

Kohl's Corporation Reports Financial Results

- **Reports 1% total sales growth and adjusted EPS of \$4.01 for 2015 (excluding loss on extinguishment of debt)**
- **Increases quarterly dividend 11% to \$0.50 per share**

MENOMONEE FALLS, Wis.--(BUSINESS WIRE)--February 25, 2016-- Kohl's Corporation (NYSE:KSS) today reported results for the quarter and year ended January 30, 2016.

| <i>(\$ in millions, except per share amounts)</i> | Quarter | | | Year | | |
|---|---------|---------|--------|----------|----------|--------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| Total sales | \$6,387 | \$6,337 | 0.8% | \$19,204 | \$19,023 | 1.0% |
| Comparable store sales | 0.4% | 3.7% | - | 0.7% | (0.3)% | - |
| Net income: | | | | | | |
| Reported | \$296 | \$369 | (20)% | \$673 | \$867 | (22)% |
| Excluding loss on extinguishment of debt | \$296 | \$369 | (20)% | \$781 | \$867 | (10)% |
| Diluted earnings per share: | | | | | | |
| Reported | \$1.58 | \$1.83 | (14)% | \$3.46 | \$4.24 | (18)% |
| Excluding loss on extinguishment of debt | \$1.58 | \$1.83 | (14)% | \$4.01 | \$4.24 | (5)% |

“We believe that the strategic framework of the Greatness Agenda is working as evidenced by our achievement of five consecutive quarters of positive comparable sales increases. I am particularly encouraged by the 4% increase we saw between Thanksgiving and Christmas. At the most competitive time in retail, customers were choosing Kohl’s,” said Kevin Mansell, Kohl’s chairman, president and chief executive officer. “This strength, however, was substantially offset by softness in early November and in January when demand for cold-weather goods was especially low, resulting in a quarterly comparable sales increase of 0.4%, which was below our expectations.”

Dividend

On February 24, 2016 Kohl's Board of Directors declared a quarterly cash dividend on the Company's common stock of \$0.50 per share, an 11% increase over its prior dividend. The dividend is payable March 23, 2016 to shareholders of record at the close of business on March 9, 2016.

Store Update

As part of the Company’s ongoing efforts to find new and innovative ways to drive sales, in 2016, Kohl’s plans to:

- Pilot a new smaller format Kohl’s store, opening 7 of these stores in various regions around the country
- Add 2 additional Off-Aisle pilot stores in Wisconsin
- Open 12 Fila outlet stores, which will mark Kohl’s first entry into the outlet space

Kohl's continues to explore ways to enhance shareholder value through the optimization of its existing store portfolio. In 2016, Kohl's will close 18 underperforming stores, representing less than one percent of total sales. The specific locations will be announced by the end of March. The closures are expected to generate annual SG&A savings of approximately \$45 million and annual depreciation savings of approximately \$10 million. The Company currently expects to incur approximately \$150 - \$170 million in charges as a result of these planned closures and the organizational realignment at the Company's corporate offices which occurred earlier this month. The Company estimates that approximately \$55 - \$65 million of the charge will be recorded in the first quarter of 2016, with the remainder recorded in the second quarter.

"We see exciting growth potential in the new stores and new formats that we are opening this year and are heavily investing in the health of our overall stores portfolio to continue to serve our current and future customers," Mansell said. "A vital component of our omnichannel approach is to clearly understand the evolving retail environment and ensure that we are well-positioned to leverage our resources on productive projects."

"While the decision to close stores is a difficult one, we evaluated all of the elements that contribute to making a store successful, and we were thoughtful and strategic in our approach. We are committed to leveraging our resources on our more productive assets," Mansell said.

"Importantly, we also wanted to provide the best options for our associates and are proud that every affected store associate will be offered a position at a nearby Kohl's location, or if they prefer, a competitive severance package."

Initial 2016 Earnings Guidance

The Company expects earnings per diluted share of \$4.05 to \$4.25 for fiscal 2016, exclusive of the above-referenced charges. This guidance is based on the following assumptions:

- Total sales range of (0.5)% to 0.5%
- Comparable sales increase of 0% to 1.0%
- Gross margin as a percentage of sales to increase 0 to 20 basis points over 2015
- SG&A expense to increase 1.0% to 2.0% over 2015
- Depreciation expense to be \$940 million
- Interest expense to be \$310 million
- Effective tax rate of 37%
- \$600 million in share repurchases at an average price of \$50 per share
- Capital expenditures of \$825 million

Fourth Quarter 2015 Earnings Conference Call

Kohl's will host its quarterly earnings conference call at 8:30 am ET on February 25, 2016. The phone number for the conference call is (800) 230-1074. Replays of the call will be available for 30 days by dialing (800) 475-6701. The conference ID is 387600. The conference call and replays are also accessible via the Company's web site at <http://www.kohlscorporation.com/investors/events-and-presentations>.

Cautionary Statement Regarding Forward-Looking Information

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including 2016 earnings guidance and the impact of expected store closures. Kohl's intends forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” “plans,” or similar expressions to identify forward-looking statements. 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.

About Kohl's

Kohl's (NYSE: KSS) is a leading specialty department store with 1,164 stores in 49 states. With a commitment to inspiring and empowering families to lead fulfilled lives, the company offers amazing national and exclusive brands, incredible savings and inspiring shopping experiences in-store, online at Kohls.com and via mobile devices. Committed to its communities, Kohl's has raised more than \$274 million for children's initiatives nationwide through its Kohl's Cares® cause merchandise program, which operates under Kohl's Cares, LLC, a wholly-owned subsidiary of Kohl's Department Stores, Inc. For additional information about Kohl's philanthropic and environmental initiatives, visit www.Kohls.com/Cares. For a list of store locations and information, or for the added convenience of shopping online, visit www.Kohls.com.

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KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In Millions, except per share data)
(Unaudited)

| | <u>Quarter Ended</u> | | <u>Year Ended</u> | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>Jan 30, 2016</u> | <u>Jan 31, 2015</u> | <u>Jan 30, 2016</u> | <u>Jan 31, 2015</u> |
| Net sales | \$ 6,387 | \$ 6,337 | \$ 19,204 | \$ 19,023 |
| Cost of merchandise sold | <u>4,275</u> | <u>4,190</u> | <u>12,265</u> | <u>12,098</u> |
| Gross margin | 2,112 | 2,147 | 6,939 | 6,925 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 1,332 | 1,272 | 4,452 | 4,350 |
| Depreciation and amortization | 239 | <u>221</u> | 934 | <u>886</u> |
| Operating income | 541 | 654 | 1,553 | 1,689 |
| Interest expense, net | 79 | 84 | 327 | 340 |
| Loss on extinguishment of debt | <u>—</u> | <u>—</u> | 169 | <u>—</u> |
| Income before income taxes | 462 | 570 | 1,057 | 1,349 |
| Provision for income taxes | 166 | <u>201</u> | 384 | <u>482</u> |
| Net income | \$ 296 | <u>\$ 369</u> | \$ 673 | <u>\$ 867</u> |
| Basic net income per share | \$ 1.58 | \$ 1.85 | \$ 3.48 | \$ 4.28 |
| Average number of shares | 187 | 199 | 193 | 203 |
| Diluted net income per share | \$ 1.58 | \$ 1.83 | \$ 3.46 | \$ 4.24 |
| Average number of shares | 187 | 201 | 195 | 204 |
| As a percent of net sales: | | | | |
| Gross margin | 33.1% | 33.9% | 36.1% | 36.4% |
| Selling, general and administrative expenses | 20.9% | 20.1% | 23.2% | 22.9% |
| Operating income | 8.5% | 10.3% | 8.1% | 8.9% |
| Net income | 4.6% | 5.8% | 3.5% | 4.6% |
| Excluding loss on extinguishment of debt: | | | | |
| Net income | \$ 296 | \$ 369 | \$ 781 | \$ 867 |
| Diluted net income per share | \$ 1.58 | \$ 1.83 | \$ 4.01 | \$ 4.24 |
| Net income as a percent of net sales | 4.6% | 5.8% | 4.1% | 4.6% |

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS

(In Millions)

(Unaudited)

| | Jan 30, 2016 | Jan 31, 2015 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 707 | \$ 1,407 |
| Merchandise inventories | 4,038 | 3,814 |
| Other | 331 | 359 |
| Total current assets | <u>5,076</u> | <u>5,580</u> |
| Property and equipment, net | 8,308 | 8,515 |
| Other assets | 222 | 238 |
| Total assets | <u>\$ 13,606</u> | <u>\$ 14,333</u> |
| | | |
| <u>Liabilities and Shareholders' Equity</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,251 | \$ 1,511 |
| Accrued liabilities | 1,206 | 1,160 |
| Income taxes payable | 130 | 78 |
| Current portion of capital lease and financing obligations | <u>127</u> | <u>110</u> |
| Total current liabilities | 2,714 | 2,859 |
| Long-term debt | 2,792 | 2,780 |
| Capital lease and financing obligations | 1,789 | 1,858 |
| Deferred income taxes | 257 | 298 |
| Other long-term liabilities | 563 | 547 |
| Shareholders' equity | <u>5,491</u> | <u>5,991</u> |
| Total liabilities and shareholders' equity | <u>\$ 13,606</u> | <u>\$ 14,333</u> |

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)
(Unaudited)

| | <u>2015</u> | <u>2014</u> |
|---|----------------|-----------------|
| Operating activities | | |
| Net income | \$ 673 | \$ 867 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 934 | 886 |
| Share-based compensation | 48 | 48 |
| Excess tax benefits from share-based compensation | (10) | (3) |
| Deferred income taxes | (38) | 49 |
| Other non-cash revenues and expenses | 24 | 31 |
| Loss on extinguishment of debt | 169 | — |
| Changes in operating assets and liabilities: | | |
| Merchandise inventories | (215) | 68 |
| Other current and long-term assets | 43 | (30) |
| Accounts payable | (260) | 146 |
| Accrued and other long-term liabilities | 53 | 30 |
| Income taxes | 53 | (68) |
| Net cash provided by operating activities | <u>1,474</u> | <u>2,024</u> |
| Investing activities | | |
| Acquisition of property and equipment | (690) | (682) |
| Sales of investments in auction rate securities | — | 82 |
| Other | 9 | 7 |
| Net cash used in investing activities | <u>(681)</u> | <u>(593)</u> |
| Financing activities | | |
| Treasury stock purchases | (1,001) | (677) |
| Shares withheld for restricted shares | (27) | (19) |
| Dividends paid | (349) | (317) |
| Proceeds from issuance of debt | 1,098 | — |
| Deferred financing costs | (10) | — |
| Reduction of long-term borrowings | (1,085) | — |
| Premium paid on redemption of debt | (163) | — |
| Proceeds from financing obligations | 1 | 6 |
| Capital lease and financing obligation payments | (114) | (114) |
| Proceeds from stock option exercises | 147 | 123 |
| Excess tax benefits from share-based compensation | 10 | 3 |
| Net cash used in financing activities | <u>(1,493)</u> | <u>(995)</u> |
| Net (decrease) increase in cash and cash equivalents | (700) | 436 |
| Cash and cash equivalents at beginning of period | <u>1,407</u> | <u>971</u> |
| Cash and cash equivalents at end of period | <u>\$ 707</u> | <u>\$ 1,407</u> |

