

Kohl's Corporation Reports Financial Results

- Comparable sales* increase 2.5%
- Gross margin increases 25 bps
- Raises earnings per share guidance

MENOMONEE FALLS, Wis.--(BUSINESS WIRE)—November 20, 2018-- Kohl's Corporation (NYSE:KSS) today reported results for the three and nine month periods ended November 3, 2018.

| (\$ in millions, except per share data) | Three Months | | | Nine Months | | |
|--|----------------|---------|--------|-----------------|----------|--------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Total revenue | \$4,628 | \$4,567 | 1.3% | \$13,406 | \$13,027 | 2.9% |
| Comparable sales | 2.5%* | 0.1% | | 2.1%* | (1.0)% | |
| Gross margin | 37.0% | 36.8% | 25bps | 37.8% | 37.4% | 39bps |
| Selling, general, and administrative expenses | \$1,375 | \$1,340 | 2.6% | \$ 3,907 | \$ 3,774 | 3.5% |
| Reported | | | | | | |
| Net income | \$ 161 | \$ 117 | 38% | \$ 529 | \$ 391 | 35% |
| Diluted earnings per share | \$ 0.98 | \$ 0.70 | 40% | \$ 3.19 | \$ 2.32 | 37% |
| Excluding loss on extinguishment of debt: | | | | | | |
| Net income | \$ 161 | \$ 117 | 38% | \$ 561 | \$ 391 | 43% |
| Diluted earnings per share | \$ 0.98 | \$ 0.70 | 40% | \$ 3.38 | \$ 2.32 | 45% |

*Comparable sales on a shifted basis compares the periods ended November 3, 2018 and November 4, 2017. For the quarter, comparable sales increased 1.0% on a fiscal basis which compares the periods ended November 3, 2018 and October 28, 2017.

"We are very pleased that our strong performance continued into the third quarter, resulting in a comparable sales increase of 2.5%, our fifth consecutive quarter of positive growth," said Michelle Gass, Kohl's chief executive officer. "We experienced strength across our entire apparel business, and our focus on speed to market and inventory management are driving relevancy with our customers, resulting in sales growth, margin expansion, and clean inventory levels. We are executing extremely well in our stores and our digital channels, and our efforts across the company have us well-positioned going into the fourth quarter. I want to thank our teams for another strong quarter and for the energy and enthusiasm they are bringing to the holiday season ahead of us."

Dividend

On November 14, 2018, Kohl's Board of Directors declared a quarterly cash dividend on the Company's common stock of \$0.61 per share. The dividend is payable December 26, 2018 to shareholders of record at the close of business on December 12, 2018.

Guidance Update

The Company is raising guidance and now expects its fiscal 2018 diluted earnings per share to be \$5.16 to \$5.36, compared to its prior guidance of \$4.96 to \$5.36. Excluding the loss on extinguishment of debt, fiscal 2018 diluted earnings per share is expected to be \$5.35 to \$5.55, compared to prior guidance of \$5.15 to \$5.55.

Third Quarter 2018 Earnings Conference Call

Kohl's will host its quarterly earnings conference call at 9:00 am ET on November 20, 2018. The phone number for the conference call is (800) 230-1085. Replays of the call will be available for 30 days by dialing (800) 475-6701. The conference ID is 433486. The conference call and replays are also accessible via the Company's website at <http://corporate.kohls.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 2018 earnings guidance. 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 omnichannel retailer with more than 1,100 stores in 49 states. With a commitment to inspiring and empowering families to lead fulfilled lives, Kohl's offers amazing national and exclusive brands, incredible savings and an easy shopping experience in our stores, online at Kohls.com and on Kohl's mobile app. Throughout its history, Kohl's has given nearly \$650 million to support communities nationwide. For a list of store locations or to shop online, visit Kohls.com. For more information about Kohl's impact in the community or how to join our winning team, visit Corporate.Kohls.com or follow @KohlsNews on Twitter.

Contacts

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KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | November 3, 2018 | October 28, 2017 | November 3, 2018 | October 28, 2017 |
| (Dollars in Millions, Except per Share Data) | | | | |
| Net sales | \$ 4,369 | \$ 4,312 | \$ 12,632 | \$ 12,274 |
| Other revenue | 259 | \$ 255 | 774 | 753 |
| Total revenue | 4,628 | 4,567 | 13,406 | 13,027 |
| Cost of merchandise sold | 2,752 | 2,727 | 7,854 | 7,680 |
| Gross margin rate | 37.0% | 36.8% | 37.8% | 37.4% |
| Operating expenses: | | | | |
| Selling, general, and administrative | 1,375 | 1,340 | 3,907 | 3,774 |
| As a percent of total revenue | 29.7% | 29.3% | 29.1% | 29.0% |
| Depreciation and amortization | 243 | 243 | 725 | 724 |
| Operating income | 258 | 257 | 920 | 849 |
| Interest expense, net | 63 | 74 | 197 | 225 |
| Loss on extinguishment of debt | — | — | 42 | — |
| Income before income taxes | 195 | 183 | 681 | 624 |
| Provision for income taxes | 34 | 66 | 152 | 233 |
| Net income | \$ 161 | \$ 117 | \$ 529 | \$ 391 |
| Average number of shares: | | | | |
| Basic | 164 | 166 | 165 | 168 |
| Diluted | 165 | 166 | 166 | 168 |
| Earnings per share: | | | | |
| Basic | \$ 0.98 | \$ 0.70 | \$ 3.21 | \$ 2.33 |
| Diluted | \$ 0.98 | \$ 0.70 | \$ 3.19 | \$ 2.32 |
| Excluding loss on extinguishment of debt: | | | | |
| Net income | \$ 161 | \$ 117 | \$ 561 | \$ 391 |
| Diluted earnings per share | \$ 0.98 | \$ 0.70 | \$ 3.38 | \$ 2.32 |

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (Dollars in Millions) | November 3, 2018 | October 28, 2017 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,047 | \$ 736 |
| Merchandise inventories | 4,844 | 4,632 |
| Other | 446 | 379 |
| Total current assets | 6,337 | 5,747 |
| Property and equipment, net | 7,538 | 7,974 |
| Other assets | 243 | 226 |
| Total assets | \$ 14,118 | \$ 13,947 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,583 | \$ 2,113 |
| Accrued liabilities | 1,289 | 1,294 |
| Income taxes payable | 14 | 24 |
| Current portion of capital lease and financing obligations | 121 | 131 |
| Total current liabilities | 4,007 | 3,562 |
| Long-term debt | 2,272 | 2,796 |
| Capital lease and financing obligations | 1,528 | 1,622 |
| Deferred income taxes | 201 | 272 |
| Other long-term liabilities | 657 | 673 |
| Shareholders' equity | 5,453 | 5,022 |
| Total liabilities and shareholders' equity | \$ 14,118 | \$ 13,947 |

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

| (Dollars in Millions) | Nine Months Ended | |
|---|---------------------|---------------------|
| | November 3, 2018 | October 28, 2017 |
| Operating activities | | |
| Net income | \$ 529 | \$ 391 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 725 | 724 |
| Share-based compensation | 71 | 34 |
| Deferred income taxes | (13) | 2 |
| Loss on extinguishment of debt | 42 | — |
| Other non-cash revenues and expenses | 15 | (4) |
| Changes in operating assets and liabilities: | | |
| Merchandise inventories | (1,293) | (829) |
| Accrued and other long-term liabilities | 38 | (14) |
| Accounts payable | 1,312 | 606 |
| Other current and long-term assets | 70 | 50 |
| Income taxes | (73) | (91) |
| Net cash provided by operating activities | 1,423 | 869 |
| Investing activities | | |
| Acquisition of property and equipment | (458) | (547) |
| Other | 6 | 18 |
| Net cash used in investing activities | (452) | (529) |
| Financing activities | | |
| Treasury stock purchases | (275) | (288) |
| Shares withheld for taxes on vested restricted shares | (29) | (12) |
| Dividends paid | (301) | (277) |
| Reduction of long-term borrowings | (530) | — |
| Premium paid on redemption of debt | (35) | — |
| Capital lease and financing obligation activity | (95) | (101) |
| Proceeds from stock option exercises | 33 | — |
| Net cash used in financing activities | (1,232) | (678) |
| Net decrease in cash and cash equivalents | (261) | (338) |
| Cash at beginning of period | 1,308 | 1,074 |
| Cash at end of period | \$ 1,047 | \$ 736 |