



FLX



KOHL'S

Q1 2022 Results Presentation

May 19, 2022



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. Such statements, including statements regarding the outcome and timing of the strategic review process, 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, and there can be no guarantee that the process will result in an agreement to sell the Company or that any such agreement will ultimately be consummated. 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. 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 EPS, Adjusted Net Income, 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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Q1 2022 Results

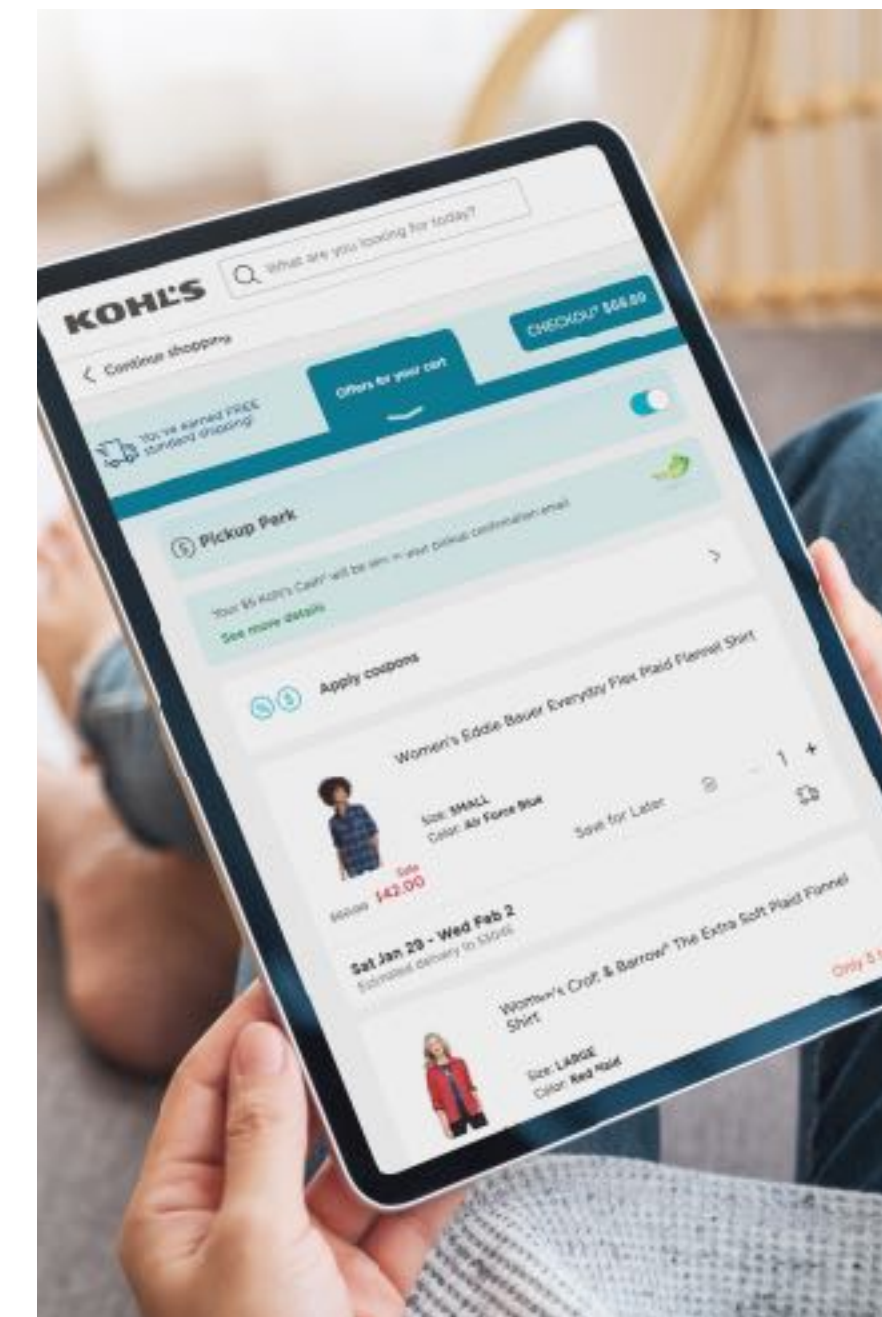
Q1 2022 Summary

Key Takeaways

- Q1 results were below our expectations. The quarter started off strong with positive low-single digits comp growth through late March, however in April demand considerably weakened as we lapped last year's stimulus and as consumers started to experience inflationary pressures
- Recent trends in May have notably improved as we moved past key stimulus weeks from last year and as the weather turned favorable, which has accelerated demand for our spring seasonal classifications
- The 200 stores with Sephora at Koh's shops delivered positive low-single digits comp store sales growth for the quarter
- The sale process is ongoing with due diligence entering the final phase. The Board has requested that the multiple parties submit fully-financed bids in the coming weeks

Q1 2022

- Net sales decreased by (5%) versus Q1 2021
- Gross margin decreased (69 bps) compared to last year due to increased freight costs
- SG&A expense increased 10.5% in Q1, driven largely by investments in key strategic initiatives, including Sephora store openings and store refreshes, as well as expenses related to the proxy contest and ongoing sale process, and higher wages and transportation costs
- Operating margin of 2.2% in Q1 2022 with diluted earnings per share of \$0.11
- Inventory increased 40% to last year due primarily to the investment in beauty inventory to support the 200 Sephora shops opened last Fall as well as the Sephora openings this year, higher in-transit and pack and hold inventory



Q1 Key Metrics

Consolidated Statement of Operations

(Dollars in Millions)

	Three Months Ended	
	April 30, 2022	May 1, 2021
Net Sales	\$ 3,471	\$ 3,662
Total Revenue	3,715	3,887
Gross Margin Rate	38.3%	39.0%
SG&A	1,293	1,170
Depreciation	200	211
Operating Income	82	273
Interest Expense	68	67
Loss on extinguishment of debt	—	201
Benefit for Income Taxes	—	(9)
Net Income	14	14
Diluted EPS	\$0.11	\$0.09
Adjusted Net Income (Non-GAAP) ⁽¹⁾	14	165
Adjusted Diluted EPS (Non-GAAP) ⁽¹⁾	\$0.11	\$1.05

Key Balance Sheet Items

(Dollars in Millions)

	April 30, 2022	May 1, 2021
Cash and Cash Equivalents	\$ 646	\$ 1,609
Merchandise Inventories	3,736	2,667
Accounts Payable	1,679	1,378
Current portion of Long-term debt	164	0
Long-term Debt	1,746	1,909

Key Cash Flow items

(Dollars in Millions)

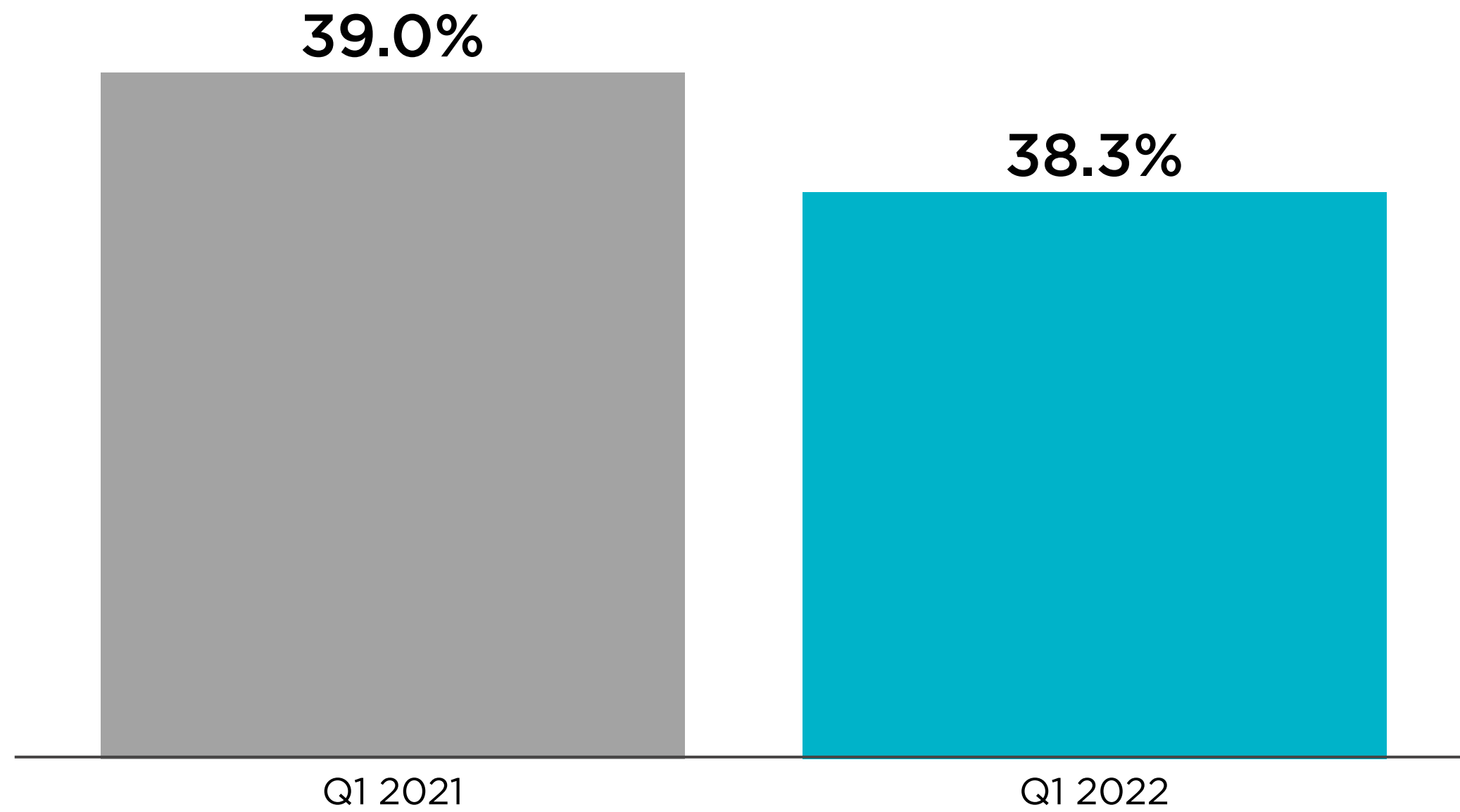
	Three Months Ended	
	April 30, 2022	
Operating Cash Flow	\$	(460)
Capital Expenditures		(221)
Net, Finance lease and Financing obligations		(25)
Free Cash Flow ⁽¹⁾	\$	(706)

(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 Adjusted Net Income and Adjusted EPS for the three months ended April 30, 2022 are GAAP as there are no adjustments to Non-GAAP. These amounts are shown for comparability purposes.

Q1 2022 Gross Margin & SG&A Expense Performance

Gross Margin

Decreased (69 bps) versus Q1 2021

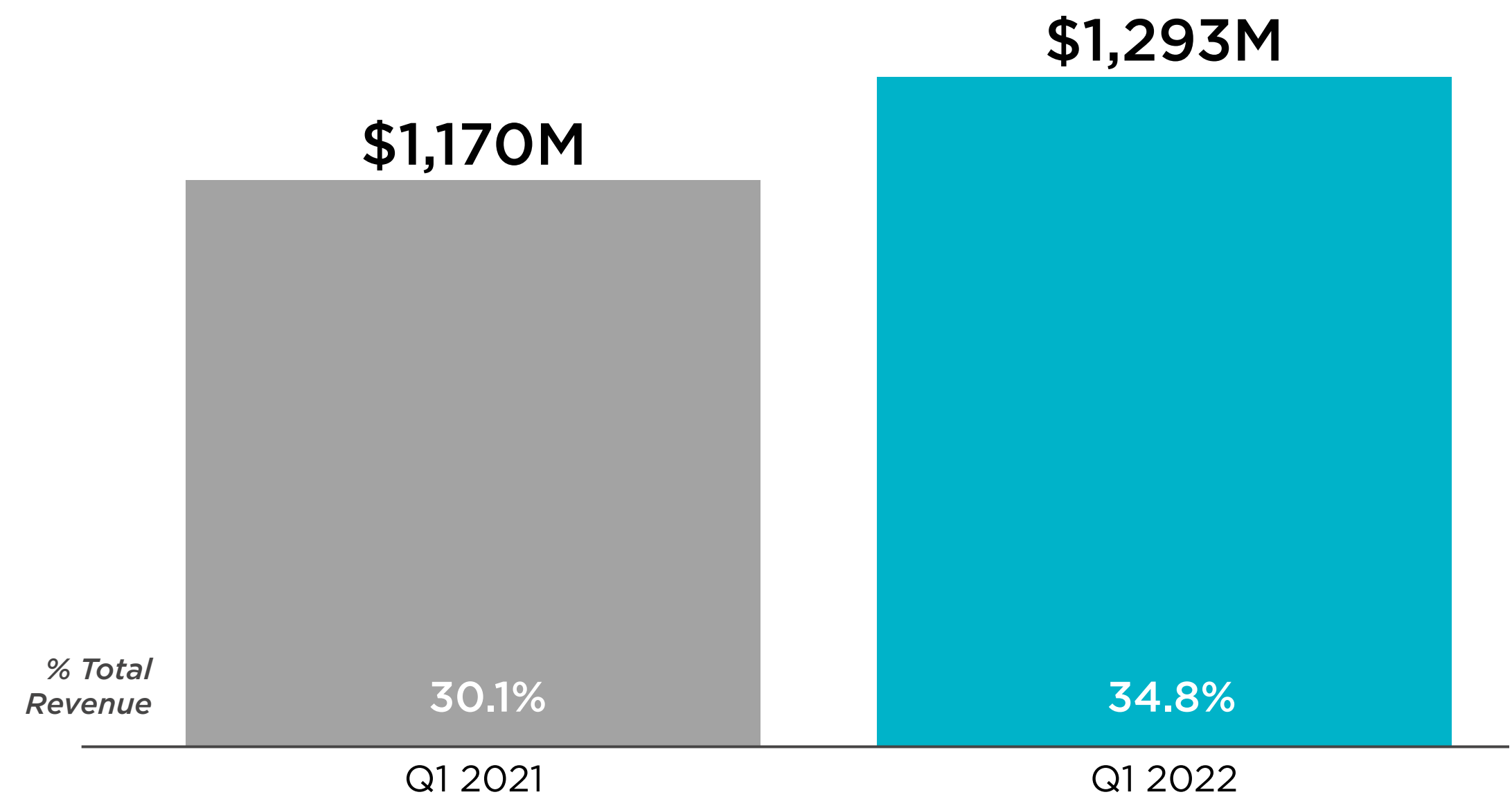


Q1 2022 Gross Margin Takeaways

- Higher freight costs due to global supply chain challenges
- + Continue to benefit from ongoing pricing and promotional optimization strategies

SG&A Expense

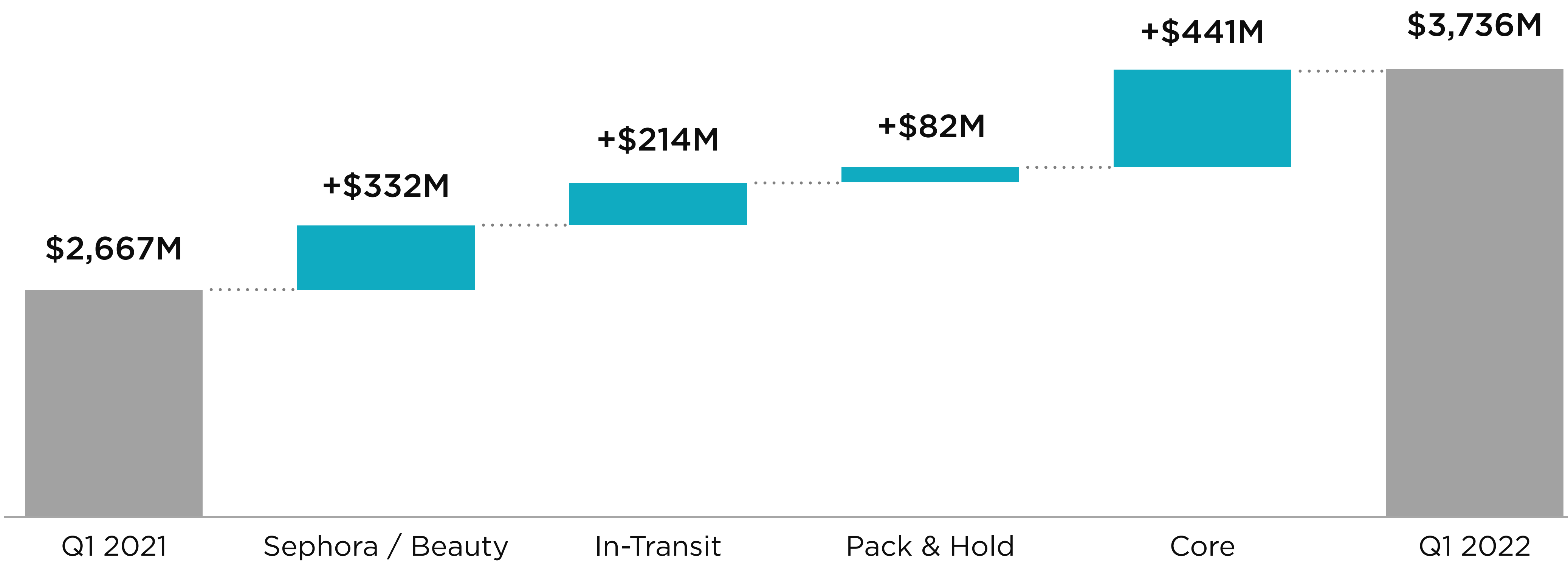
Deleveraged (468 bps) vs Q1 2021



Q1 2022 SG&A Takeaways

- Growth investments in our stores, including Sephora and store refreshes totaling nearly \$50 million
- Higher wages and transportation costs
- Expenses related to proxy contest and ongoing sale process

Q1 Inventory driven largely by unique factors



Q1 2022 Inventory Increased 40% Y/Y Driven By:

- The investment in beauty inventory to support the 200 Sephora shops opened last Fall as well as the Sephora openings this year
- In-transit inventory increased as we incorporated additional transportation time to ensure we meet consumer demand
- Pack & hold strategies were leveraged for late holiday receipts including sleepwear and fleece
- **Excluding these three unique factors, inventory would be up 16.5% to last year, but down (15%) to Q1 2019**

Sephora at Kohl's continues to drive impressive results in Q1



- Positive low-single digits comp growth in the 200 stores with Sephora
- Sales strength across all categories, including Skincare, Makeup, and Fragrance
- 400 Sephora stores to open in 2022 (48 stores opened during the last week of April, nearly 300 planned in Q2 and remainder in early August)
- Continue to target \$2 billion in sales by 2025



Updated 2022 Outlook

2022 Updated Outlook

Metric	Full Year Guidance
Net Sales	Flat to +1% increase versus 2021
Operating Margin	7.0% to 7.2%
EPS	\$6.45 to \$6.85



Capital Allocation Strategy

- **Capex:** ~\$850 million
- **Dividend:** \$0.50 quarterly dividend payable on June 22, 2022
- **Share Repurchase Program:** As part of its \$3.0 billion share repurchase authorization, the Company plans to repurchase at least \$1.0 billion in shares in 2022, of which \$500 million is expected to be repurchased through an ASR program executed in Q2 2022



Our Strategy

The most trusted retailer of choice for the Active and Casual lifestyle



Drive Top Line Growth

Destination for Active & Casual Lifestyle

Leading with Loyalty & Value

Differentiated Omnichannel Experience

Expand Operating Margin

Operating Margin Goal of 7% to 8%

Disciplined Capital Management

Maintain Strong Balance Sheet

Strong Organizational Core

Agile, Accountable & Inclusive Culture

Creating Long-term Shareholder Value



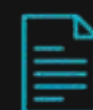
Return to growth



Expand operating margin



Solid cash flow generation

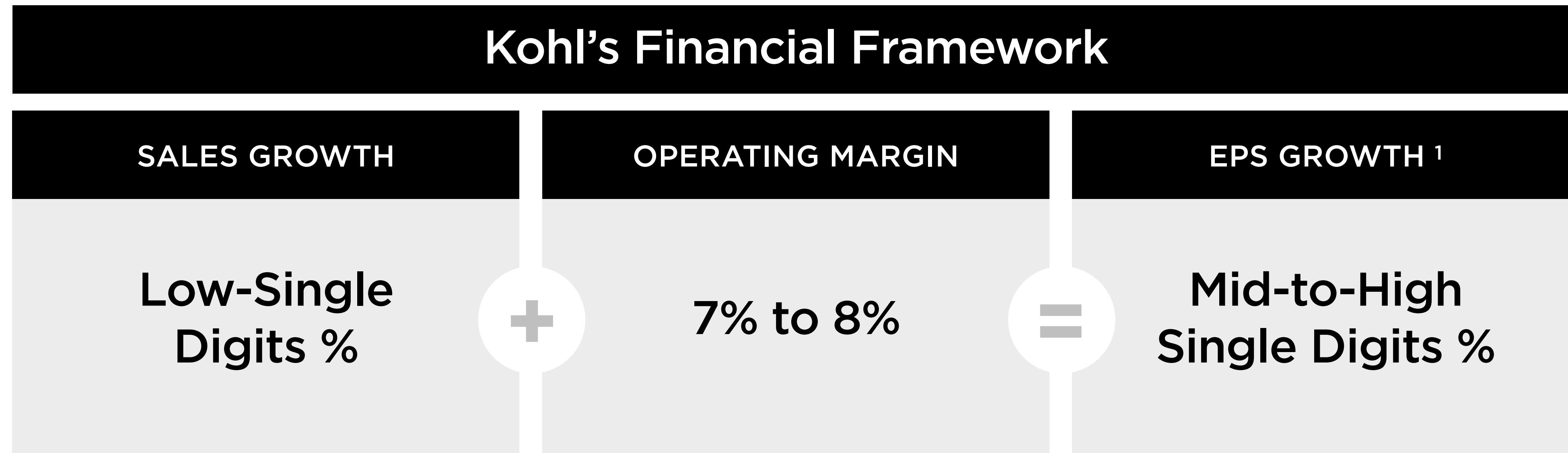


Maintain strong balance sheet



Return capital to shareholders

Committed to Creating Value



Capital Allocation Principles

Strong
Balance Sheet

Invest in Growth

Significant Capital
Returns

Multiple initiatives to support sales growth



Destination for the Active & Casual Lifestyle

- Fuel growth in Active to at least 30% of sales, driven by key national brands (Nike, Under Armour, and Adidas)
- Reignite growth in Women's
 - Lead in Women's casual apparel
 - Lean into adjacent categories (dresses, swim)
 - Amplify inclusivity
- Strong, differentiated brand and category portfolio
 - Scale new, traffic driving brands
 - Deliver through quality private brands
 - Pipeline of newness and discovery



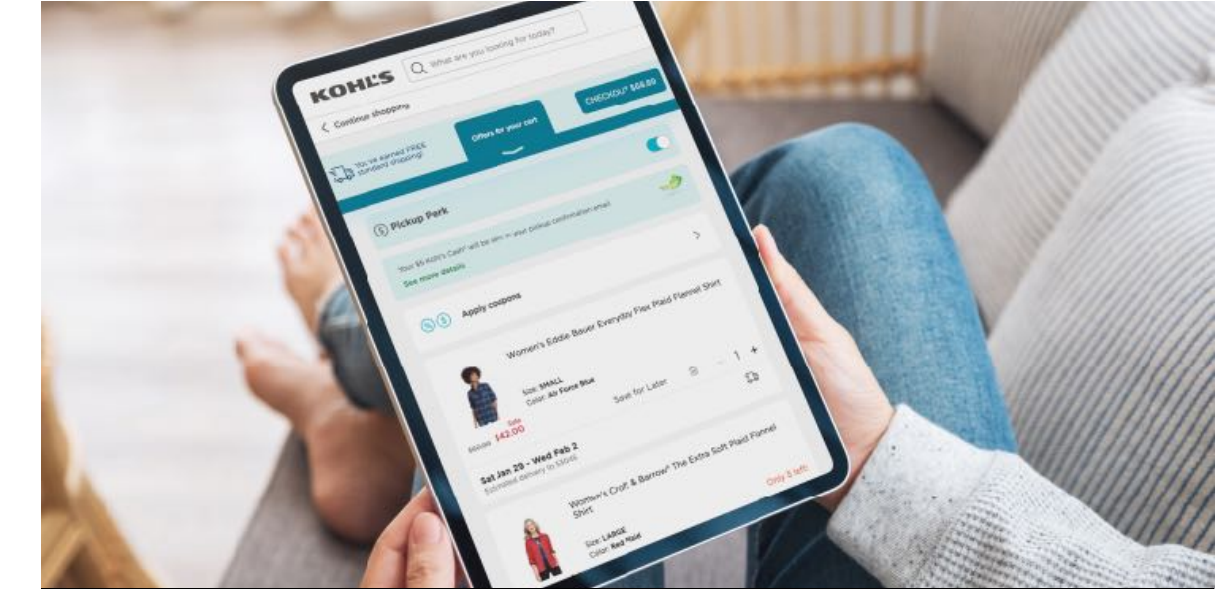
Grow Sephora to a \$2 Billion Business

- Sephora at Kohl's will become a leading beauty destination as we expand to 850 stores by 2023 (600 open by Fall 2022)
- Positive low-single digits % comps in 200 Sephora at Kohl's locations in Q1
- Sephora is driving new, younger and more diverse customers to Kohl's (25% of Sephora customers are new to Kohl's)
- Drive innovation across partnership (cross company BOPUS, impulse merchandising)



Leading with Loyalty & Value

- Kohl's Cash: Iconic and differentiated loyalty device that provides a fly-wheel effect on customer return visits
- Kohl's Rewards: 30M+ loyalty members spend 2x more than non-loyalty members
- Kohl's Card: Industry-leading private label credit card
 - Enhanced rewards to get 50% more on every purchase (7.5%)
 - Launching co-branded card
- Loyalty platform drives enhanced personalized marketing and efficiencies

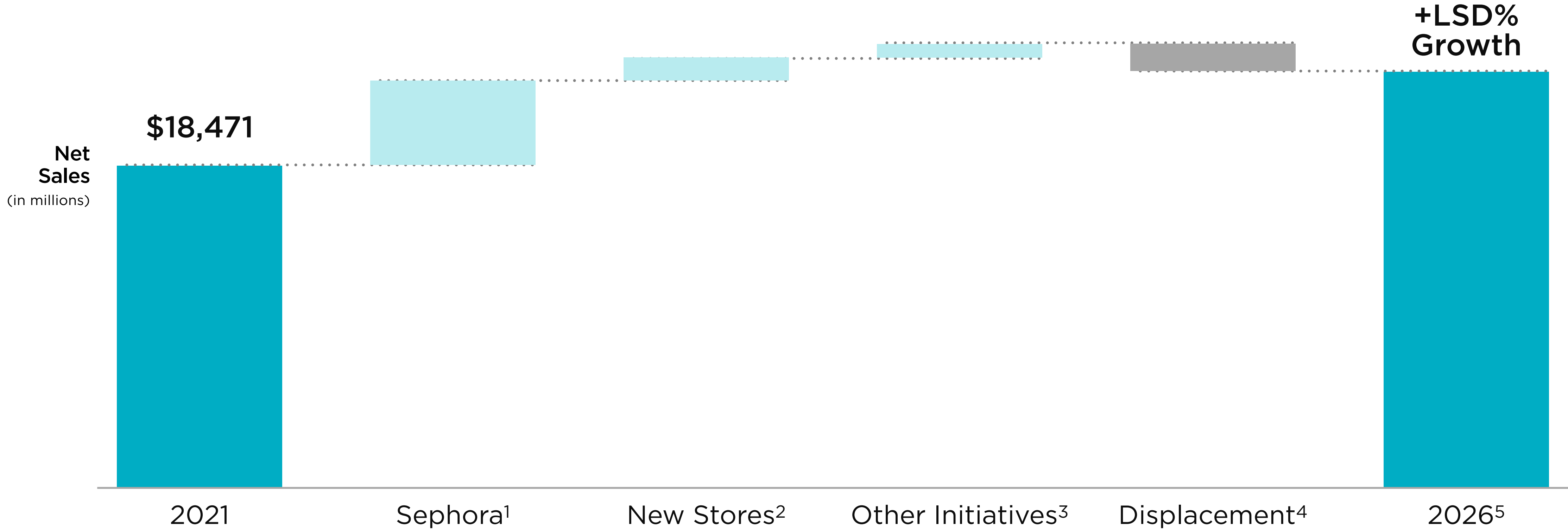


Differentiated Omnichannel Experience

- Planning to open 100+ new smaller format stores in next four years, expanding reach with \$500M+ sales opportunity
- Expanding omni capabilities in stores (e.g. self-service BOPUS in all stores in 2022, piloting self-service returns in 100 stores, and testing self-service checkout)
- Enhancing digital experience to drive growth
 - Expanded online assortment
 - Kohl's Media Network

Driving Sustainable Low-Single-Digits % Sales Growth

Multiple initiatives to support sales growth in 2022 and beyond...



1. Sephora sales goal of \$2 billion by 2025 from a base of less than \$200 million in 2021.
 2. New store sales opportunity of \$500 million plus as company opens 100 or more new smaller format stores during 2022-2025
 3. Other initiatives include Women's growth as well as digital and loyalty, distinct from sales generated in new stores.
 4. Displacement includes pre-Sephora beauty business at Kohl's (800 sq. ft. in-store and online), as well as additional square footage in stores impacted by launch of 2,500 sq. ft. Sephora shops (e.g. fine jewelry, men's dress, and accessories)
 5. 2026 referenced to capture the majority of the key sales initiatives as outlined in the company's recent investor day presentation. Chart assumes mid-point of 2022 sales guidance of 2-3%, as well as mid-point of long-term sales guidance of low-single digits % for 2023-2026.

Sephora at Kohl's is driving impressive results



- Sephora becomes Kohl's exclusive beauty partner online and in at least 850 stores
- 200 Sephora shops opened in 2021 and opening an additional 400 in 2022 and 250 in 2023
- Innovating and testing to drive engagement including cross-company BOPUS, impulse merchandising, and Men's offering
- Partnership structured to drive joint success with equal share in the operating profit
- Large cross-selling opportunity with 50% of Sephora baskets having an additional category purchased
- Significant return on investment (capex per store of ~\$850k) with expected payback period of less than 3.5 years

\$2 billion
sales goal by 2025

**Positive low-single
digits comps**
in the 200 stores with
Sephora in Q1

**50% of Sephora
baskets**
have an additional
category purchased

**Highly accretive to
operating margin**

New store expansion opportunity allows Kohl's to expand reach

\$500M+
sales opportunity

Smaller Format
primarily 35k sq ft



New Store Economics

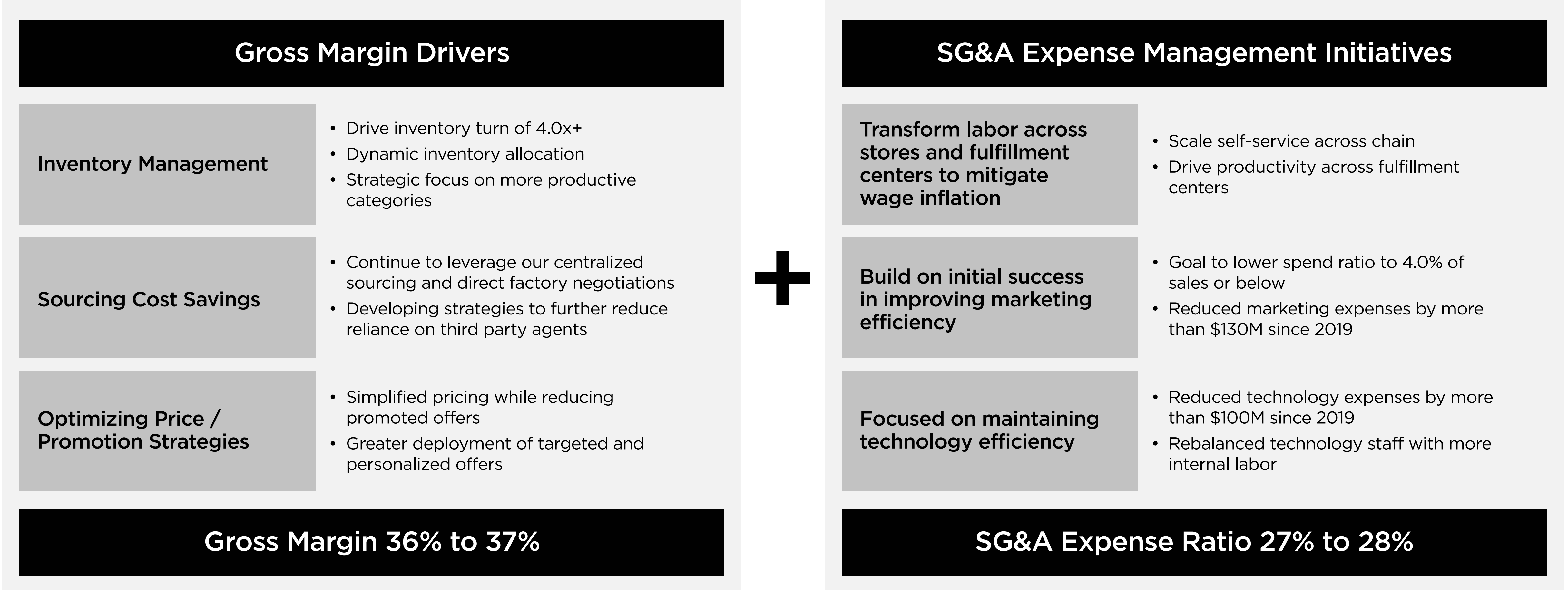
5 stores
opening in 2022

Tacoma, WA
Morgantown, WV
Lenox, MA
San Angelo, TX
Bonney Lake, WA

15%+
targeted return

- 100+ new small store openings planned in the next four years allowing Kohl's to reach smaller markets
- Testing new experiences, including more localized assortments and Sephora at Kohl's in smaller stores
- Expansion follows successful pilot of 20+ smaller stores
- Avg. fulfilled sales per store of \$5M
- Avg. 4-wall cash flow of ~\$1.0M per store
- Solid targeted return on investment (capex per store of ~\$5M) with expected payback period of 5 years

Fundamental business model improvements in place, driving a consistent 7% to 8% operating margin



We are confident in our ability to navigate ongoing margin pressure from cost inflation, higher freight expense, wage investments, and increasing digital penetration

Significant cash flow generation allows investment in high ROI growth initiatives...

Strong Expected Cash Flow ...

Operating Cash Flow
~\$5.5B+
2022-2024E

Free Cash Flow
~\$2.5B
2022-2024E

... Which Goes Towards Impactful Organic Investments

1

Sephora Opportunity

- \$2B sales opportunity
- Will be in 850+ locations by 2023
- Drives overall traffic and new customer acquisition

2

New Store Expansion

- \$500M+ sales opportunity
- 100+ smaller format stores in next four years
- Injecting localization and new initiatives to broaden reach

3

Technology

- Kohl's Media Network
- Store automation
- Localization
- Personalization

4

Enhancing Supply Chain

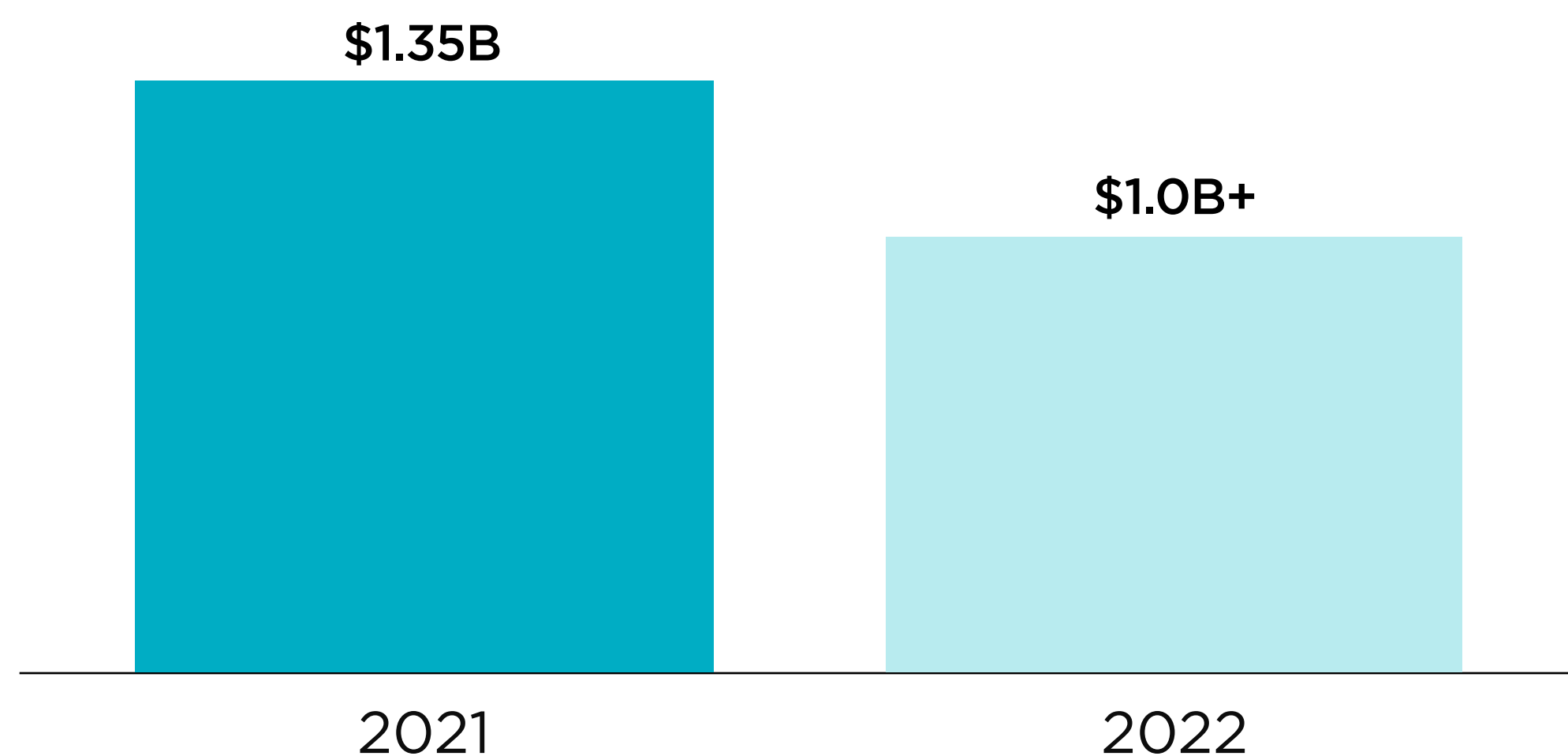
- Distribution network optimization
- Strategic sourcing opportunities
- Improved inventory management

We have developed a powerful data analytics engine which will enable us to invest our substantial cash flow in the highest-growth opportunities

...And commitment to returning capital to shareholders

**\$2.3B+ of Expected Share Repurchases
in 2021 and 2022**

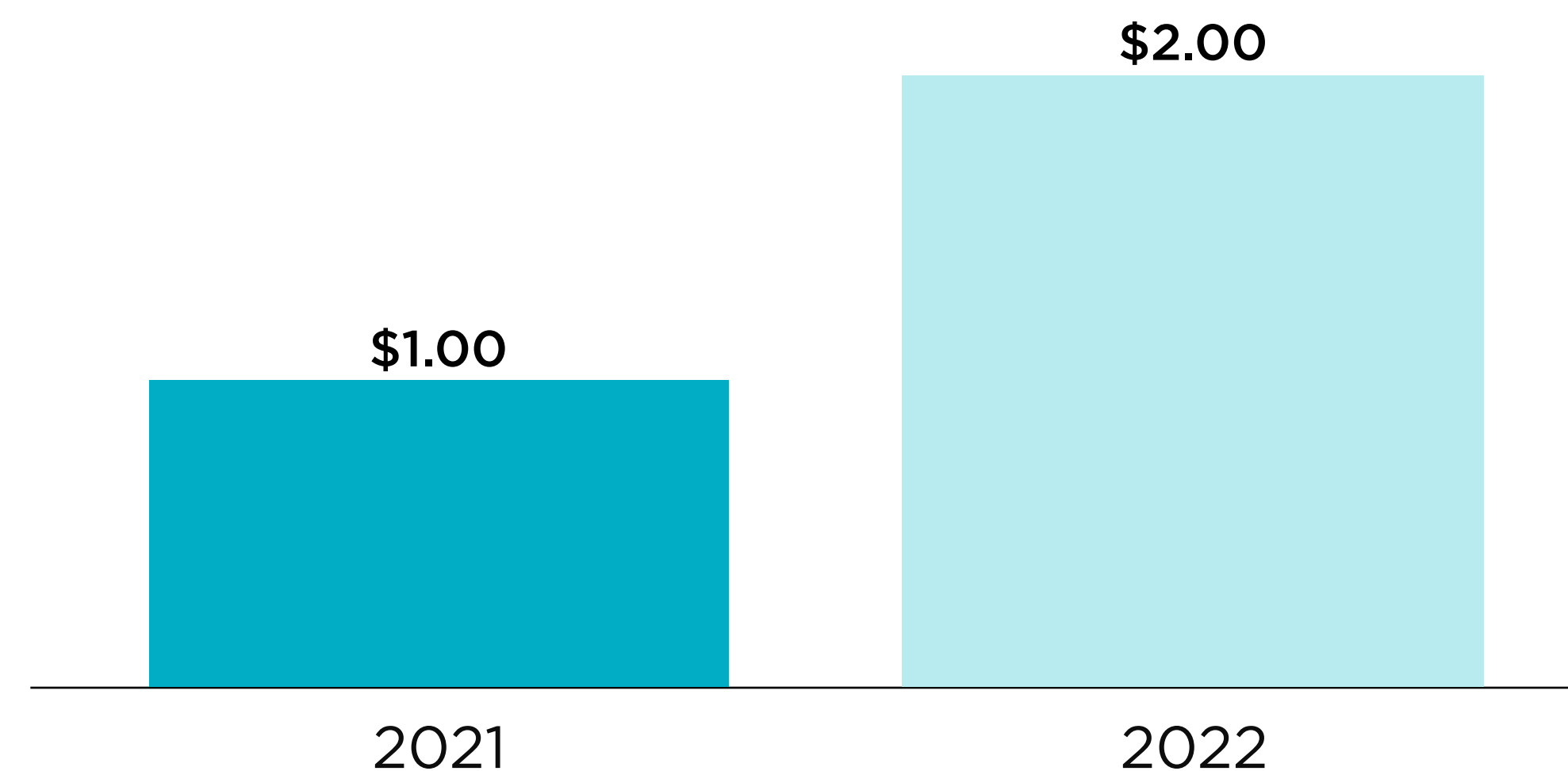
(\$ in mm)



- Repurchased ~\$13B in shares since 2006, reducing share count by ~60%
- Announced \$3B share repurchase authorization in 2022
- Plan to repurchase at least \$1B shares in fiscal 2022, with \$500M expected to be repurchased in Q2 2022

Doubled the Annual Dividend in 2022

(\$ per share)



- Distributed \$3.4B in dividends since 2011
- Announced 100% increase in dividend per share in 2022
- Remain committed to growing our dividend over time

Long-standing focus on ESG Stewardship

KOHL'S ♥ Cares
for People and Planet

Culture

100,000
Associates

8

Business Resource Groups

D&I Framework
introduced in 2020



Community

\$815M+

donations through Kohl's Cares

5.5M+

volunteer hours served by Kohl's associates

Tripling Spend
among diverse suppliers by 2025



Climate

Net Zero by 2050
committed to reducing GHG emissions

165

solar and wind locations

146

EV charging locations



Appendix

Reconciliations

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

	Three Months Ended	
(Dollars in Millions, Except per Share Data)	April 30, 2022	May 1, 2021
Net Income		
GAAP	\$ 14	\$ 14
Impairments, store closing, and other	—	201
Income tax impact of items noted above	—	(50)
Adjusted (non-GAAP)	\$ 14	\$ 165
Diluted Earnings per Share		
GAAP	\$ 0.11	\$ 0.09
Loss on extinguishment of debt	—	1.29
Income tax impact of items noted above	—	(0.33)
Adjusted (non-GAAP)	\$ 0.11	\$ 1.05

Reconciliations

Free Cash Flow

(\$ in millions)

Three Months Ended

April 30, 2022

Net cash provided by operating activities	\$ (460)
Acquisition of property and equipment	(221)
Finance lease and financing obligation payments	(29)
Proceeds from financing obligations	4
Free Cash Flow	\$ (706)

