









KOHL'S

Q3 2021 Results Presentation

November 18, 2021

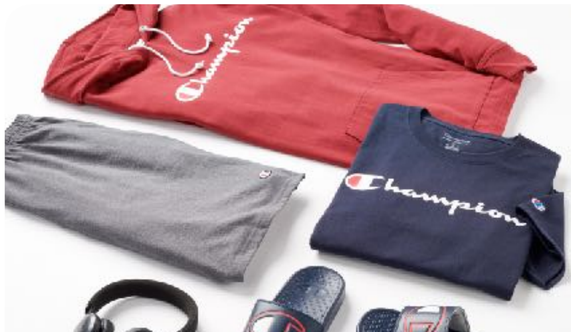












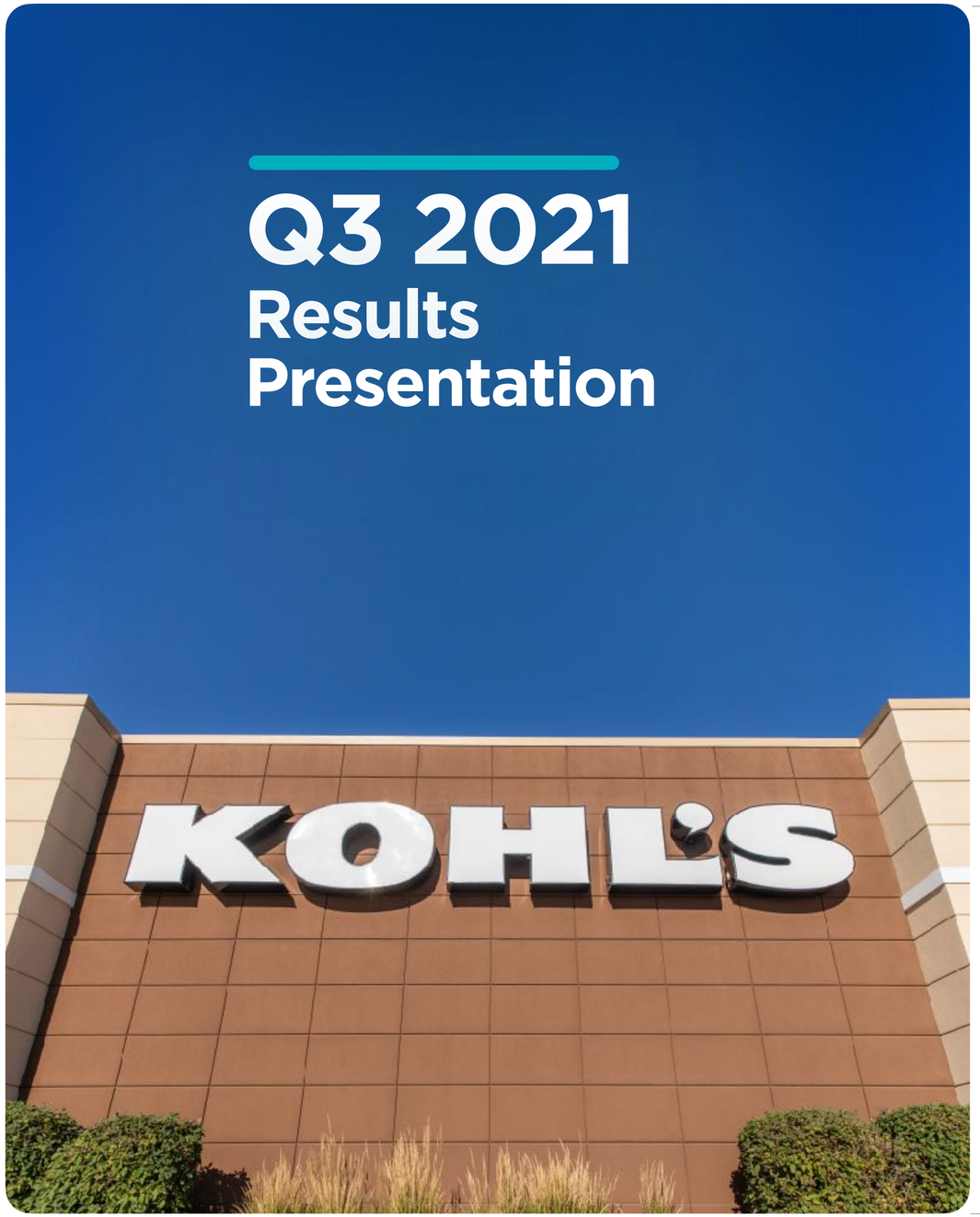
Cautionary Statement Regarding Forward-Looking Information

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. 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 short and long-term impact of COVID-19 on the economy and the pace of recovery thereafter. 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, Adjusted Net Income, Adjusted Operating Margin, and 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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Q3 2021 Results

Q3 2021 Results

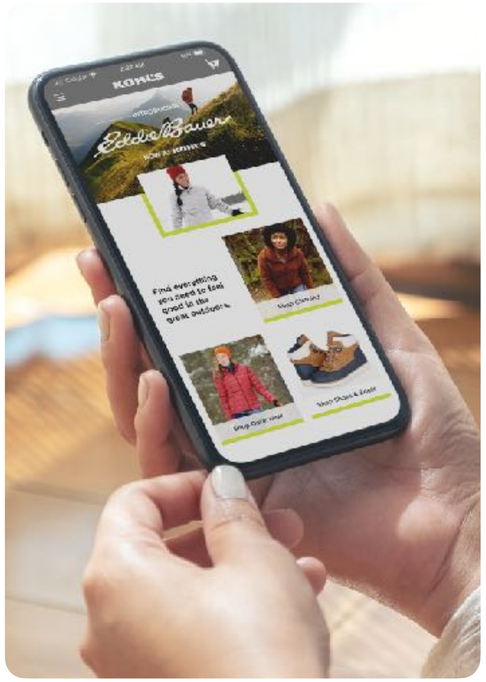
Key Takeaways

- Achieved record Q3 earnings as both sales and margins exceed expectations and raised full year sales and earnings guidance
- Continued to execute against strategic plan, driving accelerated growth in Active sales and successfully launching several transformational brand partnerships, including the initial rollout of 200 Sephora at Kohl's stores
- Benefited from our efforts to structurally improve our profitability through gross margin expansion and SG&A leverage, delivering the highest Q3 operating margin in nine years
- Repurchased $506 million of shares in the quarter, reinforcing our confidence in the business and commitment to creating shareholder value
- Remain in a formidable financial position with $1.9 billion in cash

Q3 2021 Results

- Net sales increased 16% versus Q3 2020
- Gross margin increased 408 bps compared to last year driven primarily through our inventory management efforts and pricing and promotion optimization strategies
- SG&A expense increased 6% in Q3 and leveraged 273 bps as a percentage of revenue compared to last year driven by improved store labor productivity and marketing and technology efficiency
- Operating margin of 8.4% in Q3 2021, the highest Q3 operating margin in 9 years
- Diluted earnings per share of $1.65 compared to an adjusted diluted EPS[1] of $0.01 in Q3 2020
- Inventory increased 1% versus prior year and inventory turn reached another 10-year high
- YTD operating cash flow of $1.8 billion







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

Q3 Key Metrics

Consolidated Statement of Operations	Three Months Ended	
(Dollars in Millions)	October 30, 2021	October 31, 2020
Net Sales	$ 4,366	$ 3,779
Total Revenue	4,600	3,979
Gross Margin Rate	39.9%	35.8%
SG&A	1,380	1,302
Depreciation	210	210
Impairments, Store Closings, and Other Costs	—	21
Operating Income	387	22
Interest Expense	66	78
Provision for Income Taxes	78	(44)
Net Income	243	(12)
Diluted EPS	$1.65	($0.08)
Adjusted Net Income (Non-GAAP)[(1)]	243	2
Adjusted Diluted EPS (Non-GAAP)[(1)]	$1.65	$0.01

Key Balance Sheet Items *(Dollars in Millions)*	October 30, 2021	October 31, 2020
Cash and Cash Equivalents	$ 1,873	$ 1,939
Merchandise Inventories	3,642	3,607
Accounts Payable	2,135	2,184
Long-term Debt	1,909	2,450

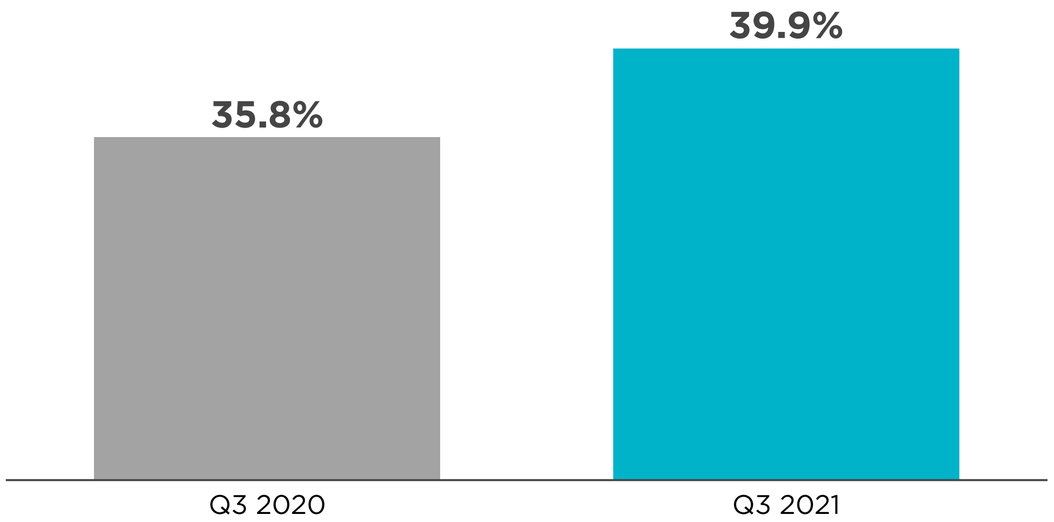
Key Cash Flow items	October 30, 2021	
(Dollars in Millions)	Three Months Ended	Nine Months Ended
Operating Cash Flow	$ 82	$ 1,774
Capital Expenditures	(235)	(426)
Net, Finance lease and Financing obligations	(27)	(88)
Free Cash Flow[(1)]	$ (180)	$ 1,260

(1)-Free Cash Flow, Adjusted Net Income, and Adjusted EPS are non-GAAP financial measures. Please refer to the reconciliations included in the Appendix for more information. Amounts shown for the three months ended October 30, 2021 are GAAP as there are no adjustments to Non-GAAP. These amounts are shown for comparability purposes. All other periods are Non-GAAP and exclude Loss on Extinguishment of debt, Impairments, store closing and other costs and Gain on sale of real estate if applicable.

Q3 2021 Gross Margin & SG&A Expense Performance

Gross Margin

Increased 408 bps versus Q3 2020

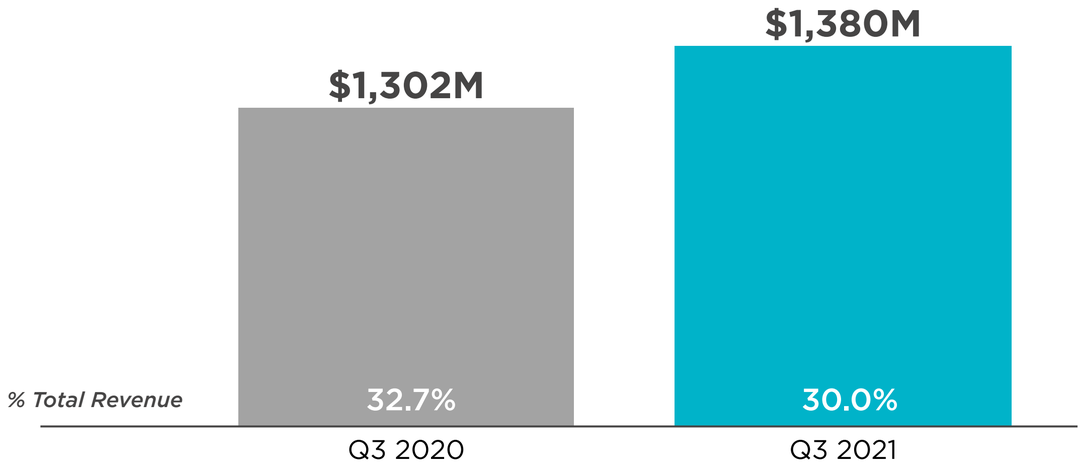


Q3 2021 Gross Margin Takeaways

- ⊕ Tightly managed inventories and achieved 10 year high in inventory turn
- ⊕ Further scaled pricing and promotion optimization strategies
- ⊕ Cost of Shipping tailwind from lower digital penetration of 29% versus 32% in Q3 2020
- ⊖ Higher transportation costs due to global supply chain challenges

SG&A Expense

SG&A leveraged 273 bps versus Q3 2020



Q3 2021 SG&A Takeaways

- ⊕ Improved store labor productivity
- ⊕ Lower technology spend
- ⊕ Improved marketing-to-sales ratio
- ⊖ Higher wage costs across stores and distribution centers

Enhanced Liquidity Position

Key Balance Sheet & Cash Flow Items: YTD 2021

January 31, 2021	
Beginning Cash	**$2,271M**
Sources	
Operating Cash Flow	$1,774M
New Debt	$500M
Uses	
Reductions in LT Debt	($1,044M)
Share Repurchase	($807M)
Capex	($426M)
Other*	($281M)
Dividend	($114M)
October 30, 2021	
Ending Cash	**$1,873M**

Key Takeaways

- Strong earnings performance and cash flow generation further improved leverage profile
- Accelerated share repurchases, reinforcing our confidence in the business and commitment to creating shareholder value
- Long history of disciplined capital management
- More than two decades of maintaining Investment Grade rating
- Well-positioned to capitalize on evolving customer behaviors and the retail industry disruption

*Other includes premium paid on redemption of debt, finance lease and financing obligation payments, and other.

Updated 2021 Outlook

Updated 2021 Outlook

Metric	Full Year Guidance
Net Sales	**Mid twenties percent increase** versus 2020 *From a low twenties percent increase*
Operating Margin	**8.4% to 8.5%** *From 7.4% to 7.6%*
Adjusted EPS*	**$7.10 to $7.30** *From $5.80 to $6.10*

Capital Allocation Strategy

- **Capex:** High end of $600 million to $650 million range
- **Dividend:** $0.25 quarterly dividend payable on December 22, 2021
- **Share Repurchase Program:** $1.3 billion, up from $500 million to $700 million





Calvin Klein







*Excludes any non-recurring charges.

Our Strategy

Kohl's has built a powerful foundation



Customers

65M Active Customers

30M Loyalty Members

29M Kohl's Charge Card holders

Accessible & Aspirational Brand Portfolio

KOHL'S + SEPHORA

Nike · Levi's · Under Armour · adidas

Tommy Hilfiger · Eddie Bauer · Calvin Klein

Sonoma Goods for Life · So · jumping beans

LC Lauren Conrad · FLX



Stores

90% of stores generated $1M+ in 4-wall cash flow

95% of Kohl's stores are off-mall

1,162 stores in 49 states at year end 2020

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

43% of digital sales fulfilled by stores In 2020

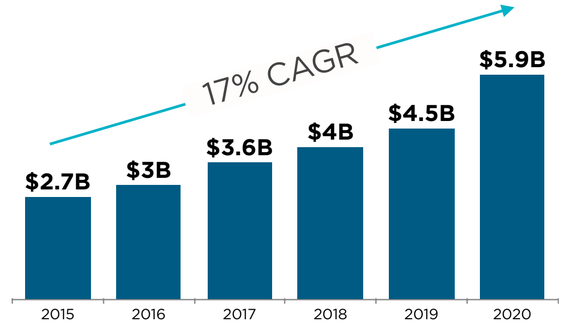
10% higher digital sales in markets with stores

600M store visits

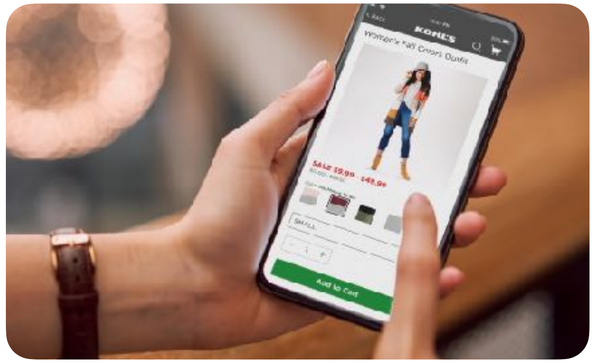
Digital

40% Digital sales penetration in 2020

1.6B Website visits in 2020



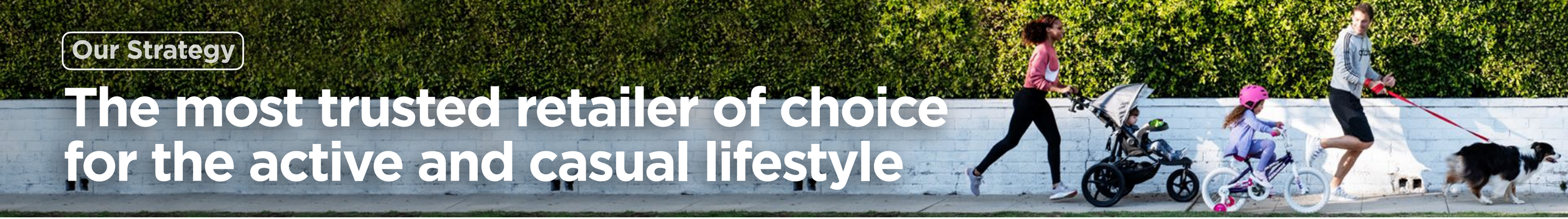
Digital Sales Growth



All figures are 2019 except as noted

Our Strategy

The most trusted retailer of choice for the active and casual lifestyle



Drive Top Line Growth

Destination for Active & Casual Lifestyle

- Expand Active and Outdoor
- Reignite growth in Women's
- Build a sizable Beauty business
- Drive category productivity and inventory turn
- Capture market share from retail industry disruption

Leading with Loyalty & Value

- Best-in-class loyalty
- Drive productivity through deeper engagement
- Deliver personalized experiences

Differentiated Omni-channel Experience

- Healthy store base in evolving landscape
- Modernize the store experience
- Continue digital growth
- Further enhance omni-channel capabilities

Expand Operating Margin

Operating Margin Goal of 7% to 8%

- End-to-end supply chain transformation
- SG&A efficiency through store labor, marketing, and technology
- Operational excellence

Disciplined Capital Management

Maintain Strong Balance Sheet

- Sustain Investment Grade rating
- Solid cash flow generation
- Committed to returning capital to shareholders

Strong Organizational Core

Agile, Accountable & Inclusive Culture

- Innovative and adaptive learning approach
- Focused on diversity and inclusion
- ESG stewardship

Creating Long-term Shareholder Value

Return to growth

Expand operating margin

Solid cash flow generation

Maintain strong balance sheet

Return capital to shareholders

Driving top line growth



Grow Active to 30% of Sales

- **Fuel growth with key national brands**, Nike, Under Armour and Adidas
- **Expanded Active** space by ~20% in 2021
- **Drive athleisure** through launch of FLX, our new private brand, Calvin Klein basics and loungewear, and expand assortment of Champion
- **Grow outdoor** through expansion of Lands' End and launch of Eddie Bauer



Beauty Growth with Sephora

- Highly complementary strategic partnership to **establish Kohl's as a leading beauty destination**
- **Comprehensive digital launch** August 2021
- Launched in 200 stores Fall 2021, with plans for 400 stores in 2022, and reaching at least 850 stores by 2023
- Assortment includes ~**125 emerging and established brands** emulating freestanding Sephora store
- Seeing **strong initial response**, driving acquisition of a **younger, more diverse customer**



Reignite Women's Growth

- New organization structure and leadership to drive improved performance
- **Significant portfolio reinvention** with exit of 10 downtrending brands
- **Refresh and differentiate** a more focused portfolio of private brands (e.g. Sonoma, So, LC Lauren Conrad)
- **Distort denim opportunity** (e.g. Levi's, key private brands)
- **Improving merchandising and clarity** through significant choice count reduction and building depth



Extend Casual Lifestyle to Home

- **Expand soft home** category (e.g. Koolaburra by Ugg, Sonoma)
- **Expand underdeveloped categories** (e.g. decor, kid's bedroom, storage)
- Lean into healthy home (e.g. sleep and cookware)

Strategic investments are gaining traction



Successful launch of Sephora at Kohl's Partnership

- Debuted **200 Sephora at Kohl's shops** and **comprehensive digital experience** in Q3
- **Very pleased with initial results** with Sephora at Kohl's stores outperforming balance of chain
- Strong initial customer acquisition with **more than 25% of Sephora customers new to Kohl's**
- **Assortment is resonating** with customers purchasing across a wide range of beauty categories and price points
- **Customers are shopping across the store** with strong attach rates in other areas of the business
- Planning underway for 2022 with 400 additional shops to begin opening in late Spring



Continued strong Active sales growth

- **Continued strong momentum** — sales growth accelerated in Q3 with penetration growing to 26% of net sales
- Broad strength across channels and categories
- Key national brands, including **Nike, adidas, Under Armour, and Champion** continue strong growth
- Also seeing solid performance in our private brands, **Tek Gear and FLX**
- **Growing outdoor** through successful launch of **Eddie Bauer** in Q3 and building on momentum in Columbia and Lands' End

Continuing to enhance Loyalty and Omni-channel capabilities



Loyalty Members are More Productive

- New Kohl's Rewards loyalty program, added new features, enhanced personalization and simplified rewards in Kohl's Cash
- **Kohl's Cash:** Iconic and differentiated loyalty device that provides a fly-wheel effect on customer return visits
- **Kohl's Card:** Provides more opportunities for customers to save

30 million loyalty members spend 2x more than non-loyalty members and highest tier Kohl's Card members ("Most Valuable Customer") spend 10x more than non-loyalty members

Investing in Omni-channel



Transforming the Role of the Store

- Modernizing the store experience through refresh program and category reflow to highlight outsized growth businesses
- Simplified and edited shopping experience through fixture de-densification (standard to small strategy)
- Inspired solutions and product storytelling through continued investments in merchandising (e.g. expanding the learnings from the Outfit Bar concept)
- Evolve existing omni experiences: BOPUS/BOSS, Store Drive Up, Amazon Returns
- Continue to pursue innovation and discovery (e.g. Curated by Kohl's, emerging brands)

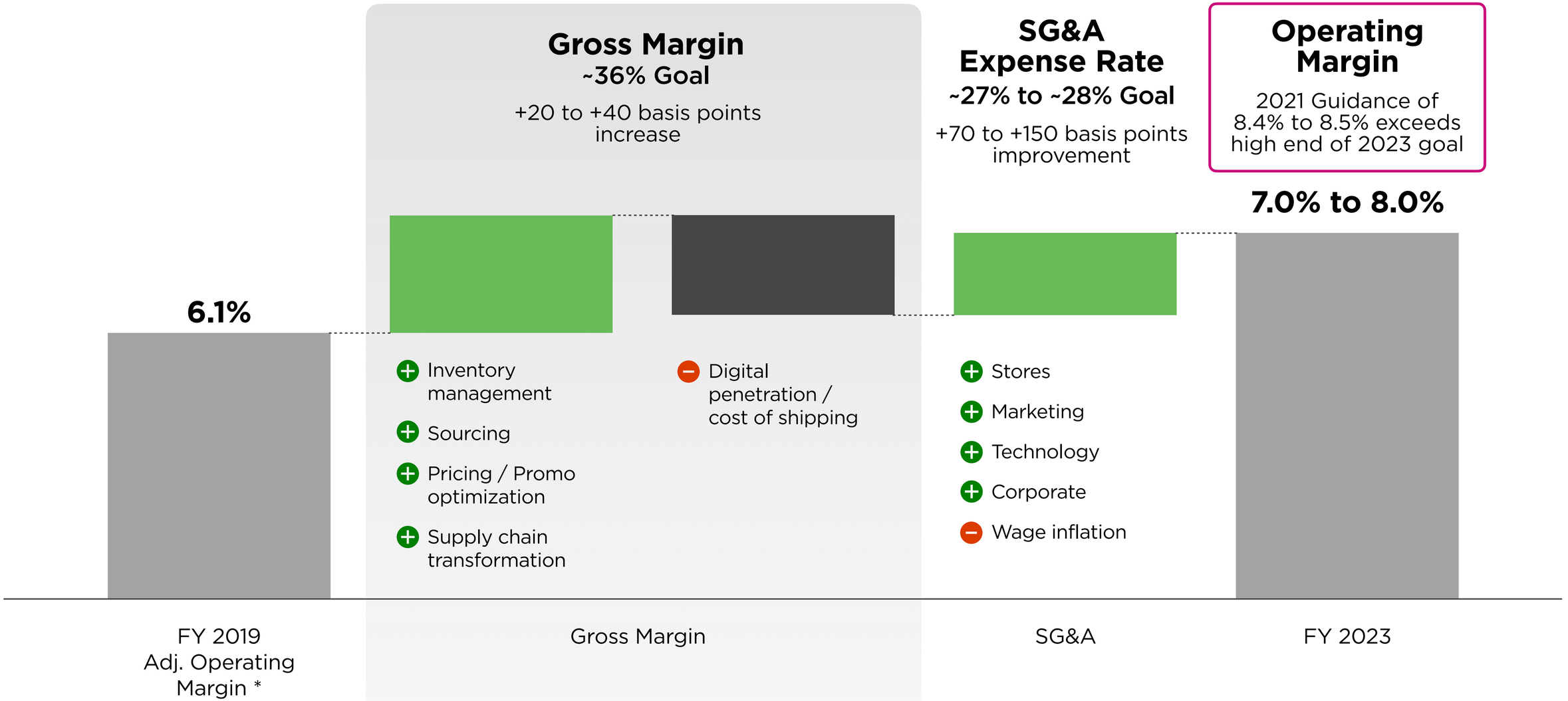


Enhance Digital Capabilities to Drive Growth

- Continue to invest in the evolution of the digital experience (e.g. Kohls.com, App)
- Expanding digital brand portfolio (e.g. Fanatics, Sephora, Lands' End, Eddie Bauer)
- Opened our sixth e-commerce fulfillment center in 2021

Omni-customer is 4x more productive than store-only shopper and 6x more productive than digital-only customer

Strong execution against our new strategy positions us to achieve our 2023 strategic goals in 2021, well ahead of plan



* Adjusted Operating Margin is a non-GAAP financial measure. For reference, the reconciliation can be found in the Appendix.

We have a history of strong cash flow generation along with a focus on maintaining a balanced capital allocation strategy

Maintain strong balance sheet

Long-term objective of maintaining Investment Grade rating



YTD 2021 Takeaways

- Delivered $1.3B of free cash flow
- Repurchased $807M of shares, including 10M shares for $506M in Q3
- Reduced long-term debt by $541M, improving our leverage profile
- Invested $426M in the business
- Paid $114M in dividends to our shareholders

History of Capital Allocation

- $3.0B of cumulative free cash flow generated from 2018 to 2020
- $1.8B invested in our business from 2018 to 2020 to help drive our omnichannel strategies
- Over $900M returned to shareholders over the past 3 years through our dividend program
- Nearly $900M of shares repurchased from 2018 to 2020
- History of employing liability management strategies to enhance our leverage profile and remain committed to Investment Grade Rating

* Free cash flow is a non-GAAP financial measure. Please refer to the reconciliations in the Appendix for more information.

Kohl's Continued Commitment to ESG

Kohl's has a long-standing focus on Environmental, Social and Governance stewardship

TOP 100 BARRON'S Most Sustainable Companies 2020

MEMBER OF Dow Jones Sustainability Indices In collaboration with SAM

SmartWay Excellence Award Recipient 2020

Environmental

With a large retail footprint, we are in a unique position to make a difference through positive actions.

- Sustainability measures are tied to CEO performance and management team incentives.
- Kohl's has published 2025 goals to reduce energy costs, decrease emissions, increase solar and wind energy, and reduce waste and increase recycling.
- **Climate change:** In our efforts to reduce greenhouse emissions, we have reduced energy consumption by 39% since 2008 - exceeding our 2025 goal, expanded to 164 wind and solar locations, and built 101 EV charging locations.
- **Waste and Recycling:** In our efforts to reduce waste, we have diverted 85% of waste from landfills - meeting our 2025 goal and reduced the amount of packaging we use for Kohl's-owned branded packaging.
- **Sustainable Sourcing:** To focus on efficient use of natural resources, we have 80% of production facilities completed the Higg Index Environmental Module, on our way to our 2025 goal and we are using the Higg Index to drive substantial water reduction.
- See more detail in our annual ESG Report.



Social

Understanding and embracing differences for Kohl's associates, customers and community is not just the right thing to do; it is critical in creating an inclusive workplace and brand experience, as well as in driving growth for the organization.

- In 2020, we shared our commitment to a renewed Diversity & Inclusion (D&I) strategy focused on Our People, Our Customers and Our Community and our mission to empower more families through equity, D&I.
- We've appointed a Chief Diversity & Inclusion Officer, reporting to the CEO.
- **People:** We've expanded our associate Business Resource Groups at Kohl's, provided unconscious bias training across the organization, created a cross-functional D&I Task Force and published our D&I Pledge for Progress.
- **Customers:** We've created a D&I product strategy, launched a Diversity Design Council, created new product and categories, and have invested in targeted D&I marketing.
- **Community:** We've committed to doubling our diverse supplier spend by 2025 and are well on our way. We have also committed to significantly increasing our philanthropic support.

2021 WORLD'S MOST ETHICAL COMPANIES® WWW.ETHISPHERE.COM 3-TIME HONOREE

Governance

We hold ourselves to a high level of ethical standards and maintain a Code of Ethics guide, Global Human Rights Policy, Business Partner Code of Conduct, and Corporate Governance Guidelines to ensure that we run our business with integrity.

- We have been recognized as one of the World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.
- We have published standards for Supply Chain Management, Facility Sustainability, Product Safety, Workforce Practices, Cybersecurity and Crisis Management that you can view in our ESG Report.
- We have a strong, independent and diverse Board of Directors that has an ongoing commitment to active Board refreshment, demonstrated by the addition of eight new directors in the past 5 years.

Appendix

Reconciliations

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

(Dollars in Millions, Except per Share Data)	Three Months Ended October 30, 2021	Three Months Ended October 31, 2020
Net Income (Loss)		
GAAP	$ 243	$ (12)
Impairments, store closing, and other	—	21
Income tax impact of items noted above	—	(7)
Adjusted (non-GAAP)	**$ 243**	**$ 2**
Diluted Earnings (Loss) per Share		
GAAP	$ 1.65	$ (0.08)
Impairments, store closing, and other	—	0.14
Income tax impact of items noted above	—	(0.05)
Adjusted (non-GAAP)	**$ 1.65**	**$ 0.01**

Amounts shown for the three months ended October 30, 2021 are GAAP as there are no adjustments to Non-GAAP. These amounts are shown for comparability purposes.
All other periods are Non-GAAP and exclude Loss on Extinguishment of debt, Impairments, store closing and other costs and Gain on sale of real estate if applicable.

Reconciliations

Adjusted Operating Income

($ in millions)

		2019
Operating Income	$	1,099
Impairments, store closing, and other		113
Adjusted Operating Income		1,212
Total Revenue	$	19,974
Adjusted Operating Income as a % of Total Revenue		**6.1%**

Free Cash Flow

($ in millions)

	October 30, 2021	
	Three Months Ended	Nine Months Ended
Net cash provided by operating activities	$ 82	$ 1,774
Acquisition of property and equipment	(235)	(426)
Finance lease and financing obligation payments	(31)	(96)
Proceeds from financing obligations	4	8
Free Cash Flow	**$ (180)**	**$ 1,260**




KOHL'S
SEPHORA




KOHL'S
DRIVE UP + POP YOUR TRUNK
Tap I'M HERE in your pickup email or pickup pass text and we'll bring your order out.
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