KOHL'S

Q1 2020 Results Presentation

May 19, 2020

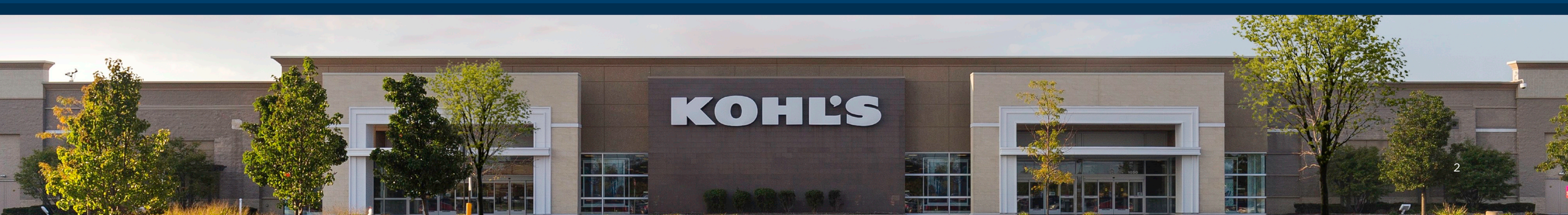


Cautionary Statement Regarding Forward-Looking Information

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "anticipates," "plans," "may," "intends," "will," "should," "expects," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, but are not limited to, comments about Kohl's future financial plans, capital generation, management and deployment strategies, adequacy of capital resources and the competitive environment, including statements related to the ongoing implications of the novel coronavirus (COVID-19). Such statements are subject to certain risks and uncertainties, which could cause Kohl's actual results to differ materially from those anticipated by the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Item 1A in Kohl's Annual Report on Form 10-K, which is expressly incorporated herein by reference, and other factors as may periodically be described in Kohl'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 the ability of Kohl's to successfully navigate the impact of COVID-19; the short and long-term impact of COVID-19 on the economy, and retail and economic activity; changes in consumer behavior and confidence, including those changes related to rising unemployment rates; the duration and scope of COVID-19, and the pace of recovery thereafter; the actions that governments, businesses and individuals take in response to COVID-19, including store closures and limiting or prohibiting certain retail activities; general economic uncertainty and a worsening of economic conditions or low levels of economic growth; the effects of steps Kohl's takes to reduce operating costs and increase its cash position; competitive conditions in the retail industry; relationships with Kohl's associates, customers, vendors, lenders, and stockholders; and the availability of capital to operate Kohl's business. Forward-looking statements speak as of the date they are 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 EPS. Reconciliations of all non-GAAP measures to the most directly comparable GAAP measures are included in the Appendix of this presentation.



Key Historical Highlights

- Leading omnichannel retailer with 65 million customers in 2019
- Accelerating, high growth digital business with sales penetration of 24% in 2019
- History of strong free cash flow generation and prudent capital management
- Demonstrated commitment to Investment Grade: $940M+ debt paid down in 2018-2019
- Unmatched brand portfolio with collection of strong private and national brands
- Convenient, off-mall stores located primarily in suburban neighborhood strip centers
- Industry leading loyalty program, including strong Kohl’s Charge Card sales penetration of 56% in 2019
- Strong culture with best-in-class customer and associate engagement

Q1 2020
Results Presentation

1 COVID-19 Update

2 Q1 2020 Results

3 Strategic Highlights

COVID-19 Update

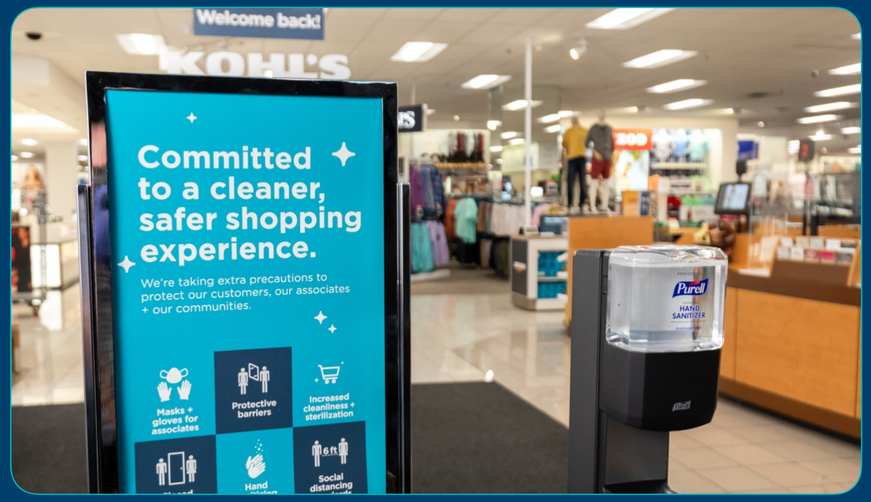
Our Top Priorities

- Protecting the health and safety of our associates and customers
- Preserving our financial position













Protecting Associates And Customers

Store Closures to Help Slow the Spread of the Virus

- Closed all of our stores on March 20th
- Temporarily furloughed 85,000 associates on March 30th and supported them with two calendar weeks of pay and continuation of existing health benefits

Enhanced Safety Measures as Stores Reopen

- Reopened about 50% of our stores across the country since May 4, 2020
- Following a set of criteria, including state guidelines, health data, store readiness, and field insights
- Significant enhancements to the store environment and operations made to prioritize the health and safety of Kohl's customers and associates
  - Limited store hours
  - Social distancing measures
  - Elevated cleaning and sanitization measures
  - Associate wellness and temperature checks, safety training and the use of masks

Preserving Financial Position

Drive Digital Sales

- Leaned into Digital business and quickly updated digital site content to reflect customer interest
- Launched Store Drive Up on April 2nd in most stores

Reduced Cash Outflow

- Inventory: Managed receipts lower and extended payment terms
- SG&A: Significantly reduced expenses across all areas
- Capex: Lowered 2020 forecast by $500 million
- Dividend: Suspended beginning in Q2 2020
- Share repurchases: Suspended

Increased Financial Liquidity

- Revolver: Replaced, securitized, and upsized to $1.5 billion
- New Debt: Issued $600 million notes due 2025



Q1 2020 Results

Q1 2020 Results

Key Takeaways

- Entered 2020 in a strong financial position with business tracking to expectations prior to the crisis
- Immediately responded with aggressive actions to significantly enhance financial flexibility
- Positive operating cash flow in Q1 achieved through collective actions
- Ended quarter with $2.0 billion in cash and $500 million of availability on our revolver

Q1 2020 Results

- COVID-19 materially impacted results as all stores were closed beginning on March 20th
- Total revenue (41%), with net sales (43%) and other revenue flat
- Digital sales +24%, and accelerated to +60% in the month of April
- Gross margin significantly contracted due to COVID-19 impact
- SG&A expense declined 16% in Q1, yet declined 19.5% excluding COVID-19 expenses
- Adjusted EPS[1] ($3.22) vs. $0.61 in prior year
- Inventory declined 3% year-over-year and receipts were down over 30%

(1) Adjusted EPS is a non-GAAP financial measure. Please refer to the reconciliation included in the Appendix for more information.

Q1 2020 Key Metrics

Consolidated Statement of Operations *(Dollars in Millions, Except EPS data)*	**Three Months Ended**	
	May 2, 2020	**May 4, 2019**
Net Sales	$ 2,160	$ 3,821
Total Revenue	2,428	4,087
Gross Margin Rate	*17.3%*	*36.8%*
SG&A Expenses	1,066	1,275
Depreciation and Amortization	227	230
Impairments, Store Closings, and Other Costs	66	49
Operating (Loss) Income	$ (718)	$ 118
Interest Expense, Net	58	52
Provision for Income Taxes	(235)	4
Net (Loss) Income	$ (541)	$ 62
Diluted (Loss) Earnings per Share	($3.52)	$0.38
Adusted Net (Loss) Income (Non-GAAP)	$ (495)	$ 98
Diluted Adjusted (Loss) Earnings per Share (Non-GAAP)	($3.22)	$0.61

Key Balance Sheet Items *(Dollars in millions)*	**May 2, 2020**	**May 4, 2019**
Cash and Cash Equivalents	$ 2,039	$ 543
Merchandise Inventories	3,557	3,680
Accounts Payable	1,866	1,295
Long-term Debt	3,449	1,855

Adjusted EPS is a non-GAAP financial measure. Please refer to the reconciliation included in the Appendix for more information.

Q1 Gross Margin

Q1 2019 Gross Margin	**36.8%**	
Inventory Actions	**(~1,500) bps**	• **Usual clearance permanent markdowns** in February spread across significantly lower sales due to COVID-19 • Established a **reserve for excess seasonal inventory** given the lower sales demand due to COVID-19
Cost of Shipping	**(~250) bps**	• Cost of shipping pressure driven by **significant shift of sales to Digital** in Q1 2020 (45% of total sales) vs. Q1 2019 (21% of total sales) due to store closures related to COVID-19
Mix / Other	**(~200) bps**	• Unfavorable product mix as **Home category outperformed** and increased promotional activity
Q1 2020 Gross Margin	**17.3%**	

Enhanced Liquidity Position

Key Q1 2020 Balance Sheet & Cash Flow Items

February 1, 2020

Beginning Cash **$723M**

Sources

Revolver	$1,000M
New Debt	$600M
Operating Cash Flow	$53M

Uses

Capex	($162M)
Dividend	($108M)
Share Repurchase	($8M)

May 2, 2020

Ending Cash **$2,039M**

Key Takeaways

- Long history of disciplined and prudent capital management
- More than two decades of maintaining Investment Grade rating
- Swift and aggressive actions taken to ensure appropriate financial liquidity to manage through crisis
- Confident that actions taken will successfully preserve financial position of the company

Strategic Highlights

Kohl's is a leading **omnichannel** retailer with a **strong** foundation, and a **large** and **loyal** customer base of **65 million**

An **unmatched brand portfolio** at the best value



Easy and **inspiring experiences**



Leading loyalty program



Based on 2019 Figures

KOHL'S

Strategic Focus Areas



Strengthening product leadership



Elevating the experience



Leading the next generation of loyalty

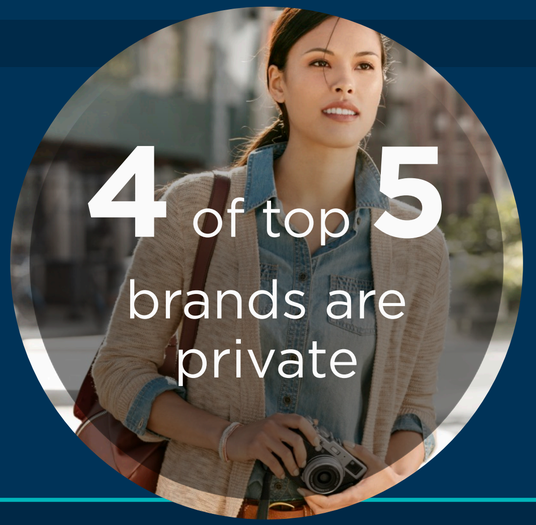


Operating with excellence

Brands

Strong collection of **private brands**







SONOMA GOODS FOR LIFE

Croft&Barrow

APT.9

jumping beans

EVRI

food network

So

THE BIG ONE

SimplyVera VERA WANG

LC LAUREN CONRAD

TEK GEAR

urban PIPELINE

Based on 2019 Figures

Brands

Strong collection of **national brands**















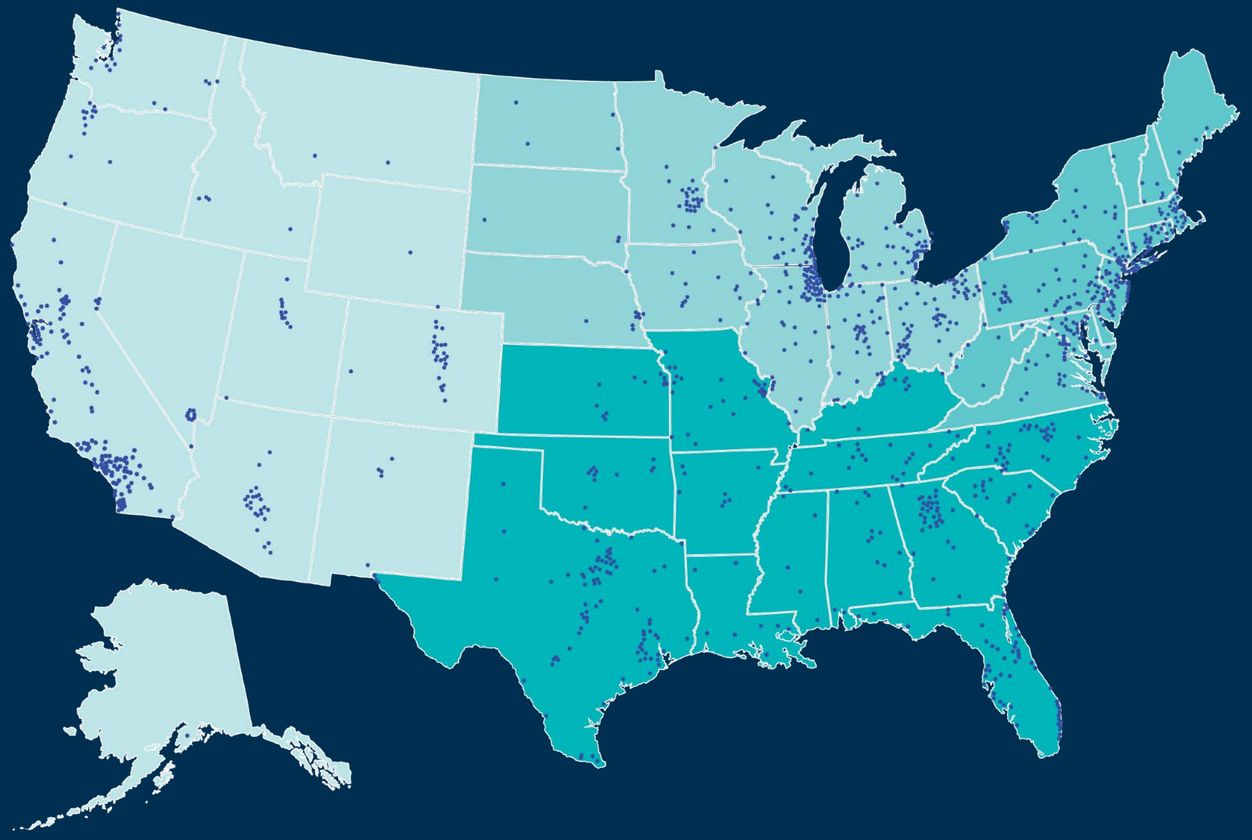









The power of our store base



1,159
stores in 49 states

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

95%
of Kohl's stores are off mall

99%
of stores 4-wall cash-flow positive in 2019

35%+
of digital orders fulfilled by stores

Digital sales are **higher** with proximity to stores

Based on 2019 Figures

Customer behaviors are influencing their expectations of the retail experience

Shift to digital



of Kohl's digital sales are on mobile

Mobile use increase



of Kohl's traffic occurs through smartphones

Social media influence

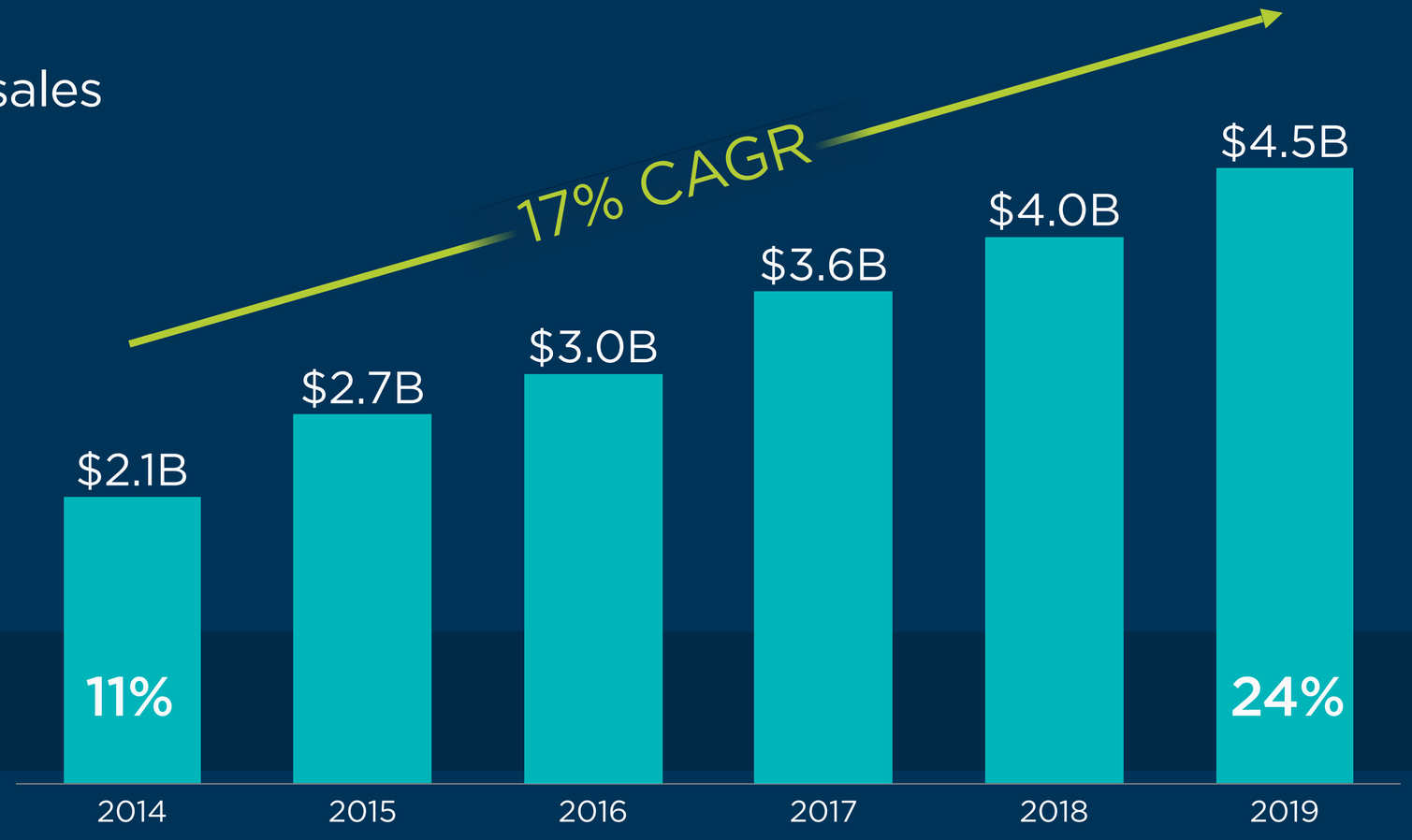


active Kohl's App users

Based on 2019 Figures

Digital has been key growth driver

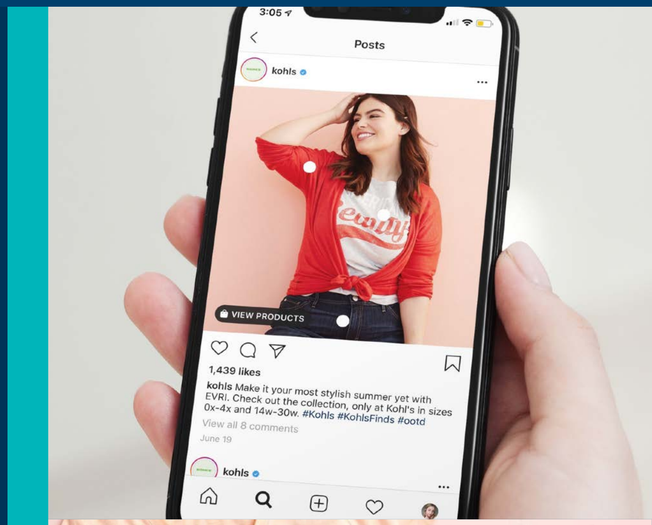
Digital sales



Sales penetration

11%

24%





Kohl’s has a leading loyalty program



Loyalty program
4 years running



Loyalty
members



Kohl’s Charge card
penetration

Based on 2019 Figures
Source: Bond Loyalty Report

Recent investments are paying off



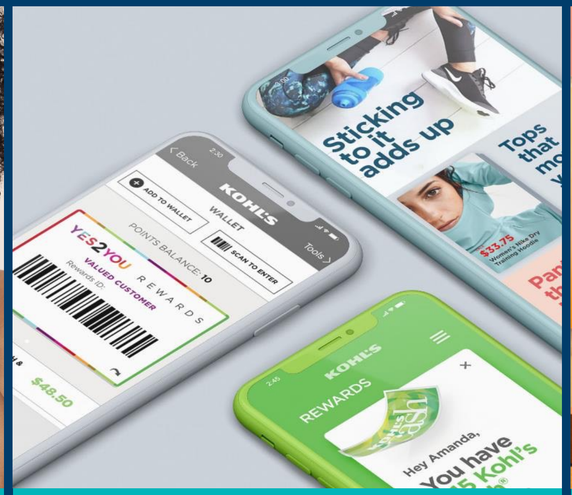
Active

Sales nearly **doubled** since 2013



Beauty

Sales **increased** nearly **40%** in past 5 years



Digital

Achieved **17%** 5-year sales CAGR



Amazon

Innovation to **drive traffic** into stores

Based on 2019 Figures

Our Capital Allocation Priorities

1. **Invest in the business**
2. **Dividend**
3. **Opportunistic, complementary M&A**
4. **Share repurchases**

Maintain **strong** balance sheet

Long-term objective of maintaining investment grade

Due to COVID-19, the Company has reduced its investment in the business and has suspended its dividend and share repurchase program.

Appendix

Reconciliations

Adjusted Net (Loss) Income and Diluted (Loss) Earnings per Share, Non-GAAP Financial Measures

(Unaudited)

	Three Months Ended	
(Dollars in Millions, Except per Share Data)	**May 2, 2020**	**May 4, 2019**
Net (Loss) Income		
GAAP	**$ (541)**	$ 62
Impairments, store closing, and other costs	**46**	36
Adjusted (non-GAAP)	**$ (495)**	$ 98
Diluted (Loss) Earnings per Share		
GAAP	**$ (3.52)**	$ 0.38
Impairments, store closing, and other costs	**0.30**	0.23
Adjusted (non-GAAP)	**$ (3.22)**	$ 0.61





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