crossing	23	Spring 2024
Kennesaw, GA	Barrett Place	25	Spring 2024
Elk Grove, CA	The Ridge Elk Grove	25	Spring 2024
Gilroy, CA	Gilroy Crossing	25	Spring 2024
Oceanside, CA	Pacific Coast Plaza	31	Spring 2024
Wheaton, IL	Danada Square East	29	Spring 2024
Snellville, GA	Presidential Markets	35	Spring 2024
Macedonia, OH	Macedonia Gateway	28	Spring 2024
Jacksonville Beach, FL	South Beach Regional	30	Spring 2024
Queen Creek, AZ	Queen Creek Marketplace	28	Spring 2024
Bay Shore, NY	Gardiner Manor Mall	24	Spring 2024
San Mateo, CA	Bridgepointe Shopping Center	36	Fall 2024
San Diego, CA	Clairemont Town Square	26	Fall 2024
Mason, OH	Deerfield Towne Center	30	Fall 2024
San Antonio, TX	Bandera Pointe	25	Fall 2024
Mooresville, NC	Mooresville Crossing	28	Fall 2024
Davis, CA	The Davis Collection	25	Spring 2025

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

	October 28, 2023	October 29, 2022
Nordstrom		
Nordstrom – U.S.	**93**	94
Nordstrom – Canada	**—**	6
Nordstrom Local service hubs	**6**	7
ASOS | Nordstrom	**1**	1
Nordstrom Rack		
Nordstrom Rack – U.S.	**258**	242
Nordstrom Rack – Canada	**—**	7
Last Chance clearance stores	**2**	2
Total	**360**	359
Gross store square footage	**26,305,000**	27,609,000

During the third quarter, the Company closed one U.S. Nordstrom store and one Nordstrom Local service hub.

FISCAL YEAR 2023 OUTLOOK

The Company updated its financial outlook for fiscal 2023, which includes a 53rd week and reflects the true-up related to the wind-down of Canadian operations and related tax impacts recorded in the third quarter:

- Revenue decline, including retail sales and credit card revenues, of 4.0 to 6.0 percent versus fiscal 2022, including an approximately 250 basis point negative impact from the wind-down of Canadian operations and an approximately 130 basis point positive impact from the 53rd week
- EBIT margin (including the negative impact of charges related to the wind-down of Canadian operations) of 1.8 to 2.1 percent of sales

- Adjusted EBIT margin (excluding charges related to the wind-down of Canadian operations) of 3.8 to 4.1 percent of sales[3]
- Income tax rate of approximately 21 percent, including an approximately 800 basis point favorable impact primarily from the one-time Canada charges
- EPS (including the negative impact of charges related to the wind-down of Canadian operations) of $0.74 to $0.94, excluding the impact of share repurchase activity, if any
- Adjusted EPS (excluding charges related to the wind-down of Canadian operations) of $1.90 to $2.10, excluding the impact of share repurchase activity, if any[3]

CONFERENCE CALL INFORMATION

The Company's senior management will host a conference call to provide a business update and to discuss third quarter 2023 financial results and fiscal 2023 outlook at 4:45 p.m. EST 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 13742508, until the close of business on November 28, 2023.

ABOUT NORDSTROM

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

Certain statements in this press release contain or may suggest "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainties that could cause results to be materially different from expectations. The words "will," "may," "designed to," "outlook," "believes," "should," "targets," "anticipates," "assumptions," "plans," "expects" or "expectations," "intends," "estimates," "forecasts," "guidance" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All statements contained or incorporated in this press release or in any other public statements that address such future events or expectations are forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements are detailed in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2023, and our Form 10-Qs for the fiscal quarters ended April 29, 2023, July 29, 2023 and October 28, 2023, to be filed with the SEC on or about December 1, 2023. In addition, forward-looking statements contained in this release may be impacted by the actual outcome of events or occurrences related to the wind-down of business operations in Canada. These forward-looking statements are not guarantees of future performance and speak only as of the date made, and, except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances. In addition, the actual timing, price, manner and amounts of future share repurchases, if any, will be subject to the discretion of our board of directors, contractual commitments, market and economic conditions and applicable Securities and Exchange Commission rules.

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[3]Adjusted EBIT margin and adjusted EPS are non-GAAP financial measures. Refer to the "Forward-Looking Non-GAAP Measures" section of this release for additional information as well as reconciliations between the Company's GAAP and non-GAAP financial expectations.

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

	Quarter Ended		Nine Months Ended	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Net sales	**$3,200**	$3,433	**$9,926**	$10,891
Credit card revenues, net	**120**	113	**347**	320
Total revenues	**3,320**	3,546	**10,273**	11,211
Cost of sales and related buying and occupancy costs	**(2,080)**	(2,294)	**(6,488)**	(7,211)
Selling, general and administrative expenses	**(1,163)**	(1,249)	**(3,466)**	(3,722)
Canada wind-down costs	**25**	—	**(284)**	—
Earnings before interest and income taxes	**102**	3	**35**	278
Interest expense, net	**(24)**	(32)	**(78)**	(101)
Earnings (loss) before income taxes	**78**	(29)	**(43)**	177
Income tax (expense) benefit	**(11)**	9	**43**	(51)
Net earnings (loss)	**$67**	($20)	**$—**	$126
Earnings (loss) per share:				
Basic	**$0.41**	($0.13)	**$—**	$0.79
Diluted	**$0.41**	($0.13)	**$—**	$0.77
Weighted-average shares outstanding:				
Basic	**162.0**	159.5	**161.5**	160.1
Diluted	**163.6**	159.5	**161.5**	162.3
Percent of net sales:				
Gross profit	**35.0 %**	33.2 %	**34.6 %**	33.8 %
Selling, general and administrative expenses	**36.3 %**	36.4 %	**34.9 %**	34.2 %
Earnings before interest and income taxes	**3.2 %**	0.1 %	**0.4 %**	2.6 %

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Nordstrom brand includes Nordstrom.com, Nordstrom U.S. stores, Nordstrom Local and ASOS | Nordstrom. Nordstrom also included Canada operations prior to March 2, 2023, inclusive of Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and TrunkClub.com prior to October 2022. Our Nordstrom Rack brand includes NordstromRack.com, Nordstrom Rack U.S. stores and Last Chance clearance stores. The following table summarizes net sales for the quarter and nine months ended October 28, 2023, compared with the quarter and nine months ended October 29, 2022:

	Quarter Ended		**Nine Months Ended**	
	October 28, 2023	**October 29, 2022**	**October 28, 2023**	**October 29, 2022**
Net sales:				
Nordstrom	**$2,051**	$2,264	**$6,570**	$7,324
Nordstrom Rack	**1,149**	1,169	**3,356**	3,567
Total net sales	**$3,200**	$3,433	**$9,926**	$10,891
Net sales (decrease) increase:				
Nordstrom	**(9.4 %)**	(3.4 %)	**(10.3 %)**	10.7 %
Nordstrom Rack	**(1.8 %)**	(1.9 %)	**(5.9 %)**	4.7 %
Total Company	**(6.8 %)**	(2.9 %)	**(8.9 %)**	8.7 %
Digital sales as % of total net sales[1]	**34 %**	34 %	**35 %**	37 %

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

NORDSTROM, INC.
FISCAL YEAR 2023 FORWARD-LOOKING NON-GAAP MEASURES
(NON-GAAP FINANCIAL MEASURES)
(unaudited)

Our adjusted EBIT as a percent of net sales ("adjusted EBIT margin") and adjusted EPS outlook for fiscal year 2023 excludes the impacts from certain items that we do not consider representative of our core operating performance. These items include charges from the wind-down of Canadian operations recognized in the nine months ended October 28, 2023.

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

	53 Weeks Ending February 3, 2024	
	Low	**High**
Expected net earnings as a % of net sales	**0.9%**	**1.1%**
Income tax expense	0.2%	0.3%
Interest expense, net	0.7%	0.7%
Expected EBIT as a % of net sales	1.8%	2.1%
Canada wind-down costs	2.0%	2.0%
Expected adjusted EBIT margin	**3.8%**	**4.1%**

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

	53 Weeks Ending February 3, 2024	
	Low	**High**
Expected diluted EPS	**$0.74**	**$0.94**
Canada wind-down costs	1.74	1.74
Income tax impact on adjustments	(0.58)	(0.58)
Expected adjusted EPS	**$1.90**	**$2.10**

NORDSTROM, INC.
ADJUSTED RETURN ON INVESTED CAPITAL ("ADJUSTED ROIC")
(NON-GAAP FINANCIAL MEASURE)
(unaudited; 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.

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

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

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

[1] Operating lease interest is a component of operating lease cost recorded in occupancy costs. We add back operating lease interest for purposes of calculating adjusted net operating profit for consistency with the treatment of interest expense on our debt.

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

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

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

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

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

Adjusted debt to earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") is one of our key financial metrics and we believe that our debt levels are best analyzed using this measure, as it provides a reflection of our creditworthiness which could impact our credit ratings and borrowing costs. This metric is calculated in accordance with the updates in our Revolver covenant and is a key component in assessing whether our revolving credit facility is secured or unsecured, as well as our ability to make dividend payments and share repurchases. Our goal is to manage debt levels to achieve and maintain investment-grade credit ratings while operating with an efficient capital structure.

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

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

	Four Quarters Ended October 28, 2023
Net earnings	**$119**
Income tax benefit	**(2)**
Interest expense, net	**106**
Earnings before interest and income taxes	**223**
Depreciation and amortization expenses	**581**
Operating lease cost[1]	**270**
Amortization of developer reimbursements[2]	**69**
Canada wind-down costs	**284**
Other Revolver covenant adjustments[3]	**46**
Adjusted EBITDAR	**$1,473**

Debt to Net Earnings	**24.0**
Adjusted debt to EBITDAR	**3.1**

[1] Operating lease cost is fixed rent expense, including fixed common area maintenance expense, net of developer reimbursement amortization.
[2] Amortization of developer reimbursements is a non-cash reduction of operating lease cost and is therefore added back to operating lease cost for purposes of our Revolver covenant calculation.
[3] Other adjusting items to reconcile net earnings to Adjusted EBITDAR as defined by our Revolver covenant include interest income, certain non-cash charges and other gains and losses where relevant. For the four quarters ended October 28, 2023, other Revolver covenant adjustments primarily includes interest income. See our 2022 Annual Report for detailed information on certain non-operating related adjustments.

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

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

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

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

INVESTOR CONTACT: James Duies
Nordstrom, Inc.
InvRelations@Nordstrom.com

MEDIA CONTACT: Stephanie Corzett
Nordstrom, Inc.
NordstromPR@Nordstrom.com

Q3 2023 NORDSTROM EARNINGS CALL — PREPARED REMARKS

ERIK NORDSTROM | CHIEF EXECUTIVE OFFICER

Thank you, Jamie, and good afternoon, everyone. Thank you for joining us today.

I'll start with our Q3 performance.

For the third quarter, we delivered revenue of $3.3 billion, earnings per share of 41 cents and adjusted earnings per share of 25 cents. Our teams executed against our priorities, adapted quickly to shifting sales trends, and delivered year-over-year profit growth despite lower sales in a challenging macroeconomic environment. We managed our inventory well as evidenced by the positive sales-to-inventory spread, while leaning into pockets of demand.

As we enter the holiday season, our teams have worked hard to deliver the right assortment and engaging experiences for our customers.

In the third quarter, we continued to make progress on our three priorities: improving Nordstrom Rack performance, increasing inventory productivity, and optimizing our supply chain. We will continue to focus on these areas in the quarters ahead in order to drive growth, profitability, and an improved customer experience. Based on our year-to-date results, we remain confident in our outlook and expect to deliver full-year results within our updated guidance range.

Turning now to our priorities…

Our brand purpose is to help our customers feel good and look their best. At Nordstrom Rack, we know what works and believe in our strategy: delivering great brands at great prices, expanding our reach and convenience with new Rack stores in key markets, and driving greater engagement and profitability at NordstromRack.com. Throughout the quarter, our teams stayed focused on our assortment and moved quickly to meet shifting demand, providing a compelling flow of new and relevant products for our customers. In the third quarter, we continued to grow the most desirable brands which had over 300 basis points higher sell-through than other brands in our Rack assortment and feel good about our offering as we head into holiday.

We also know that our Rack customers value convenience, and we believe our stores are underpenetrated. We opened 11 new Rack stores during the third quarter and one early in the fourth quarter, bringing the full-year total to 19 new stores. We saw strong customer response at each opening and have received positive feedback from customers. Rack stores continue to be a great investment for us, delivering returns well in excess of their cost of capital, with a short payback period. They also continue to be our largest source of new customer acquisition.

The scale of our digital off-price business is differentiated and unique, allowing us to serve our customers via omnichannel offerings in a way that other off-price retailers do not. And, while we still have work to do on our digital offering for the Rack, we're making progress as we've reworked the business model to ensure sustained profitability. The Rack digital channel is now profitable on a year-to-date basis, and we expect it to continue to be profitable for the full year. This digital channel plays an important role for the Rack in serving customers across stores and digital.

Turning to our next priority… Increasing inventory productivity is critical in providing our customers with a consistent flow of the most relevant merchandise, when and where they want it. Total inventory was down 9 percent in the third quarter and resulted in a positive sales-to-inventory spread. This lower level of inventory required fewer markdowns than last year and helped to drive expansion in our gross margin by 180 basis points in the third quarter.

We're also pleased with the traction that our Nordstrom private brands are gaining. As a retailer of the best brands in the world, we believe our own brands will play a critical role in our overall mix as they have higher margins and lower return rates.

Additionally, our investments in RFID technology continued to deliver improvements – enhancing the integrity of our inventory by providing improved stock accuracy and creating operational efficiencies across our stores and supply chain.

Thanks to the hard work of our teams all year long, our overall inventory position is healthy heading into the holiday season.

We also continued to make good progress on our third priority of optimizing our supply chain capabilities. Following four consecutive quarters of reductions in variable supply chain costs of more than 100 basis points, we were able to drive another 50 basis point reduction in the third quarter. Looking ahead, the absolute level of cost savings will stabilize as we've now been focused on this priority for over a year, however we'll continue to seek out additional efficiencies in flow and improved productivity through inventory management initiatives.

Our efforts to improve our supply chain have also contributed to increased productivity in store fulfillment for online orders at the Nordstrom banner, and better inventory positioning and flow across the company. Q3 marked our 7th consecutive quarter of year-over-year improvement in click to deliver times. We've been able to improve click to deliver times by nearly 20 percent over the last couple of years. All of this translates into a better experience for our customers and cost savings for us through faster delivery, lower cancellation rates, and increased accuracy of inventory.

During the quarter we announced some key leadership changes and welcomed a new member to our board of directors. Jamie Nordstrom was appointed chief merchandising officer. Jamie has worked across nearly every aspect of our business and has held broad-based leadership roles, including in merchandising, store operations, and across our digital channels. Fanya Chandler was named president, Nordstrom stores. She has held several leadership positions, most recently serving as senior vice president and regional manager of the Southwest region. Gemma Lionello was appointed to the role of president, Nordstrom Rack. She has served in numerous executive positions including in both merchandising and stores, and she spent 11 years working within our Nordstrom Rack business. And, Lisa Price re-joined Nordstrom as chief human resources officer. Having most recently served as CHRO of a large U.S. consumer company, Lisa understands that the success of our business starts with our people. All four have proven track records of leading successful teams while maintaining a relentless focus on our customers, and we look forward to what they will accomplish in their new roles.

We also welcomed Guy Persaud to our Board of Directors. Guy is a senior leader at Proctor & Gamble.

In closing, we are well-positioned for the holiday season as we navigate near-term macroeconomic headwinds, while continuing to advance our long-term strategic priorities, and remain focused on improving the customer experience.

Before I hand it over to Pete, I'd like to recognize the teams throughout our company that have been instrumental in driving our progress this year, despite a challenging environment across the retail landscape. Their focus on and passion for our customer is what makes our success possible.

With that, I'll turn it over to Pete…

PETE NORDSTROM | PRESIDENT AND CHIEF BRAND OFFICER

Thanks, Erik, and good afternoon, everyone.

I'll focus my remarks on our category performance and inventory position and provide some highlights of actions we are taking to drive holiday sales.

Starting with category performance…

The majority of our categories improved sequentially from the second quarter in terms of year-over-year trends, with Active, Beauty, and Accessories leading.

Active sales growth was led by footwear, driven by New Balance, Hoka, and On Running, and in apparel, Vuori.

Beauty was strong at both banners as well, driven by designer brands and fragrance. Beauty has been a consistently solid performing category for us and continues to be a top trip driver. This quarter, the introduction of a new Beauty 5x points promotion for our Nordy Club loyalty program members supported category growth in stores and online. In anticipation of holiday, our in-stock rates at Nordstrom are above last year's levels, and we have a strong gift selection in Beauty.

The Accessories category also posted positive growth in the quarter, led by sales at the Rack, where handbags as well as jewelry and watches were strong.

As Erik mentioned, we are gaining traction with our Nordstrom private brands, which are more profitable with lower return rates, which suggests strong content at a good value.

Consistent with trends all year, Designer remains pressured – primarily in shoes and handbags, and we continued to right-size our inventory to meet that demand. Looking ahead, we expect to end the year with an improved inventory position in this category.

Heading into holiday, we're optimistic and pleased that our offering strikes the right balance of newness and relevance that our customers want.

We've launched a number of efforts to drive sales and create memorable experiences. From a merchandise perspective, we're offering more newness than we had at this time last year. And we're investing in hot brands and products. For example, we've stepped up our investment in a holiday favorite, Ugg, and we've leaned into beauty gifts sets, cashmere sweaters, and affordable stocking stuffers.

We’ve also teamed up with Disney to celebrate its 100th anniversary. Not only are we offering Disney merchandise from over 80 brands, we’re also hosting events and immersive in-store experiences to celebrate. The Disney merchandise is featured in 25 Nordstrom stores and is also available online.

We’re taking a differentiated approach to connecting with our customers this holiday season. Based on customer feedback, we’re providing new ways for customers to discover gifts for everyone on their list, including more than 20 inspirational gifting guides and curated gift categories. We’re also leveraging our data and analytics to show more relevant and personalized content on Nordstrom.com and in our app, based on shopping behavior, to further our key differentiator – and that is serving customers.

We’ve also positioned the Rack as a holiday destination, and we’re prepared to welcome customers with an enhanced assortment. We’re excited that our teams took a sharp focus around gifting to enhance the customer experience.

Ahead of the holiday season, we’ve announced actions designed to not only drive sales in-store and online, but to also improve the customer experience. We’re expanding free 2-day shipping to all Nordstrom.com customers in our top markets, as we know that customers will be more likely to make additional purchases and remain a Nordstrom customer if they’re confident their purchases will arrive quickly. And, given the success that we’ve already seen with our new loyalty beauty promotion, we will continue to offer it throughout the holiday season.

Looking ahead, we are excited to serve our customers this holiday season and into ’24. Our teams have worked hard all year to provide a curated and diverse assortment of brands and products that balances relevance and inspiration. We’ve made meaningful improvements to the customer experience that will help our customers shop seamlessly across both of our banners – both in stores and online. By doing this work, we’re fulfilling our brand promise: to help our customers feel good and look their best.

And with that, I’ll hand it over to Cathy to discuss our financial results.

CATHY SMITH | CHIEF FINANCIAL OFFICER

Thanks, Pete.

I’ll start with our third quarter results, and then discuss our outlook for the remainder of the year.

For the third quarter, we reported earnings per share of 41 cents, compared to a loss of 13 cents per share in the year-ago quarter. After excluding a favorable true-up related to the wind-down of our Canadian operations, third quarter adjusted earnings per share was 25 cents. Last year’s adjusted earnings per share was 20 cents after excluding an asset impairment charge. We are pleased with the year-over-year gross margin and EPS increase, despite lower net sales.

Net sales and gross merchandise value, or GMV, both decreased 7 percent in Q3. Net sales included a negative impact of 270 basis points from the wind-down of Canadian operations. It also reflects a positive impact of approximately 200 basis points from the timing shift of the Anniversary Sale, with about one week falling into the third quarter this year. Excluding the impact of these two items, net sales would have been down about 6 percent versus last year.

Nordstrom banner sales and GMV decreased 9 and 10 percent, respectively, versus last year. The wind-down of Canadian operations had a negative impact on Nordstrom banner net sales of 410 basis points, and the Anniversary timing shift had a positive impact of approximately 300 basis points.

Nordstrom Rack sales decreased 2 percent. The decision to eliminate store fulfillment of Rack digital orders starting in the third quarter of 2022 had a negative impact to this year's Q3 sales of approximately 100 basis points, and we've now lapped that change. As Erik said, new Rack stores continue to be a bright spot. New Rack stores performed well during the quarter.

Digital sales decreased 11 percent in the third quarter. This includes an approximately 100 basis point negative impact from eliminating store fulfillment of Rack digital orders last year and an approximately 400 basis point positive impact from the Anniversary timing shift.

Gross profit as a percentage of net sales increased 180 basis points, primarily due to lower markdowns, increased inventory productivity, and lower buying and occupancy costs, partially offset by deleverage on lower sales.

Ending inventory decreased 9 percent versus last year, compared to a 7 percent decrease in sales. As Pete said, we are continuing to work through some aged Designer inventory. However, we're pleased with our overall inventory position as we enter the holiday season. Looking ahead, we expect to continue to benefit from improved inventory management routines and disciplines while meeting customer demand.

Reported SG&A as a percentage of net sales of 36.3 percent declined 5 basis points versus Q3 2022. Compared to adjusted SG&A in the year-ago quarter, SG&A increased 200 basis points primarily due to deleverage from lower sales and higher labor costs, partially offset by improvements in variable costs from supply chain efficiency initiatives. Adjusted SG&A expenses, as a percentage of net sales, of 34.3 percent in the third quarter last year excluded an impairment charge.

We have been pleased with the results that our supply chain initiatives have delivered over the last year. As Erik mentioned, following four consecutive quarters in which we were able to deliver over 100 basis points of savings each quarter, we were able to drive another 50 basis point reduction in variable supply chain costs in the third quarter.

EBIT margin was 3.2 percent for the third quarter. After excluding the $25 million favorable true-up related to the wind-down of Canadian operations in this year's third quarter and the impairment charge in the third quarter a year ago, adjusted EBIT margin improved 25 basis points to 2.4 percent, despite lower sales leverage this quarter.

We continue to maintain a solid balance sheet and financial position, ending the third quarter with $375 million in cash as well as the full $800 million available on our revolving line of credit.

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

Regardless of external impacts, we expect to make continued progress on our key priorities, which will help drive sales, improve our profitability and mitigate inflationary cost pressures. We continue to see a cautious consumer and it remains to be seen how changes in inflation, higher interest rates, and the resumption of student loan repayments will affect discretionary consumer spending during the holiday season.

Considering these factors, and the consistent execution all year long, we are maintaining our full-year revenue guide and narrowing our EPS guidance range.

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

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

Year-to-date credit card revenues have increased 9 percent versus last year, primarily as a result of our credit card partner agreement. This improvement has come despite credit card losses, which have risen at a slower pace than expected. As we mentioned last quarter, we have seen delinquencies rise gradually and they are now above pre-pandemic levels. However, delinquencies remain below industry levels, and are contemplated in our guidance.

Turning to EBIT, we now expect adjusted EBIT margin of 3.8 to 4.1 percent for the full year, versus 3.3 percent in 2022.

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

We are updating our outlook for adjusted EPS for the full year. Our GAAP earnings per share outlook is now 74 cents to 94 cents for the full year, which includes the Canadian wind-down charges and related tax impact. Excluding the impact of these charges, we now expect adjusted earnings per share of $1.90 to $2.10 for the full year.

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

Our second priority is reducing our leverage. We remain committed to an investment grade credit rating through a combination of earnings improvement and debt reduction and continue to target a leverage ratio below 2.5 times.

Our third priority is returning cash to shareholders. Last week, our board of directors declared a quarterly cash dividend of $0.19 per share.

Our third quarter results, along with the progress we've made on our priorities of improving Nordstrom Rack, increasing inventory productivity, and optimizing our supply chain capabilities, position us well to drive profitable growth in the fourth quarter and over the longer-term. We are navigating through near-term uncertainty while remaining laser-focused on delivering shareholder value over the long-term.