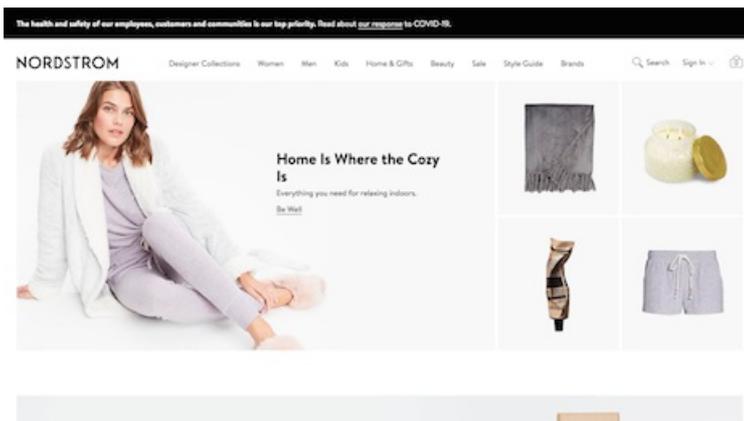


RETAIL

## Nordstrom takes extra steps to fortify balance sheet as retail shutdown continues

March 24, 2020



*Nordstrom's ecommerce operations account for one-third of the company's revenue. Image credit: Nordstrom*

By MICKEY ALAM KHAN

Nordstrom Inc. has taken additional precautionary measures to strengthen its financial position as the U.S. department store chain confronts the uncertainty in the world's largest luxury market over the COVID-19 coronavirus pandemic.

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The Seattle-based company on March 16 shut its full-line Nordstrom and off-price Nordstrom Rack stores across the United States and Canada as a precaution against the spread of the virus. The company closed last year with \$853 million in cash on its books, but the new measures are aimed to help the company hold out longer as ecommerce is its sole retail channel at work.

"During this time of great uncertainty, we're making decisions to best position Nordstrom for our employees, customers and shareholders," said Nordstrom Inc. CEO Erik Nordstrom in a statement.

"We are proactively taking steps to strengthen our financial flexibility to help us navigate through this unprecedented situation," he said.

Four score

**Nordstrom** is taking four steps.

First, the company is suspending its quarterly cash dividend beginning in the second quarter of fiscal 2020. It will pay out dividends over the long term and resume payment when appropriate.

Second, it will draw down \$800 million on its revolving line of credit.

Third, in addition to its initial savings plan of \$200 million to \$250 million in fiscal 2020, Nordstrom will target further reductions of more than \$500 million in operating expenses, capital expenditures and working capital. These cuts include ongoing efforts to match inventory to sales trends.

Finally, Nordstrom will suspend share repurchases.

"In addition to these actions, the Company continues to actively pursue further options to increase financial

flexibility," the company said in a statement.

"While there is no immediate need to raise capital at the present time, the company intends to evaluate accessing the financing markets and will look to raise capital, when and if the company deems it prudent, to further strengthen its balance sheet."

ONE SAVING GRACE for Nordstrom and other luxury retailers in North America is the online business.

In Nordstrom's case, ecommerce accounted for one-third of fiscal 2019 sales.

"Through ongoing actions to stimulate customer demand and clear excess inventory, sales from its online business are helping to partially mitigate the impact from store closures," Nordstrom said.

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