

Kohl's

# New initiatives working but we expect continued challenges in the core

Reiterate Rating: UNDERPERFORM | PO: 22.00 USD | Price: 25.36 USD

## Comp guidance looks optimistic

We reiterate our Underperform given the lack of certainty on rebuilding sales amidst intensifying competition and credit pressures. 4Q EPS of \$1.67 beat our est of \$1.08 on better comps and GM; comps declined 4.3% (vs our est -5%). November comps were the weakest (due partly to warmer weather), December comps were flat, and January was negative as Kohl's(KSS) lapped elevated clearance. Mgmt introduced F24 guidance for sales down 1% to up 1%, comps 0-2%, op margin 3.6-4.1% (-25bp yy at midpoint), and EPS of \$2.10-2.70. 1Q comps are expected to be at the low end of the FY guide, but we are less optimistic on the acceleration and model 1Q comp -2%. We are lowering our F24/F25 EPS ests by 5%/11% to \$1.93/\$1.97 and we maintain our PO of \$22, 4x EV/EBITDA 2025 (vs 3x 2024 prior) to reflect peer multiple expansion.

## We see risk to the credit line; model F24 -16%

Other revenues (mostly credit) declined 17% vs 2019 in 4Q (up 1% yy but includes 53rd wk). Mgmt expects Other revenue to be down mid-teens in F24 (-MSD in 1H), contemplative of rising delinquencies and potential impacts from the recent CFPB late fee ruling in 2H. The co-brand card is expected to generate \$250-300mn in annual credit revenue, serving as a key offset to the regulatory change in 2025. KSS has 700k cardholders and mgmt expects to get to 5mn in F24.

## Sephora momentum continues; other initiatives underway

Sephora generated over \$1.4bn in sales during F23 (8% of sales) and comps for the 2021/2022 shops were over 25%. There are now 910 Sephora shops (860 large, 50 small format), and the company plans to open an additional 140 small format in 2024, with a rollout to the rest of the chain in 2025. The company secured an exclusive license agreement with Babies R US and will open 200 shops in Fall of 2024 (roughly 1500 sqft); we think this initiative, along with continued enhancements in gifting, impulse, and home will support growth, but we expect the core businesses will continue to be a drag.

## GM benefits offset by SG&A deleverage

Mgmt guides F24 GM +40-50bp on continued inventory management, lower freight, and simplified value strategies, and expects to stay above 37% moving forward (ended F23 at 36.7%). Inventory was down 10% and mgmt expects levels -MSD for F24. We model SG&A dollars -1% (fewer Sephora openings) but 40bp of deleverage on a -1% comp.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	(0.16)	2.85	1.93	1.97	2.07
EPS Change (YoY)	NM	NM	-32.3%	2.1%	5.1%
Consensus EPS (Bloomberg)			2.67	3.13	NA
DPS	1.97	1.98	1.00	1.00	1.00
<b>Valuation (Jan)</b>					
P/E	NM	8.9x	13.1x	12.9x	12.3x
Dividend Yield	7.8%	7.8%	3.9%	3.9%	3.9%
EV / EBITDA*	4.5x	3.2x	3.5x	3.6x	3.6x
Free Cash Flow Yield*	-16.6%	18.1%	15.2%	15.0%	14.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

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Timestamp: 13 March 2024 12:01AM EDT

13 March 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2025E Rev (m)	16,052.3	16,284.4
2026E Rev (m)	15,756.6	15,984.5
2027E Rev (m)	NA	15,690.1
2025E EPS	2.03	1.93
2026E EPS	2.22	1.97
2027E EPS	NA	2.07

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### Stock Data

Price	25.36 USD
Price Objective	22.00 USD
Date Established	26-Sep-2023
Investment Opinion	C-3-8
52-Week Range	17.68 USD - 29.65 USD
Mrkt Val (mn) / Shares Out	3,271 USD / 129.0 (mn)
Free Float	97.5%
Average Daily Value (mn)	128.90 USD
BofA Ticker / Exchange	KSS / NYS
Bloomberg / Reuters	KSS US / KSS.N
ROE (2025E)	5.4%
Net Dbt to Eqty (Jan-2024A)	39.7%
ESGMeter <sup>TM</sup>	High

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".**

GM: gross margin

MSD: mid single digit

# iQprofile<sup>SM</sup> Kohl's

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	1.0%	5.2%	3.8%	3.7%	3.7%
Return on Equity	-0.5%	8.3%	5.4%	5.3%	5.4%
Operating Margin	1.4%	4.3%	3.7%	3.7%	3.7%
Free Cash Flow	(544)	591	498	492	479

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	NM	3.7x	4.5x	4.4x	4.1x
Asset Replacement Ratio	1.0x	0.8x	0.6x	0.6x	0.7x
Tax Rate	67.2%	15.0%	23.0%	23.0%	23.0%
Net Debt-to-Equity Ratio	49.0%	39.7%	28.6%	18.5%	9.4%
Interest Cover	0.8x	2.1x	1.9x	2.0x	2.1x

## Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	17,161	16,586	16,284	15,985	15,690
% Change	-7.1%	-3.4%	-1.8%	-1.8%	-1.8%
Gross Profit	5,704	6,088	6,052	5,940	5,831
% Change	-18.9%	6.7%	-0.6%	-1.8%	-1.8%
EBITDA	1,054	1,466	1,364	1,324	1,296
% Change	-58.1%	39.1%	-7.0%	-3.0%	-2.1%
Net Interest & Other Income	(304)	(344)	(320)	(301)	(284)
<b>Net Income (Adjusted)</b>	<b>(19)</b>	<b>317</b>	<b>215</b>	<b>220</b>	<b>231</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>-32.2%</b>	<b>2.3%</b>	<b>5.1%</b>

## Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	(19)	317	215	220	231
Depreciation & Amortization	808	749	765	737	712
Change in Working Capital	(589)	(30)	(65)	(48)	NA
Deferred Taxation Charge	(84)	(8)	0	0	NA
Other Adjustments, Net	166	140	60	60	13
Capital Expenditure	(826)	(577)	(477)	(477)	(477)
<b>Free Cash Flow</b>	<b>-544</b>	<b>591</b>	<b>498</b>	<b>492</b>	<b>479</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>-15.7%</b>	<b>-1.2%</b>	<b>-2.7%</b>
Share / Issue Repurchase	(658)	0	0	0	0
Cost of Dividends Paid	(239)	(220)	(112)	(112)	(112)
Change in Debt	85	(268)	533	(591)	0

## Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	153	183	1,102	892	1,260
Trade Receivables	0	0	0	0	0
Other Current Assets	5,887	5,726	5,732	5,738	5,744
Property, Plant & Equipment	7,926	7,720	7,432	7,172	6,937
Other Non-Current Assets	379	380	380	380	380
<b>Total Assets</b>	<b>14,345</b>	<b>14,009</b>	<b>14,647</b>	<b>14,182</b>	<b>14,321</b>
Short-Term Debt	360	92	625	500	500
Other Current Liabilities	2,550	2,335	2,276	2,234	2,193
Long-Term Debt	1,637	1,638	1,638	1,172	1,172
Other Non-Current Liabilities	466	405	405	405	405
<b>Total Liabilities</b>	<b>10,582</b>	<b>10,116</b>	<b>10,590</b>	<b>9,957</b>	<b>9,916</b>
<b>Total Equity</b>	<b>3,763</b>	<b>3,893</b>	<b>4,056</b>	<b>4,225</b>	<b>4,405</b>
<b>Total Equity &amp; Liabilities</b>	<b>14,345</b>	<b>14,009</b>	<b>14,647</b>	<b>14,182</b>	<b>14,321</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Retailing-Broadline/Department Stores

## Company Description

Kohl's Corp. operates family-oriented department stores offering moderately priced apparel, footwear, accessories, and home goods. The company is based in Wisconsin, and its stores are heavily concentrated in the Midwest and East.

## Investment Rationale

Our rating on Kohl's is Underperform. We remain cautious on margin sustainability and disappointed with market share losses, and expect macro pressure to weigh on consumer demand.

## Stock Data

Average Daily Volume 5,082,685

## Quarterly Earnings Estimates

	2024	2025
Q1	0.13A	-0.16E
Q2	0.52A	0.56E
Q3	0.53A	0.41E
Q4	1.67A	1.11E

**Exhibit 1: KSS Income Statement**

4Q EPS of \$1.67 beat our est of \$1.08 on better comps and GM.

Kohl's	1Q23	2Q23	3Q23	4Q23	FY 2023	1Q24	2Q24	3Q24	4Q24	FY 2024E	1Q25	2Q25	3Q25	4Q25	FY 2025E	1Q26	2Q26	3Q26	4Q26	FY 2026E
Income Statement	Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan	
Net Sales	\$3,355.0	\$3,678.0	\$3,843.0	\$5,710.0	<b>\$16,586.0</b>	\$3,291.1	\$3,607.9	\$3,846.7	\$5,538.7	<b>\$16,284.4</b>	\$3,230.5	\$3,541.5	\$3,775.8	\$5,436.7	<b>\$15,984.5</b>	\$3,171.0	\$3,476.3	\$3,706.3	\$5,336.6	<b>\$15,690.1</b>
Credit revenue	216.0	217.0	211.0	246.0	<b>\$890.0</b>	205.2	206.2	160.4	179.6	<b>\$751.3</b>	184.7	195.8	208.5	233.5	<b>\$822.4</b>	203.1	215.4	229.3	256.8	<b>\$904.7</b>
COGS	<u>2,047.0</u>	<u>2,242.0</u>	<u>2,349.0</u>	<u>3,860.0</u>	<b>10,498.0</b>	<u>1,991.6</u>	<u>2,181.3</u>	<u>2,343.5</u>	<u>3,716.5</u>	<b>10,232.9</b>	<u>1,954.9</u>	<u>2,141.1</u>	<u>2,300.4</u>	<u>3,648.1</u>	<b>10,044.4</b>	<u>1,918.9</u>	<u>2,101.7</u>	<u>2,258.0</u>	<u>3,580.9</u>	<b>9,859.4</b>
Gross Profit	1,308.0	1,436.0	1,494.0	1,850.0	<b>6,088.0</b>	1,299.5	1,426.7	1,503.1	1,822.2	<b>6,051.5</b>	1,275.6	1,400.4	1,475.4	1,788.6	<b>5,940.1</b>	1,252.1	1,374.6	1,448.3	1,755.7	<b>5,830.7</b>
SG&A (including pre-opening expense)	1,238.0	1,304.0	1,360.0	1,610.0	<b>5,512.0</b>	1,250.4	1,277.9	1,332.8	1,577.8	<b>5,438.9</b>	1,250.4	1,277.9	1,332.8	1,577.8	<b>5,438.9</b>	1,250.4	1,277.9	1,332.8	1,577.8	<b>5,438.9</b>
Depreciation & Amortization	188.0	186.0	188.0	187.0	<b>749.0</b>	194.7	193.1	190.5	186.8	<b>765.1</b>	187.4	185.9	183.6	180.2	<b>737.2</b>	180.9	179.5	177.4	174.2	<b>712.0</b>
Operating Income	98.0	163.0	157.0	299.0	<b>717.0</b>	59.7	161.9	140.2	237.1	<b>598.9</b>	22.5	132.4	167.5	264.1	<b>586.5</b>	24.0	132.6	167.4	260.5	<b>584.5</b>
Interest Expense/(Income)	<u>84.0</u>	<u>89.0</u>	<u>89.0</u>	<u>82.0</u>	<b>344.0</b>	<u>82.3</u>	<u>80.3</u>	<u>80.6</u>	<u>76.6</u>	<b>319.6</b>	<u>79.8</u>	<u>75.3</u>	<u>75.7</u>	<u>69.8</u>	<b>300.7</b>	<u>73.6</u>	<u>71.6</u>	<u>71.6</u>	<u>67.6</u>	<b>284.2</b>
Pretax Income	14.0	74.0	68.0	217.0	<b>373.0</b>	(22.6)	81.6	59.6	160.6	<b>279.3</b>	(57.3)	57.1	91.8	194.2	<b>285.8</b>	(49.5)	61.1	95.8	192.9	<b>300.2</b>
Taxes	0.0	16.0	9.0	31.0	<b>56.0</b>	(5.2)	18.8	13.7	36.9	<b>64.2</b>	(13.2)	13.1	21.1	44.7	<b>65.7</b>	(11.4)	14.0	22.0	44.4	<b>69.1</b>
Tax Rate	0.0%	21.6%	13.2%	14.3%	<b>15.0%</b>	23.0%	23.0%	23.0%	23.0%	<b>23.0%</b>	23.0%	23.0%	23.0%	23.0%	<b>23.0%</b>	23.0%	23.0%	23.0%	23.0%	<b>23.0%</b>
Net Income	\$14.0	\$58.0	\$59.0	\$186.0	<b>\$317.0</b>	(\$17.4)	\$62.8	\$45.9	\$123.7	<b>\$215.0</b>	(\$44.1)	\$44.0	\$70.7	\$149.6	<b>\$220.1</b>	(\$38.1)	\$47.0	\$73.8	\$148.5	<b>\$231.2</b>
Earnings per Share	<b>\$0.13</b>	<b>\$0.52</b>	<b>\$0.53</b>	<b>\$1.67</b>	<b>\$2.85</b>	<b>(\$0.16)</b>	<b>\$0.56</b>	<b>\$0.41</b>	<b>\$1.11</b>	<b>\$1.93</b>	<b>(\$0.39)</b>	<b>\$0.39</b>	<b>\$0.63</b>	<b>\$1.34</b>	<b>\$1.97</b>	<b>(\$0.34)</b>	<b>\$0.42</b>	<b>\$0.66</b>	<b>\$1.33</b>	<b>\$2.07</b>
Diluted Shares Outs.	111.0	111.0	111.0	111.4	<b>111.1</b>	112.0	111.4	111.4	111.4	<b>111.5</b>	112.0	111.4	111.4	111.4	<b>111.5</b>	112.0	111.4	111.4	111.4	<b>111.5</b>
Margins:																				
Gross margin	39.0%	39.0%	38.9%	32.4%	<b>36.7%</b>	39.5%	39.5%	39.1%	32.9%	<b>37.2%</b>	39.5%	39.5%	39.1%	32.9%	<b>37.2%</b>	39.5%	39.5%	39.1%	32.9%	<b>37.2%</b>
SG&A expense	34.7%	33.5%	33.5%	27.0%	<b>31.5%</b>	35.8%	33.5%	33.3%	27.6%	<b>31.9%</b>	36.6%	34.2%	33.5%	27.8%	<b>32.4%</b>	37.1%	34.6%	33.9%	28.2%	<b>32.8%</b>
Depreciation	5.6%	5.1%	4.9%	3.3%	<b>4.5%</b>	5.9%	5.4%	5.0%	3.4%	<b>4.7%</b>	5.8%	5.3%	4.9%	3.3%	<b>4.6%</b>	5.7%	5.2%	4.8%	3.3%	<b>4.5%</b>
Operating income	2.9%	4.4%	4.1%	5.2%	<b>4.3%</b>	1.8%	4.5%	3.6%	4.3%	<b>3.7%</b>	0.7%	3.7%	4.4%	4.9%	<b>3.7%</b>	0.8%	3.8%	4.5%	4.9%	<b>3.7%</b>
KSS calc OI	2.7%	4.2%	3.9%	5.0%	<b>4.1%</b>	1.7%	4.2%	3.5%	4.1%	<b>3.5%</b>	0.7%	3.5%	4.2%	4.7%	<b>3.5%</b>	0.7%	3.6%	4.3%	4.7%	<b>3.5%</b>
Y/Y Growth:										<b>3.85%</b>										
EPS Growth	<b>16.2%</b>	<b>-52.8%</b>	<b>-34.8%</b>	<b>167.3%</b>	<b>1924.7%</b>	<b>223.1%</b>	<b>8.0%</b>	<b>-22.4%</b>	<b>-33.5%</b>	<b>-32.4%</b>	<b>153.7%</b>	<b>-30.0%</b>	<b>53.9%</b>	<b>20.9%</b>	<b>2.3%</b>	<b>-13.5%</b>	<b>7.0%</b>	<b>4.4%</b>	<b>-0.7%</b>	<b>5.1%</b>
BP Gross Margin	64	(59)	159	935	<b>347</b>	50	50	20	50	<b>46</b>	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>
BP GM vs 2019	219	21	255	(29)	<b>99</b>	269	71	275	21	<b>145</b>										
SG&A dollar growth	-4.3%	1.6%	1.9%	-4.0%	<b>-1.3%</b>	1.0%	-2.0%	-2.0%	-2.0%	<b>-1.3%</b>	0.0%	0.0%	0.0%	0.0%	<b>0.0%</b>	0.0%	0.0%	0.0%	0.0%	<b>0.0%</b>
BP SG&A Margin	(14)	209	236	(83)	<b>67</b>	109	3	(29)	56	<b>39</b>	85	69	19	23	<b>43</b>	45	42	41	38	<b>41</b>
BP SG&A Margin vs. 2019	347	483	287	153	<b>298</b>															
BP D&A	(16)	(28)	(9)	(19)	<b>(19)</b>	31	29	6	10	<b>18</b>	(11)	(10)	(9)	(6)	<b>(9)</b>	(10)	(9)	(8)	(5)	<b>(7)</b>
BP Operating Margin	56	(245)	(85)	1047	<b>289</b>	(111)	5	(44)	(95)	<b>(65)</b>	(112)	(75)	79	58	<b>(1)</b>	6	8	8	2	<b>6</b>

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Kohl's (KSS)

Our \$22 PO is based on 4x F25 EV/EBITDA estimate (in-line with peers), which we think is a reasonable valuation for a secularly challenged retailer.

Upside risks to our PO: Kohl's can better control its inventory and avoid elevated markdowns, continues its dividend at the same level, and sees a strong contribution from the Sephora partnership.

Downside risks to our PO are a drop-off in consumer spending, further cost pressures, a failure to generate incremental sales from key traffic-driving initiatives, credit income dropping more significantly

## Analyst Certification

I, Lorraine Hutchinson, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Amer Sports Inc	AS	AS US	Lorraine Hutchinson, CFA
	Bath & Body Works Inc	BBWI	BBWI US	Lorraine Hutchinson, CFA
	Burlington Stores	BURL	BURL US	Lorraine Hutchinson, CFA
	Crocs, Inc.	CROX	CROX US	Christopher Nardone
	Deckers Outdoor Corp	DECK	DECK US	Christopher Nardone
	European Wax Center	EW CZ	EW CZ US	Lorraine Hutchinson, CFA
	lululemon athletica Inc	LULU	LULU US	Lorraine Hutchinson, CFA
	Oddity Tech	ODD	ODD US	Lorraine Hutchinson, CFA
	PVH Corp	PVH	PVH US	Christopher Nardone
	Ralph Lauren	RL	RL US	Christopher Nardone
	Ross Stores Inc	ROST	ROST US	Lorraine Hutchinson, CFA
	Tapestry Inc.	TPR	TPR US	Lorraine Hutchinson, CFA
	TJX Companies	TJX	TJX US	Lorraine Hutchinson, CFA
	Urban Outfitters	URBN	URBN US	Lorraine Hutchinson, CFA
<b>NEUTRAL</b>				
	American Eagle	AEO	AEO US	Christopher Nardone
	Birkenstock	BIRK	BIRK US	Lorraine Hutchinson, CFA
	FIGS, Inc.	FIGS	FIGS US	Alice Xiao
	Foot Locker	FL	FL US	Lorraine Hutchinson, CFA
	Levi Strauss & Co.	LEVI	LEVI US	Christopher Nardone
	Nike	NKE	NKE US	Lorraine Hutchinson, CFA
	Signet Jewelers	SIG	SIG US	Lorraine Hutchinson, CFA
	Skechers USA Inc	SKX	SKX US	Christopher Nardone
	Ulta Beauty	ULTA	ULTA US	Lorraine Hutchinson, CFA
	Under Armour Inc	UAA	UAA US	Lorraine Hutchinson, CFA
<b>UNDERPERFORM</b>				
	Aritzia	YATZ	ATZ CN	Alice Xiao
	Aritzia	ATZAF	ATZAF US	Alice Xiao
	Carter's Inc	CRI	CRI US	Christopher Nardone
	Gap Inc.	GPS	GPS US	Lorraine Hutchinson, CFA
	Kohl's	KSS	KSS US	Lorraine Hutchinson, CFA
	Nordstrom	JWN	JWN US	Lorraine Hutchinson, CFA
	Revolve	RVLV	RVLV US	Alice Xiao
	V F Corp	VFC	VFC US	Lorraine Hutchinson, CFA
	Victoria's Secret & Co	VSCO	VSCO US	Alice Xiao

## US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>RSTR</b>	Macy's	M	M US	Lorraine Hutchinson, CFA

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$   
Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$   
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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Kohl's (KSS) Price Chart



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Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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