

REFINITIV

DELTA REPORT

10-Q

KSS - KOHLS CORP

10-Q - OCTOBER 28, 2023 COMPARED TO 10-Q - JULY 29, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 377

█	CHANGES	138
█	DELETIONS	110
█	ADDITIONS	129

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **July 29, October 28, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____

Commission file number 1-11084



KOHL'S CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin

39-1630919

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**N56 W17000 Ridgewood Drive,
Menomonee Falls, Wisconsin**

53051

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **(262) 703-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value	KSS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

August 25, 2023 November 24, 2023 Common Stock, Par Value \$0.01 per Share, 110,688,791 110,712,124 shares outstanding.

KOHL'S CORPORATION

INDEX

PART I	<u>FINANCIAL INFORMATION</u>	3
Item 1.	<u>Financial Statements:</u>	3
	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Operations</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	21
Item 4.	<u>Controls and Procedures</u>	21

PART II	<u>OTHER INFORMATION</u>	22 23
Item 1.	<u>Legal Proceedings</u>	22 23
Item 1A.	<u>Risk Factors</u>	22 23
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22 23
Item 5.	<u>Other Information</u>	22 23
Item 6.	<u>Exhibits</u>	23 24
	<u>Signatures</u>	24 25

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in Millions)	July 29, 2023	January 28, 2023	July 30, 2022	October 28, 2023	January 28, 2023	October 29, 2022
Assets						
Current assets:						
Cash and cash equivalents	\$204	\$153	\$222	\$190	\$153	\$194
Merchandise inventories	3,474	3,189	4,034	4,239	3,189	4,874
Other	296	394	374	291	394	366
Total current assets	3,974	3,736	4,630	4,720	3,736	5,434
Property and equipment, net	7,945	7,926	8,228	7,861	7,926	8,117
Operating leases	2,493	2,304	2,296	2,492	2,304	2,318
Other assets	382	379	469	394	379	365
Total assets	\$14,794	\$14,345	\$15,623	\$15,467	\$14,345	\$16,234
Liabilities and Shareholders' Equity						

Current liabilities:						
Accounts payable	\$1,376	\$1,330	\$1,497	\$1,918	\$1,330	\$2,014
Accrued liabilities	1,246	1,220	1,426	1,324	1,220	1,436
Borrowings under revolving credit facility	560	85	79	625	85	668
Current portion of:						
Long-term debt	111	275	164	111	275	164
Finance leases and financing obligations	84	94	96	84	94	95
Operating leases	93	111	108	94	111	109
Total current liabilities	3,470	3,115	3,370	4,156	3,115	4,486
Long-term debt	1,637	1,637	1,747	1,638	1,637	1,747
Finance leases and financing obligations	2,730	2,786	2,830	2,714	2,786	2,791
Operating leases	2,777	2,578	2,568	2,780	2,578	2,595
Deferred income taxes	121	129	194	107	129	165
Other long-term liabilities	324	337	370	321	337	354
Shareholders' equity:						
Common stock	2		4	2		4
Paid-in capital	3,502	3,479	3,406	3,514	3,479	3,319
Treasury stock, at cost	(2,569)	(13,715)	(13,151)	(2,568)	(13,715)	(13,551)
Retained earnings	2,800	13,995	14,285	2,803	13,995	14,324
Total shareholders' equity	\$3,735	\$3,763	\$4,544	\$3,751	\$3,763	\$4,096
Total liabilities and shareholders' equity	\$14,794	\$14,345	\$15,623	\$15,467	\$14,345	\$16,234

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in Millions, Except per Share Data)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Net sales	\$3,678	\$3,863	\$7,033	\$7,334	\$3,843	\$4,052	\$10,876	\$11,386
Other revenue	217	224	433	468	211	225	644	693
Total revenue	3,895	4,087	7,466	7,802	4,054	4,277	11,520	12,079
Cost of merchandise sold	2,242	2,332	4,289	4,472	2,349	2,541	6,638	7,013
Operating expenses:								
Selling, general, and administrative	1,304	1,283	2,542	2,576	1,360	1,334	3,902	3,910
Depreciation and amortization	186	206	374	406	188	202	562	608
Operating income	163	266	261	348	157	200	418	548
Interest expense, net	89	77	173	145	89	81	262	226
Income before income taxes	74	189	88	203	68	119	156	322
Provision for income taxes	16	46	16	46	9	22	25	68
Net income	\$58	\$143	\$72	\$157	\$59	\$97	\$131	\$254
Net income per share:								
Basic	\$0.52	\$1.13	\$0.65	\$1.24	\$0.54	\$0.82	\$1.19	\$2.05
Diluted	\$0.52	\$1.11	\$0.65	\$1.22	\$0.53	\$0.82	\$1.18	\$2.02

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in Millions, Except per Share Data)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Common stock								
Balance, beginning of period	\$2	\$4	\$4	\$4	\$2	\$4	\$4	\$4
Stock-based awards	—	—	—	—	—	—	—	—
Retirement of treasury stock	—	—	(2)	—	—	—	(2)	—
Balance, end of period	\$2	\$4	\$2	\$4	\$2	\$4	\$2	\$4
Paid-in capital								
Balance, beginning of period	\$3,489	\$3,395	\$3,479	\$3,375	\$3,502	\$3,406	\$3,479	\$3,375
Stock-based awards	13	11	23	31	12	13	35	44
Accelerated share repurchase pending final settlement					—	(100)	—	(100)
Balance, end of period	\$3,502	\$3,406	\$3,502	\$3,406	\$3,514	\$3,319	\$3,514	\$3,319
Treasury stock								
Balance, beginning of period	\$2,569	\$(13,150)	\$(13,715)	\$(12,975)	\$(2,569)	\$(13,151)	\$(13,715)	\$(12,975)
Treasury stock purchases	—	—	—	(158)	—	(400)	—	(558)
Stock-based awards	(1)	(2)	(13)	(20)	—	(1)	(13)	(21)
Dividends paid	1	1	2	2	1	1	3	3
Retirement of treasury stock	—	—	11,157	—	—	—	11,157	—

Balance, end of period	\$(2,569)	\$(13,151))	\$(2,569)	\$(13,151))	\$(2,568)	\$(13,551))	\$(2,568)	\$(13,551))
Retained earnings												
Balance, beginning of period	\$2,798	\$14,207	\$13,995	\$14,257	\$2,800	\$14,285	\$13,995	\$14,257				
Net income	58	143	72	157	59	97	131	254				
Dividends paid	(56)	(65)	(112)	(129)	(56)	(58)	(168)	(187)				
Retirement of treasury stock	—	—	(11,155)	—	—	—	(11,155)	—				
Balance, end of period	\$2,800	\$14,285	\$2,800	\$14,285	\$2,803	\$14,324	\$2,803	\$14,324				
Total shareholders' equity, end of period	\$3,735	\$4,544	\$3,735	\$4,544	\$3,751	\$4,096	\$3,751	\$4,096				
Common stock												
Shares, beginning of period	161	377	378	377	161	377	378	377				
Stock-based awards	—	—	—	—	—	—	—	—				
Retirement of treasury stock	—	—	(217)	—	—	—	(217)	—				
Shares, end of period	161	377	161	377	161	377	161	377				
Treasury stock												
Shares, beginning of period	(50)	(249)	(267)	(246)	(50)	(249)	(267)	(246)				
Treasury stock purchases	—	—	—	(3)	—	(11)	—	(14)				
Retirement of treasury stock	—	—	217	—	—	—	217	—				
Shares, end of period	(50)	(249)	(50)	(249)	(50)	(260)	(50)	(260)				
Total shares outstanding, end of period	111	128	111	128	111	117	111	117				
Dividends paid per common share	\$0.50	\$0.50	\$1.00	\$1.00	\$0.50	\$0.50	\$1.50	\$1.50				

See accompanying Notes to Consolidated Financial Statements

[Table of Contents](#)

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

(Dollars in Millions)	Six Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022
Operating activities				
Net income	\$72	\$157	\$131	\$254
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	374	406	562	608
Share-based compensation	20	26	31	37
Deferred income taxes	(7)	(12)	(25)	(41)
Non-cash lease expense	48	56	70	81
Other non-cash items	(2)	5	13	12
Changes in operating assets and liabilities:				
Merchandise inventories	(283)	(964)	(1,046)	(1,802)
Other current and long-term assets	61	(29)	66	102
Accounts payable	46	(185)	588	331
Accrued and other long-term liabilities	(52)	51	58	76
Operating lease liabilities	(49)	(57)	(69)	(83)
Net cash provided by (used in) operating activities	228	(546)	379	(425)
Investing activities				
Acquisition of property and equipment	(338)	(548)	(495)	(733)
Proceeds from sale of real estate	4	4	15	31
Other	(1)	—	(11)	—
Net cash used in investing activities	(335)	(544)	(491)	(702)

Financing activities				
Net borrowings under revolving credit facility	475	79	540	668
Treasury stock purchases	—	(158)	—	(658)
Shares withheld for taxes on vested restricted shares	(13)	(20)	(13)	(21)
Dividends paid	(110)	(127)	(165)	(184)
Repayment of long-term borrowings	(164)	—	(164)	—
Finance lease and financing obligation payments	(47)	(55)	(68)	(81)
Proceeds from financing obligations	17	5	19	9
Proceeds from stock option exercises	—	1	—	1
Net cash provided by (used in) financing activities	158	(275)	149	(266)
Net increase (decrease) in cash and cash equivalents	51	(1,365)	37	(1,393)
Cash and cash equivalents at beginning of period	153	1,587	153	1,587
Cash and cash equivalents at end of period	\$204	\$222	\$190	\$194
Supplemental information				
Interest paid, net of capitalized interest	\$169	\$137	\$229	\$190
Income taxes paid	6	49	41	53

See accompanying Notes to Consolidated Financial Statements

[Table of Contents](#)

KOHL'S CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for fiscal year end Consolidated Financial Statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the Consolidated Financial Statements and related footnotes included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 (Commission File No. 1-11084) as filed with the Securities and Exchange Commission ("SEC").

Due to the seasonality of the business of Kohl's Corporation (the "Company," "Kohl's," "we," "our," or "us"), results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

We operate as a single business unit.

Treasury Stock

We retired 217 million shares of treasury stock during the first quarter of 2023. The shares were returned to the status of authorized but unissued shares. The retirement of treasury stock is recognized as a deduction from common stock for the shares' par value and any excess of cost over par as a deduction from retained earnings.

Recent Accounting Pronouncements

We do not expect that any recently issued accounting pronouncements will have a material impact on our Consolidated Financial Statements.

2. Revenue Recognition

The following table summarizes **net** **Net** sales by line of business:

(Dollars in Millions)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Women's	\$1,099	\$1,239	\$2,087	\$2,316	\$1,007	\$1,106	\$3,094	\$3,422
Men's	809	865	1,504	1,575	792	867	2,296	2,442
Accessories (including Sephora)	571	458	1,083	848	620	498	1,703	1,346
Home	462	502	895	1,027	494	566	1,389	1,593
Children's	387	414	790	825	562	599	1,352	1,424
Footwear	350	385	674	743	368	416	1,042	1,159
Net Sales	\$3,678	\$3,863	\$7,033	\$7,334	\$3,843	\$4,052	\$10,876	\$11,386

Unredeemed gift cards and merchandise return card liabilities totaled \$292 279 million as of July 29, 2023 October 28, 2023, \$356 million as of January 28, 2023, and \$294 285 million as of July 30, 2022 October 29, 2022. In the second third quarter of 2023 and 2022, net sales of \$36 million and \$39 million, respectively, were recognized from gift cards redeemed during in the current period and issued in prior years. years totaled \$22 million in both periods. Year to date 2023 and 2022, net sales of \$104 126 million and \$113 135 million, respectively, were recognized during the current period from gift cards redeemed during the current year and issued in prior years.

[Table of Contents](#)

3. Debt

Outstanding borrowings under the revolving credit facility, recorded as short-term debt, were \$560,625 million as of July 29, 2023 October 28, 2023. An amount of \$85 million under the revolving credit facility was outstanding as of January 28, 2023. Additionally, an amount of \$79,668 million was outstanding at July 30, 2022 October 29, 2022 under our previous credit agreement.

Long-term debt, which excludes borrowings on the revolving credit facility, consists of the following unsecured debt:

Maturity (Dollars in Millions)	Effective Rate at Issuance	Coupon Rate	Outstanding			Effective Rate at Issuance	Coupon Rate	Outstanding		
			July 29, 2023	January 28, 2023	July 30, 2022			October 28, 2023	January 28, 2023	October 29, 2022
2023		3.25%	\$—	\$164			3.25%	\$—		\$164
2023	4.78%	4.75%	111	111		4.78%	4.75%	111		111
2025	9.50%	10.75%	113	113		9.50%	10.75%	113		113
2025		4.25%	353	353			4.25%	353		353
2029	7.36%	7.25%	42	42		7.36%	7.25%	42		42
2031	3.40%	4.63%	500	500		3.40%	4.63%	500		500
2033	6.05%	6.00%	112	112		6.05%	6.00%	112		112
2037	6.89%	6.88%	101	101		6.89%	6.88%	101		101
2045	5.57%	5.55%	427	427		5.57%	5.55%	427		427
Outstanding unsecured senior debt			1,759		1,923			1,759		1,923
Unamortized debt discounts and deferred financing costs			(11)	(11)	(12)			(10)	(11)	(12)

Current portion of unsecured senior debt		(111)	(275)	(164)		(111)	(275)	(164)
Long-term unsecured senior debt		\$1,637	\$1,747			\$1,638	\$1,637	\$1,747
Effective interest rate at issuance		5.04%	4.89%			5.04%	4.89%	

Our estimated fair value of unsecured senior long-term debt is determined using Level 1 inputs, using financial instruments with unadjusted, quoted prices listed on active market exchanges. The estimated fair value of our unsecured senior debt was \$1.41.3 billion at July 29, 2023 October 28, 2023, \$1.6 billion at January 28, 2023, and \$1.71.5 billion at July 30, 2022 October 29, 2022.

In February 2023, \$164 million in aggregate principal amount of our 3.25% notes matured and was repaid.

During the first quarter of 2023, S&P downgraded our senior unsecured credit rating from BB+ to BB and Moody's downgraded our rating from Ba2 to Ba3. As a result of the downgrades, the interest rate on our 3.375% notes due May 2031 and 9.50% notes due May 2025 increased 50 bps basis points in May 2023 due to the coupon adjustment provisions within these notes. In 2022, our credit rating was also downgraded which resulted in the interest rates increasing 75 bps basis points, of which 25 bps basis points was effective in 2022 and the remaining 50 bps basis points became effective in May 2023. In total, the interest rate of both these notes have increased 125 bps basis points since their issuance.

Our various debt agreements contain covenants including limitations on additional indebtedness and certain financial tests. As of July 29, 2023 October 28, 2023, we were in compliance with all covenants of the various debt agreements.

4. Leases

We lease certain property and equipment used in our operations. Some of our store leases include additional rental payments based on a percentage of sales over contractual levels or payments that are adjusted periodically for inflation. Our typical store lease has an initial term of 20 to 25 years and four to eight five-year renewal options.

Lease assets represent our right to use an underlying asset for the lease term. Lease assets are recognized at commencement date based on the value of the lease liability and are adjusted for any lease payments made to the

[Table of Contents](#)

lessor at or before commencement date, minus any lease incentives received and any initial direct costs incurred by the lessee.

Table of Contents

Lease liabilities represent our contractual obligation to make lease payments. At the commencement date, the lease liabilities equal the present value of minimum lease payments over the lease term. As the implicit interest rate is not readily identifiable in our leases, we estimate our collateralized borrowing rate to calculate the present value of lease payments.

Leases with a term of 12 months or less are excluded from the balance; we recognize lease expense for these leases on a straight-line basis over the lease term. We combine lease and non-lease components for new and modified leases.

We opened 19456 full size Sephora at Kohl's shop-in-shops ("Sephora shops") in the second third quarter of 2023 and now have 801857 full size Sephora shops open as of the end of the second third quarter of 2023. Due to the investments we are making in the full size Sephora shops, we reassessed our lease term when construction began as these assets will have significant economic value to us when the lease term becomes exercisable. The impact of these assessments resulted in additional lease term, additional lease assets and liabilities, and, in some cases, changes to the classification.

The following tables summarize our operating and finance leases, which are predominately store related, and where they are presented in our Consolidated Financial Statements:

Consolidated Balance Sheets	Consolidated Balance Sheets	July 29, 2023	January 28, 2023	July 30, 2022	Consolidated Balance Sheets	October 28, 2023	January 28, 2023	October 29, 2022
					Classification			
(Dollars in Millions)	Classification	July 29, 2023	January 28, 2023	July 30, 2022	Classification	October 28, 2023	January 28, 2023	October 29, 2022
Assets								
Operating leases	Operating leases	\$2,493	\$2,304	\$2,296	Operating leases	\$2,492	\$2,304	\$2,318
Finance leases	Property and equipment, net	1,950	2,033	2,114	Property and equipment, net	1,923	2,033	2,066
Total operating and finance leases	Total operating and finance leases	\$4,443	\$4,337	\$4,410	Total operating and finance leases	\$4,415	\$4,337	\$4,384
Liabilities								

Current	Current portion of operating leases	93	111	108	Current portion of operating leases	94	111	109
Noncurrent	Current portion of finance leases and financing obligations	75	76	78	Current portion of finance leases and financing obligations	75	76	78
Operating leases	Operating leases	2,777	2,578	2,568	Operating leases	2,780	2,578	2,595
Finance leases and financing obligations	Finance leases and financing obligations	2,284	2,344	2,381	Finance leases and financing obligations	2,270	2,344	2,346
Total operating and finance leases	Total operating and finance leases	\$5,229	\$5,109	\$5,135	Total operating and finance leases	\$5,219	\$5,109	\$5,128

Consolidated Statement of Operations	Consolidated Statement of Operations	Three Months Ended		Six Months Ended		Consolidated Statement of Operations	Three Months Ended		Nine Months Ended	
(Dollars in Millions)	Classification	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	Classification	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022

Operating leases	Selling, general, and administrative	\$67	\$64	\$134	\$133	Selling, general, and administrative	\$68	\$64	\$202	\$197
Finance leases										
Amortization of leased assets	Depreciation and amortization	30	32	62	61	Depreciation and amortization	30	33	92	94
Interest on leased assets	Interest expense, net	36	36	72	68	Interest expense, net	36	36	108	104
Total operating and finance leases		\$133	\$132	\$268	\$262		\$134	\$133	\$402	\$395

Consolidated Statement of Cash Flows (Dollars in Millions)	Six Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022
Cash paid for amounts included in the measurement of leased liabilities				
Operating cash flows from operating leases	\$136	\$135	\$202	\$200
Operating cash flows from finance leases	70	65	105	99
Financing cash flows from finance leases	40	44	59	65

The following table summarizes future lease payments by fiscal year:

(Dollars in Millions)	July 29, 2023			October 28, 2023		
	Operating Leases	Finance Leases	Total	Operating Leases	Finance Leases	Total
2023	\$124	\$106	\$230	\$56	\$52	\$108
2024	263	212	475	267	213	480
2025	257	206	463	260	207	467
2026	251	204	455	254	206	460
2027	252	205	457	255	206	461
After 2027	4,055	3,517	7,572	4,097	3,530	7,627
Total lease payments	\$5,202	\$4,450	\$9,652	\$5,189	\$4,414	\$9,603
Amount representing interest	(2,332)	(2,091)	(4,423)	(2,315)	(2,069)	(4,384)
Lease liabilities	\$2,870	\$2,359	\$5,229	\$2,874	\$2,345	\$5,219

The following table summarizes weighted-average remaining lease term and discount rate:

	July 29, 2023	January 28, 2023	October 28, 2023	January 28, 2023
Weighted-average remaining term (years)				
Operating leases	20	20	20	20
Finance leases	20	20	20	20
Weighted-average discount rate				
Operating leases	6%	6%	6%	6%
Finance leases	6%	6%	6%	6%

Other lease information is as follows:

(Dollars in Millions)	Six Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022
Property and equipment acquired (disposed) through exchange of:				
Finance lease liabilities	\$(26)	\$730	\$(23)	\$714
Operating lease liabilities	222	114	247	167

Financing Obligations

The following tables summarize our financing obligations, which are all store related, and where they are presented in our Consolidated Financial Statements:

Consolidated Balance Sheets	Consolidated Balance Sheets				Consolidated Balance Sheets			
		January 29, 2023	28, 2023	July 30, 2022		Classification	October 28, 2023	January 28, 2023
(Dollars in Millions)								
Assets								
Financing obligation s	Property and equipment, net	\$46	\$49	\$52	Property and equipment, net	\$45	\$49	\$50
Liabilities								
Current	Current portion of finance leases and financing obligations	9		18	Current portion of finance leases and financing obligations	9	18	17
Noncurrent	Finance leases and financing obligations	446	442	449	Finance leases and financing obligations	444	442	445
Total financing obligations	Total financing obligations	\$455	\$460	\$467	Total financing obligations	\$453	\$460	\$462

Consolidated Statement of Operations	Consolidated Statement of Operations	Three Months Ended	Six Months Ended	Consolidated Statement of Operations	Three Months Ended	Nine Months Ended
--------------------------------------	--------------------------------------	--------------------	------------------	--------------------------------------	--------------------	-------------------

(Dollars in Millions)	Classification	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	Classification	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Amortization of financing obligation assets	Depreciation and amortization	1	2	3	4	Depreciation and amortization	1	1	4	5
Interest on financing obligations net	Interest expense, net	17	15	33	27	Interest expense, net	19	16	52	43
Total financing obligations		\$18	\$17	\$36	\$31		\$20	\$17	\$56	\$48

10

[Table of Contents](#)

Consolidated Statement of Cash Flows			Six Months Ended		Nine Months Ended	
(Dollars in Millions)			July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022
Cash paid for and proceeds from amounts included in the measurement of financing obligations						
Operating cash flows from financing obligations			\$32	\$26	\$51	\$42
Financing cash flows from financing obligations			7	11	9	16
Proceeds from financing obligations			17	5	19	9

The following table summarizes future financing obligation payments by fiscal year:

(Dollars in Millions)	July 29, 2023	October 28, 2023
	Financing Obligations	Financing Obligations
2023	\$39	\$19
2024	79	78

2025	79	79
2026	79	79
2027	79	79
After 2027	1,253	1,242
Total lease payments	\$1,608	\$1,576
Non-cash gain on future sale of property	115	115
Amount representing interest	(1,268)	(1,238)
Financing obligation liability	\$455	\$453

The following table summarizes the weighted-average remaining term and discount rate for financing obligations:

	July 29, 2023	January 28, 2023	October 28, 2023	January 28, 2023
Weighted-average remaining term (years)	17	13	17	13
Weighted-average discount rate	16%	14%	16%	14%

5. Stock-Based Awards

The following table summarizes our stock-based awards activity for the **six** **nine** months ended **July 29, 2023** **October 28, 2023**:

(Shares and Units in Thousands)	Nonvested Restricted Stock		Performance Share		Nonvested Restricted Stock		Performance Share	
	Awards and Units		Units		Awards and Units		Units	
	Shares	Weighted Average Grant Date	Units	Weighted Average Grant Date	Shares	Weighted Average Grant Date	Units	Weighted Average Grant Date
Balance - January 28, 2023	2,439	\$39.40	813	\$45.87	2,439	\$39.40	813	\$45.87
Granted	1,878	22.76	701	20.68	2,130	22.71	755	20.22
Exercised/vested	(821)	39.81	(582)	23.78	(883)	39.18	(582)	23.78
Forfeited/expired	(292)	33.68	(112)	63.30	(338)	32.99	(112)	63.30

Balance - July 29, 2023	3,204	\$30.06	820	\$37.63			
Balance - October 28, 2023				3,348	\$29.49	874	\$36.19

In 2019, we issued 1,747,441 stock warrants. The total vested and unvested warrants as of July 29, 2023 October 28, 2023 were 1,397,953 and 349,488, respectively.

[Table of Contents](#)

6. Contingencies

On September 2, 2022, Sean Shanaphy, an alleged shareholder of the Company, filed a putative class action lawsuit in the U.S. District Court for the Eastern District of Wisconsin against the Company, its directors, and its Chief Financial Officer alleging violations of Sections 10(b), 14(a) and 20(a) of the Securities and Exchange Act of 1934, 1934 and certain rules promulgated thereunder. Shanaphy v. Kohl's Corporation, No. 2:22-cv- 01016-LA (E.D. Wis.). The plaintiff asserts claims on behalf of persons and entities that purchased or otherwise acquired the Company's securities between October 20, 2020 and May 19, 2022 (the "Class Period"), and seeks compensatory damages, interest, fees, and costs. The complaint alleges that members of the putative class suffered losses as a result of (1) false or misleading statements and withholding of information regarding the conception, execution, and outcomes of the Company's strategic plan announced on October 20, 2020 and the Company's financial results for the first quarter of fiscal 2022 and (2) the Company's internal controls over financial reporting, disclosure controls, and corporate governance mechanisms. The case is in its early stages. Lead plaintiff applications were submitted on November 1, 2022, and on On May 23, 2023, the court appointed Thomas Frame as lead plaintiff. Subsequently, on June 9, 2023 On October 19, 2023, the lead plaintiff candidate filed an amended complaint with substantially similar claims and allegations which named the Company, certain of its current and former directors and its Chief Financial Officer as defendants and revised the Class Period to be August 19, 2021 to July 1, 2022. The Nova Scotia Health Employees' Pension Plan ("NSHEPP") filed a motion for reconsideration of the court's May 23, 2023 order. The court has not yet reached a decision on the motion for reconsideration. Once the court resolves the motion for reconsideration, the Company intends to file a motion to dismiss the complaint and to vigorously defend against these claims. Due to the early stages of this matter, the Company is unable to estimate a reasonably possible range of loss, if any, that may result from this matter.

In addition to what is noted above, we are subject to certain legal proceedings and claims arising out of the ordinary conduct of our business. In the opinion of management, the outcome of these proceedings and claims will not have a material adverse effect on our Consolidated Financial Statements.

7. Income Taxes

The effective income tax rate for the second third quarter of 2023 was 21.7 13.3% compared to 24.6 18.3% for the second third quarter of 2022. Year to date, the rate is was 18.8 16.4% and 22.8 21.1% for 2023 and 2022, respectively. The third quarter and year to date rates include reflect the recognition of favorable discrete tax items in the first half of the year in both periods.2023 and 2022.

8. Net Income Per Share

Basic net income per share is net income divided by the average number of common shares outstanding during the period. Diluted net income per share includes incremental shares assumed for share-based units and awards and stock warrants. Potentially dilutive shares include unvested restricted stock units and awards, performance share units, and warrants outstanding during the period, using the treasury stock method. Potentially dilutive shares are excluded from the computations of diluted earnings net income per share ("EPS") if their effect would be anti-dilutive.

The information required to compute basic and diluted net income per share is as follows:

(Dollars and Shares in Millions, Except per Share Data)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Numerator—Net income	\$58	\$143	\$72	\$157	\$59	\$97	\$131	\$254
Denominator—Weighted-average shares:								
Basic	110	127	110	127	110	118	110	124
Dilutive impact	1	1	1	2	1	1	1	2
Diluted	111	128	111	129	111	119	111	126
Net income per share:								
Basic	\$0.52	\$1.13	\$0.65	\$1.24	\$0.54	\$0.82	\$1.19	\$2.05
Diluted	\$0.52	\$1.11	\$0.65	\$1.22	\$0.53	\$0.82	\$1.18	\$2.02

[Table of Contents](#)

The following potential potentially dilutive shares of common stock were excluded from the diluted net income per share calculation because their effect would have been anti-dilutive:

(Shares in Millions)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
Anti-dilutive shares	3	3	3	3	3	3	3	3

9. Subsequent Events

On August 8, November 7, 2023, the Board of Directors of Kohl's Corporation declared a quarterly cash dividend of \$0.50 per share. The dividend will be paid on September December 20, 2023, to all shareholders of record at the close of business on September December 6, 2023.

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of the following discussion, unless noted, all references to "the quarter" and "the second third quarter" are for the three fiscal months (13 weeks) ended July 29, 2023 October 28, 2023 or July 30, 2022 October 29, 2022. References to "year to date" and "first half" are for the six nine fiscal months (26 39 weeks) ended July 29, 2023 October 28, 2023 or July 30, 2022 October 29, 2022. References to "the first quarter" are for the three fiscal months (13 weeks) ended April 29, 2023 or April 30, 2022. References to "the second quarter" are for the three fiscal months (13 weeks) ended July 29, 2023 or July 30, 2022.

This Form 10-Q contains "forward-looking statements" made 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 the information under "2023 Financial and Capital Allocation Outlook," as well as statements about our future sales or

financial performance and our plans, performance, and other objectives, expectations, or intentions, such as statements regarding our liquidity, debt service requirements, planned capital expenditures, future store initiatives, and adequacy of capital resources and reserves. Forward-looking statements are based on management's then-current views and assumptions and, as a result, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Any such forward-looking statements are qualified by the important risk factors, described in Part I Item 1A of our 2022 Form 10-K, or disclosed from time to time in our filings with the SEC, that could cause actual results to differ materially from those predicted by the forward-looking statements. Forward-looking statements relate to the date initially made and we undertake no obligation to update them.

Executive Summary

Kohl's is a leading omnichannel retailer operating 1,171 1,170 stores and a website (www.Kohls.com) as of July 29, 2023 October 28, 2023. Our Kohl's stores and website sell moderately-priced private and national brand apparel, footwear, accessories, beauty, and home products. Our Kohl's stores generally carry a consistent merchandise assortment with some differences attributable to local preferences and store size, as well as Sephora shops. Our website includes merchandise which is available in our stores, as well as merchandise that is available only online.

Key financial results for the quarter included:

- Net sales decreased 4.8% 5.2%, to \$3.7 billion \$3.8 billion, with comparable sales down 5.0% 5.5%.
- Gross margin as a percentage of net sales was 39.0% 38.9%, a decrease an increase of 61 158 basis points to last year.
- Selling, general & administration ("SG&A") expenses increased 1.6% 1.9%, to \$1.3 billion \$1.4 billion. As a percentage total revenue, SG&A expenses were 33.5%, an increase of 208 235 basis points to last year.
- Operating income was \$163 million \$157 million compared to \$266 million \$200 million in the prior year. As percentage of total revenue, operating income was 4.2% 3.9%, a decrease of 233 82 basis points to last year.
- Net income was \$58 million \$59 million, or \$0.52 \$0.53 per diluted share. This compares to net income of \$1 million \$97 million, or \$1.11 \$0.82 per diluted share in the prior year.
- Inventory was \$3.5 billion \$4.2 billion, a decrease of 14% 13% to last year.
- Operating cash flow was \$430 million \$151 million.

Our Strategy

Kohl's is focused on delivering long-term shareholder value through driving improved sales and profitability through four key strategies: driving top line growth, delivering a long-term operating margin of 7% to 8%, maintaining disciplined capital management, and sustaining an agile, accountable, and inclusive culture. In 2023, the Company outlined the

14

Table of Contents

following priorities to drive this strategy: enhancing the customer experience, accelerating and simplifying our value strategies, managing inventory and expenses with discipline, and strengthening the balance sheet.

14

Table of Contents

2023 Financial and Capital Allocation Outlook

For the full year 2023, the Company reaffirmed its financial outlook and currently expects the following:

- Net sales: A decrease of (2%)(2.8%) to (4%), including the impact of the 53rd week which is worth approximately 1. This compares to the Company's prior guidance of a decrease of (2%) to (4%).
- Operating margin: Approximately 4.0%, which is consistent with the Company's prior guidance.
- Diluted earnings per share: In the range of \$2.10 to \$2.30 to \$2.70, excluding any non-recurring charges. This compares to the Company's prior guidance range of \$2.10 to \$2.70.
- Capital expenditures: Towards the lower end of \$600 million to \$650 million, including expansion of its Sephora partnership and store refresh activity.

Results of Operations

Total Revenue

(Dollars in Millions)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	July 29, 2023	July 30, 2022	Change	July 29, 2023	July 30, 2022	Change	October 28, 2023	October 29, 2022	Change	October 28, 2023	October 29, 2022	Change
Net sales	\$3,678	\$3,863	(\$185)	\$7,033	\$7,334	(\$301)	\$3,843	\$4,052	(\$209)	\$10,876	\$11,386	(\$510)
Other revenue	217	224	(7)	433	468	(35)	211	225	(14)	644	693	(49)
Total revenue	\$3,895	\$4,087	(\$192)	\$7,466	\$7,802	(\$336)	\$4,054	\$4,277	(\$223)	\$11,520	\$12,079	(\$559)

Net sales decreased 4.8% 5.2% in the second third quarter of 2023 and 4.1% 4.5% year to date 2023.

- Comparable sales decreased 5.0% 5.5% in the second third quarter of 2023 and 4.7% 5.0% year to date 2023 driven by lower digital sales. Digital sales decreased 17% 16.5% in the second third quarter of 2023 and 18% year to date 2023 as customers shifted back towards stores and 2023. Digital sales were continue to be impacted by the elimination of online-only promotions as we worked to simplify our value strategies. Digital penetration represented 25% 26% of net sales in the second third quarter and 25% year to date 2023. Store sales in the second third quarter of 2023 decreased 1% and were in line with 2022 sales and store sales slightly positive year to date 2023 were positive. 2023.

- From a line of business perspective, Accessories, which includes Sephora, outperformed the Company average in the **second** **third** quarter and year to date 2023. Total beauty sales increased more than 70 percent in the **third** quarter.

Net sales includes revenue from the sale of merchandise, net of expected returns and deferrals due to future performance obligations, and shipping revenue.

Comparable sales is a measure that highlights the performance of our stores and digital channel by measuring the change in sales for a period over the comparable, prior-year period of equivalent length. Comparable sales includes all store and digital sales, except sales from stores open less than 12 months, stores that have been closed, and stores that have been relocated where square footage has changed by more than 10%. We measure the change in digital sales by including all sales initiated online or through mobile applications, including omnichannel transactions which are fulfilled through our stores.

We measure digital penetration as digital sales over net sales. These amounts do not take into consideration fulfillment node, digital returns processed in stores, and coupon behaviors.

15

[Table of Contents](#)

Comparable sales and digital penetration measures vary across the retail industry. As a result, our comparable sales calculation and digital penetration may not be consistent with the similarly-titled measures reported by other companies.

Other revenue, which is primarily our credit business, decreased **\$7 million** **\$14 million** in the **second** **third** quarter and **\$35 million** **\$49 million** year to date 2023. The decrease is driven by **normalizing** **payment trend declines and increasing** credit loss rates.

15

[Table](#) As it relates to our credit business and recent regulatory developments, the Consumer Financial Protection Bureau ("CFPB") has proposed lowering the late fees credit card companies can charge. If enacted as proposed, it would have an impact on our credit card revenues if unmitigated. We are actively pursuing various initiatives to mitigate the effects of [Contents](#)

this potential ruling including scaling our recently launched co-brand card and other various initiatives with Capital One, our credit partner. We are closely monitoring developments on the issue.

Cost of Merchandise Sold and Gross Margin

	Three Months Ended	Six Months Ended	Three Months Ended	Nine Months Ended
--	---------------------------	-------------------------	---------------------------	--------------------------

(Dollars in Millions)	July 29, 2023	July 30, 2022	Change	July 29, 2023	July 30, 2022	Change	October 28, 2023	October 29, 2022	Change	October 28, 2023	October 29, 2022	Change
Net sales	\$3,678	\$3,863	(\$185)	\$7,033	\$7,334	(\$01)	\$3,843	\$4,052	(\$209)	\$10,876	\$11,386	(\$510)
Cost of merchandise sold	2,242	2,332	(90)	4,289	4,472	(18)	2,349	2,541	(192)	6,638	7,013	(375)
Gross margin	\$1,436	\$1,531	(\$95)	\$2,744	\$2,862	(\$18)	\$1,494	\$1,511	(\$17)	\$4,238	\$4,373	(\$135)
Gross margin as a percent of net sales	39.0%	39.6%	(61) bp	39.0%	39.0%	(1) bp	38.9%	37.3%	158 bps	39.0%	38.4%	56 bps

Cost of merchandise sold includes the total cost of products sold, including product development costs, net of vendor payments other than reimbursement of specific, incremental, and identifiable costs; inventory shrink; markdowns; freight expenses associated with moving merchandise from our vendors to our distribution centers; shipping expenses for digital sales; and terms cash discount. Our cost of merchandise sold may not be comparable with that of other retailers because we include distribution center and buying costs in selling, general, and administrative (SG&A) expenses while other retailers may include these expenses in cost of merchandise sold.

Gross margin is calculated as net sales less cost of merchandise sold. For the second quarter of 2023, gross margin was 39.0% of net sales, a decrease of 61 bps to last year. The decrease was driven by higher product costs and shrink offset by lower digital-related cost of shipping and reduced freight expense. Year to date 2023, gross margin was 39.0% of net sales, an increase of 56 basis points to last year. The increase is line with both the third quarter and year to date 2022. 2023 was driven by lower freight costs, reduced digital-related cost of shipping, and the simplification of our value strategies, partially offset by higher product costs. Additionally, year to date 2023 we continue to experience higher shrink.

Selling, General, and Administrative Expense ("SG&A")

(Dollars in Millions)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	July 29, 2023	July 30, 2022	Change	July 29, 2023	July 30, 2022	Change	October 28, 2023	October 29, 2022	Change	October 28, 2023	October 29, 2022	Change

SG&A	\$1,304	\$1,283	\$21	\$2,542	\$2,576	\$(34)	\$1,360	\$1,334	\$26	\$3,902	\$3,910	\$(8)
As a percent of total revenue	33.5%	31.4%	208 bps	34.1%	33.0%	103 bps	33.5%	31.2%	235 bps	33.9%	32.4%	150 bps

SG&A includes compensation and benefit costs (including stores, corporate, buying, and distribution centers); occupancy and operating costs of our retail, distribution, and corporate facilities; freight expenses associated with moving merchandise from our distribution centers to our retail stores and among distribution and retail facilities other than expenses to fulfill digital sales; marketing expenses, offset by vendor payments for reimbursement of specific, incremental, and identifiable costs; expenses related to our credit card operations; and other administrative revenues and expenses. We do not include depreciation and amortization in SG&A. The classification of these expenses varies across the retail industry.

16

Table of Contents

Many of our expenses, including store payroll and distribution costs, are variable in nature. These costs generally increase as sales increase and decrease as sales decrease. We measure both the change in these variable expenses and the expense as a percent of revenue. If the expense as a percent of revenue decreased from the prior year, the expense "leveraged". If the expense as a percent of revenue increased over the prior year, the expense "deleveraged".

The following table summarizes the changes in SG&A by expense type:

(Dollars in Millions)	Three Months Ended	Six Months Ended
	July 29, 2023	July 29, 2023
Marketing	\$16	\$(31)
Distribution	(14)	(19)
Corporate and other	13	(5)
Store expenses	38	21
Total Increase (Decrease)	\$21	\$(34)

16

Table of Contents

(Dollars in Millions)	Three Months Ended	Nine Months Ended
	October 28, 2023	October 28, 2023
Marketing	\$(28)	\$(59)

Distribution	(12)	(31)	
Corporate and other	34	29	
Store expenses	32	53	
Total Increase (Decrease)	\$26	\$8)	

SG&A expenses increased \$21 million \$26 million, or 1.6% 1.9%, to \$1.3 billion \$1.4 billion in the second third quarter of 2023. As a percentage of revenue, SG&A deleveraged by 208 235 basis points. Year to date 2023, SG&A expenses decreased \$34 million \$8 million, or 1.3% 0.2%, to \$2.5 billion \$3.9 billion. As a percentage of revenue, SG&A deleveraged by 103 150 basis points. The During the quarter and year to date 2023 increases in store expenses was driven by continued investments in Sephora openings, increased wages, and other store-related expenses. Additionally, general corporate costs increased for both the third quarter and year to date 2023. Year to date 2023, the increase in SG&A during the quarter was primarily due to higher store expenses driven by Sephora operations, wage pressure and store experience investments. The increase corporate costs was partially offset by lower marketing and distribution costs. Year to date, the decrease in SG&A is driven by a decrease in both marketing expenses and distribution costs partially offset by an increase in store expenses driven by wage inflation. The decrease in marketing expenses was driven by lower investments across all channels. The decrease in distribution costs was driven by lower receipts, sales declines, as well as increased productivity. Lastly, corporate costs increased in the second quarter primarily driven by higher general corporate costs and decreased year to date 2023 due to \$26 million of expenses related to the proxy contest and sale process incurred that occurred in the prior first half of last year. Partially offsetting these SG&A increases were lower marketing and distribution costs. For both the third quarter and year to date 2023, marketing investments were down across all channels and distribution costs decreased due to lower receipts, sales declines, and increased productivity.

Other Expenses

(Dollars in Millions)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	July 29, 2023	July 30, 2022	Change	July 29, 2023	July 30, 2022	Change	October 28, 2023	October 29, 2022	Change	October 28, 2023	October 29, 2022	Change
Depreciation and amortization	\$186	\$206	(\$20)	\$374	\$406	(\$32)	\$188	\$202	(\$14)	\$562	\$608	(\$46)
Interest expense, net	89	77	12	173	145	28	89	81	8	262	226	36

The decrease in depreciation and amortization in the first half of third quarter and year to date 2023 was primarily driven by reduced capital spending in technology.

Net interest expense increased in the first half of third quarter and year to date 2023 due to borrowing under the revolving credit facility and Sephora related lease amendments.

Income Taxes

(Dollars in Millions)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	July 29, 2023	July 30, 2022	Change	July 29, 2023	July 30, 2022	Change	October 28, 2023	October 29, 2022	Change	October 28, 2023	October 29, 2022	Change
Provision for income taxes	\$16	\$46	\$(30)	\$16	\$46	\$(30)	\$9	\$22	\$(13)	\$25	\$68	\$(43)
Effective tax rate	21.7%	24.6%		18.8%	22.8%		13.3%	18.3%		16.4%	21.1%	

The third quarter and year to date rates include reflect the recognition of favorable discrete tax items in the first half of both years, 2023 and 2022. Due to lower pre-tax income in 2023, the favorable discrete items will have greater impact in 2023.

17

Table of Contents

Seasonality and Inflation

Our business, like that of other retailers, is subject to seasonal influences. Sales and income are typically higher during the back-to-school and holiday seasons. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

We expect that our operations will continue to be influenced by general economic conditions, including food, fuel and energy prices, employment rates, wage inflation, and costs to source our merchandise, including tariffs. There can be no assurances that such factors will not impact our business in the future.

Liquidity and Capital Resources

Capital Allocation

Our capital allocation strategy is to invest to maximize our overall long-term return and maintain a strong balance sheet, with a long-term objective of achieving an investment grade rating. We follow a disciplined approach to capital allocation based on the following priorities: first we invest in our business to drive long-term profitable growth; second

17

Table of Contents

we pay a quarterly dividend; and third we return excess cash to shareholders through our share repurchase program. In addition, when appropriate, we will complete debt reduction transactions.

We will continue to invest in the business, as we plan to invest towards the lower end of \$600 to \$650 million in 2023, including the expansion of the Sephora shops and store refresh activity. We remain committed to the dividend, and on August 8, 2023 November 7, 2023, our Board of Directors declared a quarterly cash dividend of \$0.50 per share. The dividend will be paid on September 20, 2023 December 20, 2023 to all shareholders of record at the close of business on September 6, 2023 December 6, 2023. Last, we retired \$164 million of notes due in February 2023, and plan on retiring \$111 million of notes due December 2023 when they mature. We are not planning any share repurchases until our balance sheet is strengthened on a path towards the long term target leverage ratio of 2.5 times adjusted earnings before interest, taxes, depreciation, amortization, and rent ("EBITDAR") (utilizing an eight times cash rent calculation for lease obligations).

Our period-end cash and cash equivalents balance decreased to \$204 million \$190 million from \$222 million \$194 million in the second third quarter of 2022. Our cash and cash equivalents balance includes short-term investments of \$8 million \$11 million and \$11 million \$8 million as of July 29, 2023 October 28, 2023, and July 30, 2022 October 29, 2022, respectively. Our investment policy is designed to preserve principal and liquidity of our short-term investments. This policy allows investments in large money market funds or in highly rated direct short-term instruments. We also place dollar limits on our investments in individual funds or instruments.

The following table presents our primary uses and sources of cash:

Cash Uses	Cash Sources
<ul style="list-style-type: none">• Operational needs, including salaries, rent, taxes, and other operating costs• Inventory• Capital expenditures• Dividend payments• Debt reduction• Share repurchases	<ul style="list-style-type: none">• Cash flow from operations• Line of credit under our revolving credit facility• Issuance of debt

	Six Months Ended
--	------------------

(Dollars in Millions)	July 29, 2023	July 30, 2022	Change	
Net cash provided by (used in):				
Operating activities	\$228	\$(546)	\$774	
Investing activities	(335)	(544)	209	
Financing activities	158	(275)	433	

18

[Table of Contents](#)

(Dollars in Millions)	Nine Months Ended		
	October 28, 2023	October 29, 2022	Change
Net cash provided by (used in):			
Operating activities	\$379	\$(425)	\$804
Investing activities	(491)	(702)	211
Financing activities	149	(266)	415

Operating Activities

Our operating cash outflows generally consist of payments to our employees for wages, salaries and other employee benefits, payments to our merchandise vendors for inventory (net of vendor allowances), payments to our shipping carriers, and payments to our landlords for rent. Operating cash outflows also include payments for income taxes and interest payments on our debt borrowings.

Operating activities generated **\$228 million** **\$379 million** of cash **in the first half of year to date 2023** compared to **\$546 million** **\$425 million** of cash **used in the first half of year to date 2022**. Operating cash flow increased year over year due to strong inventory management in 2023.

18

[Table of Contents](#)

Investing Activities

Our investing cash outflows include payments for capital expenditures, including investments in new and existing stores, improvements to supply chain, and technology costs. Our investing cash inflows are generally from proceeds from sales of property and equipment.

Investing activities used **\$335 million** **\$491 million** of cash **in the first half of year to date 2023** and **\$544 million** of cash **in the first half of \$702 million year to date 2022**. The decrease was primarily driven by fewer rollouts of Sephora shop build-outs and store refreshes undertaken **in the first half of year to date 2023**, consistent with our capital expenditure plans for fiscal 2023.

During the second quarter of Year to date 2023, we opened 194 full size Sephora shops and now have a total of 801 full size 2,500 square foot shops and 541 small format 750 square foot Sephora shops open. We are planning on opening additional full size and small format shops in 2023 so that by shops. At the end of 2023 the quarter, we will have had a Sephora presence in over 900 of our stores, including 860 full size 2,500 square foot shops and 5046 small format Sephora shops.

Financing Activities

Our financing strategy is to ensure adequate liquidity and access to capital markets. We also strive to maintain a balanced portfolio of debt maturities, while minimizing our borrowing costs. Our ability to access the public debt market has provided us with adequate sources of liquidity. Our continued access to these markets depends on multiple factors, including the condition of debt capital markets, our operating performance, and maintaining strong credit ratings.

During the first quarter of 2023, S&P downgraded our senior unsecured credit rating from BB+ to BB and Moody's downgraded our rating from Ba2 to Ba3 while both also revised their outlook to negative. While Fitch reaffirmed our credit rating, they also revised their outlook to negative.

As of July 29, 2023 October 28, 2023, our senior unsecured credit ratings and outlook were as follows:

	Moody's	S&P	Fitch
Long-term debt	Ba3	BB	BBB-
Outlook	Negative	Negative	Negative

19

Table of Contents

As a result of the downgrades, the interest rate on our 3.375% notes due May 2031 and 9.50% notes due May 2025 increased another 50 bps basis points in May 2023 due to the coupon adjustment provisions within these notes. In 2022, our credit rating was also downgraded which resulted in the interest rates increasing 75 bps basis points, of which 25 bps basis points was effective in 2022 and the remaining 50 bps basis points became effective in May 2023. In total, the interest rate of both these notes have increased 125 bps basis points since their issuance. If our credit ratings are lowered further, our ability to access the public debt markets, our cost of funds, and other terms for new debt issuances could be adversely impacted. Each of the credit rating agencies reviews its rating periodically and there is no guarantee our current credit ratings will remain the same.

The majority of our financing activities generally include proceeds and/or repayments of long-term debt, dividend payments, and repurchases of common stock. Financing cash outflows also include payments to our landlords for leases classified as financing leases and financing obligations.

Financing activities generated \$158 million \$149 million of cash in the first half of year to date 2023 and used \$275 million \$266 million of cash in the first half of year to date 2022.

During the first half of 2023, we drew \$475 million on our credit facility. As of July 29, 2023, outstanding borrowings under the revolving credit facility were \$560 million and were recorded as short-term debt. As of July 30, 2022, outstanding borrowings under our previous credit agreement were \$79 million.

19

[Table of Contents](#)

In February 2023, \$164 million in aggregate principal amount of our 3.25% notes matured and was repaid.

There was no cash used for treasury stock purchases in the first half of year to date 2023 compared to \$158 million used in the first half of year to date 2022. Share repurchases are discretionary in nature. The timing and amount of repurchases are based upon available cash balances, our stock price, and other factors. As previously noted, we are not planning any share repurchases until our balance sheet is strengthened on a path towards the long term target leverage ratio of 2.5 times adjusted EBITDAR (utilizing an eight times cash rent calculation for lease obligations).

Cash dividend payments were \$110 million \$165 million (\$1.00 per share) in the first half of year to date 2023 compared to \$127 million \$184 million (\$1.00 per share) in the first half of year to date 2022.

Key Financial Ratios

Key financial ratios that provide certain measures of our liquidity are as follows:

(Dollars in Millions)	July 29, 2023	July 30, 2022	October 28, 2023	October 29, 2022
Working capital	\$504	\$1,260	\$564	\$948
Current ratio	1.15	1.37	1.14	1.21

Our working capital and inventory levels typically build throughout the fall, peaking during the November and December holiday selling season.

The decrease in our working capital and current ratio is primarily due to a decrease in inventory and an increase in borrowings under the revolver.

Debt Covenant Compliance

Our senior secured, asset based revolving credit facility contains customary events of default and financial, affirmative and negative covenants, including but not limited to, a springing financial covenant relating to our fixed charge coverage ratio and restrictions on indebtedness, liens, investments, asset dispositions, and restricted payments. As of July 29, 2023, we were in compliance with all covenants and expect to remain in compliance during the remainder of 2023.

20

[Table of Contents](#)

Contractual Obligations

There have been no significant changes in the contractual obligations disclosed in our 2022 Form 10-K other than borrowings under our revolving credit facility, which have been disclosed in Note 3 of the Consolidated Financial Statements and discussed under "Liquidity and Capital Resources - Financing Activities."

Off-Balance Sheet Arrangements

We have not provided any financial guarantees arising from arrangements with unconsolidated entities or persons as of **July 29, 2023** **October 28, 2023**.

We have not created, and are not a party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt, or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our financial condition, liquidity, results of operations, or capital resources.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts. Management has discussed the development, selection, and disclosure of its estimates

20

[Table of Contents](#)

and assumptions with the Audit Committee of our Board of Directors. There have been no significant changes in the critical accounting policies and estimates discussed in our 2022 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in the market risks described in our 2022 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the "Evaluation") at a reasonable assurance level as of the last day of the period covered by this report.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. Disclosure controls and procedures are defined by Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange

Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions, regardless of how remote.

21

[Table of Contents](#)

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended July 29, 2023 October 28, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

21 22

[Table of Contents](#)

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 6, Contingencies, of the notes to our Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q, which is incorporated by reference in response to this item.

Item 1A. Risk Factors

There have been no significant changes in the Risk Factors described in our 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In February 2022, our Board of Directors increased the remaining share repurchase authorization under our existing share repurchase program to \$3.0 billion. Purchases under the repurchase program may be made in the open market, through block trades, and other negotiated transactions. We expect to execute the share repurchase program primarily

in open market transactions, subject to market conditions. There is no fixed termination date for the repurchase program, and the program may be suspended, discontinued, or accelerated at any time.

The following table contains information for shares of common stock repurchased and shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees' stock-based compensation during the three fiscal months ended **July 29, 2023** **October 28, 2023**:

(Dollars in Millions, Except per Share Data)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 30 - May 27, 2023	9,604	\$19.89	—	\$2,476
May 28 - July 1, 2023	13,669	\$20.07	—	\$2,476
July 2 - July 29, 2023	5,827	\$24.74	—	\$2,476
Total	29,100	\$20.95	—	\$2,476

(Dollars in Millions, Except per Share Data)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 30 - August 26, 2023	6,400	\$27.79	—	\$2,476
August 27 - September 30, 2023	12,530	\$23.45	—	\$2,476
October 1 - October 28, 2023	4,095	\$17.80	—	\$2,476
Total	23,025	\$23.65	—	\$2,476

Item 5. Other Information

During Except as noted below, during the three months ended **July 29, 2023** **October 28, 2023**, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

On September 11, 2023, Jill Timm, the Company's Chief Financial Officer, adopted a Rule 10b5-1 Trading Plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Securities Exchange Act as amended (the "Plan") relating to the sale of up to 45,000 shares of the Company's common stock. Sales under the Plan may commence on or after December 11, 2023. The Plan will expire on September 3, 2025.

22 23

[Table of Contents](#)

Item 6. Exhibits

Exhibit	Description
10.1	Restricted Stock Unit Agreement by and between Christie Raymond and Kohl's Corporation dated as of June 15, 2023, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 20, 2023
10.2	Restricted Stock Unit Agreement by and between Siobhán Mc Feeney and Kohl's Corporation dated as of June 15, 2023, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 20, 2023
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101)

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kohl's Corporation
(Registrant)

Date: **August 31, 2023** **November 30, 2023**

/s/ Jill Timm

Jill Timm

On behalf of the Registrant and as Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas A. Kingsbury, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kohl's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of,

and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **August 31, 2023** **November 30, 2023**

/s/ Thomas A. Kingsbury

Thomas A. Kingsbury

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jill Timm, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kohl's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **August 31, 2023** **November 30, 2023**

/s/ Jill Timm

Jill Timm

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PERIODIC REPORT
BY CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas A. Kingsbury, Chief Executive Officer of Kohl's Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the undersigned's knowledge, on the date of this Certification:

1. This Quarterly Report on Form 10-Q of the Company for the quarterly period ended **July 29, 2023** **October 28, 2023** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. That the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **August 31, 2023** **November 30, 2023**

/s/ Thomas A. Kingsbury

Thomas A. Kingsbury

Chief Executive Officer

(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF PERIODIC REPORT
BY CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jill Timm, Chief Financial Officer of Kohl's Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the undersigned's knowledge, on the date of this Certification:

1. This Quarterly Report on Form 10-Q of the Company for the quarterly period ended **July 29, 2023** **October 28, 2023** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

2. That the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **August 31, 2023** **November 30, 2023**

/s/ Jill Timm

Jill Timm

Chief Financial Officer

(Principal Financial Officer)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All rights reserved. Patents Pending.