THE MERGER OF NORDSTROM, INC

By Mrunmayee Padhye

April 2, 2025

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Abbreviations used in the report

ABBREVIATION	FULL FORM
NORDSTROM	NORDSTROM, INC
LIVERPOOL	El Puerto de Liverpool, S.A.B. de C.V.
A	Actual results reported
E	Expected / forecasted results
NWC	Net Working Capital
DCF	Discounted Cash Flow
TEV	Total Enterprise Value
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
TTM	Trailing Twelve Months
NTM	Next Twelve Months
WACC	Weighted average cost of capital
ABL	Asset Backed Lending

Background of the merger

Nordstrom, Inc. (NYSE: JWN) announced December 23, 2024 that it signed a definitive agreement under which the Nordstrom Family and El Puerto de Liverpool, S.A.B. de C.V. ("Liverpool") (BMV: LIVEPOL) will acquire all of the outstanding common shares of Nordstrom not already beneficially owned by the Nordstrom Family and Liverpool. 57% of the outstanding shares of Nordstrom are float shares[1].

The merger is valued at $6.25 Billion on enterprise basis. The common shareholders would receive $24.25 per share. The transaction value represents a premium of ~42% on the market price since March 18, 2024. The merger is an all cash merger. Following the close of the transaction, the Nordstrom family would have a majority ownership of 50.1% in the company and Liverpool will own balance 49.9%[2].

The acquisition would be financed by a combination of rollover equity by Nordstrom Family and Liverpool, cash commitments by Liverpool, up to $450 Million in borrowings and by cash on hand.

The deal involves rolling over Nordstrom's existing notes and funding the rest with cash, cash commitments from Liverpool, and up to $450 million from a new $1.2 billion ABL, which will replace the $800 million revolver. This transaction minimally impacts Nordstrom's leverage and coverage profile due to the nominal debt proposed. Nordstrom, Inc has retained its ratings at 'BB' after its acquisition agreement with the Nordstrom family and Mexican department store chain El Puerto de Liverpool, S.A.B. de C.V. (BBB+/Stable).

With a slight improvement in Forward P/E as compared to the industry, the market has a stable outlook towards the deal. Post merger, Nordstrom would continue operations under the name ‘Nordstrom.’

Since there is no information on the date of valuation of the merger, financial performance as of year end 2024 have been considered for valuation purposes, which is in line with the date of the press release.

El Puerto de Liverpool, S.A.B. de C.V., would be one of the substantial investors post-merger. It has substantial experience of omni-channel sales and operates boutiques under the Banana Republic, GAP, Pottery Barn, West Elm, and Williams-Sonoma names. Valuation of El Puerto de Liverpool, S.A.B. de C.V. is not conducted as post merger, it would be a 49.9% stakeholder in Nordstrom. Since it would draw 49.90% of the revenues and profits of Nordstrom, valuation of Nordstrom based on identified synergies has been conducted.

Source:

[1]Bloomberg Capital Markets platform and further analysis

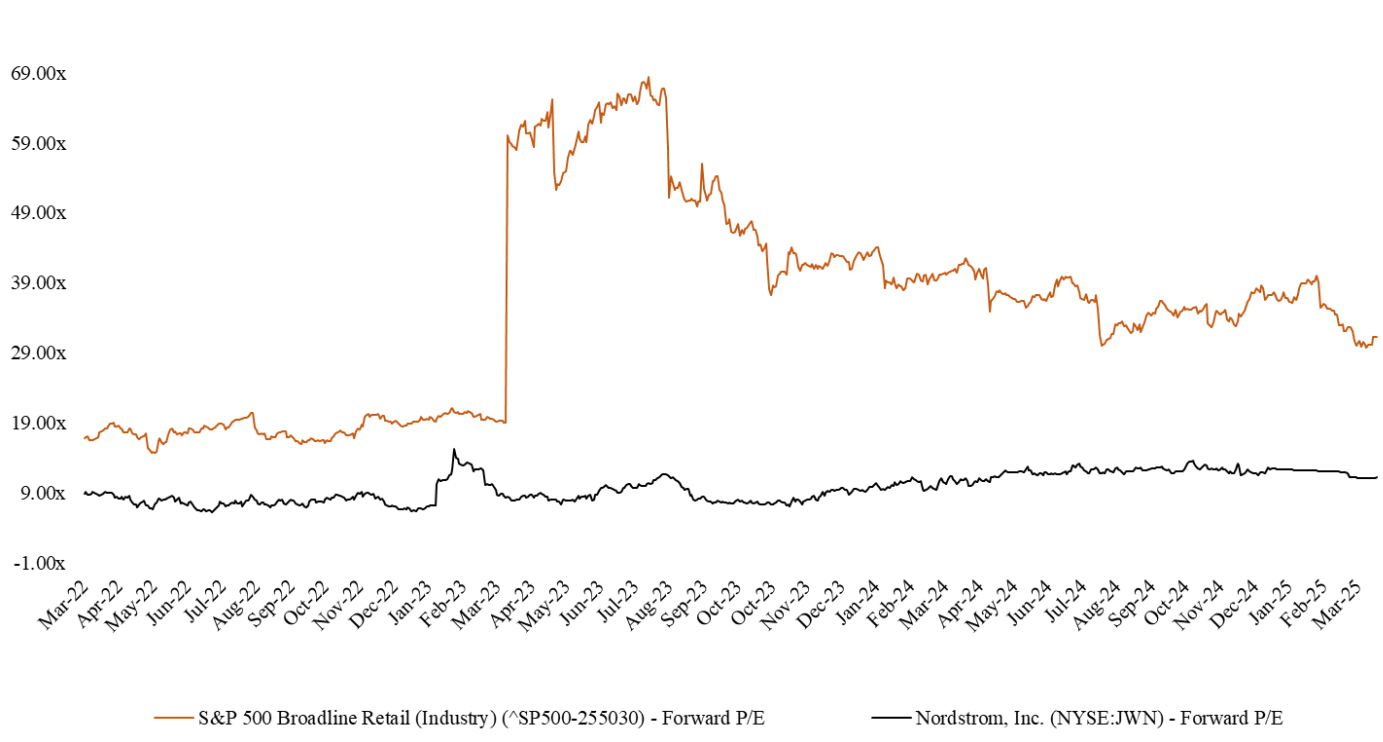
[2]Press release, Nordstrom corporate website, dated December 23, 2024: https://press.nordstrom.com/news-releases/news-release-details/nordstrom-be-acquired-nordstrom-family-and-liverpool

Overview of Nordstrom, Inc

Nordstrom is a listed company operating with a market capitalization of ~$4.064 Billion as of December 2024[3]. Nordstrom is a part of Consumer Discretionary industry under 'Broadline Retail' sub-classification. Nordstrom generates revenues through sale of apparel and accessories, beauty products, gift cards, home products and shoes in retail category. The company also generates credit card revenues that accounted for ~3% of total revenues of Nordstrom in 2024.

Despite contributing +1% of revenues to the Broadline Retail industry[4], Nordstrom has been under-performing for the last 5 years as compared to the industry peers. Refer 'Figure 1: Forward P/E Nordstrom vs Peers' for comparative analysis of forward P/E of Nordstrom vs Industry players.

Figure 1: Forward P/E Nordstrom vs Peers[5]

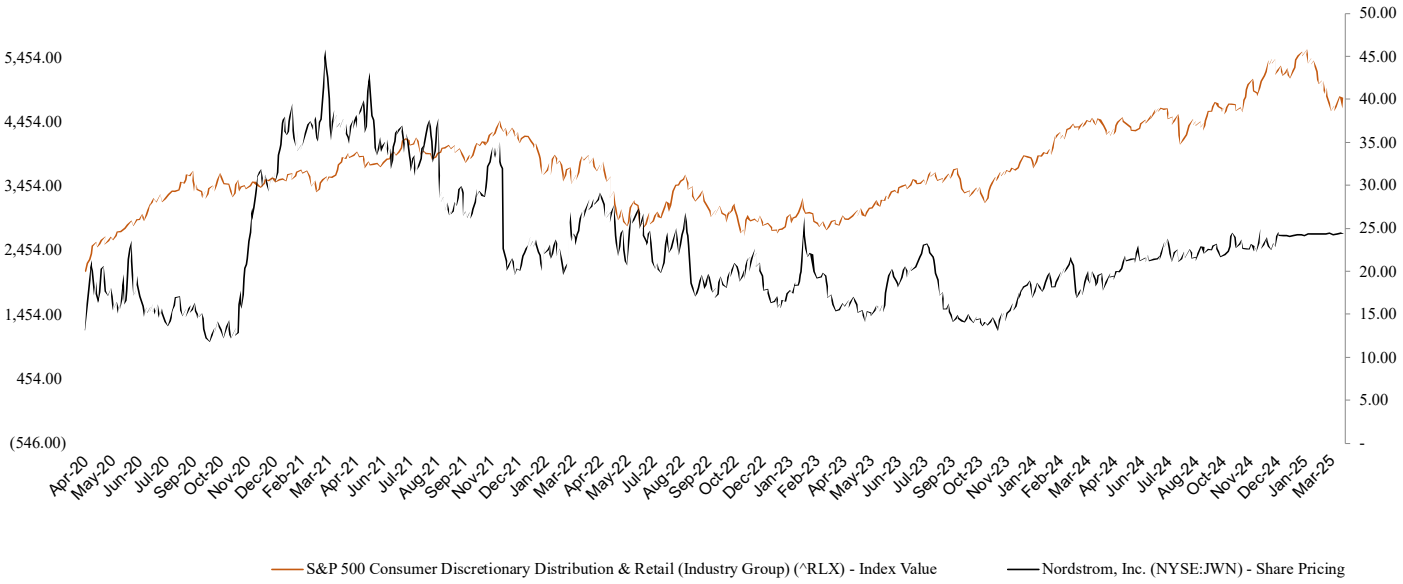


The Forward P/E is indicative of the expected performance by the investors. The forward P/E of Nordstrom has been continually much lower as compared to the industry. The fact that the forward P/E did not move with the movements in the industry indicates a much stagnant business operations for Nordstrom, affecting investor perception.

The share price of Nordstrom was largely below the industry index share price for last 5 years. Refer 'Figure 2: Share pricing of Nordstrom' for comparative share price movements.

Source:
[3]Historical Capitalization of Nordstrom with Balance Sheet as of December 2024 and pricing as of March 21, 2025, Capital IQ database: https://www.capitaliq.com/CIQDotNet/Financial/Capitalization.aspx?CompanyId=32215
[4]Constituents in S&P Composite Broadline Retail, Capital IQ as of December 2024 and further analysis: https://www.capitaliq.com/CIQDotNet/Index/Constituents.aspx?CompanyId=46155723
[5]Chart Builder, 5 Yr, Capital IQ: https://www.capitaliq.com/CIQDotNet/Charting4/ModernBuilder.aspx?fromTSQC=true&color=3030FF&color2=DC0A82&companyId=32215&hasVolume=true&timeFrame=365&dataType=0&dataType2=-1&estimatePeriod=1&estimatePeriod2=1&fromC3=1

Figure 2: Share pricing of Nordstrom[6]



This indicates that several other industry peers of Nordstrom constituting the index moved positively, while Nordstrom saw a dip in its share price till late 2024.

Some of the factors affecting Nordstrom are inefficient operations, tough competition from the ecommerce boom, and several economical options available to consumers.

The merger would take Nordstrom private while allowing the Nordstrom family to retain majority ownership of the company. It would allow the management to make alterations to the operations of Nordstrom away from the scrutiny and time-consuming approvals.
One of the major stakeholder in Nordstrom post merger would be El Puerto de Liverpool. El Puerto de Liverpool is a Mexican omnichannel retailer with a leading presence in department stores and a robust e-commerce platform.
Merger would allow leveraging the retail platforms including the e-commerce platform of El Puerto de Liverpool, leading to operational efficiencies and potential increase in revenue.

To understand the financial effects of merger on Nordstrom, an analysis of valuation of Nordstrom has been done to assess deal pricing and synergy valuation.

Source:
[6]Chart Builder, Share pricing of Nordstrom vs S&P 500 Broadline Retail Index, 5-Yr, Capital IQ: https://www.capitaliq.com/CIQDotNet/Charting4/ModernBuilder.aspx?fromTSQC=true&color=3030FF&color2=DC0A82&companyId=32215&hasVolume=true&timeFrame=365&dataType=0&dataType2=-1&estimatePeriod=1&estimatePeriod2=1&fromC3=1

Valuation of Nordstrom

One of the critical reasons for making Nordstrom a private entity is to improve efficiency in operating the business, which would translate into increased revenues and lower costs through faster execution with the continued management and large stakes shareholders.

DCF valuation model has been used to value Nordstrom. DCF valuation model is used since financial information of Nordstrom is widely available. Combining judgement with management insights, industry performance, consumer trends and market expectations about Nordstrom, DCF valuation model would allow valuing Nordstrom in a controlled and in a highly accurate manner. Main revenue streams of Nordstrom include revenue from sell of retail products and through credit cards at Nordstrom and Nordstrom Rack stores. **For valuation purposes, the growth rate in the revenue from sell of retail products has been estimated using multiple factor contributions. The revenue of credit cards has been tagged to revenue from retail products.**

Other valuation methodologies such as trading comparables and precedent transactions have been analyzed as Nordstrom has consistently been an under-performing company for the last 5 years. The broad valuation methodologies would make it possible to know the relative valuation of Nordstrom.

Discounted Cash Flow valuation model for Nordstrom

Forecasted growth rate of revenue

Nordstrom generates revenues through multiple products and channels. **Some of the parameters that affect revenue generation for Nordstrom can be broadly categorized into revenues from same stores, opening new stores, per square foot of stores and online orders.** To decide the parameters that drive growth for Nordstrom, a multi-factor regression analysis model was developed. The model includes parameters that are potential drivers of revenues of Nordstrom as dependent variables and Revenue from retail products such as apparel and accessories as the independent variable.

Refer ‘Table 1: Model inputs test drivers for regression model of Nordstrom revenues’ for revenue factors, their role in regression model, calculation of revenue factor used in regression model and underlying reasoning.

Table 1: Model inputs test drivers for regression model of Nordstrom revenues

MODEL INPUTS	VARIABLE TYPE	COMPUTATION	REASON
Revenues	Dependent variable	Revenue other than finance department actuals - 2020 to 2025	Revenue growth has spurred since COVID pandemic and has been observed to follow similar trends since. Revenue from finance department constitutes 3% of total revenue. Since revenue from finance department has been tagged to revenue from sale of apparel and accessories, the growth rate of revenue form finance department need not be computed separately
Same store sales (%) change	Independent variable	% change in revenues generated from sales in stores that were present for previous year – 2020 to 2025	Since Nordstrom going private gives added advantage to strategize aggressive expansion strategies, the growth in revenues from existing stores has been taken into consideration separately from revenues potentially generated from opening new store.
Online order to sales (%)	Independent variable	% change in revenues generated from online sales – 2020 to 2025	Ecommerce sales have been increasing year-over-year
Y-o-Y growth in square footage	Independent variable	% change per square foot of store size – 2020 to 2025	The change in per square foot size of the stores has been considered as it affects offerings, design and customer experience, and revenues generated
New stores growth	Independent variable	Number of new stores opened / closed – 2020 to 2025	The management expects to continue opening new stores with 23 new stores expected to be opened in 2025

Input factors have been considered for a period ranging from 2020 to 2025. The performance since one year before COVID pandemic has been considered as COVID pandemic spurred growth in revenues for Nordstrom. Nordstrom has since reported similar average revenues[7].

The multi-factor regression model ran gives the significance each dependent variable plays in driving the independent variable. The regression model outputs relevant to the analysis are the 'p-values' of each independent variable and the 'R-squared.' The independent factors with p-values close to zero are considered significant for determining revenues.

Refer 'Table 2: Regression analysis of potential revenue parameters of Nordstrom' for the output summary of the regression model.

Source:
[7]Income Statement, Financials/Valuation for Nordstrom, Capital IQ and further analysis: https://www.capitaliq.com/CIQDotNet/Financial/IncomeStatement.aspx?CompanyId=32215

Table 2: Regression analysis of potential revenue parameters of Nordstrom[8]

Regression Statistics	
Multiple R	0.99993084
R Square	0.99986168
Adjusted R Square	0.99930842
Standard Error	49.5231986
Observations	6

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	17728984.07	4432246	1807.2011	0.017640381
Residual	1	2452.547204	2452.5472		
Total	5	17731436.62			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	13805.2621	28.63424715	482.12415	0.0013204	13441.42951	14169.095	13441.43	14169.095
Same store sales (%) change	300.227428	370.6203512	0.8100673	0.5665578	-4408.950634	5009.4055	-4408.951	5009.4055
Online order to sales (%)	-4849.9496	902.1785804	-5.37582	0.1170846	-16313.21535	6613.3162	-16313.22	6613.3162
Y-o-Y growth in square footage	-5303.0446	383.941387	-13.81212	0.0460111	-10181.48247	-424.6067	-10181.48	-424.6067
New stores growth	77.2815624	1.751522824	44.122498	0.014426	55.02635476	99.53677	55.026355	99.53677

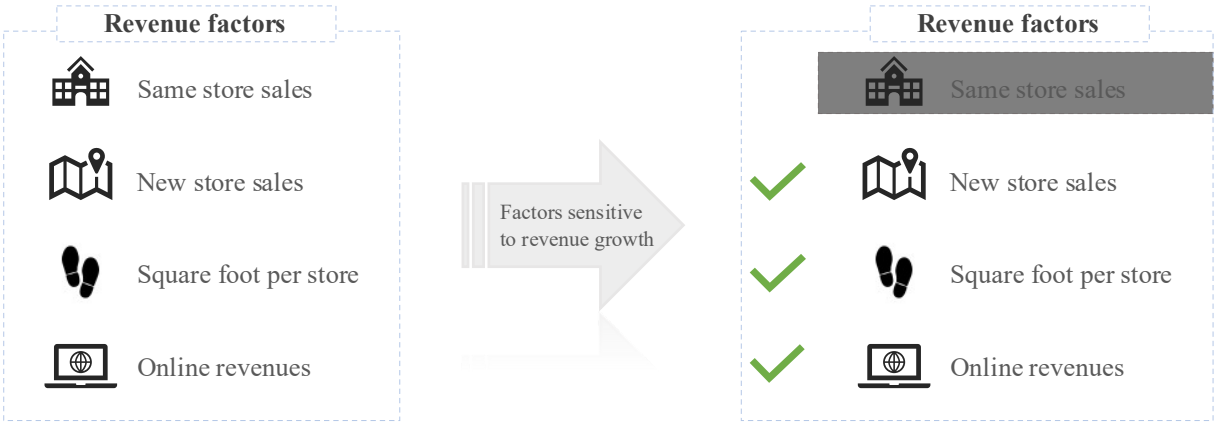
The above multi-factor regression model gives the significance of the input parameters on revenues of Nordstrom. The p-value of 'same store sales % change' is significantly higher, inferring that the revenues generated from same store sales would not be one of the factors driving revenue growth for Nordstrom in the future.

However, the p-values for 'Online order to sales (%),' 'Y-o-Y growth in square footage,' and 'New stores growth' have lower p-values close to zero. This indicates that the bottom three factors listed in Figure 2 are the significant factors driving revenue growth of Nordstrom in the future. The significantly higher R-square of the model indicates accuracy and relevance of the model.

Source:
[8]Regression analysis model run using Microsoft Excel functionalities

Based on the outputs of the multi-factor regression model, the factors relevant to the growth rate of revenue are summarized in 'Figure 3: Drivers significant to revenue growth' below.

Figure 3: Drivers significant to revenue growth



The regression models indicate that some of the most obvious revenue drivers such as 'same store sales' are not the drivers of revenue going forward. The fact that the same store sales revenue has remained on an average unchanged for last 5 years is indicative that Nordstrom would be required to focus efforts on more up-coming channels such as online retail to up-scale the revenues.

Revenue growth rate forecasted for Nordstrom is based on the three drivers of Revenues, namely, sales from opening new stores, square foot size of store and online channels.

To quantify the effects of each factor determined to be significant to the revenue, multi-factor regression model with significant drivers of revenue growth has been developed. Refer 'Table 3: Revenue drivers of Nordstrom regression analysis' for output summary of the regression model.

Table 3: Revenue drivers of Nordstrom regression analysis[8]

Regression Statistics	
Multiple R	0.99988545
R Square	0.99977092
Adjusted R Square	0.9994273
Standard Error	45.0662337
Observations	6

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	17727374.69	5909124.9	2909.5153	0.000343601
Residual	2	4061.930838	2030.9654		
Total	5	17731436.62			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	13820.4453	19.6992996	701.57039	2.032E-06	13735.68606	13905.205	13735.686	13905.205
Online order to sales (%)	-5547.40608	245.2445183	-22.6199	0.0019487	-6602.608077	-4492.204	-6602.608	-4492.204
Y-o-Y growth in square footage	-5084.16265	248.2185467	-20.48261	0.0023751	-6152.160861	-4016.164	-6152.161	-4016.164
New stores growth	76.7634649	1.483828204	51.733391	0.0003734	70.3790674	83.147862	70.379067	83.147862

The above regression model provides coefficients for the revenue drivers, which are used to calculate expected revenue of Nordstrom with input parameters defined for the drives. As per the regression analysis, Online orders and square foot parameters have contributed negatively to the revenue growth of Nordstrom for the time period under consideration. The average percentage of online orders for Nordstrom were affected during COVID pandemic. The average contribution of online orders for Nordstrom from 2020 to 2024 was 1%. However, average contribution of online orders for Nordstrom post-pandemic for 2023 and 2024 -1%. **Given that the contribution of online revenues of Nordstrom has been recovering since post-pandemic, and with added expectation of surge of e-commerce industry[1], 1.5% growth in online revenue has been considered for determining growth rate of Nordstrom.**

As per analysis of Management expectations, Nordstrom is expected to increase the number of stores, contributing to an increase in square footage. From 2020 to 2024, Nordstrom has an average of -1.94% change in square foot area of its stores with an increase in 12.53% in 2020 and a decrease of 18.87% in 2022[1]. However, since 2023, Nordstrom has been improving the per square footage of the stores. **Given that the latest reported square footage of store was 1.41% increase, with an expectation of increase of 2.37% in 2025 and 1.41% in 2026[1], average of 2% has been considered for determining growth rate of Nordstrom.**
Nordstrom is expected to open around 23 new stores in 2025[9] and is expected to continue to open new stores with slower growth post 2025. **Hence an average of 17 stores has been considered for determining growth rate of Nordstrom.**

Refer 'Table 4: Projected revenue of Nordstrom (USD in Millions)' for forecasted revenue of 2025 based on coefficients of significant drivers of revenue. The growth rate expected to last for considerable duration has been computed by using reported revenues for Nordstrom in 2024 and the 2025 forecasted revenue.

Source:
[1]Bloomberg Capital Markets platform and further analysis
[8]Regression analysis model run using Microsoft Excel functionalities
[9]Annual report 2024, Nordstrom corporate website: https://press.nordstrom.com/financial-information/annual-reports

Table 4: 2025 projected revenue of Nordstrom (USD in Millions)

PARTICULARS	CALCULATION	REVENUE (USD IN MILLIONS)
Revenues from Online order to sales (%)	*= 1.5% * (5,547.41)*	(83.21)
Y-o-Y growth in square footage	*= 2.0% * (5,084.16)*	(101.68)
New stores growth	*= 17 * 76.76*	1,304.98
Revenue from apparel and accessories business	*= 13,820.45 + (83.21) + (101.68) + 1,304.98*	14,940.53
Add: Revenue from finance department	*= 3% * 14,940.53*	448.22
Forecasted total Revenue for 2025		**15,388.75**
Total Revenue reported for 2024		15,016
% growth in revenue		***2.48%***

As per Table 4, **the expected growth rate of Nordstrom is 2.48%, which has been used in DCF valuation modeling of Nordstrom.**

The forecasted growth rate of revenue for Nordstrom as a standalone entity is taken to be 0.46%. 0.46% is the average growth rate of revenues for Nordstrom from 2022 to 2024. The revenues prior to 2022 experienced swings of -32% in 2020 and 39% in 2021 because of COVID effect. The one time swings have been ignored to calculate projected revenue growth of Nordstrom as standalone entity.

Discount rate for DCF valuation

The capital structure of Nordstrom consists of Common Equity and Debt.

As per 2024 annual reported, Equity composed 39.60% of capital structure with cost of equity at 12.20%. Debt contributed 60.40% of capital structure with cost of debt at 5.6%, which is a post-tax cost of debt. However, post the merger of Nordstrom, the $800 Million revolving credit facility would be replaced with $1.2 Billion ABL facility, of which $450 Million would be used by Nordstrom to fund the merger[10]. In addition, Nordstrom's existing unsecured notes are on verge of becoming secured notes with improved credit rating of 'BB+'[10]. Nordstrom is also expected to reduce transaction related debt and address upcoming maturities including $350 Million and $300 Million unsecured notes due 2027 and 2028 respectively from free cash flows generated post merger[10].

This would contribute to lower costs of debt for Nordstrom post-merger as well as lower debt, which have been taken into account to compute discount factor for Nordstrom post merger. The WACC of Nordstrom as of December 2024 has been considered as the discount factor of Nordstrom as a standalone entity.
Refer 'Table 5: DCF assumptions for valuation of post-merger entity' for discount factor of Nordstrom as standalone entity and post-merger.

Table 5: Discount factor for DCF valuation of Nordstrom

CAPITAL STRUCTURE	WEIGHT	COST	WACC
NORDSTROM AS STANDALONE ENTITY			
Equity	39.60%	12.20%	4.80%
Debt	60.40%	5.60%	3.40%
Preferred Equity	0.00%	0.00%	0.00%
WACC / discount rate for Nordstrom			**8.20%**
NORDSTROM AS POST MERGER ENTITY			
Equity	48.30%	10.00%	4.80%
Debt	51.70%	5.30%	2.70%
Preferred Equity	0.00%	0.00%	0.00%
WACC / discount rate for Nordstrom			**7.60%**

Source:
[10] Fitch Affirms Nordstrom Following Buyout Announcement, Fitch Ratings, dated December 23, 2024: https://www.fitchratings.com/research/corporate-finance/fitch-affirms-nordstrom-following-buyout-announcement-23-12-2024

DCF valuation inputs summarized

The valuation inputs used to value Nordstrom as standalone entity and as post-merger entity are different, given that the company could be operated in a much robust manner after privatization. EBITDA margin is held constant across valuation methodologies.

Refer 'Table 6: DCF assumptions for valuation of Nordstrom as standalone entity' below for summary of valuation inputs.

Table 6: DCF assumptions for valuation of post-merger entity

PARTICULARS	REVENUE
Number of diluted shares outstanding as of 2024	168.90
Tax rate	25%
WACC / discount rate for post-merger entity	7.60%
Growth rate of Revenues	2.48%
Perpetual growth rate	0.25%

Table 7: DCF assumptions for valuation of Nordstrom as standalone entity

PARTICULARS	REVENUE
Number of diluted shares outstanding as of 2024	168.90
Tax rate	25%
WACC / discount rate for standalone Nordstrom entity	8.20%
Growth rate of Revenues	0.46%
Perpetual growth rate	0.25%

Debt structure of Nordstrom

Nordstrom has net debt of $3,248 Million outstanding as reported in 2024.

However, post the merger of Nordstrom, the $800 Million revolving credit facility would be replaced with $1.2 Billion ABL facility, of which $450 Million would be used by Nordstrom to fund the merger[10]. In addition, Nordstrom's existing unsecured notes are on verge of becoming secured notes with improved credit rating of 'BB+'[10]. Nordstrom is also expected to reduce transaction related debt and address upcoming maturities including $350 Million and $300 Million unsecured notes due 2027 and 2028 respectively from free cash flows generated post merger[10].

Refer 'Table 8: Net debt of Nordstrom' for net debt value considered for DCF model.

Table 8: Net debt of Nordstrom

PARTICULARS	NET DEBT (USD IN MILLIONS)	CONSIDERATIONS IN DCF MODEL
Net debt outstanding as of 2024	3,248	Considered for net debt of standalone entity
Add: ABL facility	1,200	
Less: Repayment of unsecured notes 2027	(350)	Considered as the repayment would reduce the Net Debt post merger, although the notes would be a part of Net Debt on close of transaction
Less: Repayment of unsecured notes 2028	(300)	Considered as the repayment would reduce the Net Debt post merger, although the notes would be a part of Net Debt on close of transaction
Net Debt for post-merger entity	4,930.56	Considered for post-merger net debt

Although the net debt considered for valuation is $4930.56 Million, the actual net-debt at close of transaction would be higher by $650 Million. The reason being the two unsecured credit facilities of $350 Million and $300 Million are expected to be repaid in 2027 and 2028 and hence would be a part of total net debt of Nordstrom at close of transaction.

Source:
[10] Fitch Affirms Nordstrom Following Buyout Announcement, Fitch Ratings, dated December 23, 2024: https://www.fitchratings.com/research/corporate-finance/fitch-affirms-nordstrom-following-buyout-announcement-23-12-2024

DCF valuation model for Nordstrom as a standalone entity

The DCF valuation can be referred to in 'Table 9: DCF valuation of Nordstrom as standalone entity.' All values are denominated in USD in Millions except per share value which is identified with '$' sign and number of share value which is on a count basis.

Table 9: DCF valuation of Nordstrom as standalone entity

PARTICULARS	*2024A*[11]	*2025E*	*2026E*	*2027E*	*2028E*	*2029E*	*2030E*
REVENUES FROM APPAREL AND ACCESSORIES	14,557	14,624.14	14,691.58	14,759.34	14,827.41	14,895.79	14,964.49
FINANCING REVENUES MARGIN	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
FINANCING REVENUES	459	442.53	444.57	446.62	448.68	450.75	452.83
TOTAL REVENUES	**15,016**	**15,066.67**	**15,136.15**	**15,205.96**	**15,276.09**	**15,346.54**	**15,417.32**
EBIT MARGIN	3.6%	4%	4%	4%	4%	4%	4%
EBIT	**546.00**	536.44	554.52	559.67	553.00	557.83	563.46
LESS: CASH TAX	(136.50)	(134.11)	(138.63)	(139.92)	(138.25)	(139.46)	(140.87)
EBT	**409.50**	**402.33**	**415.89**	**419.75**	**414.75**	**418.37**	**422.60**
D&A % OF REVENUE	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
ADD: D&A	790	682.46	685.61	688.77	691.95	695.14	698.35
EBITDA	**1,199.50**	**1,084.79**	**1,101.50**	**1,108.53**	**1,106.70**	**1,113.51**	**1,120.95**
NWC % OF REVENUE	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
NWC	1,061	1,055	1,060	1,064	1,069	1,074	1,079
CHANGES TO NWC	75.00	**(6.33)**	**4.86**	**4.89**	**4.91**	**4.93**	**4.95**
CAPEX % OF REVENUE	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
LESS: CAPEX	(516)	(526.92)	(529.35)	(531.79)	(534.24)	(536.71)	(539.18)
UNLEVERED FCFF	758.50	551.54	577.02	581.63	577.37	581.74	586.72
TERMINAL VALUE							7,398.56
TOTAL UNLEVERED FCFF	**758.50**	**551.54**	**577.02**	**581.63**	**577.37**	**581.74**	**7,985.28**
ENTERPRISE VALUE	**7,721.97**						
LESS: NET DEBT	3,248.00						
EQUITY VALUE	4,155.27						
NUMBER OF SHARES OUTSTANDING	168.90 Million						
IMPLIED VALUE PER SHARE	**$24.60**						

Nordstrom is valued at $24.60 per share as per DCF valuation for standalone entity as of 2024.

Source:
[11]Income statement of Nordstrom with Balance Sheet as of December 2024, Capital IQ database and further analysis: https://www.capitaliq.com/CIQDotNet/Financial/Capitalization.aspx?CompanyId=32215

DCF valuation model for Nordstrom post-merger

The DCF valuation for Nordstrom can be referred to in 'Table 10: DCF valuation of Nordstrom post merger.' All values are denominated in USD in Millions except per share value which is identified with '$' sign and number of share value which is on a count basis.

Table 10: DCF valuation model of Nordstrom post merger

PARTICULARS	*2024A*[11]	*2025E*	*2026E*	*2027E*	*2028E*	*2029E*	*2030E*
REVENUES FROM APPAREL AND ACCESSORIES	14,557	14,940.53	15,311.40	15,691.48	16,080.99	16,480.18	16,889.27
FINANCING REVENUES MARGIN	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
FINANCING REVENUES	459	448.22	463.33	474.83	486.62	498.70	438
TOTAL REVENUES	**15,016**	**15,388.75**	**15,774.73**	**16,166.31**	**16,567.61**	**16,978.87**	**17,400.34**
EBIT MARGIN	3.6%	4%	4%	4%	4%	4%	4%
EBIT	**546.00**	**547.91**	**577.92**	**595.02**	**599.75**	**617.16**	**635.94**
LESS: CASH TAX	(136.50)	(136.98)	(144.48)	(148.75)	(149.94)	(154.29)	(158.98)
EBT	**409.50**	**410.93**	**433.44**	**446.26**	**449.81**	**462.87**	**476.95**
D&A % OF REVENUE	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
ADD: D&A	790	697.23	714.54	732.27	750.45	769.08	788.17
EBITDA	**1,199.50**	**1,108.16**	**1,147.98**	**1,178.54**	**1,200.27**	**1,231.95**	**1,265.12**
NWC % OF REVENUE	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
NWC	1,061	1,077	1,104	1,132	1,160	1,189	1,218
CHANGES TO NWC	75.00	16.21	27.02	27.41	28.09	28.79	29.50
CAPEX % OF REVENUE	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
LESS: CAPEX	(516)	(555.80)	(569.69)	(587.07)	(621.17)	(632.01)	(637.73)
UNLEVERED FCFF	758.50	568.57	605.31	618.88	607.19	628.73	656.90
TERMINAL VALUE							**8,959.71**[14]
TOTAL UNLEVERED FCFF	**758.50**	**568.57**	**605.31**	**618.88**	**607.19**	**628.73**	**9,616.60**
ENTERPRISE VALUE	8,728.56						
LESS: NET DEBT	(3,798.00)[12]						
EQUITY VALUE	4,930.56						
NUMBER OF SHARES OUTSTANDING	168.90						
IMPLIED VALUE PER SHARE	$29.19						

Nordstrom is valued at $29.19 per share as per DCF valuation post-merger as of 2024.

Source:
[11]Income statement of Nordstrom with Balance Sheet as of December 2024, Capital IQ database and further analysis: https://www.capitaliq.com/CIQDotNet/Financial/Capitalization.aspx?CompanyId=32215
[12]The Net Debt outstanding at close of transaction would be higher by $650 Million. The repayments scheduled for 2027 and 2028 have been given effect to in calculation of Net Debt to maintain consistency with WACC calculations

Comparable companies valuation

The industry peer companies with business model and operations similar to Nordstrom have been identified as comparable companies. Comparable companies of Nordstrom include Kohl's Corporation, V.F. Corporation, The Gap, Inc, PVH Corp., The TJX Companies, Inc, Macy's, Inc, Dillard's, Inc, and Levi Strauss & Co.

Trading comparable valuation multiples for Nordstrom

Based on comparable companies analysis, the valuation multiples for Nordstrom across Trading multiples and Operating ratios have been assessed as of December 31, 2024. Refer 'Table 11: Trading multiples for Nordstrom based on comparable company multiples' for valuation multiples.

Table 11: Trading multiples for Nordstrom based on comparable company multiples

TRADING MULTIPLES

COMPANY NAME	TEV/ REVENUES LTM	TEV/EBITDA LTM	TEV/EBIT LTM	P/DILUTED EPS	NTM TEV/FORWARD REVENUE	NTM TEV/FORWARD EBITDA	NTM FORWARD P/E
KOHL'S CORPORATION	0.5x	5.6x	15.1x	6.4x	0.59x	7.43x	10.42x
V.F. CORPORATION	1.5x	11.3x	31.8x	NM	1.58x	21.00x	30.50x
THE GAP, INC	0.8x	4.3x	11.2x	11.0x	0.80x	7.81x	11.29x
PVH CORP	1.0x	5.0x	9.7x	8.6x	1.02x	7.71x	8.77x
THE TJX COMPANIES, INC	2.5x	13.1x	23.0x	28.5x	2.46x	18.46x	27.02x
MACY'S, INC	0.4x	4.8x	8.5x	27.5x	0.48x	5.46x	7.58x
DILLARD'S, INC	0.9x	6.5x	8.3x	11.1x	1.01x	8.74x	13.93x
LEVI STRAUSS & CO	1.4x	7.4x	14.8x	45.6x	1.32x	9.74x	12.65x
SUMMARY OF TRADING MULTIPLES FOR NORDSTROM							
HIGH	2.5x	13.1x	31.8x	45.6x	2.46x	21.00x	30.50x
LOW	0.4x	4.3x	8.3x	6.4x	0.48x	5.46x	7.58x
MEAN	1.1x	7.3x	15.3x	19.8x	1.16x	10.79x	15.27x
MEDIAN	1.0x	6.1x	13.0x	11.1x	1.01x	8.28x	11.97x

The mean valuation multiples have been considered for valuing Nordstrom using comparable companies.

Valuation of Nordstrom using trading multiples

For valuing Nordstrom, reported revenue and EBITDA as of 2024 and forecasted revenue and EBITDA for 2025 have been considered. Refer 'Table 12: Valuation of Nordstrom using trading comparables.'

Table 12: Valuation of Nordstrom using trading comparables

FINANCIAL PERFORMANCE OF NORDSTROM (USD IN MILLIONS)				
REPORTED REVENUE OF NORDSTROM: $15,016 MILLION[11]				
REPORTED EBITDA OF NORDSTROM: $15,016 MILLION[11]				
REPORTED FORWARD REVENUE OF NORDSTROM: $15,388.75 MILLION[13]				
REPORTED FORWARD EBITDA OF NORDSTROM: $1,108.16 MILLION[13]				
DILUTED NUMBER OF SHARES OUTSTANDING: 168.90 MILLION				
	TEV	**TOTAL DEBT**	**EQUITY VALUE**	**IMPLIED VALUE PER SHARE**
REVENUES BASED TEV	$ 16,517.60	$ 3,248.00	$ 13,269.60	$ 79.51
EBITDA BASED TEV	$ 8,387.70	$ 3,248.00	$ 5,139.70	$ 30.80
FORWARD REVENUES BASED TEV	$ 17,850.95	$ 3,248.00	$ 14,602.95	$ 87.50
FORWARD EBITDA BASED TEV	$ 11,957.04	$ 3,248.00	$ 8,709.04	$ 52.18
HIGH				$ 87.50
LOW				$ 30.80

Source:
[11]Income statement of Nordstrom with Balance Sheet as of December 2024, Capital IQ database and further analysis: https://www.capitaliq.com/CIQDotNet/Financial/Capitalization.aspx?CompanyId=32215
[13]Table 4: 2025 projected revenue of Nordstrom (USD in Millions) analysis, 'Taking Nordstrom Private' report

Precedent transactions valuation of Nordstrom

For analyzing precedent transactions, transactions of similar nature to that of acquisition of Nordstrom have been considered. The comparable transactions valuation multiples are included in Table 13: Precedent transactions considered for valuation of Nordstrom' below.

Table 13: Precedent transactions considered for valuation of Nordstrom

ANNOUNCEMENT DATE	TARGET	BUYER	SELLER	TEV/LTM REVENUE	TEV/LTM EBITDA
FEBRUARY 1, 2020	Magazine zum Globus AG	Central Group, SIGNA Holding GmbH	Migros-Genossenschafts-Bund	1.3x	-
JULY 6, 2017	HSN, Inc.	Qurate Retail Group, Inc.	Fidelity Management & Research Company LLC	0.7x	10.7x
JULY 13, 2016	Poundland Group plc (nka:Poundland Group Limited)	Steinhoff Europe AG	Capital Research and Management Company, Kensico Capital Management Corp., Canada Life investments	0.5x	3.6x
JANUARY 5, 2016	Home Retail Group Limited	J Sainsbury plc	Silchester International Investors LLP, Tradewinds Global Investors, LLC, Sanderson Partners Ltd, RBC cees Trustee Limited, Toscafund Asset Management LLP	0.2x	3.8x
AUGUST 24, 2015	Belk, Inc.	Sycamore Partners Management, L.P.	John M. Belk Educational Endowment, Endowment Arm, Montgomery Investment Company	0.7x	6.9x
SEPTEMBER 24, 2014	The Daiei, Inc.	Aeon Co., Ltd.	Marubeni Corporation, Ruffer LLP, Marubeni Retail Investment Co.	0.1x	NM

Valuation multiples for the precedent transactions are in 'Table 16: Precedent transactions valuation multiples.'

Table 14: Precedent transactions valuation multiples

MULTIPLE RANGE	TEV/LTM REVENUE	TEV/LTM EBITDA
MAX	1.3x	10.7x
MEDIAN	0.6x	5.4x
MEAN	0.6x	6.3x
MIN	0.1x	3.6x

The mean valuation multiples have been considered to value Nordstrom. Refer 'Table 15: Valuation of Nordstrom using precedent transactions multiples' for valuation of Nordstrom using precedent transactions.

Source:
[8]Capital IQ database

For valuing Nordstrom, reported revenue and EBITDA as of 2024 have been considered.

Table 15: Valuation of Nordstrom using precedent transactions multiples

PRECEDENT TRANSACTION MULTIPLE	MULTIPLE	TEV	NET DEBT	EQUITY VALUE (TEV – NET DEBT)	NUMBER OF SHARES OUTSTANDING (IN MILLIONS)	MARKET PRICE PER SHARE
TEV / LTM REVENUE	0.6x	9,009.60	3,248	5,761.60	168.9	$34.11
TEV / LTM EBITDA	6.3x	7,238.70	3,248	3,990.70	168.9	$23.63

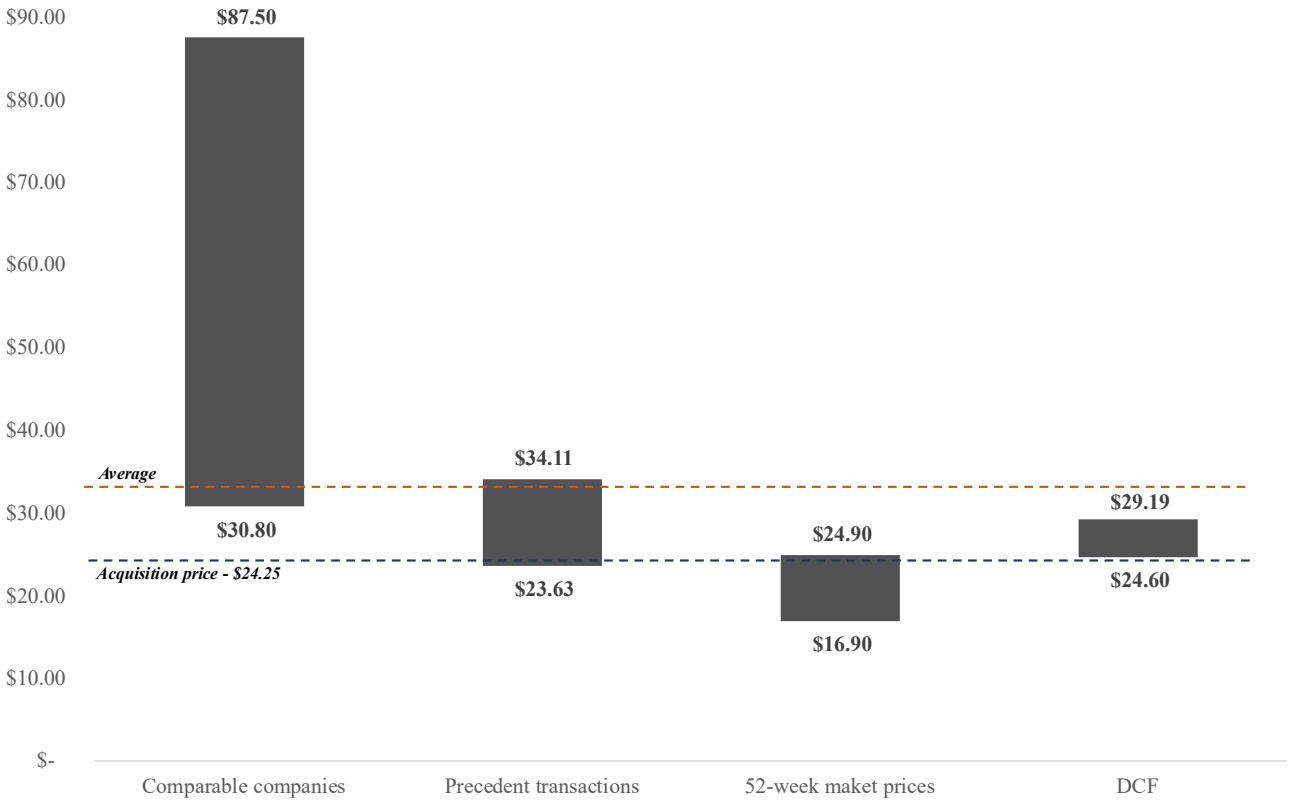
The Net Debt and Number of Shares Outstanding of Nordstrom have been taken from Table 5 and Table 7. TEV value in Table 14 is a function of multiple * LTM Revenue as of December 31, 2024. Market Price per share has been calculated by dividing the Equity Value by Number of Diluted Shares outstanding.

The valuation of per share of Nordstrom using precedent transactions is low of $23.63 per share and high of $34.11 per share.

Football field chart for valuation of Nordstrom

The football field containing range of per share valuation of Nordstrom using different methodologies has been diagrammatically represented. Refer 'Figure 4: Football field for valuation of Nordstrom.'

Figure 4: Football field for valuation of Nordstrom



The range of the valuation of Nordstrom is from $16.90 per share to $87.50 per share. The DCF valuation range for Nordstrom is from $24.60 per share to $29.19 per share.

Purchase consideration, valuation multiples and deal premium

The purchase consideration of the transaction is $6,958.42 Million with Implied Enterprise Value of $7,679.74 Million and Implied Equity Value of $4,413.59 Million[14].

Refer 'Table 16: Valuation multiples of merger deal' for comparative analysis of deal valuation multiples vs valuation multiples in the report.

Table 16: Valuation multiples of merger deal

VALUATION PARAMETERS	DEAL DETAILS[14]	DCF MODEL	DCF SYNERGY MODEL
ENTERPRISE VALUE	$7,679.74	$7,403.3	$8,728.56
EQUITY VALUE	$4,413.59	$4,155.27	$4,930.56
TEV / LTM REVENUE	0.6x	0.5x	0.6x
TEV / LTM EBITDA	5.0x	6.2x	7.3x
TEV / NTM REVENUE	0.6x	0.5x	0.6x
TEV / NTM EBITDA	7.2x	6.8x	7.9x
ACQUISITION PRICE PER SHARE	$24.25	$24.60	$29.19
Market price per share as of March 18, 2024: $17.06			
PREMIUM PAID PER SHARE TO MARKET PRICE AS OF MARCH 18, 2024	42%	44%	71%

Table 16 is indicative that **the acquisition price per share is close to the DCF valuation of Nordstrom as standalone entity.** The Final Details quoted in Deal Details column are different from the Transaction Valuation multiples offered.

Source:
[14] Current/Final Transaction Values, M&A transactions, Capital IQ:
https://www.capitaliq.com/ciqdotnet/Transactions/transactionDetail.aspx?transactionId=1893411637&companyId=32215

Merger Synergies and Synergy Valuation

While not much information on quantification of synergies is in public domain, given the valuations as per DCF models, the synergy value of merger is expected to be around $1,325.29 Million. Refer 'Table 17: Synergy Valuation'

Table 17: Synergy valuation

VALUATION METHODOLOGY	VALUATION (USD IN MILLIONS)
POST-MERGER VALUATION OF NORDSTROM	8,728.56
STANDALONE VALUATION OF NORDSTROM	7,403.27
SYNERGY VALUATION	1,325.29

The revenue synergies and cost synergies from merger have been listed in 'Table 18: Merger synergies.'

Table 18: Merger synergies

REVENUE SYNERGIES	
GEOGRAPHICAL FOOTPRINT	Nordstrom generates revenues from USA and Canada. Liverpool generates revenues in Mexico. **The merged entity would be able to scale its operations in Mexico and USA, and across the globe in a highly efficient manner**
REVENUE CHANNEL STRENGTH	Liverpool has strong omni-channel revenue sources. The online retail channel of Nordstrom has proven to be ineffective with Nordstrom missing on surge in revenues generated by other industry peers through online presence. The merger would allow **Nordstrom to leverage the online retail channels of Liverpool, scaling up its revenues**
CROSS-SELL OPPORTUNITIES AND CUSTOMER BASE	While percentage of new customers for Nordstrom has been steadily growing, there was a drop in returning customers of Nordstrom in 2023. Post late 2023, the percent of returning customers has been growing at a slow pace[15]. **The merger would enable cross-selling of products of Liverpool brands and Nordstrom under one roof. It could thus be expected that the merged entity would be able to tap increased number of new consumers and increase sales within existing consumers**
COST SYNERGIES	
REDUCTION IN LEASE COST	One of the business segments of Liverpool is owning malls. It also owns brands such as Banana Republic, GAP, Pottery Barn, West Elm, and Williams-Sonoma. **A possibility of strategizing regional presence of stores of two companies would bring down the leasing costs, increasing profit margin**
NOT SIGNIFICANTLY HIGHER DEVELOPMENT COSTS	Liverpool has a strong omni-channel sales presence. With Nordstrom leveraging the expertise and online retail presence of Liverpool, the costs of enhancing the current retail channel of Nordstrom would reduce
DISTRIBUTION NETWORKS	Given the similarity of nature of businesses of Nordstrom and Liverpool, **the distribution network could be streamlined, allowing an opportunity to lower contract costs and warehousing charges, shipping costs and vendor costs, increasing profit margin**

Source:
[15] Alternative analysis, Nordstrom, Bloomberg portal, dated December 31, 2024

Effects of merger of Nordstrom

Changes in stakeholders

Although Nordstrom is a listed entity, only 50.9% share are traded on the market.[16]
The types of investors in Nordstrom are enclosed in 'Table 19: Investor changes in Nordstrom.'

Table 19: Investor changes in Nordstrom[17]

VALUATION PARAMETERS	% SHARES HELD DECEMBER 2024	% SHARES HELD POST MERGER
EL PUERTO DE LIVERPOOL, S.A.B. DE C.V.	9.34%	49.90%
NORDSTROM FAMILY	20.12%	50.10%
INSTITUTIONS	70.47%	0%
EMPLOYEE'S RETIREMENT FUNDS	0.07%	0%
	100%	**100%**

The change in investors would not only allow Nordstrom to implement robust growth strategies in a highly efficient manner by doing away with the lengthy approvals process but also build on the strengths of its investors.
El Puerto de Liverpool, S.A.B. de C.V., would be one of the substantial investor post merger. Liverpool operates a chain of department stores primarily in Mexico. In addition, it owns and leases shopping malls, provides credit cards and operates boutiques under the Banana Republic, GAP, Pottery Barn, West Elm, and Williams-Sonoma names. The investor has a strong expertise in growing revenues through some of the upcoming channels such as online retail and effective distribution networks. This would provide the required impetus to Nordstrom to grow its revenues.

Ratings assessment

The acquisition would be financed by a combination of rollover equity by Nordstrom Family and Liverpool, cash commitments by Liverpool, up to $450 Million in borrowings and by cash on hand.

The deal involves rolling over Nordstrom's existing notes and funding the rest with cash, cash commitments from Liverpool, and up to $450 million from a new $1.2 billion ABL, which will replace the $800 million revolver. This transaction minimally impacts Nordstrom's leverage and coverage profile due to the nominal debt proposed. Nordstrom, Inc has retained its ratings at 'BB' after its acquisition agreement with the Nordstrom family and Mexican department store chain El Puerto de Liverpool, S.A.B. de C.V. (BBB+/Stable)[10].

Source:
[10] Fitch Affirms Nordstrom Following Buyout Announcement, Fitch Ratings, dated December 23, 2024: https://www.fitchratings.com/research/corporate-finance/fitch-affirms-nordstrom-following-buyout-announcement-23-12-2024
[16] Tearsheet, Nordstrom, Capital IQ: https://www.capitaliq.com/ciqdotnet/company.aspx?leftlink=true&companyId=32215
[17] Investors, Public Ownership Histror, Nordstrom, Capital IQ and further analysis: https://www.capitaliq.com/CIQDotNet/Ownership/CompanyHistory.aspx?companyId=32215&stateKey=507b2cb84cd747bea77a55747a415531