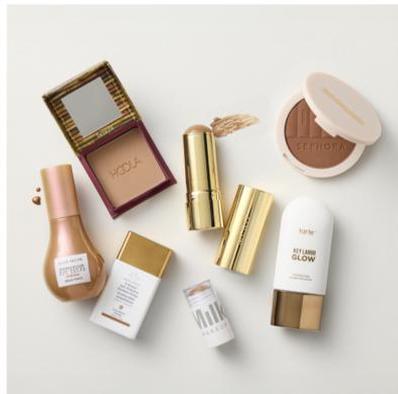




**KOHL'S**

**Q3 2024 Results Presentation**

November 26, 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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“Our third quarter results did not meet our expectations as sales remained soft in our apparel and footwear businesses. Although we had a strong collective performance across our key growth areas, including Sephora, home decor, gifting, and impulse, and also benefited from the opening of Babies “R” Us shops in 200 of our stores, these were unable to offset the declines in our core business. Importantly, we delivered gross margin expansion and managed expenses tightly in the quarter.”

“We are not satisfied with our performance in 2024 and are taking aggressive action to reverse the sales declines. We must execute at a higher level and ensure we are putting the customer first in everything we do. We are approaching our financial outlook for the year more conservatively given the third quarter underperformance and our expectation for a highly competitive holiday season,”

**Tom Kingsbury**

Chief Executive Officer



# Kohl's is building on a solid foundation



## Convenient Nationwide Omni-Channel Reach



## Great Product from Top Brands



## Delivering Great Value

**30M+**  
Loyalty Members



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# 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 15% in Q3, including comparable sales growth of 9%
- Solid demand across offering, especially in our fragrance and hair care offerings driven in part by growth in brands such as Yves Saint Laurent, Sephora Collection, and Laneige
- 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  
Q3 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 50%
- Impulse sales in Q3 grew more than 40% as we introduced queuing lines in 200 additional stores
- Initial sales contribution from our partnership with Babies “R” Us as we opened ~200 in-store baby shops and expanded our baby gear and accessories presence on Kohls.com
- Expanded gifting assortment in Q3 to prepare for the holiday season



# Taking aggressive action to improve sales trend



## Drive Increased Traffic

- Increasing touchpoints with our most engaged customers through more targeted offers and direct mail
- Lean into social and digital marketing to drive new customer acquisition and capitalize on opportunity to leverage millions of new Kohl's Rewards members during the holiday season
- Continuing to leverage Kohl's Cash and Kohl's Rewards as a value differentiator

## Increase Inventory in Private Apparel Brands

- Balance our inventory buys in the near-term to ensure we have the proper support for our key private brands, which is already underway as evident with increased in-transit inventory at end of Q3
- Ensure we are leveraging market brands opportunistically through a chase approach rather than as a replacement for private brands

## Regain Traction in Select Categories

- Jewelry: Reintroduced fine jewelry in 200 stores and expanded in-aisle placement of bridge jewelry in all stores this holiday season
- Petites: Re-establishing presence by increasing offering and expanding to all stores in Q4
- Intimates: Accelerating newness with enhanced depth in key brands with incremental marketing support in Q4
- Legacy home (kitchen electrics, floor care, and bedding): Increasing innovation, new brand introductions, and stronger value messaging during the holiday season

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# 2024 Outlook

# 2024 Outlook

METRIC	FULL YEAR GUIDANCE
<b>Net Sales</b>	<b>(7%) to (8%) vs. 2023</b>
<b>Comp Sales</b>	<b>(6%) to (7%) vs. 2023</b>
<b>Operating Margin</b>	<b>3.0% to 3.2%</b>
<b>Diluted EPS</b>	<b>\$1.20 to \$1.50</b>

## Capital Allocation Outlook

- **Capex:** Approximately \$500 million
- **Dividend:** \$0.50 quarterly dividend payable December 24, 2024



# 2024 Holiday

- Well-positioned to deliver the great experience and holiday value that customers expect from Kohl's in stores and digitally
- Compelling holiday assortment with expanded selection across apparel (sweaters, fleece, dresses) and gifting (Sephora, toys, jewelry, cozy bedding)
- Key growth categories of Sephora, home decor, gifting, impulse, and Babies "R" Us as well as seasonally relevant businesses like toys, jewelry, and home increase in importance in Q4
- Amplifying Kohl's Cash and Rewards to drive engagement and maximize important holiday shopping days



# 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

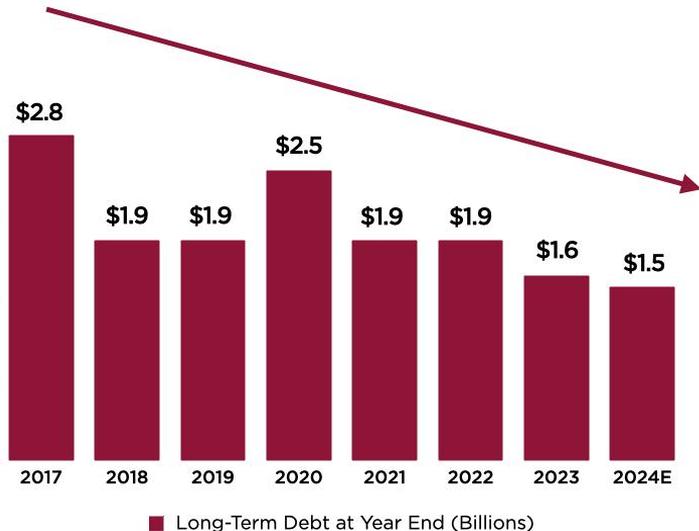
Pay off revolver and opportunistically address long-term maturities, including reducing long-term debt by \$113M in Q2 2024

## → 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 Priorities

- 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% <sup>(1)</sup>	500
2033	6.00%	112
2037	6.875%	101
2045	5.55%	427
<b>Total</b>	<b>5.12%</b>	<b>1,535</b>

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# Q3 2024 Results

# Q3 2024 Summary

## Key Takeaways

- Q3 results did not meet our expectations as sales remained soft in our core apparel and footwear businesses
- Strong collective performance in our key growth areas, including Sephora, home decor, gifting, and impulse, and also benefited from the opening of Babies “R” Us shops in 200 of our stores
- Expanded gross margin by 20 basis points and managed expenses down approximately (5%)
- Reduced inventory by (3%) as compared to last year despite in-transit inventory increasing more than 40%

## Q3 2024

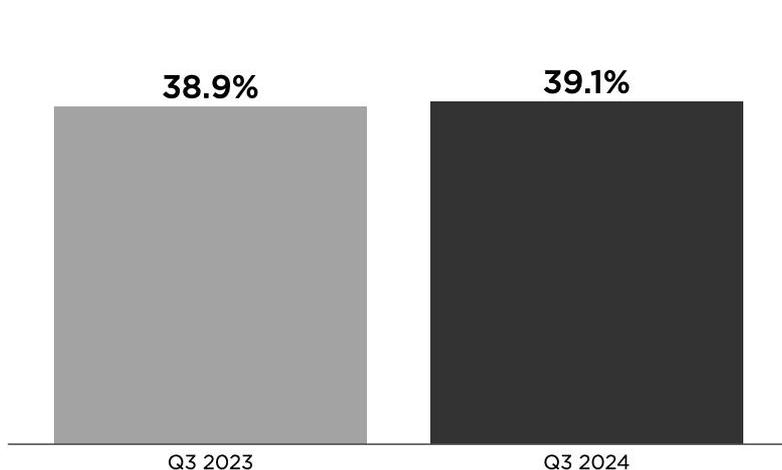
- Q3 net sales declined (8.8%) versus Q3 2023 and comparable sales declined (9.3%)
- Gross margin increased 20 bps to last year driven by inventory management and lower freight expense, partially offset by higher digital penetration and increased promotional activity
- SG&A expense declined (5.1%) benefiting from tightly managed expenses across the organization, especially in corporate and store-related expenses
- Operating income of \$98M and net income of \$22M or \$0.20 per diluted share



# Q3 2024 Gross Margin & SG&A Expense Performance

## Gross Margin

Increased 20 bps vs Q3 2023

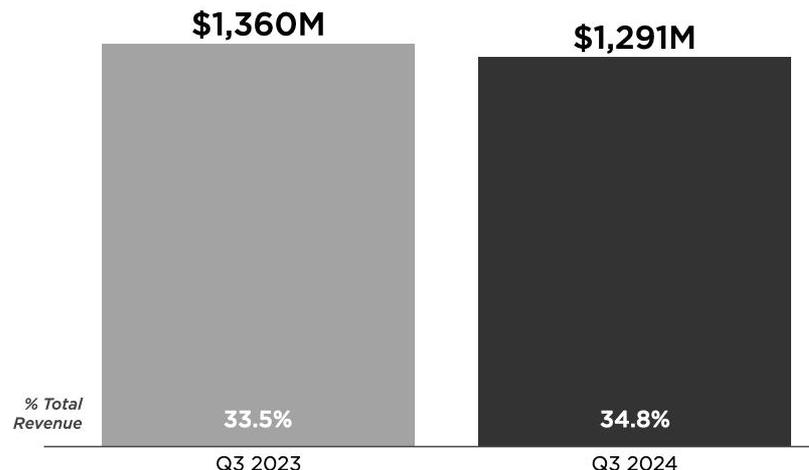


### Q3 2024 Gross Margin Takeaways

- Inventory management and lower freight expense
- Higher digital penetration and increased promotional activity

## SG&A Expense

Deleveraged 125 basis points vs Q3 2023



### Q3 2024 SG&A Takeaways

- Tightly managed expenses across the organization, especially in corporate and store-related expenses
- Investments in marketing, technology, and growth categories

# Q3 Key Metrics

## Consolidated Statement of Operations

(Dollars in Millions)

	Three Months Ended	
	November 2, 2024	October 28, 2023
Net Sales	\$ 3,507	\$ 3,843
Total Revenue	3,710	4,054
Gross Margin Rate	39.1%	38.9%
SG&A	1,291	1,360
Depreciation	184	188
Operating Income	98	157
Interest Expense	76	89
(Benefit) Provision for Income Taxes	-	9
Net Income	22	59
Diluted EPS	\$0.20	\$0.53

## Key Balance Sheet Items

(Dollars in Millions)

	November 2, 2024	October 28, 2023
Cash and Cash Equivalents	\$ 174	\$ 190
Merchandise Inventories	4,099	4,239
Accounts Payable	1,873	1,918
Borrowings under revolving credit facility	749	625
Current portion of Long-term debt	353	111
Long-term Debt	1,174	1,638

## Key Cash Flow items

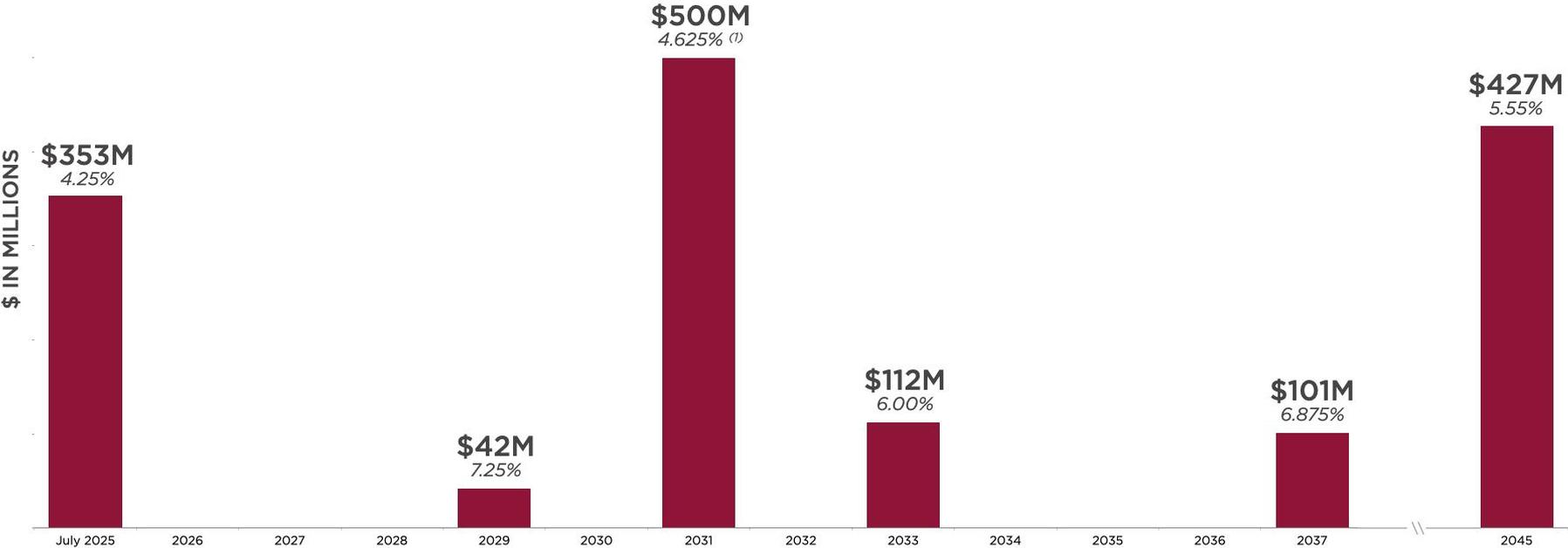
(Dollars in Millions)

	November 2, 2024	November 2, 2024
	Three Months Ended	Nine Months Ended
Operating Cash Flow	\$ (195)	\$ 52
Capital Expenditures	(128)	(367)
Net, Finance lease and Financing obligations	(19)	(61)
Adj. Free Cash Flow <sup>(1)</sup>	\$ (342)	\$ (376)

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# 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)*

	November 2, 2024 Three Months Ended	November 2, 2024 Nine Months Ended
Operating Cash Flow	\$ (195)	\$ 52
Capital Expenditures	(128)	(367)
<b>Free Cash Flow</b>	<b>(323)</b>	<b>(315)</b>
Finance lease and financing obligation payments	(20)	(62)
Proceeds from financing obligations	1	1
<b>Adjusted Free Cash Flow</b>	<b>(342)</b>	<b>(376)</b>



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