


**NORDSTROM (JWN) 3Q16 RESULTS: RESULTS EXCEED EXPECTATIONS IN 3Q**

	3Q16	3Q15	YoY Change
Revenues (USD Bil.)	\$3.54	\$3.33	7.2%
Gross Margin	34.8%	33.9%	90 bps
SG&A/Sales	28.5%	29.3%	(80) bps
Adjusted Operating Margin	6.3%	4.6%	170 bps
Adjusted EPS	\$0.84	\$1.77	(52.5)%

Source: Company reports/Fung Global Retail & Technology

- Nordstrom reported adjusted 3Q16 EPS of \$0.84, ahead of the \$0.52 consensus estimate, but down 52.5% year over year. Revenues were \$3.54 billion, up 7.2% year over year and above the consensus estimate.
- Off-price apparel was the strongest category in the quarter, with net sales from Nordstrom Rack stores and Nordstromrack.com/HauteLook.com increasing by 10.1%. Comparable sales in the category increased by 3.9%.
- For fiscal year 2016, the company updated its sales guidance to 3.5% and its guidance for adjusted earnings per diluted share to \$2.85–\$2.95 to incorporate the upside from the third quarter.

### 3Q16 RESULTS

Nordstrom reported 3Q16 revenues of \$3.54 billion, up 7.2% year over year and above the consensus estimate, reflecting continued strength in inventory and expense execution. Total comps increased by 2.4% in the quarter.

Adjusted EPS was \$0.84, above the consensus estimate of \$0.52, though down 52.5% year over year. The company reported a net loss of \$10 million for the quarter, partially due to a noncash goodwill impairment of \$197 million related to Trunk Club, which the company acquired in 2014.

The company said the Trunk Club business continues to deliver outsized top-line growth, though current expectations for future growth and profitability are lower than initial estimates.

### BY PRODUCT CATEGORY

- **Nordstrom brand:** Including US and Canada full-line stores and Nordstrom.com, net sales, when combined with Trunk Club, increased by 2.4% and comparable sales increased by 0.9%.
- **Women's apparel:** The younger-customer-focused departments in women's apparel continued to outperform, reflecting strength in denim and collaborations with new and emerging limited-distribution brands.
- **Nordstrom Rack brand:** In the Nordstrom Rack brand, which consists of Nordstrom Rack stores and Nordstromrack.com/HauteLook.com, net sales increased by 10.1% and comparable sales increased by 3.9%.



# FLASH REPORT

## OUTLOOK

Nordstrom updated its fiscal year 2016 outlook to include its third-quarter results, which exceeded company expectations primarily due to the company's efforts to align inventory and improve operational efficiencies.

For fiscal 2016, the company now expects:

- Net sales growth of 3.5%, versus 2.5%–4.5% previously.
- Diluted EPS of \$1.70–\$1.80, down from \$2.60–\$2.75 previously. Excluding the impairment charge to Trunk Club, the company's EPS outlook is \$2.85–\$2.95.



FLASH REPORT

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