



KOHL'S

Q3 2020 Results Presentation

November 17, 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. 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, and in Item 1A of Part II in the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2020, which are 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 EBITDA, 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.



Q3 2020 Results Presentation



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COVID-19 Update

We established two priorities in response to the COVID-19 crisis

Protecting the health and safety of our associates and customers

+

Preserving our financial position





Protecting Associates And Customers

- Continue to prioritize the health and safety of Kohl's customers and associates
- We received an "A" grade from ShopSafely, an organization that scores retailers on the safety of their shopping experience during the COVID-19 pandemic
- Strong customer satisfaction with our new safety and cleanliness procedures

Enhanced Safety Measures Continue During the Holiday Period

Stores

Made significant enhancements to the store environment and operations

- Limited store hours
- Social distancing measures (e.g., installed checkout plexiglass, widened store aisles, closed fitting rooms)
- Elevated cleaning and sanitization measures (e.g., carts, POS keypads)
- Associate wellness checks, safety training, and the required use of masks for associates and customers
- Store Drive Up provides limited contact customer pickup capability

Additional precautions put in place to ensure store cleanliness and to support social distancing during holiday period (e.g. stanchions and associate greeters)

Fulfillment Centers

Enhanced procedures in fulfillment centers

- Additional plexi-barriers in all break rooms, bathrooms, and training/orientation rooms
- Associate wellness checks, safety training, and the required use of masks for associates

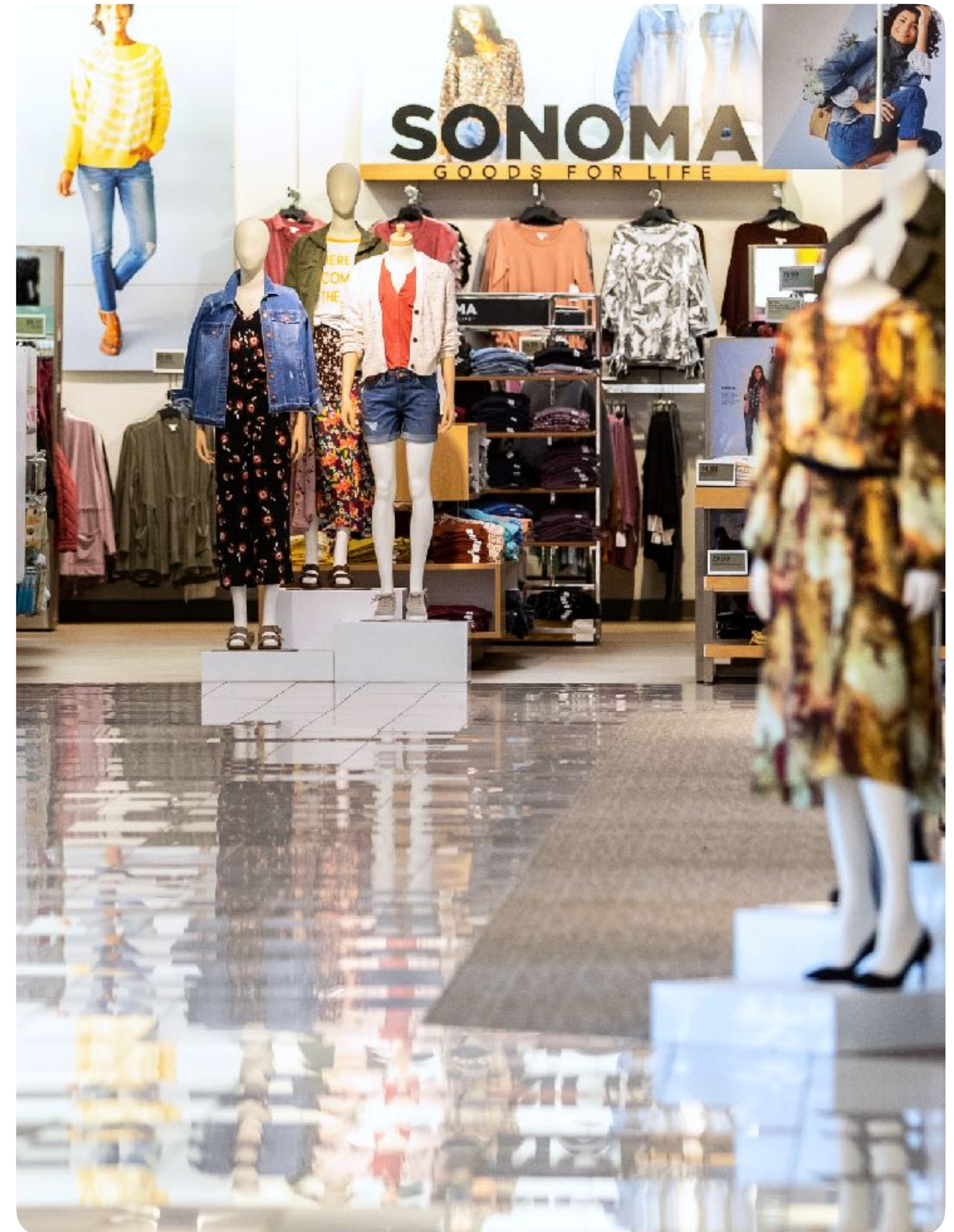
Preserving Financial Position

Operating Performance

- Net Sales declined 13% in Q3 2020, yet showed significant sequential improvement from Q2 2020
- Efforts to improve gross margin showed great progress in Q3 2020
- SG&A expense declined 8% in Q3 2020
- Inventory reduced 26% in Q3 2020

Financial Liquidity

- Strengthened financial position with cash of \$1.9 billion at end of quarter
- Fully paid off \$1 billion revolver balance in Q3 2020
- Strong operating cash flow year-to-date of \$910 million
- Reduced capital expenditures by 61% year-to-date 2020
- Plan to reinstate a dividend in the first half of 2021



Q3 2020 Results

Q3 2020 Results

Key Takeaways

- Q3 2020 sales and earnings exceed company expectations, with significant improvement from Q2
- Digital sales growth remained strong
- Our actions to improve gross margin showed great progress
- Disciplined management of expenses and inventory resulted in positive operating and free cash flow⁽¹⁾
- Strengthened financial position during the quarter by fully repaying revolver and ending with \$1.9 billion in cash
- Plan to reinstate a dividend in the first half of 2021



Q3 2020 Results

- Net sales declined 13%, with digital sales +25% as compared to last year
- Gross margin contracted 48 basis points with inventory management and reduced promotional activity, offset by increased shipping costs
- SG&A expense declined 8% in Q3, and declined 10% excluding COVID-19 expenses
- Adjusted EBITDA⁽¹⁾ of \$253 million in Q3 2020
- Adjusted EPS⁽¹⁾ \$0.01 vs \$0.74 in prior year
- Inventory declined 26% versus prior year
- Strong operating cash flow year-to-date of \$910 million



⁽¹⁾ - Free Cash Flow, Adjusted EBITDA, and Adjusted EPS are non-GAAP financial measures. Please refer to the reconciliation included in the Appendix for more information.

Q3 2020 Key Metrics

Consolidated Statement of Operations

(Dollars in Millions)

	Three Months Ended	
	October 31, 2020	November 2, 2019
Net Sales	\$ 3,779	\$ 4,358
Total Revenue	3,979	4,625
Gross Margin Rate	35.8%	36.3%
SG&A	1,302	1,419
Depreciation	210	227
Impairments, Store Closings, and Other Costs	21	0
Operating Income	\$ 22	\$ 204
Interest Expense	78	52
(Gain) on extinguishment of debt	0	(9)
Provision for Income Taxes	(44)	38
Net Income	\$ (12)	\$ 123
Diluted EPS	(\$0.08)	\$0.78
Adjusted Net Income (Non-GAAP) ⁽¹⁾	\$ 2	\$ 116
Adjusted Diluted EPS (Non-GAAP) ⁽¹⁾	\$0.01	\$0.74

Key Balance Sheet Items

(Dollars in Millions)

	October 31, 2020	November 2, 2019
Cash and Cash Equivalents	\$ 1,939	\$ 490
Merchandise Inventories	3,607	4,887
Accounts Payable	2,184	2,454
Long-term Debt	2,450	1,856

Key Cash Flow items

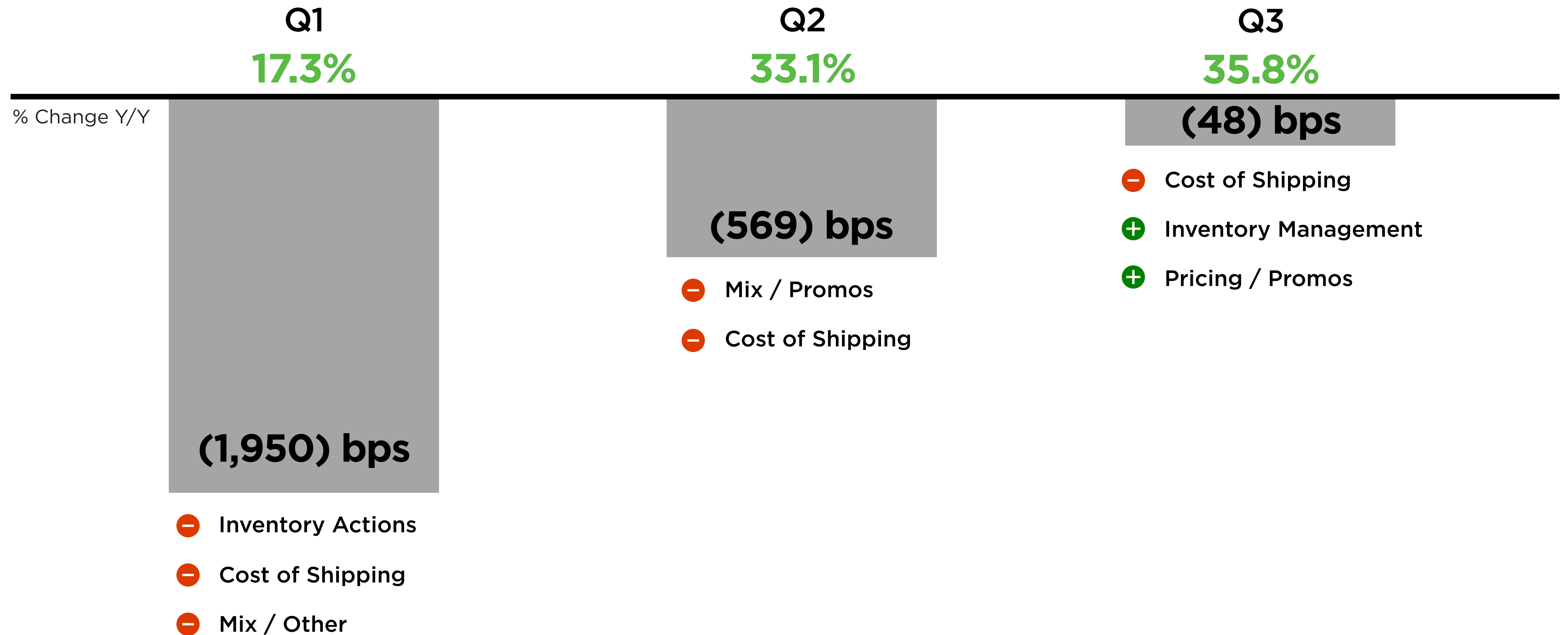
(Dollars in Millions)

	October 31, 2020	
	Three Months Ended	Nine Months Ended
Operating Cash Flow	\$ 606	\$ 910
Capital Expenditures	(68)	(264)
Net, Finance lease and financing obligations	(27)	(68)
Free Cash Flow ⁽¹⁾	\$ 511	\$ 578

⁽¹⁾ - Adjusted Net Income, Adjusted EPS, and Free Cash Flow are non-GAAP financial measures. Please refer to the reconciliation included in the Appendix for more information.

YTD 2020 Gross Margin Performance

- Actions to improve gross margin showed great progress in Q3 2020
- Cost of shipping pressure in 2020 driven by increased digital sales penetration accelerated by the pandemic



Enhanced Liquidity Position

Key Balance Sheet & Cash Flow Items: Q3 / YTD 2020

February 1, 2020

Beginning Cash **\$723M**

Sources

New Debt	\$600M
Operating Cash Flow	\$910M
Sales-leaseback	\$193M

Uses

Capex	(\$264M)
Dividend	(\$108M)
Share Repurchase	(\$8M)

October 31, 2020

Ending Cash **\$1,939M**

Key Takeaways

- Long history of disciplined and prudent capital management
- More than two decades of maintaining Investment Grade rating
- Effectively navigating through the crisis and further strengthened liquidity position in Q3 2020
- Well-positioned to capitalize on evolving customer behaviors and the retail industry disruption

Q4 2020 Outlook

Q4 2020 Outlook

- Customers look to Kohl's for their holiday shopping needs and we will once again deliver the great experience they expect
- Well-positioned and prepared to serve our customers with more omni-channel experiences in place
- Stores ready for the holiday season with additional health and safety measures in place
- Compelling holiday assortment, emphasizing Active, Home, Cozy and Comfort, and Toys



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



Kohl's has a powerful foundation to accelerate growth

65M	Active Customers
30M	Loyalty Members
29M	Kohl's Charge Card holders
16M	Kohl's App Users
80%	Of Americans living within 15 miles of a Kohl's store
1,162	Nationwide base of convenient store locations
600M	Store visits
24%	Digital sales penetration
1.5B	Website visits per year

Accessible and aspirational brand portfolio



We are uniquely positioned to be the retailer of choice for the active and casual lifestyle



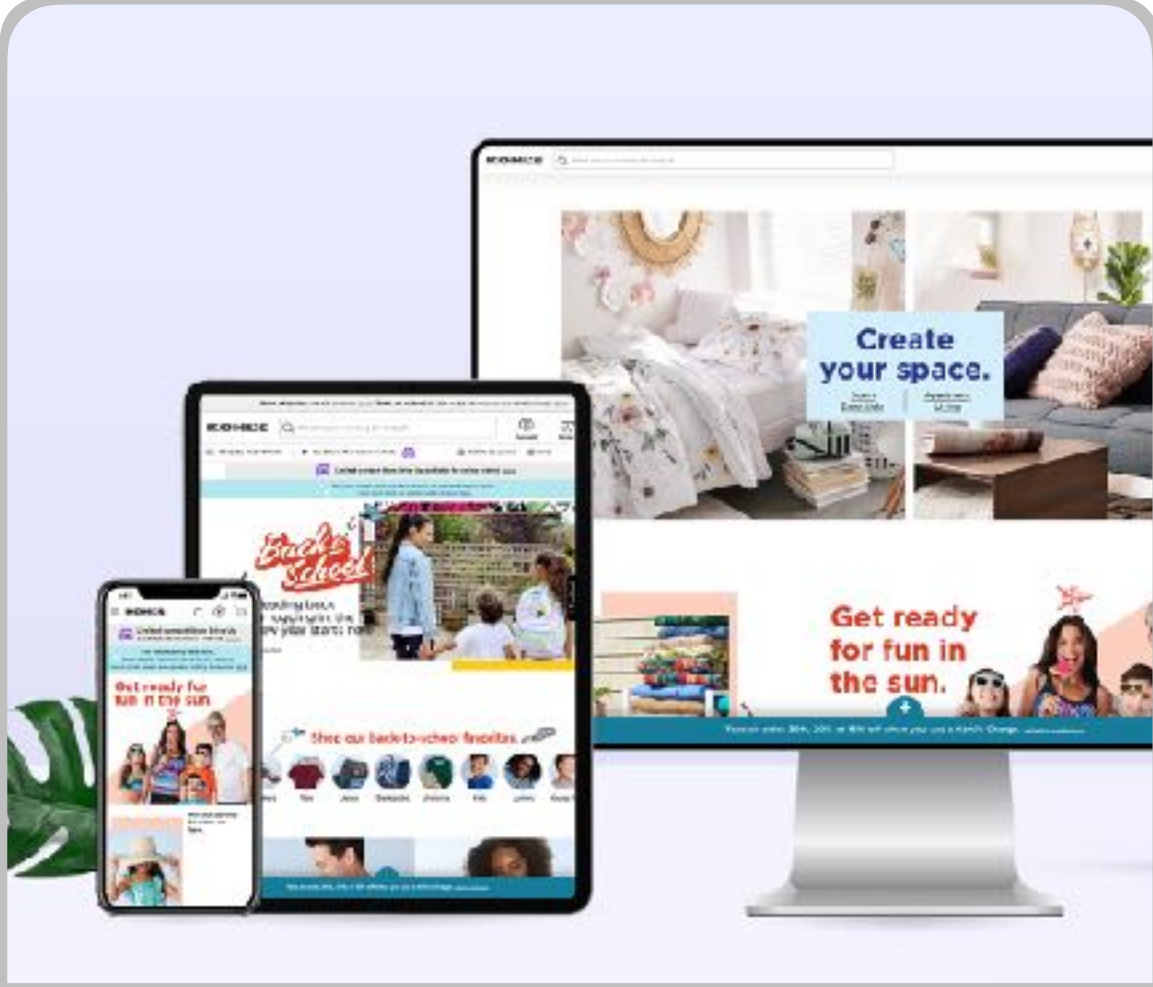
For the entire family

We serve the entire family across a breadth of categories: Women's, Men's, Kids, Home, and Beauty



Accessible and aspirational brand portfolio

We offer an unmatched brand portfolio that is accessible and aspirational to families every day



Omni-channel ease

We have a best-in-class omni-channel platform reaching 65 million customers nationwide



Positioned for growth

We're focusing on growth categories, and our flexible store and digital assets allow us to continue to evolve with the customer

We are building on areas with proven momentum



Active

- We're already a major player in Active as a top retailer of Nike, Under Armour, and Adidas
- Sales nearly doubled since 2013 to 20% of our business



Beauty

- Our recent focus is gaining traction and our customers are responding
- Sales increased nearly 40% over the past 5 years



Digital

- We've continued to innovate and enhance the customer experience
- Digital sales grew more than 100% over the past 5 years to \$4.5 billion



Innovation

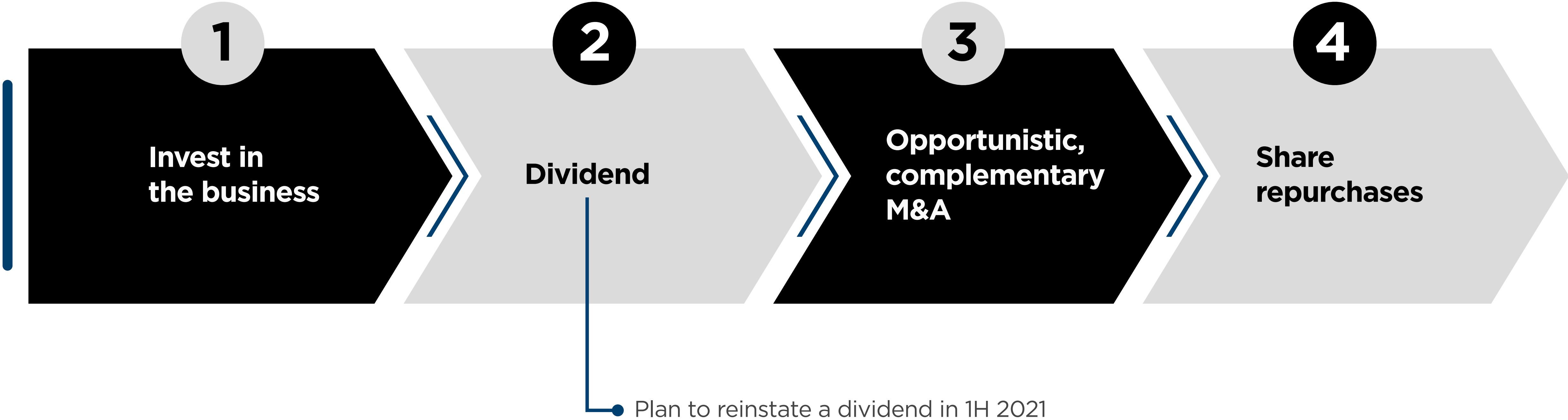
- Leveraging our store footprint (e.g. Amazon Returns)
- Using our omni-channel platform to bring discovery to our customers (e.g. Curated by Kohl's)
- Constantly testing and implementing new ideas to better serve the customer (e.g. Store Drive Up)

Balanced Capital Allocation Strategy

Committed to returning capital to shareholders

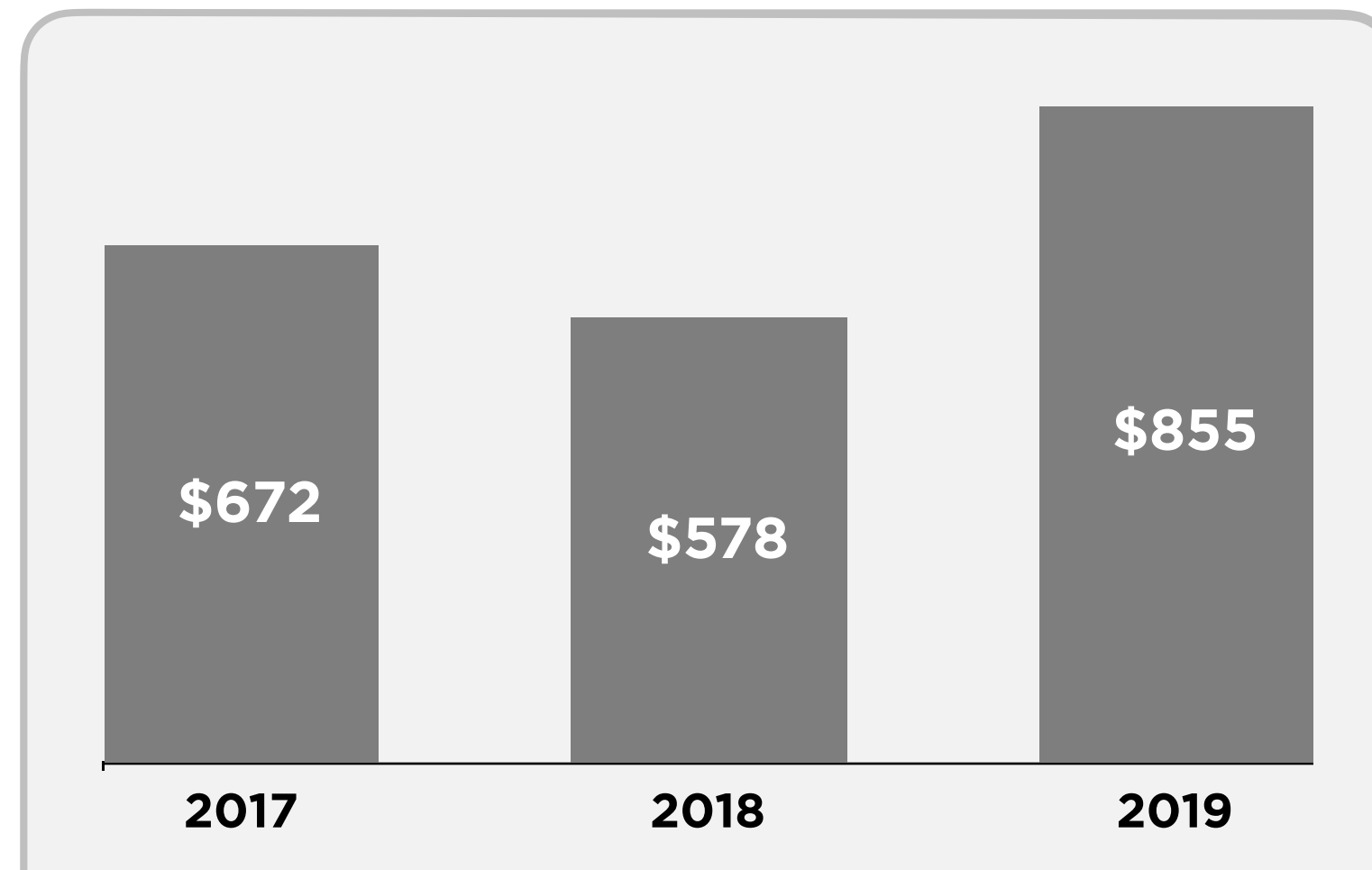
Maintain strong balance sheet

Long-term objective of maintaining Investment Grade rating



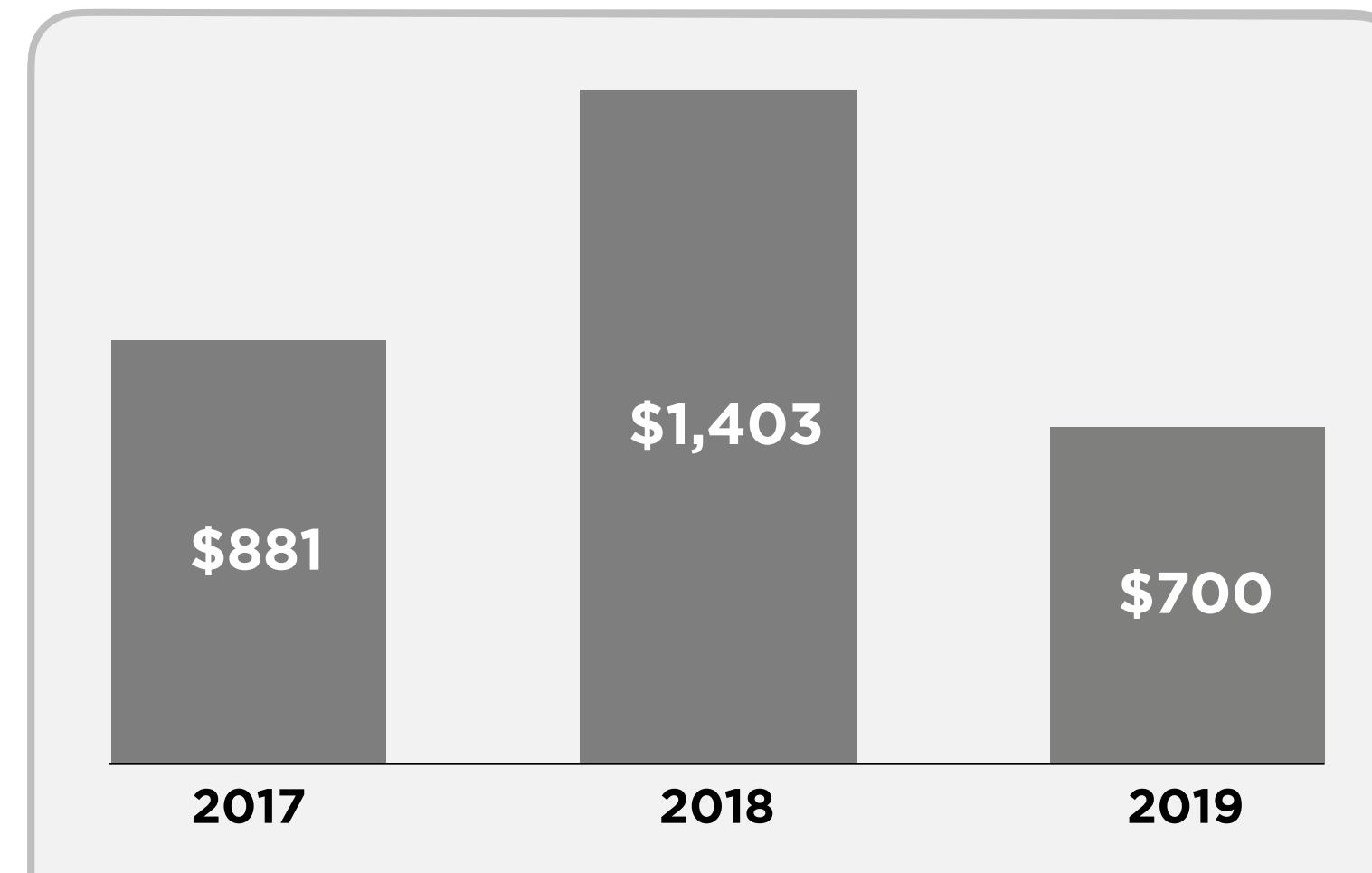
We have a history of investing in our business and returning significant capital to shareholders

Capex (\$ in millions)



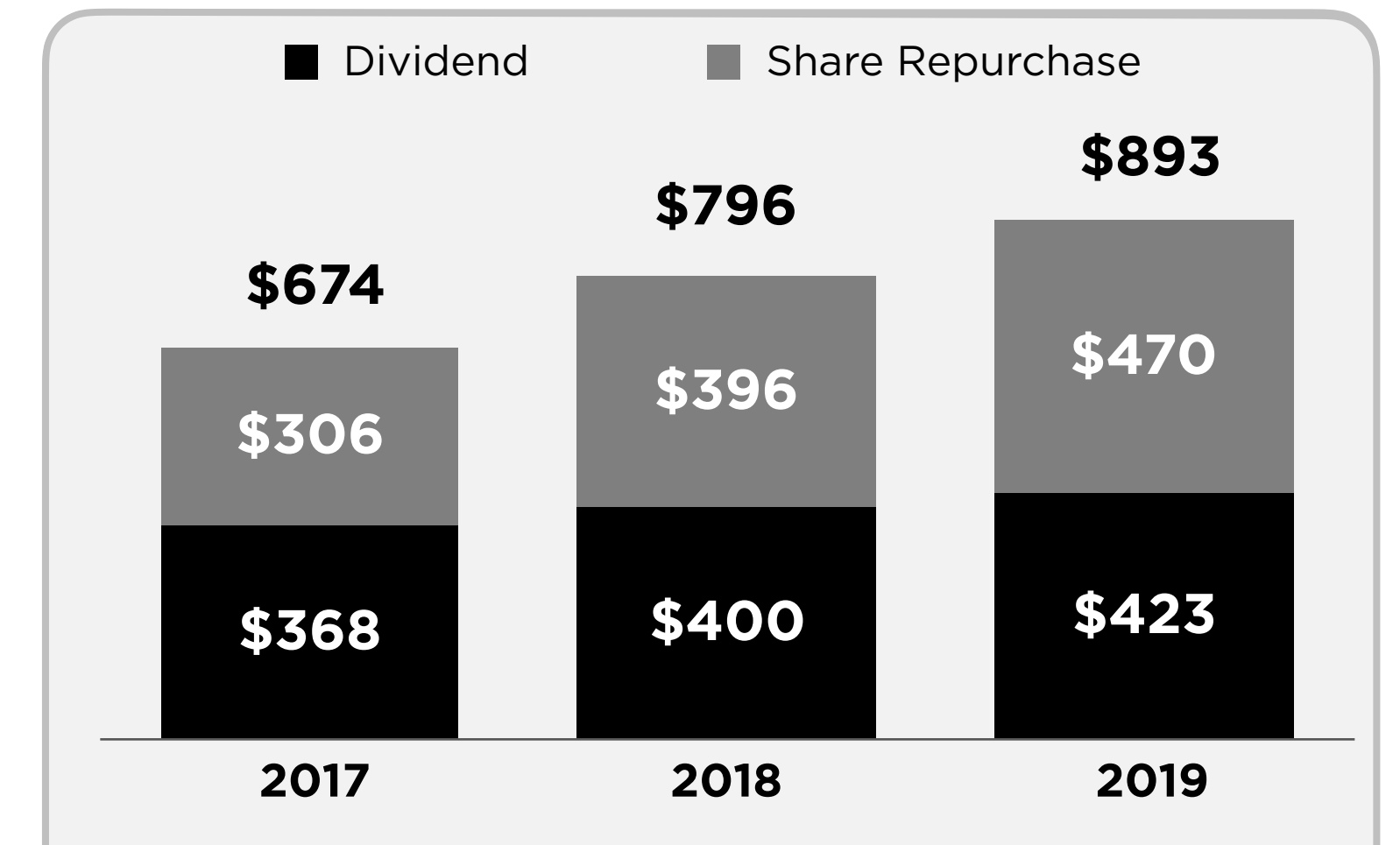
- **Remain committed to investing in the business**
- **More than \$2.0 billion cumulative Capex** during 2017-2019, of which ~70% supported our omni-channel strategy

Solid Free Cash Flow⁽¹⁾ (\$ in millions)



- Focused on driving free cash flow
- **\$3.0 billion cumulative free cash flow** generated from 2017 through 2019

Significant Capital Returned to Shareholders (\$ in millions)



- **Committed to long-term capital return program** and plan to reinstate dividend in 2021
- **\$2.4 billion cumulative capital returned** to shareholders during 2017-2019 through dividend and share repurchases
- Reduced debt by over \$940 million in 2018-2019 and will focus on reducing leverage through liability management as the environment stabilizes

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

Strategic Progress to Date: Driving Top Line Growth

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



Destination for Active & Casual Lifestyle

Expand Active & Outdoor

- Expand Active space by nearly 20% in 2021
- Launching FLX, our new athleisure brand in 2021
- Lands' End off to a good start, expanding to 300 stores in 2021

Reignite Women's Growth

- Positive Q3 sales growth in athleisure, lounge, and sleepwear
- Continuing brand edits: exiting Chaps and Apt. 9 (in Women's)
- Reducing choice counts and increasing depth in Q4 2020

Build a Sizeable Beauty Business

- Expanded elevated beauty pilot to 62 stores in Q4 2020

Drive Category Productivity

- Streamlining fine jewelry and dress apparel



Leading with Loyalty & Value

Value

- Took targeted actions to simplify pricing and promotional strategies
- Efforts benefited Q3 2020 gross margin

Best-In-Class Loyalty

- Launched Kohl's Rewards in September 2020
- Positive performance since launch with significant growth in sign-ups and higher redemption rates



Differentiated Omnichannel Experience

Omnichannel

- Continue to prioritize safety standards
- Simplify shopping experience by opening up aisles
- Expanded Curated by Kohl's to 300 stores
- Piloting Wellness Market in 50 stores and online
- Enhanced digital site experience
- Customer adoption of Store Drive Up continues

Appendix

Reconciliations

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

(Dollars in Millions, Except per Share Data)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net Income (Loss)				
GAAP	\$ (12)	\$ 123	\$ (506)	\$ 426
Impairments, store closing, and other	21	0	85	55
(Gain) on sale of real estate	0	0	(127)	0
Gain on extinguishment of debt	0	(9)	0	(9)
Income tax impact of items noted above	(7)	2	16	(12)
Adjusted (non-GAAP)	\$ 2	\$ 116	\$ (532)	\$ 460
Diluted (Loss) Earnings per Share				
GAAP(1)	\$ (0.08)	\$ 0.78	\$ (3.28)	\$ 2.67
Impairments, store closing, and other	0.14	0.00	0.55	0.35
(Gain) on sale of real estate	0.00	0.00	(0.82)	0.00
Gain on extinguishment of debt	0.00	(0.06)	0.00	(0.06)
Income tax impact of items noted above	(0.05)	0.02	0.10	(0.07)
Adjusted (non-GAAP)(2)	\$ 0.01	\$ 0.74	\$ (3.45)	\$ 2.89

(1) - Weighted average diluted shares outstanding for purposes of calculating diluted adjusted (loss) earnings per share for the three months ended October 31, 2020, was 154 million as the effect of including dilutive shares would be anti-dilutive.

(2) - Weighted average diluted shares outstanding for purpose of calculating diluted earnings per share for the three months ended October 31, 2020 was 155 million which includes the diluted effect of share-based awards as determined under the treasury stock method.

Reconciliations

Adjusted EBITDA <i>(\$ in millions)</i>	Three Months Ended October 31, 2020
Operating Income	\$ 22
Depreciation and Amortization	210
EBITDA	232
Impairments, store closing, and other	21
(Gain) on sale of real estate	\$0
Adjusted EBITDA	253

Free Cash Flow <i>(\$ in millions)</i>	October 31, 2020	
	Three Months Ended	Nine Months Ended
Net cash provided by operating activities	606	910
Acquisition of property and equipment	(68)	(264)
Finance lease and financing obligation payments	(28)	(72)
Proceeds from financing obligations	1	4
Free cash flow	\$511	\$578

