

Kohl's Reports Third Quarter Fiscal 2022 Financial Results

- Third quarter comparable sales decrease 6.9% and net sales decrease 7.2%
- Third quarter diluted earnings per share of \$0.82
- Kohl's Board has formed search committee to oversee the search for a new CEO while Tom Kingsbury has agreed to serve as Interim CEO during the transition period

MENOMONEE FALLS, Wis.--(BUSINESS WIRE)—November 17, 2022-- Kohl's Corporation (NYSE:KSS) today reported results for the quarter ended October 29, 2022.

| (\$ in millions, except per share data) | Three Months | | | Nine Months | | |
|--|------------------|------------------|-----------|------------------|------------------|-----------|
| | October 29, 2022 | October 30, 2021 | Change | October 29, 2022 | October 30, 2021 | Change |
| Total revenue | \$ 4,277 | \$ 4,600 | (7.0%) | \$ 12,079 | \$ 12,934 | (6.6%) |
| Net sales⁽¹⁾ | (7.2%) | 15.5% | | (7.1%) | 33.9% | |
| Gross margin | 37.3% | 39.9% | (263) bps | 38.4% | 40.6% | (215) bps |
| Selling, general, and administrative expenses | \$ 1,334 | \$ 1,380 | (3.3%) | \$ 3,910 | \$ 3,791 | 3.1% |
| Reported | | | | | | |
| Net income | \$ 97 | \$ 243 | (60%) | \$ 254 | \$ 639 | (60%) |
| Diluted earnings per share | \$ 0.82 | \$ 1.65 | (50%) | \$ 2.02 | \$ 4.19 | (52%) |
| Non-GAAP⁽²⁾ | | | | | | |
| Adjusted net income | \$ 97 | \$ 243 | (60%) | \$ 254 | \$ 790 | (68%) |
| Adjusted diluted earnings per share | \$ 0.82 | \$ 1.65 | (50%) | \$ 2.02 | \$ 5.18 | (61%) |

(1) Represents change in Net sales vs. prior year period.

(2) Amounts shown for the three and nine months ended October 29, 2022 and the three months ended October 30, 2021 are GAAP as there are no adjustments to Non-GAAP. These amounts are shown for comparability purposes.

“The Kohl's Board is focused on supporting the management team during this CEO transition period, as well as the Board's search committee in its pursuit of finding the next CEO to lead Kohl's. We look forward to partnering with Interim CEO Tom Kingsbury and the entire leadership team to execute at the highest level this holiday season, while also capitalizing on opportunities to strengthen the business. Kohl's is a great company with extremely bright prospects and I am confident we will find the right candidate to successfully position Kohl's to drive sales, grow earnings and create shareholder value. On behalf of the Board, I want to thank all of our associates for their dedication and hard work,” said Peter Boneparth, Kohl's Independent Board Chair.

2022 Outlook Commentary

Given the recent volatility in business trends, the significant macroeconomic headwinds, along with the unexpected CEO transition, the Company will not be providing guidance for the fourth quarter, and therefore is withdrawing its prior full year 2022 guidance.

Accelerated Share Repurchase Agreement

On November 2, 2022, the Company's \$500 million accelerated share repurchase agreement (ASR) was completed, with final settlement occurring on November 7, 2022. In total, the Company received 17.9 million shares, including 11.8 million shares in the third quarter and the remaining 6.1 million shares in the fourth quarter.

Dividend

As previously announced, on November 9, 2022, Kohl's Board of Directors declared a quarterly cash dividend on the Company's common stock of \$0.50 per share. The dividend is payable December 21, 2022 to shareholders of record at the close of business on December 7, 2022.

Third Quarter 2022 Earnings Conference Call

Kohl's will host its quarterly earnings conference call at 9:00 am ET on November 17, 2022. A webcast of the conference call and the related presentation materials will be available via the Company's web site at investors.kohls.com, both live and after the call.

Cautionary Statement Regarding Forward-Looking Information and Non-GAAP Measures

This press release 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 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. 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 and Item 1A of Part II of the Company's Quarterly

Report on Form 10-Q for the first quarter of fiscal 2022, 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.

In this press release, the Company provides information regarding adjusted net income and adjusted diluted earnings per share, which are not recognized terms under U.S. generally accepted accounting principles ("GAAP") and do not purport to be alternatives to net income as a measure of operating performance. A reconciliation of adjusted net income and adjusted diluted earnings per share is provided in this release. The Company believes that the use of these non-GAAP financial measures provides investors with enhanced visibility into its results with respect to the impact of certain costs. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies.

About Kohl's

Kohl's (NYSE: KSS) is a leading omnichannel retailer. With more than 1,100 stores in 49 states and the online convenience of [Kohls.com](https://www.kohls.com) and the Kohl's App, Kohl's offers amazing national and exclusive brands at incredible savings for families nationwide. Kohl's is uniquely positioned to deliver against its strategy and its vision to be the most trusted retailer of choice for the active and casual lifestyle. Kohl's is committed to progress in its diversity and inclusion pledges, and the company's environmental, social and corporate governance (ESG) stewardship. For a list of store locations or to shop online, visit [Kohls.com](https://www.kohls.com). For more information about Kohl's impact in the community or how to join our winning team, visit [Corporate.Kohls.com](https://www.kohls.com/corporate) or follow [@KohlsNews](https://twitter.com/KohlsNews) on Twitter.

Contacts

Investor Relations:

Mark Rupe, (262) 703-1266, mark.rupe@kohls.com

Media:

Jen Johnson, (262) 703-5241, jen.johnson@kohls.com

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| (Dollars in Millions, Except per Share Data) | | | | |
| Net sales | \$ 4,052 | \$ 4,366 | \$ 11,386 | \$ 12,251 |
| Other revenue | 225 | 234 | 693 | 683 |
| Total revenue | 4,277 | 4,600 | 12,079 | 12,934 |
| Cost of merchandise sold | 2,541 | 2,623 | 7,013 | 7,282 |
| Gross margin rate | 37.3% | 39.9% | 38.4% | 40.6% |
| Operating expenses: | | | | |
| Selling, general, and administrative | 1,334 | 1,380 | 3,910 | 3,791 |
| As a percent of total revenue | 31.2% | 30.0% | 32.4% | 29.3% |
| Depreciation and amortization | 202 | 210 | 608 | 631 |
| Operating income | 200 | 387 | 548 | 1,230 |
| Interest expense, net | 81 | 66 | 226 | 195 |
| Loss on extinguishment of debt | — | — | — | 201 |
| Income before income taxes | 119 | 321 | 322 | 834 |
| Provision for income taxes | 22 | 78 | 68 | 195 |
| Net income | \$ 97 | \$ 243 | \$ 254 | \$ 639 |
| Average number of shares: | | | | |
| Basic | 118 | 145 | 124 | 151 |
| Diluted | 119 | 147 | 126 | 153 |
| Earnings per share: | | | | |
| Basic | \$ 0.82 | \$ 1.67 | \$ 2.05 | \$ 4.24 |
| Diluted | \$ 0.82 | \$ 1.65 | \$ 2.02 | \$ 4.19 |

ADJUSTED NET INCOME AND DILUTED EARNINGS PER SHARE, NON-GAAP FINANCIAL MEASURES
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | October 29, 2022 | October 30, 2021 | October 29, 2022 | October 30, 2021 |
| (Dollars in Millions, Except per Share Data) | | | | |
| Net income | | | | |
| GAAP | \$ 97 | \$ 243 | \$ 254 | \$ 639 |
| Loss on extinguishment of debt | — | — | — | 201 |
| Income tax impact of items noted above | — | — | — | (50) |
| Adjusted (non-GAAP) | \$ 97 | \$ 243 | \$ 254 | \$ 790 |
| Diluted earnings per share | | | | |
| GAAP | \$ 0.82 | \$ 1.65 | \$ 2.02 | \$ 4.19 |
| Loss on extinguishment of debt | — | — | — | 1.32 |
| Income tax impact of items noted above | — | — | — | (0.33) |
| Adjusted (non-GAAP) ⁽¹⁾ | \$ 0.82 | \$ 1.65 | \$ 2.02 | \$ 5.18 |

- (1) Amounts shown for the three and nine months ended October 29, 2022 and the three months ended October 30, 2021 are GAAP as there are no adjustments to Non-GAAP. These amounts are shown for comparability purposes.

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (Dollars in Millions) | October 29, 2022 | October 30, 2021 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 194 | \$ 1,873 |
| Merchandise inventories | 4,874 | 3,642 |
| Other | 366 | 373 |
| Total current assets | 5,434 | 5,888 |
| Property and equipment, net | 8,117 | 7,329 |
| Operating leases | 2,318 | 2,293 |
| Other assets | 365 | 441 |
| Total assets | \$ 16,234 | \$ 15,951 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,014 | \$ 2,135 |
| Accrued liabilities | 1,436 | 1,545 |
| Borrowings under revolving credit facility | 668 | — |
| Current portion of: | | |
| Long-term debt | 164 | — |
| Finance leases and financing obligations | 95 | 117 |
| Operating leases | 109 | 142 |
| Total current liabilities | 4,486 | 3,939 |
| Long-term debt | 1,747 | 1,909 |
| Finance leases and financing obligations | 2,791 | 2,072 |
| Operating leases | 2,595 | 2,537 |
| Deferred income taxes | 165 | 196 |
| Other long-term liabilities | 354 | 367 |
| Shareholders' equity | 4,096 | 4,931 |
| Total liabilities and shareholders' equity | \$ 16,234 | \$ 15,951 |

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

| (Dollars in Millions) | Nine Months Ended | |
|--|---------------------|---------------------|
| | October 29, 2022 | October 30, 2021 |
| Operating activities | | |
| Net income | \$ 254 | \$ 639 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 608 | 631 |
| Share-based compensation | 37 | 35 |
| Deferred income taxes | (41) | (103) |
| Loss on extinguishment of debt | — | 201 |
| Non-cash lease expense | 81 | 107 |
| Other non-cash expenses | 12 | 10 |
| Changes in operating assets and liabilities: | | |
| Merchandise inventories | (1,802) | (1,044) |
| Other current and long-term assets | 102 | 574 |
| Accounts payable | 331 | 659 |
| Accrued and other long-term liabilities | 76 | 172 |
| Operating lease liabilities | (83) | (107) |
| Net cash (used in) provided by operating activities | (425) | 1,774 |
| Investing activities | | |
| Acquisition of property and equipment | (733) | (426) |
| Proceeds from sale of real estate | 31 | 35 |
| Net cash used in investing activities | (702) | (391) |
| Financing activities | | |
| Proceeds from issuance of debt | — | 500 |
| Net borrowings under revolving credit facility | 668 | — |
| Deferred financing costs | — | (8) |
| Treasury stock purchases | (658) | (807) |
| Shares withheld for taxes on vested restricted shares | (21) | (26) |
| Dividends paid | (184) | (114) |
| Reduction of long-term borrowings | — | (1,044) |
| Premium paid on redemption of debt | — | (192) |
| Finance lease and financing obligation payments | (81) | (96) |
| Proceeds from financing obligations | 9 | 8 |
| Proceeds from stock option exercises | 1 | 1 |
| Other | — | (3) |
| Net cash used in financing activities | (266) | (1,781) |
| Net (decrease) in cash and cash equivalents | (1,393) | (398) |
| Cash and cash equivalents at beginning of period | 1,587 | 2,271 |
| Cash and cash equivalents at end of period | \$ 194 | \$ 1,873 |