



KOHL'S®

Q2 2024 Results Presentation

August 28, 2024



Cautionary Statement Regarding Forward-Looking Information

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The Company intends forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” “plans,” or similar expressions to identify forward-looking statements. Forward-looking statements include, but are not limited to, comments about Kohl’s financial and capital allocation outlook, future financial plans, capital generation, management and deployment strategies, adequacy of capital resources and the competitive environment. Such statements are subject to certain risks and uncertainties, which could cause the Company’s actual results to differ materially from those anticipated by the forward-looking statements. These risks and uncertainties include, but are not limited to, risks described more fully in Item 1A in the Company’s Annual Report on Form 10-K, which are expressly incorporated herein by reference, and other factors as may periodically be described in the Company’s filings with the SEC. Any number of risks and uncertainties could cause actual results to differ materially from those Kohl’s expresses in its forward-looking statements, including macroeconomic conditions such as inflation. Forward-looking statements relate to the date initially made, and Kohl’s undertakes no obligation to update them.

Non-GAAP Financial Measures

In addition, this presentation contains non-GAAP financial measures, including Adjusted Free Cash Flow. Reconciliations of all non-GAAP measures to the most directly comparable GAAP measures are included in the Appendix of this presentation.





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“We have taken significant action to reposition Kohl’s for future growth. However, our efforts have yet to fully yield the intended outcome due in part to a continued challenging consumer environment and softness in our core business. During the second quarter, our customers exhibited more discretion in their spending, which pressured our sales even as customers transacted more frequently. This overshadowed strong performance in our key growth areas, including Sephora, home decor, gifting, and impulse. In spite of this, we continued to execute well operationally, enabling us to deliver a 13% increase in earnings driven by gross margin expansion and strong inventory and expense management.”

“Looking ahead, we are focused on ensuring that the substantial work that we’ve done across product, value, and experience is fully recognized by both new and existing customers. We will also capitalize on new opportunities such as our partnership with Babies “R” Us and continue to benefit from our key growth areas. Our conviction in our strategy remains strong and our operating discipline, solid cash flow generation, and healthy balance sheet will continue to support us as we work to return Kohl’s to growth.”

Tom Kingsbury

Chief Executive Officer



Kohl's is building on a solid foundation



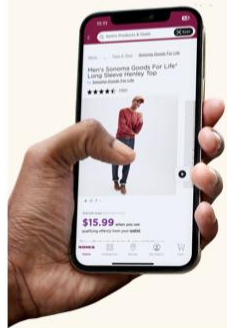
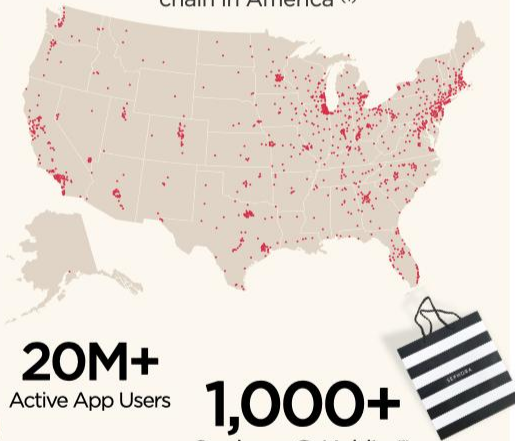
Convenient Nationwide Omni-Channel Reach

80%
of Americans live
within 15 miles of a
Kohl's store



1,176 Stores

Largest department store
chain in America ⁽¹⁾



20M+
Active App Users

1,000+
Sephora @ Kohl's ⁽¹⁾

29%
Digital Penetration



Great Product from Top Brands



carter's



SEPHORA + **KOHL'S**

SONOMA
GOODS FOR LIFE

jumping
beans

FLX

NINE WEST

Croft &
Barrow

SO

TEK GEAR

Delivering Great Value

30M+
Loyalty
Members



Our Strategic Priorities

FOCUSED ON FOUR OVERARCHING PRIORITIES TO

Drive Improved Sales and Profitability



Enhance the Customer Experience

- Re-establishing stores as key focal point to regain sales productivity
- Sephora sales expected to exceed \$2 billion by 2025
- \$2+ billion of incremental sales opportunity in new categories
- Driving customer engagement through more relevant apparel and footwear offerings



Accelerate and Simplify Our Value Strategies

- Increasing productivity through targeted offers and timely clearance events
- Enhancing value perception by offering more competitive and consistent pricing
- Expansion of co-brand credit card represents significant opportunity
- Leverage industry leading loyalty program (Kohl's Cash, Kohl's Rewards, Kohl's Card)



Manage Inventory and Expenses with Discipline

- Increasing inventory turns by embedding new inventory management processes
- Planning inventory down mid-single digits % with increased ability to chase
- Continuing to manage expenses tightly with greater marketing efficiency and automation



Strengthen the Balance Sheet

- Driving cash flow through inventory management and lower capital spend in 2024
- Reducing long-term debt and overall leverage
- Maintaining balanced capital allocation strategy and commitment to dividend

Sephora at Kohl's is a beauty share leader



- Total Sephora at Kohl's sales increased approximately 45% in Q2, including comparable sales up low teens percent
- Strong growth across offering and especially in our skincare, bath & body, and fragrance offerings driven in part by the continued success of brands such as Sol De Janeiro and Sephora Collection
- Opportunity to strengthen cross-shopping through assortment and loyalty enhancements
- Highly accretive margins will remain a tailwind to overall company operating margin

\$1.4B+
Sales in 2023

\$2B+
Sales Goal by
2025

140
New Shops
Opened in 2024

1,000+
Sephora at Kohl's
shops as of
Q2 2024

SEPHORA + KOHL'S

Building early success in underpenetrated categories



- Underpenetrated categories represent a significant sales opportunity in the coming years
- Delivered incremental sales from our expanded assortments in home decor and pet, with seasonal and everyday decor up more than 35%
- Gifting sales in Q2 increased more than 30% driven by strong performances across key events
- Impulse sales in Q2 grew more than 70% as we introduced queuing lines in 50 additional stores
- Recently launched our partnership with Babies "R" Us with approximately 200 in-store baby shops opening in 2024 and are also expanding our baby gear and accessories presence on Kohls.com



Increasing relevancy of apparel & footwear offerings in 2024

Women's



- Building off our recent success, expanding dedicated in-store dress shops in 2024
- Dresses outperformed in Q2 2024 with positive sales growth
- Continuing to amplify polished casual through private and market brands

Juniors



- Market brands were introduced in late 2023 and will scale further in 2024
- Repositioning Juniors offering next to Sephora in stores to better capitalize on cross shopping opportunities in 2024

Men's



- Diversifying offering to serve more wearing occasions by increasing choice and relevance in polished casual
- Building young men's category through the introduction of new brands including Aeropostale and Quiksilver

Kids



- Strengthening offering across pre-teen, little kids and baby through greater newness as well as introducing new brands while focusing on simplified value
- Driving infant and newborn apparel sales through Babies "R" Us cross shopping

INTRODUCTION OF NEW BRANDS

AÉROPOSTALE

LIMITED★TOO

ROXY

QUIKSILVER

madden girl

motherhood.

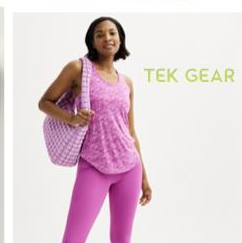
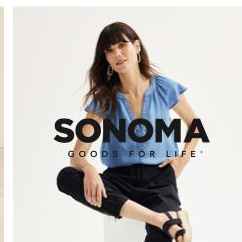
2024 Outlook & Long-Term Strategy

2024 Outlook

METRIC	FULL YEAR GUIDANCE
Net Sales	(4%) to (6%) vs. 2023
Comp Sales	(3%) to (5%) vs. 2023
Operating Margin	3.4% to 3.8%
Diluted EPS	\$1.75 to \$2.25

Capital Allocation Outlook

- **Capex:** Approximately \$500 million
- **Dividend:** \$0.50 quarterly dividend payable on September 25, 2024



Capital allocation priorities support balance sheet goals



→ Invest in the Business

Support growth-driving initiatives (Sephora, impulse, Babies "R" Us) with capex of ~\$500M in 2024

→ Committed to Dividend

Return ~\$220M annually to shareholders through \$2.00 dividend per share (\$0.50 *quarterly*)

→ Reduce Debt

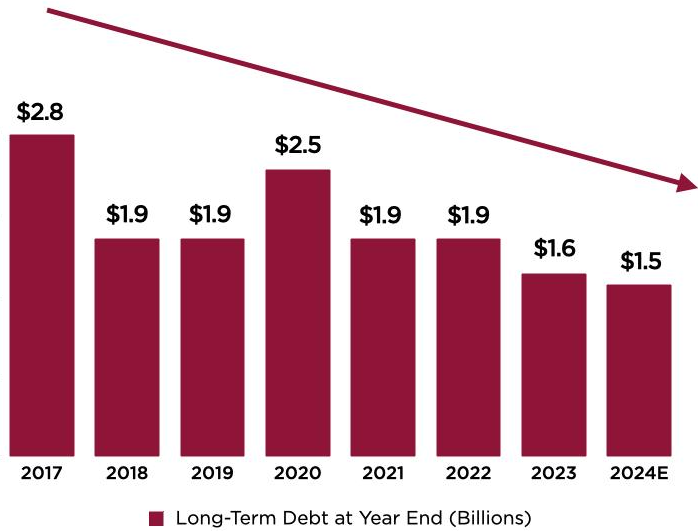
Pay off revolver and opportunistically address long-term maturities, including reducing long-term debt by \$113M in Q2 2024

→ Share Repurchases

Resume share repurchases over the long-term with excess cash flow following improvement in overall leverage

Strengthening the balance sheet by reducing long-term debt

Kohl's has reduced long-term debt by more than \$1 billion since 2017



\$275M
of notes retired in 2023

\$113M
May 2025 notes
retired in June 2024

Key Balance Sheet Actions in 2024

- ✓ Capitalize on additional opportunities to reduce debt
- Pay down revolver balance
- Rebuild cash balance

Maturity	Coupon	\$ O/S (Millions)
7/2025	4.25%	353
2029	7.25%	42
2031	4.625% ⁽¹⁾	500
2033	6.00%	112
2037	6.875%	101
2045	5.55%	427
Total	5.12%	1,535

(1) Coupon reflects incremental 125 bps step up May 2031 bonds

Committed to Creating Long-Term Value

Long-Term Financial Framework

SALES GROWTH

Low-single digits %

OPERATING MARGIN

7% - 8%

Capital Allocation Principles

Strong
Balance Sheet

Invest in Growth

Significant Capital
Returns

Q2 2024 Results

Q2 2024 Summary

Key Takeaways

- Q2 performance impacted by a continued challenging consumer environment and softness in our core business
- Continued to execute well operationally and delivered a 13% increase in earnings per diluted share
- Delivered significant growth in Sephora, home decor, impulse, and gifting
- Expanded gross margin by 59 basis points and managed expenses down (4%) to last year
- Continued strong inventory management with ending balance down (9%) to last year

Q2 2024

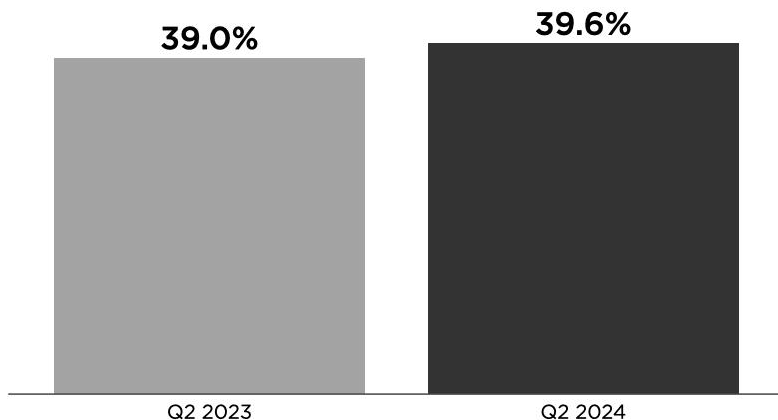
- Net sales declined (4.2%) versus Q2 2023 and comparable sales declined (5.1%)
- Gross margin increased 59 bps to last year benefiting from strong inventory management and lower freight expense
- SG&A expense declined (4.2%) driven by lower store-related expenses
- Operating income of \$166M and net income of \$66M or \$0.59 per diluted share



Q2 2024 Gross Margin & SG&A Expense Performance

Gross Margin

Increased 59 bps vs. Q2 2023

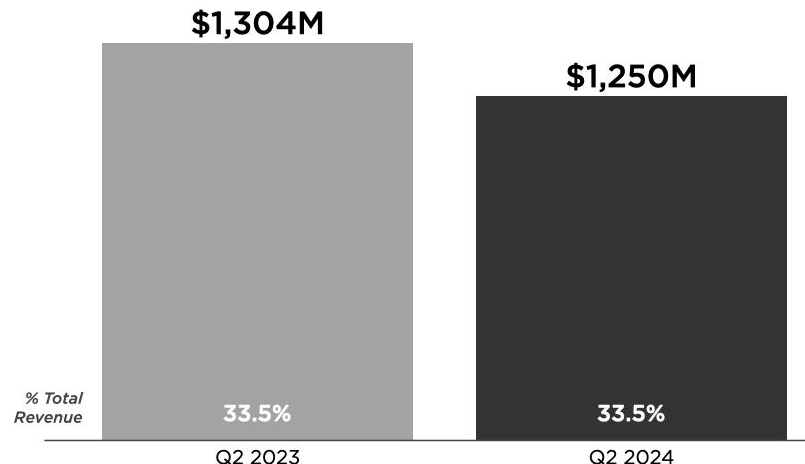


Q2 2024 Gross Margin Takeaways

- Strong inventory management
- Lower freight expense

SG&A Expense

Leveraged 1 basis point vs. Q2 2023



Q2 2024 SG&A Takeaways

- Lower store-related expenses, driven by fewer Sephora openings, fewer store refreshes, and tightly managing expenses with the decline in sales
- Increased investments into marketing and technology to support new growth initiatives

Q2 Key Metrics

Consolidated Statement of Operations

(Dollars in Millions)

	Three Months Ended	
	August 3, 2024	July 29, 2023
Net Sales	\$ 3,525	\$ 3,678
Total Revenue	3,732	3,895
Gross Margin Rate	39.6%	39.0%
SG&A	1,250	1,304
Depreciation	188	186
Operating Income	166	163
Interest Expense	86	89
Provision for Income Taxes	14	16
Net Income	66	58
Diluted EPS	\$0.59	\$0.52

Key Balance Sheet Items

(Dollars in Millions)

	August 3, 2024	July 29, 2023
Cash and Cash Equivalents	\$ 231	\$ 204
Merchandise Inventories	3,151	3,474
Accounts Payable	1,317	1,376
Borrowings under revolving credit facility	410	560
Current portion of Long-term debt	353	111
Long-term Debt	1,173	1,637

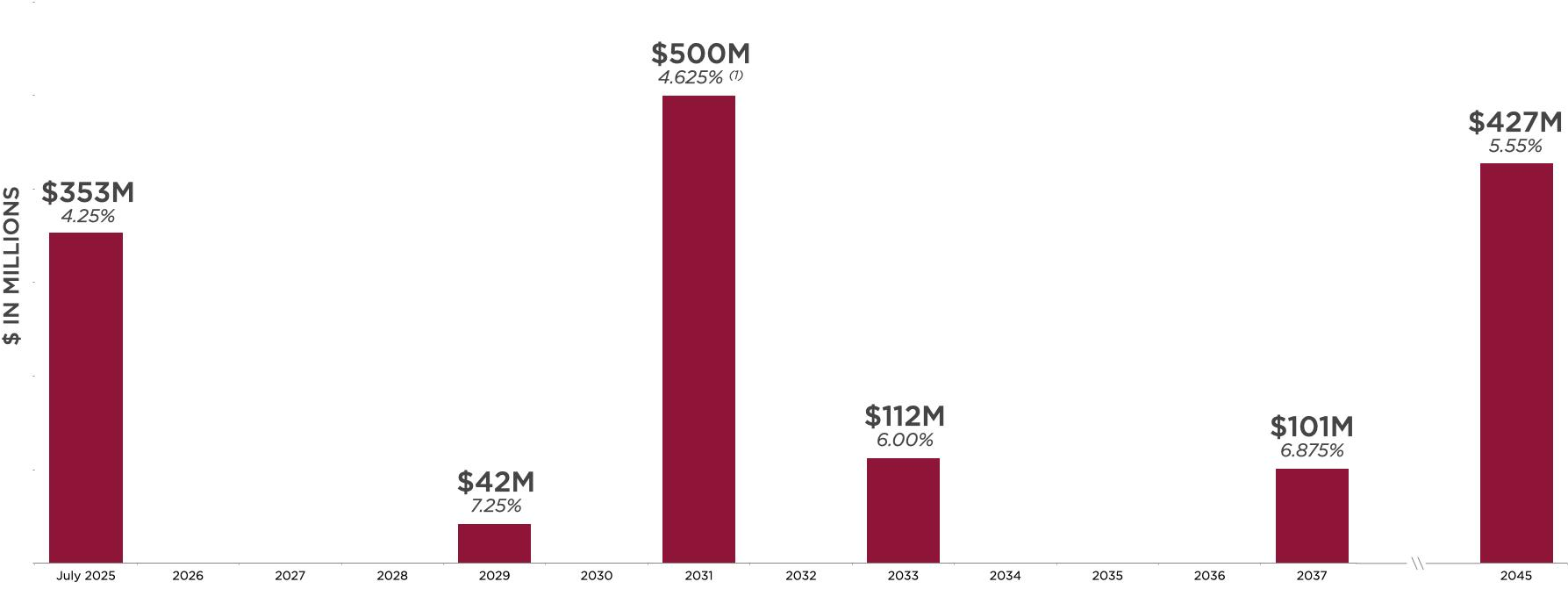
Key Cash Flow items

(Dollars in Millions)

	August 3, 2024	July 29, 2023
	Six Months Ended	Six Months Ended
Operating Cash Flow	\$ 247	\$ 228
Capital Expenditures	(239)	(338)
Net, Finance lease and Financing obligations	(42)	(30)
Adj. Free Cash Flow ⁽¹⁾	\$ (34)	\$ (140)

Appendix

Healthy debt stack with opportunities to address near-term maturities



(1) Coupon reflects incremental 125 bp step ups on May 2031 notes.

Reconciliations

Key Cash Flow Items

(Dollars in Millions)

	August 3, 2024 Six Months Ended	July 29, 2023 Six Months Ended
Operating Cash Flow	\$ 247	\$ 228
Capital Expenditures	(239)	(338)
Free Cash Flow	8	(110)
Finance lease and financing obligation payments	(42)	(47)
Proceeds from financing obligations	—	17
Adjusted Free Cash Flow	(34)	(140)



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