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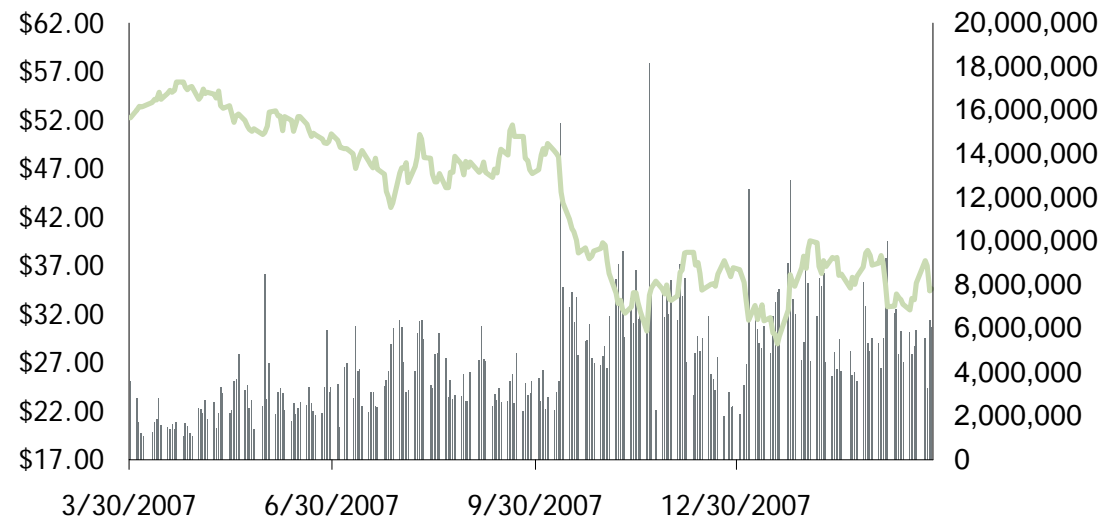
### BUSINESS DESCRIPTION

Nordstrom, Inc., a fashion specialty retailer, provides designer and luxury apparel, shoes, cosmetics, and accessories for women, men, and children. It offers a selection of brand name and private label merchandise. The company provides its products through various channels, including full-line Nordstrom' stores, discount Nordstrom Rack' stores, Jeffrey' boutiques, and catalogs, as well as on the Internet at nordstrom.com. Nordstrom, Inc., through its subsidiary, Nordstrom fsb, also offers a Nordstrom private label card, two co-branded Nordstrom VISA credit cards, and a debit card for Nordstrom purchases.

### INVESTMENT THESIS

As a leading provider of high-end apparel, we believe Nordstrom will outperform the broader market despite the deepening economic slowdown. As in prior recessions, we expect the company's new store growth, the expanding direct business, and inventory/expense control flexibility will nearly offset lackluster comps and margin pressure, resulting in continuing earnings growth. The current valuation offers shares at a historically low multiple and a healthy free cash flow yield, an ideal entry point as department store stocks typically bottom in the early months of a recession.

### STOCK PRICE PERFORMANCE



### FINANCIAL SUMMARY

#### Results of Operations

	FY Ended Jan 31,			
	2006	2007	2008	LTM
Revenue	\$7,723	\$8,561	\$8,828	\$8,828
<i>Growth</i>		10.8%	3.1%	0.0%
EBIT	1,052	1,242	1,261	1,261
<i>EBIT Margin</i>	13.6%	14.5%	14.3%	14.3%
After-tax Earnings	551	678	715	715
<i>Net Margin</i>	7.1%	7.9%	8.1%	8.1%
D&A	276	285	269	269
CapEx	-272	-264	-501	-501
Interest Expense	-59	-57	-74	-74
EPS Current Sh.	\$2.52	\$3.10	\$3.26	\$3.26

#### Balance Sheet Data

Total Debt (MM)	\$2,500.0
Cash & Equivalents	\$358.0
Net Debt	\$2,142.0

#### Credit Statistics

	LTM
Total Debt/EBITDA	1.6x
EBITDA/Interest	-20.7x

#### Valuation Multiples

	Industry
EV/Revenue	.9x
EV/EBITDA	
EV/EBIT	10.7x
P/E	15.5x

#### Public Market Overview

Share Price (3/27/08)	\$34.59
52 Week High	\$56.96
52 Week Low	\$28.00
Diluted Shares Outstanding (MM)	219.00
Market Value of Equity (B)	\$7.6
Plus: Net Debt	2.1
<b>Enterprise Value</b>	<b>\$9.7</b>

	Industry	2006	2007	2008	LTM <sup>(1)</sup>
EV/Revenue	.9x	1.3x	1.1x	1.1x	1.1x
EV/EBITDA		7.3x	6.4x	6.4x	6.4x
EV/EBIT	10.7x	9.2x	7.8x	7.7x	7.7x
P/E	15.5x	13.7x	11.2x	10.6x	10.6x

(1) Figures as of 03/28/2008

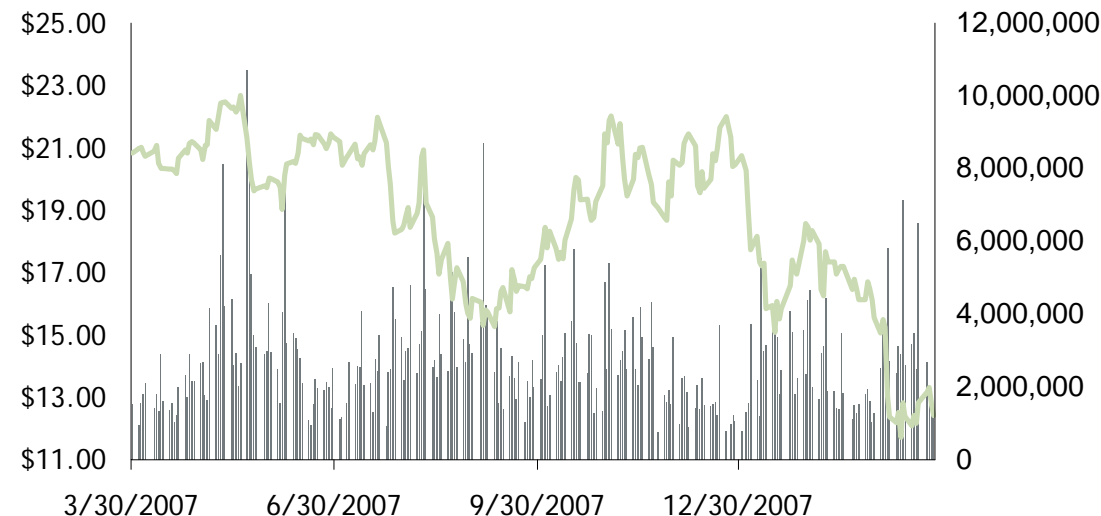
### BUSINESS DESCRIPTION

Saks Incorporated and its subsidiaries operate department stores in the United States. It operates stores under the brand names of Saks Fifth Avenue, Off Fifth, and Club Libby Lu. The company's stores offer apparel, shoes, accessories, jewelry, cosmetics, gifts, and decorative home furnishings. As of February 3, 2007, Saks Incorporated operated 54 Saks Fifth Avenue stores, 49 Off Fifth stores, and 87 Club Libby Lu specialty stores. The company was founded in 1919 and is based in New York, New York.

### INVESTMENT THESIS

Saks has been a speculated buyout target for several months. The company's turnaround following major divestments over the past few years offers massive potential for continued consolidation and margin improvement. Due to continuing weakness of the US dollar and the declining share price, we believe Icelandic private investment group Bauger (which already owns an 8.5% stake) will opportunistically purchase Saks in order to expand its high-end British brands into the US market. Though the LBO market has considerably worsened, our valuation indicates that with less leverage a transaction is both likely and possible in current market conditions.

### STOCK PRICE PERFORMANCE



### FINANCIAL SUMMARY

#### Results of Operations

	FY Ended Jan 31,			
	2006	2007	2008	LTM
Revenue	\$2,778	\$2,940	\$3,283	\$3,283
<i>Growth</i>		5.8%	11.7%	11.7%
EBIT	(128)	(20)	98	98
<i>EBIT Margin</i>	(4.6%)	(0.7%)	3.0%	3.0%
After-tax Earnings	22	58	47	47
<i>Net Margin</i>	0.8%	2.0%	1.4%	1.4%
D&A	134	129	135	135
CapEx	-117	-124	-129	-129
Interest Expense	-77	-50	-42	-42
EPS Current Sh.	\$0.16	\$0.41	\$0.34	\$0.34

#### Balance Sheet Data

Total Debt (MM)	\$414.4
Cash & Equivalents	\$101.2
Net Debt	\$313.2

#### Credit Statistics

	LTM
Total Debt/EBITDA	1.8x
EBITDA/Interest	-5.5x

#### Valuation Multiples

	Industry
EV/Revenue	.9x
EV/EBITDA	
EV/EBIT	10.7x
P/E	15.5x

#### Public Market Overview

Share Price (3/27/08)	\$11.91
<i>52 Week High</i>	\$23.25
<i>52 Week Low</i>	\$11.04
Diluted Shares Outstanding (MM)	140.17
<b>Market Value of Equity (B)</b>	<b>\$1.7</b>
Plus: Net Debt	0.3
<b>Enterprise Value</b>	<b>\$2.0</b>

	Industry	2006	2007	2008	LTM <sup>(1)</sup>
EV/Revenue	.9x	0.7x	0.7x	0.6x	0.6x
EV/EBITDA		353.4x	18.3x	8.5x	8.5x
EV/EBIT	10.7x	-15.5x	-97.2x	20.2x	20.2x
P/E	15.5x	74.7x	28.9x	35.2x	35.2x

(1) Figures as of 03/28/2008