





KOHL'S

Q4 2022 Results Presentation

March 1, 2023








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, risks described more fully in Item 1A in the Company's Annual Report on Form 10-K and Item 1A of Part II of the Company's Quarterly Report on Form 10-Q for the first quarter of fiscal 2022, 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 and the 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 Free Cash Flow. Reconciliations of all non-GAAP measures to the most directly comparable GAAP measures are included in the Appendix of this presentation.





Our 2023 Priorities 6

2023 Outlook &
Long-term Strategy 11

Q4 2022 Results 15

Kohl's has built a solid foundation for growth



Customers

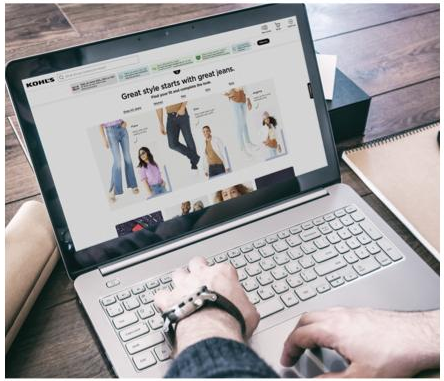
65M+	Active Customers
30M+	Loyalty Members

Accessible and Aspirational Brand Portfolio

Stores

1,170	Stores in 49 states
600+	Stores with Sephora
80%	Of Americans live within 15 miles of a Kohl's store
~35%	Of digital sales fulfilled by stores





Digital

32%	Digital sales penetration
1.6B	Website visits
20M	Active App users
8%	Digital sales CAGR over the last 5 years

All figures 2022

Long-standing focus on ESG stewardship



Environmental, Social, and Governance stewardship is a key component of our strategy and our vision, and guides how we interact with our customers, employees, and our communities

Culture

~100,000
Associates

8
Business Resource Groups

DEI Framework
introduced in 2020

2022 WORLD'S MOST ETHICAL COMPANIES® WWW.ETHISPHERE.COM 4-TIME HONOREE

DiversityInc 2020 TOP 50 COMPANIES FOR DIVERSITY NOTEWORTHY

Community

$845M
donations through Kohl's Cares

5.5M+
volunteer hours served by Kohl's associates

Tripling Spend
among diverse suppliers by 2025

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE

ALLIANCE FOR A HEALTHIER GENERATION

NAMI National Alliance on Mental Illness

Climate

Net Zero by 2050
committed to reducing GHG emissions

164
solar and wind locations

172
EV charging locations

10th ANNIVERSARY PREMIER MEMBER EPA'S ENERGY STAR PROGRAM

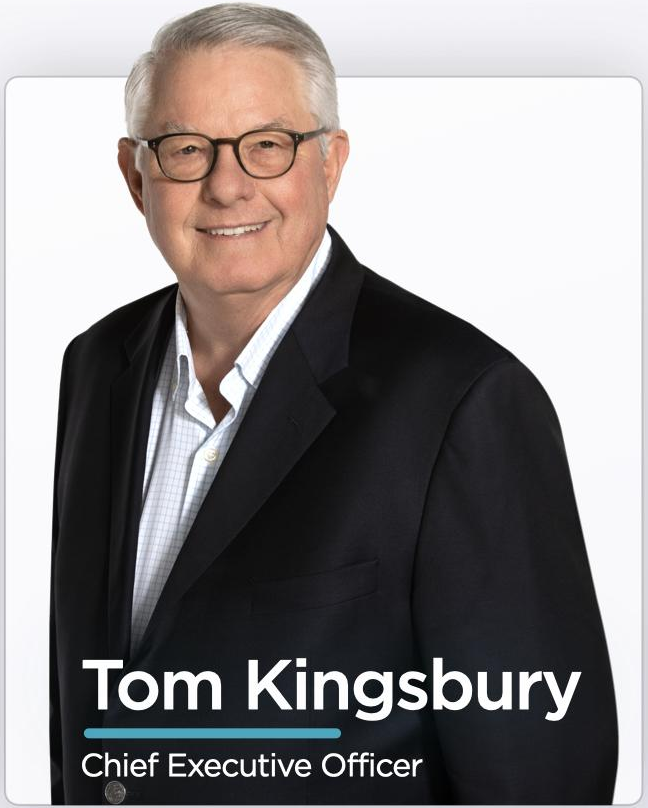
Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

All figures as of year end 2022
Note: See Kohl's 2021 ESG Report for a thorough overview of the company's efforts

Our 2023 Priorities

"Kohl's has a solid foundation and a highly motivated team with a set of priorities to capitalize on what I see as a substantial opportunity to make a difference in the retail landscape," commented Tom Kingsbury, Kohl's chief executive officer.

"Our efforts to drive the business are already underway. We are refining our strategy and re-establishing merchandise disciplines with a customer-centric focus across the organization. I am confident that our efforts and focus will drive improved, and more consistent, sales and earnings performance over the long-term."





Our 2023 Priorities

- Enhance the Customer Experience
- Accelerate and Simplify Our Value Strategies
- Manage Inventory and Expenses with Discipline
- Strengthen the Balance Sheet

FOCUSED ON FOUR OVERARCHING PRIORITIES TO

Drive Improved Sales and Profitability



Enhance the Customer Experience

- Sephora growth and expansion
- Assortment rebalance to capture multiple lifestyles
- Create an exciting in-store experience
- Focus on gifting
- Drive digital growth



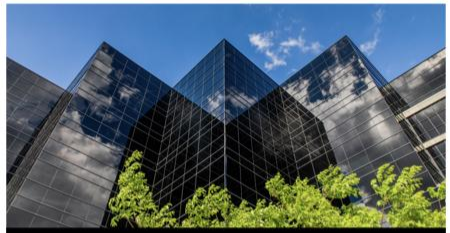
Accelerate and Simplify Our Value Strategies

- Simplified pricing
- Greater consistency in our marketing offers
- Leverage industry leading loyalty program (Kohl's Cash, Kohl's Rewards, Kohl's Card)
- Co-brand credit card launch



Manage Inventory and Expenses with Discipline

- Heightened focus on inventory control processes to increase inventory turns
- Planning inventory down mid-single digits % to increase ability to chase
- Marketing efficiency
- Benefit from organization realignment



Strengthen the Balance Sheet

- $1.5B ABL enhances liquidity position and flexibility
- Debt reduction in 2023
- Remain committed to long-term leverage target of 2.5x
- Lower capital spend in 2023

Driving continued growth through Sephora at Kohl's



$2 billion
sales goal by 2025

Delivering incremental sales and traffic
and acquiring new customers

- Successfully opened ~600 Sephora shops to date, including ~400 in 2022
- Achieved notable beauty market share gains in Q4, cementing Sephora at Kohl's as a major player in the beauty industry as the team successfully capitalized on the holiday selling period
- In 2023, opening an additional 250 Sephora shops, taking our total to 850 2,500 sq. ft. shops. In addition, opening 50 smaller format Sephora shops by the end of the year, with plan to roll out to remainder of chain by 2025.
- Significant return on investment with expected payback period of less than 3.5 years

~50% of Sephora baskets
have an additional category purchased

Highly accretive operating margin

2023 Outlook & Long-term Strategy

2023 Outlook

Metric	Full Year Guidance
Net Sales	**(2%) to (4%)** versus 2022, includes a 1% benefit from the 53rd week
Operating Margin	**Approximately 4.0%**
EPS	**$2.10 to $2.70**













Focused on returning balance sheet to historical strength through balanced capital allocation strategy

- Committed to rebuilding cash balance and reducing leverage to our long-term target of 2.5 times
- Will continue to prioritize investments in the business, followed by our commitment to the dividend with excess cash deployed for liability management and share repurchases
- We remain firmly committed to the health of our balance sheet and capital allocation decisions going forward will continue to reflect this priority

Recent Actions and Forward Commitments

Strategic Investment in the Business

- Planning to invest $600 million to $650 million through capex in 2023
- Key investments include 250 Sephora shops, a smaller Sephora format in 50 additional stores, store refreshes, as well as 7 new stores, including one relocation

Commitment to the Dividend

- Will continue to prioritize current dividend, which represents a healthy yield for our shareholders
- On February 21, the Board declared a quarterly cash dividend of $0.50 per share payable to shareholders on March 29, 2023

Revolver

- Replaced and upsized revolver in January 2023 to $1.5 billion secured facility, enhancing our liquidity and flexibility
- Utilizing revolver to fund working capital and the bond retirement in Q1, and will sequentially work the balance down with no anticipated borrowings at year-end

Debt Reduction

- Retired $164 million of February 2023 bond maturities in early Q1 2023, and expect to retire an additional $111 million of December 2023 bond maturities later this year

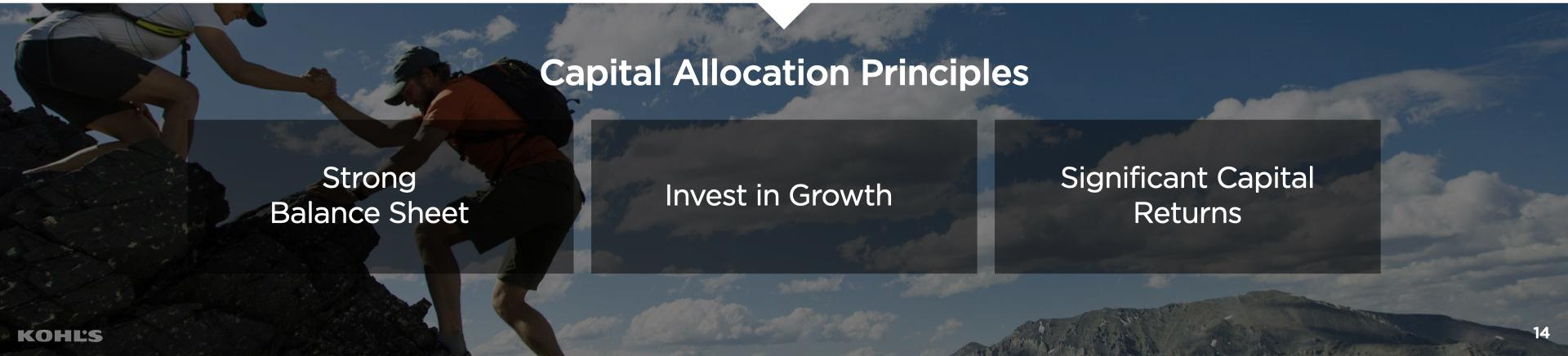
Share Repurchases

- Not planning on repurchasing any additional shares until our balance sheet is strengthened on a path towards our long-term leverage target of 2.5 times

Committed to Creating Long-Term Value

Kohl's Long-term Financial Framework

SALES GROWTH		OPERATING MARGIN		EPS GROWTH
Low-Single Digits %	+	7% to 8%	=	Mid-to-High Single Digits %



Capital Allocation Principles

Strong Balance Sheet	Invest in Growth	Significant Capital Returns

Q4 2022 Results

Q4 2022 Summary

Key Takeaways

- Our fourth quarter results reflect an ongoing challenging macroeconomic environment as well as a meaningful gross margin impact related to inventory actions we took to best position the business for 2023
- Sephora at Kohl's achieved high-single digits percent comparable beauty sales growth in the 200 shops opened in 2021, better than expected sales in the ~400 shops opened in 2022 and strong digital sales growth
- Subsequent to the end of the quarter, retired $164 million of outstanding bonds at maturity, showcasing commitment to returning balance sheet to its historical strength

Q4 2022

- Net sales declined (7.2%) versus Q4 2021; comparable sales declined (6.6%)
- Gross margin decreased (1,016 bps) compared to last year driven primarily by increased clearance markdowns to reduce inventory and product cost inflation, and to a lesser extent shrink and freight costs
- SG&A expense decreased (0.6%) benefiting from lower marketing and distribution costs, offset by higher store expenses driven by wage headwinds
- Operating loss of $302 million and net loss of $273 million, or ($2.49) per diluted share
- Inventory increased 4% year-over-year and ended the year generally in line with sales performance when compared to 2019







Q4 Key Metrics

Consolidated Statement of Operations	Three Months Ended	
(Dollars in Millions)	January 28, 2023	January 29, 2022
Net Sales	$ 5,775	$ 6,220
Total Revenue	6,019	6,499
Gross Margin Rate	23.0%	33.2%
SG&A	1,677	1,687
Depreciation	200	207
Operating (Loss) Income	(302)	450
Interest Expense	78	65
(Benefit) Provision for Income Taxes	(107)	86
Net Income	(273)	299
Diluted EPS	($2.49)	$2.20

Key Balance Sheet Items *(Dollars in Millions)*	January 28, 2023	January 29, 2022
Cash and Cash Equivalents	$ 153	$ 1,587
Merchandise Inventories	3,189	3,067
Accounts Payable	1,330	1,683
Short-term debt	85	0
Current portion of Long-term debt	275	0
Long-term Debt	1,637	1,910

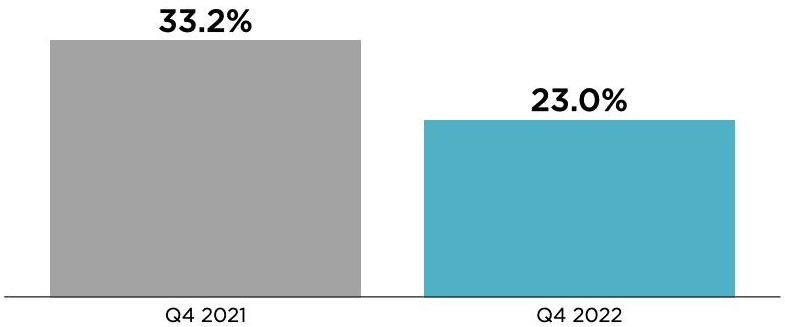
Key Cash Flow items	January 28, 2023	
(Dollars in Millions)	Three Months Ended	Twelve Months Ended
Operating Cash Flow	$ 707	$ 282
Capital Expenditures	(93)	(826)
Net, Finance lease and Financing obligations	(23)	(95)
Free Cash Flow[(1)]	$ 591	$ (639)

(1) - Free Cash Flow is a non-GAAP financial measures. Please refer to the reconciliation included in the Appendix for more information.

Q4 2022 Gross Margin & SG&A Expense Performance

Gross Margin

Decreased (1,016 bps) versus Q4 2021

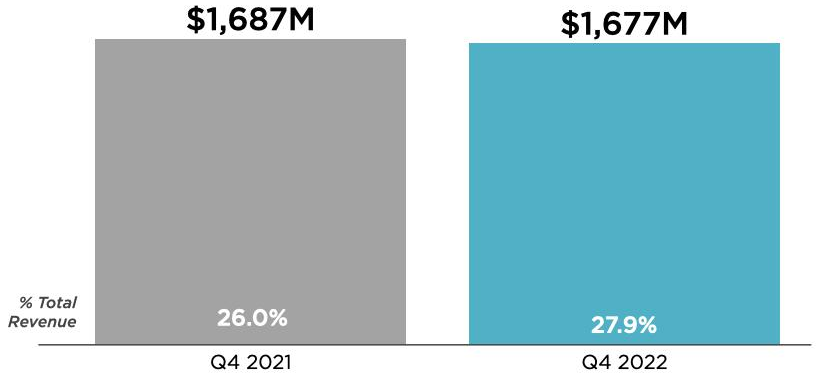


Q4 2022 Gross Margin Takeaways

- Clearance markdowns impacted margin by approximately 750 bps
- Cost inflation impacted margin by approximately 200 bps
- Higher shrink and freight expenses

SG&A Expense

Deleveraged (190 bps) vs Q4 2021



Q4 2022 SG&A Takeaways

- Reduced marketing spend and distribution costs driven by lower digital sales
- Higher store expenses driven by wage headwinds

Appendix

Reconciliations

Free Cash Flow

($ in millions)

	January 28, 2023	
	Three Months Ended	Twelve Months Ended
Net cash provided by operating activities	$ 707	$ 282
Acquisition of property and equipment	(93)	(826)
Finance lease and financing obligation payments	(25)	(106)
Proceeds from financing obligations	2	11
Free Cash Flow	**$ 591**	**$ (639)**


adidas


KOHL'S






DOLCE&GABBANA
ACQUA DI GIO

KOHL'S




Champion
Champion


UNDER ARMOUR





