

KOHL'S

Q2 2020 Results Presentation

August 18, 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, including statements related to the ongoing implications of the novel coronavirus (COVID-19). 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 Kohl'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. 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.



Kohl's Profile

- Leading omnichannel retailer serving today's family with 65 million customers
- Unmatched brand portfolio at the best value with a collection of strong national and private brands
- Fast growing digital business, driven by mobile and the Kohl's App
- Profitable and convenient off-mall stores located in suburban neighborhoods close to customers
- Industry leading loyalty program and strong Kohl's Charge card sales penetration
- History of strong free cash flow generation and prudent capital management
- Strong culture with best-in-class customer and associate engagement

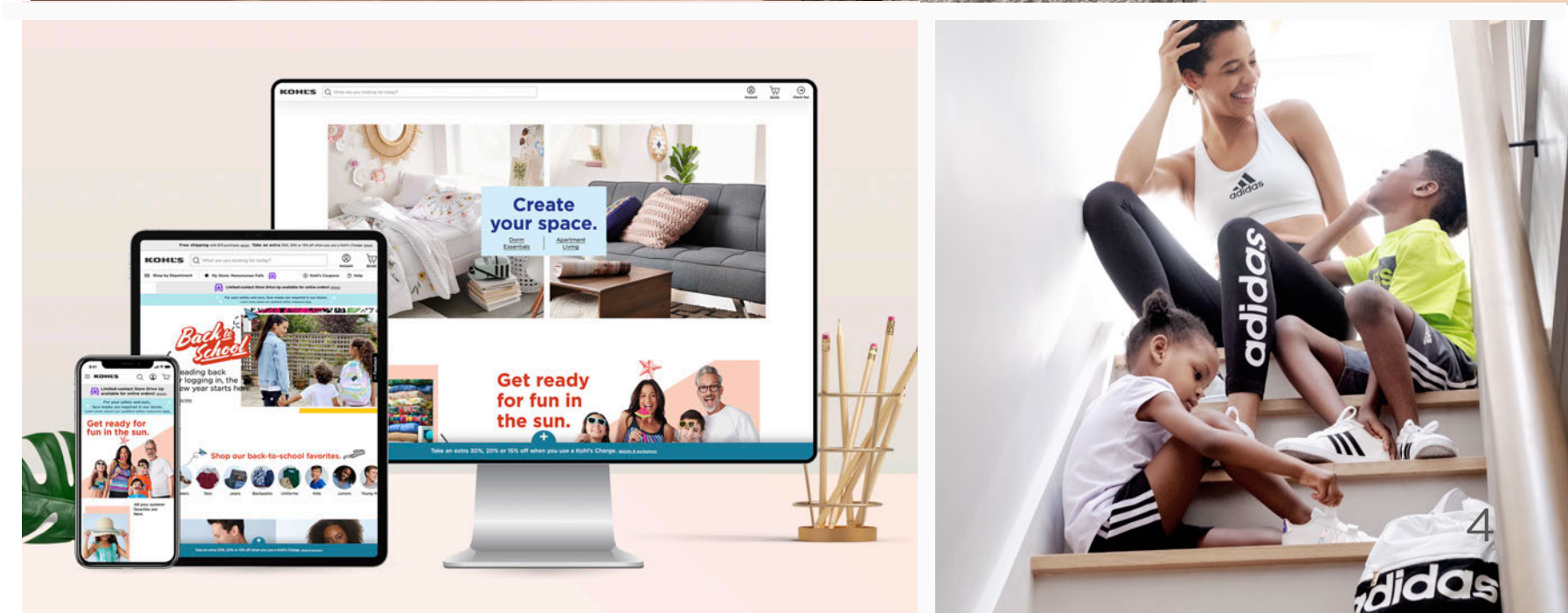


* Based on 2019 figures



Kohl's is Positioned for Long-term Success

- Well-disciplined operator, leveraging strong financial position to effectively navigate through COVID-19 crisis
- Strong foundation, solidified through years of investment in digital and omnichannel capabilities, innovative store experiences, loyalty enhancements, and new brand introductions
- Uniquely-positioned, and evolving strategies, to capitalize on changing consumer behaviors and the significant disruption of the retail industry





Q2 2020

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COVID-19 Update

Our Top Priorities

Protecting the health and safety of our associates and customers



Preserving our financial position





Protecting Associates And Customers

Store Closures to Help Slow the Spread of the Virus

- Closed all of our stores on March 20th
- Leaned into Digital business and launched Store Drive Up on April 2nd

Enhanced Safety Measures as Stores Reopened

- Reopened all stores over a 10 week period during Q2 2020
- Significant enhancements to the store environment and operations made to prioritize the health and safety of Kohl's associates and customers
 - Limited store hours
 - Social distancing measures (e.g., installing checkout plexiglass, widening store aisles, closing 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
 - Introduced Store Drive Up limited contact customer pickup capability
- Our proactive measures for associate and customer safety have been recognized among the best of all retailers



Preserving Financial Position

Drive Digital Sales

- Enhanced site functionality, personalization, and shopability
- More efficient Digital marketing (e.g., digital search, media buying)
- Store Drive Up continues to resonate with customers

Reduced Cash Outflow

- Inventory: 26% reduction in Q2 2020
- SG&A: 17% decline in Q2 2020
- Capex: 55% reduction year-to-date 2020
- Dividend: Suspended beginning in Q2 2020
- Share repurchases: Suspended

Increased Financial Liquidity

- Revolver: Replaced, securitized, and upsized to \$1.5 billion in Q1 2020
- New Debt: Issued \$600 million notes due 2025 in Q1 2020
- Sale-leaseback: Completed sale of two facilities for \$193 million in Q2 2020



Q2 2020 Results

Q2 2020 Results

Key Takeaways

- Q2 2020 results impacted by COVID as stores operated with approximately 25% fewer days than last year and with limited hours
- Effectively navigating through COVID-19 crisis and made significant progress in rebuilding business in Q2 2020
- Reopened all stores with new safety and operating procedures and accelerated digital growth
- Disciplined management of expenses and inventory resulted in positive operating and free cash flow⁽¹⁾
- Strengthened financial position during the quarter, ending with \$2.4 billion in cash and \$500 million of availability on our revolver

Q2 2020 Results

- Net sales declined 23%, with digital sales +58% as compared to last year
- Gross margin contracted due to increased promotional activity, mix, and higher cost of shipping
- SG&A expense declined 17% in Q2, and declined 19% excluding COVID-19 expenses
- Adjusted EBITDA⁽¹⁾ of \$208 million in Q2 2020
- Adjusted EPS⁽¹⁾ (\$0.25) vs. \$1.55 in prior year
- Inventory declined 26% versus last year

(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.

Q2 2020 Key Metrics

Consolidated Statement of Operations <i>(Dollars in Millions, Except EPS data)</i>	Three Months Ended	
	August 1, 2020	August 3, 2019
Net Sales	\$ 3,213	\$ 4,169
Total Revenue	3,407	4,430
Gross Margin Rate	33.1%	38.8%
SG&A	1,050	1,269
Depreciation	219	228
(Gain) on Sale of Real Estate	(127)	—
Impairments, Store Closings, and Other Costs	(2)	7
Operating Income	\$ 118	\$ 376
Interest Expense	78	53
Provision for Income Taxes	(7)	82
Net Income	\$ 47	\$ 241
Diluted EPS	\$0.30	\$1.51
Adjusted Net Income (Non-GAAP) ⁽¹⁾	\$ (39)	\$ 247
Adjusted Diluted EPS (Non-GAAP) ⁽¹⁾	\$(0.25)	\$1.55

Key Balance Sheet Items <i>(Dollars in Millions)</i>	August 1, 2020	August 3, 2019
Cash and Cash Equivalents	\$ 2,428	\$ 625
Merchandise Inventories	2,698	3,656
Accounts Payable	1,064	1,330
Long-term Debt	3,450	1,855

Key Cash Flow items <i>(Dollars in Millions)</i>	August 1, 2020	
	Three Months Ended	Six Months Ended
Operating Cash Flow	\$ 251	\$ 304
Capital Expenditures	34	196
Net, Finance lease and financing obligations	21	41
Free Cash Flow ⁽¹⁾	\$ 196	\$ 67

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

Q2 2020 Gross Margin

Q2 2019 Gross Margin

38.8%

Mix / Promos

(~295) bps

Increased promotional activity and product mix impact as Home category outperformed

Cost of Shipping

(~275) bps

Cost of shipping pressure driven by significant shift of sales to Digital in Q2 2020 (41% of total sales) vs. Q2 2019 (20% of total sales) due to store closures related to COVID-19

Q2 2020 Gross Margin

33.1%

Enhanced Liquidity Position

Key Balance Sheet & Cash Flow Items: Q2 / YTD 2020

February 1, 2020

Beginning Cash **\$723M**

Sources

Revolver	\$1,000M
New Debt	\$600M
Operating Cash Flow	\$304M
Sales-leaseback	\$193M

Uses

Capex	(\$196M)
Dividend	(\$108M)
Share Repurchase	(\$8M)

August 1, 2020

Ending Cash **\$2,428M**

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 Q2 2020
- Well-positioned to capitalize on evolving customer behaviors and the retail industry disruption

Our Capital Allocation Priorities



Maintain strong balance sheet

Long-term objective of maintaining investment grade

2H 2020 Outlook & Initiatives

2H 2020 Outlook

- Expect COVID-19 crisis to continue to impact our business
- Planning business conservatively and are prepared to chase any demand upside as it unfolds
- Expect customers to begin holiday shopping earlier this year and we will meet their needs accordingly



2H 2020 Initiatives



Excited to bring newness to customers through the launch of Lands' End and TOMS



Kohl's is positioned to capture share over holiday period



Compelling holiday assortment, emphasizing Home, Active, Cozy and Comfort, and Toys

Appendix

Reconciliations

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

	Three Months Ended		Six Months Ended	
	Aug 1, 2020	Aug 3, 2019	Aug 1, 2020	Aug 3, 2019
<i>(Dollars in Millions, Except per Share Data)</i>				
Net Income (Loss)				
GAAP	\$ 47	\$ 241	\$ (494)	\$ 303
Impairments, store closing, and other	(2)	7	64	56
(Gain) on sale of real estate	(127)	—	(127)	—
Income tax impact on items noted above	43	(1)	23	(14)
Adjusted (non-GAAP)	\$ (39)	\$ 247	\$ (534)	\$ 345
Diluted (Loss) Earnings per Share				
GAAP ⁽¹⁾	\$ 0.30	\$ 1.51	\$ (3.21)	\$ 1.89
Impairments, store closing, and other	(0.01)	0.05	0.41	0.35
(Gain) on sale of real estate	(0.82)	—	(0.82)	—
Income tax impact on items noted above	0.28	(0.01)	0.15	(0.09)
Adjusted (non-GAAP)⁽²⁾	\$ (0.25)	\$ 1.55	\$ (3.47)	\$ 2.15

(1) - Weighted average diluted shares outstanding for purpose of calculating diluted earnings per share for the three months ended August 1, 2020 was 155 million, which includes the dilutive effect of shares-based awards as determined under the treasury stock method.

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

Reconciliations

Adjusted EBITDA

<i>(Dollars in Millions)</i>	August 1, 2020	
	Three Months Ended	
Operating Income	\$	118
Depreciation and Amortization		219
EBITDA		337
Impairments, store closing, and other costs		(2)
(Gain) on sale of real estate		(127)
Adjusted EBITDA	\$	208

Reconciliations

Free Cash Flow

<i>(Dollars in Millions)</i>	August 1, 2020	
	Three Months Ended	Six Months Ended
Net cash provided by operating activities	\$ 251	\$ 304
Acquisition of property and equipment	(34)	(196)
Finance lease and financing obligation payments	(21)	(44)
Proceeds from financing obligations	0	3
Free Cash Flow	\$ 196	\$ 67



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