Nordstrom, Inc. (JWN)  
Industry: Department Stores  
Analysts: Neal Sangani & Dina Model  
Date: March 28, 2008

FY Ended Jan 31, 2006  2007  2008  LTM  

Balance Sheet Data

<table>
<thead>
<tr>
<th></th>
<th>FY 2006</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>30,141</td>
<td>7,723</td>
<td>8,561</td>
<td>8,828</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>358.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>1,052</td>
<td>1,242</td>
<td>1,261</td>
<td>1,261</td>
</tr>
<tr>
<td>Diluted Shares Outstanding (MM)</td>
<td>219.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After-tax Earnings</td>
<td>551</td>
<td>678</td>
<td>715</td>
<td>715</td>
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<tr>
<td>Net Margin</td>
<td>7.1%</td>
<td>7.9%</td>
<td>8.1%</td>
<td>8.1%</td>
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<tr>
<td>D&amp;A</td>
<td>276</td>
<td>285</td>
<td>269</td>
<td>269</td>
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<tr>
<td>CapEx</td>
<td>-272</td>
<td>-264</td>
<td>-501</td>
<td>-501</td>
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<tr>
<td>EBIT Margin</td>
<td>13.6%</td>
<td>14.5%</td>
<td>14.3%</td>
<td>14.3%</td>
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<tr>
<td>Total Debt/EBITDA</td>
<td>1.6x</td>
<td></td>
<td></td>
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<tr>
<td>Enterprise Value</td>
<td>$9.7B</td>
<td>$9.7B</td>
<td>$9.7B</td>
<td>$9.7B</td>
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<tr>
<td>Net Debt</td>
<td>$2,142</td>
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<td></td>
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<tr>
<td>Diluted Shares Outstanding (MM)</td>
<td>219.00</td>
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<td></td>
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<tr>
<td>Interest Expense</td>
<td>-59</td>
<td>-57</td>
<td>-74</td>
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<td>EPS Current Shares</td>
<td>$2.52</td>
<td>$3.10</td>
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<tr>
<td>52 Week Low</td>
<td>$28.00</td>
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<tr>
<td>52 Week High</td>
<td>$56.96</td>
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<tr>
<td>Growth</td>
<td>10.8%</td>
<td>3.1%</td>
<td>0.0%</td>
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<tr>
<td>EBITDA/Interest</td>
<td>-20.7x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EV/Revenue</td>
<td>.9x</td>
<td>1.3x</td>
<td>1.1x</td>
<td>1.1x</td>
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<tr>
<td>EV/EBITDA</td>
<td>7.3x</td>
<td>6.4x</td>
<td>6.4x</td>
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<tr>
<td>P/E</td>
<td>15.5x</td>
<td>13.7x</td>
<td>11.2x</td>
<td>10.6x</td>
</tr>
</tbody>
</table>

Results of Operations

Industry

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.

BUSINESS DESCRIPTION

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.

INVESTMENT THESIS

Current Valuation | $17.00  
High Valuation | $37.00  
Current Price | $32.00  
High Price | $57.00

0 2,000,000 4,000,000 6,000,000 8,000,000 10,000,000 12,000,000 14,000,000 16,000,000 18,000,000 20,000,000
Saks, Inc. (SKS) Industry: Department Stores

Analysts: Neal Sangani & Dina Model Date: March 28, 2008

FY Ended Jan 31, 2006 2007 2008 LTM

Balance Sheet Data Public Market Overview

Revenue 30141 $2,778 $2,940 $3,283 $3,283

Growth 5.8% 11.7% 11.7%

Cash & Equivalents $101.2

EBIT (128) (20) 98 98

Net Debt $313.2

Diluted Shares Outstanding (MM) 140.17

After-tax Earnings 22 58 47 47

Credit Statistics LTM

Month-End Market Value of Equity (B) $1.7

EBIT Margin (4.6%) (0.7%) 3.0% 3.0%

Total Debt/EBITDA 1.8x

D&A 134 129 135 135

CapEx -117 -124 -129 -129

Valuation Multiples

Interest Expense -77 -50 -42 -42

EV/Revenue .9x 0.7x 0.7x 0.6x

EBITDA/Interest -5.5x 18.3x 8.5x 8.5x

Enterprise Value $2.0

D&A 134 129 135 135

CapEx -117 -124 -129 -129

Valuation Multiples

Interest Expense -77 -50 -42 -42

EV/Revenue .9x 0.7x 0.7x 0.6x

EBITDA/Interest -5.5x 18.3x 8.5x 8.5x

Enterprise Value $2.0

EPS Current Sh. $0.16 $0.41 $0.34 $0.34

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

Results of Operations

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.

STOCK PRICE PERFORMANCE

FINANCIAL SUMMARY

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.

INVESTMENT THESIS


$11.00 $13.00 $15.00 $17.00 $19.00 $21.00 $23.00

0 2,000,000 4,000,000 6,000,000 8,000,000 10,000,000 12,000,000