Kohl's Corporation (Ticker: NYSE: KSS)

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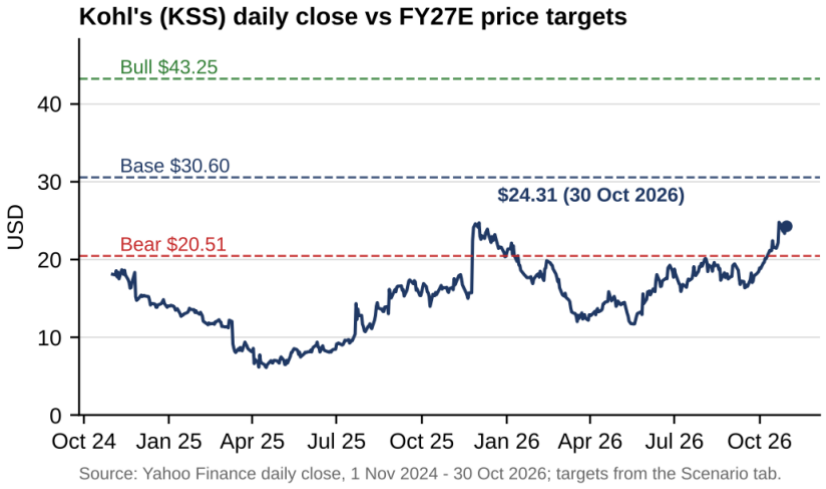
Recommendation: **Buy**

Base-case price target **$30.60** (+26%) by FY2027 year-end; price $24.31 at the 30 Oct 2026 close

Scenarios

FY2027E	Bear	Base	Bull
Price target	**$20.51**	**$30.60**	**$43.25**
vs $24.31	-16%	+26%	+78%
Net sales growth	-3.0%	-0.5%	+1.5%
Gross margin	37.0%	37.5%	38.0%
Adj. EBITDA ($m)	978	1,168	1,406
EV / EBITDA	4.9x	4.9x	4.9x
Net debt ($m)	2,549	2,416	2,440

Same 4.9x multiple in all cases (Kohl's current EV/EBITDA); cases differ on operations only.



Source: Yahoo Finance daily close, 1 Nov 2024 - 30 Oct 2026; targets from the Scenario tab.

Executive Summary

We rate Kohl's a **Buy** with a base-case price target of $30.60 by fiscal year-end 2027 (January 2028), +26% above the 30 October 2026 close of $24.31. Our DCF gives a similar $32.17 (+32%), for a blended value of $31.38 (+29%).

Kohl's is a shrinking department store, and our model assumes it keeps shrinking slowly: net sales fall 1.0% in FY2026 and 0.5% in FY2027 before flattening out. The case does not need a turnaround. At 4.9x EV/EBITDA and about 10x FY2025 earnings, the stock already prices in decline, while the business still produces roughly $510m of free cash flow a year (about 19% of its market value). That cash is paying down debt and has restarted buybacks.

Our bear case ($20.51, -16%) has sales falling 3% and gross margin slipping 50bp; the bull case ($43.25, +78%) has 1.5% growth and tighter costs. All three use today's multiple, so upside to the base case is 1.7x the downside to the bear case. The main risks are a faster sales decline, tariffs and holiday promotions eating into margin, and a heavy debt load.

Business Overview

Kohl's (Menomonee Falls, Wisconsin) sells moderately priced apparel, footwear, accessories, beauty and home products through 1,153 stores in 49 states (81 million selling square feet) and Kohls.com. It reports as a single segment and employs about 84,000 associates.

- **Where it sells.** The fleet is mostly off-mall: 936 stores are in strip centers, 159 are freestanding and only 58 are in malls. Kohl's owns 402 stores, leases 509 and ground-leases 242. Digital sales were 29% of net sales in FY2025, fulfilled from four e-commerce centers and the stores.
- **What it sells.** Women's is the largest category (24% of FY2025 net sales), followed by Accessories including Sephora (21%), Men's (20%), Home (15%), Children's (12%) and Footwear (8%). Accessories was the only category that grew in FY2025 (+2%), helped by Sephora shops in more than 1,100 stores (855 full-size). Proprietary brands such as Sonoma Goods for Life, Croft & Barrow and Tek Gear sell at lower prices but higher margins than national brands.

- **How it earns.** FY2025 total revenue was $15.53bn: $14.78bn of net sales (down 4.0%, comparable sales down 3.1%) and $752m of other revenue, mostly from the Kohl's credit card program run with Capital One. Gross margin was 37.5% of net sales and adjusted operating margin 3.3%.

Investment Thesis

1. The price already assumes decline. At $24.31 Kohl's has an enterprise value of $5.97bn (market cap $2.76bn plus $3.21bn of net debt including finance leases), or 4.9x FY2025 adjusted EBITDA of $1.21bn. That is in line with Macy's (4.9x) and far below the broader retail peer median of 11.2x. Our base case keeps the multiple where it is and still returns +26%, because free cash flow cuts net debt from $3.21bn to $2.42bn by FY2027 and that value moves to shareholders.

2. The sales decline is slowing and margins are holding. Comparable sales improved from -3.1% in FY2025 to -1.0% in the first half of FY2026 (-0.9% in Q2). Gross margin has risen three years running, from 36.7% to 37.5%, on tighter inventory: FY2025 inventory fell 7% and receipts 8%, which meant fewer clearance markdowns. In August management raised FY2026 guidance to net sales of -1.5% to flat, an adjusted operating margin of 3.5-4.0% and adjusted EPS of $1.80-2.40. Our FY2026 estimates (operating margin 3.8%, EPS $2.24) sit inside that range. New beauty brands (MAC Cosmetics, YSL Beauty) rolling out across stores in 2026 add another reason to visit.

3. Cash is going back to lenders and shareholders. Operating cash flow was $1.38bn in FY2025. Since then Kohl's has repaid its $353m 2025 notes, cleared its $290m revolver balance and bought back $200m of bonds (Q4 2025 and 2026). It restarted share buybacks in 2026 (up to $100m) and pays a $0.50 annual dividend (2.1% yield). In our base case net debt falls to 2.1x EBITDA by FY2027, from 2.4x in FY2025.

Catalysts: Q3 FY2026 results and holiday trading (late November), how much of the tariff refunds Kohl's keeps versus reinvests in price, and refinancing of the 10% secured notes due 2030.

Management Team and Board of Directors

- **Michael J. Bender, CEO (64).** CEO since November 2025 after serving as interim CEO from May 2025. A Kohl's director since 2019 who previously chaired the board. Before Kohl's he was CEO of Eyemart Express (2018-2022) and spent nearly a decade at Walmart, including as COO of Global eCommerce and President of Walmart West. Earlier roles at Cardinal Health, L Brands and PepsiCo.
- **Jill Timm, CFO (52).** CFO since November 2019 and at Kohl's since 1999, giving finance continuity through the leadership changes.
- **Nick Jones, Chief Merchandising Officer (53).** Since March 2023; former CEO of British clothing brand Joules, with earlier roles at ASDA/Walmart UK and Marks & Spencer. Other executives include Steven Dee (CTO, from August 2025), Christie Raymond (CMO) and Jennifer Kent (Chief Legal Officer).
- **Board.** Chaired by John E. Schlifske, with directors Wendy Arlin, Yael Cosset, H. Charles Floyd, Robbin Mitchell, Jonas Prising, Adolfo Villagomez and CEO Michael Bender (as signed in the FY2025 10-K).

Our view. Leadership churn is the weak spot: Bender is Kohl's fourth CEO in four years, after the board dismissed Ashley Buchanan in May 2025, months into the job, over conflicts of interest. In Bender's favor, he knew the business from the boardroom, brings Walmart e-commerce and operating experience, and his first year has delivered tighter inventory, better margins and a stronger balance sheet. Critics argue Kohl's needs more than a continuity CEO; we will judge him on whether comparable sales turn positive.

Valuation

$m, FY2027E	Base	Bull	Bear
Revenue	15,296	15,604	14,912
3-yr growth (CAGR)	-1.9%	-1.3%	-2.8%
Adj. EBITDA	1,168	1,406	978
Margin	7.6%	9.0%	6.6%
FCF (CFO + capex)	494	669	361
FCF / EBITDA	42.3%	47.6%	36.9%
EBITDA multiple	4.9x	4.9x	4.9x
Enterprise value	5,759	6,934	4,823
Less: net debt	2,416	2,440	2,549
Equity value	3,343	4,494	2,274
Diluted shares (m)	109.3	103.9	110.9
Price target	**$30.60**	**$43.25**	**$20.51**
Upside / downside	+26%	+78%	-16%
IRR to FY27 year-end	20%	59%	-13%
Reward / risk vs Bear	1.7x	5.0x	-

Scenario method. We value Kohl's on FY2027 adjusted EBITDA at 4.9x, its current EV/EBITDA on the same basis as our model (net debt includes finance leases, excludes operating leases), then subtract FY2027 net debt. Using one multiple means the cases differ only on how the business performs.

- **Base** $30.60 (+26%): sales -0.5%, gross margin 37.5%, SG&A 32.9% of revenue.
- **Bull** $43.25 (+78%): sales +1.5%, gross margin 38.0%, SG&A 32.0%.
- **Bear** $20.51 (-16%): sales -3.0%, gross margin 37.0%, SG&A 33.5%.

DCF cross-check: $32.17 (+32%). WACC 9.3% (cost of equity 12.4% from a 5.0% risk-free rate, 1.75 beta and 4.23% equity premium; after-tax cost of debt 6.8%; 43% equity / 57% debt). Terminal growth 1.0%, with terminal capex set equal to D&A. The terminal value is 60% of enterprise value and implies 4.9x FY2030 EBITDA, close to today's multiple. Across 8-10% WACC and 0-2% growth the DCF ranges from $24.39 to $49.45.

Blended target: $31.38 (+29%), the average of the base case and the DCF.

Comparable analysis (as of 23 Oct 2026; Yahoo Finance; market cap, EV and sales in $bn; EV includes operating leases on Yahoo's basis)

Ticker	Price	Mkt cap	EV	1-yr chg	YTD chg	Sales	Sales gr.	EV/ EBITDA	P/E CY	P/E NY	EBITDA mgn	Div. yld
M	$24.10	5.8	9.6	24.4%	8.5%	22.8	-1.7%	4.9x	10.4x	10.2x	6.1%	3.1%
WMT	$119.89	847.2	909.5	12.9%	6.3%	735.8	4.7%	19.4x	41.5x	37.1x	6.0%	0.8%
AMZN	$248.00	2710.0	2810.0	9.3%	7.4%	775.7	12.4%	11.2x	19.2x	23.5x	21.8%	0.0%
ETSY	$86.93	7.2	8.8	17.7%	55.4%	2.9	2.7%	22.6x	25.7x	19.2x	16.0%	0.0%
TGT	$152.76	72.2	85.5	56.2%	56.3%	107.7	-1.7%	9.2x	14.9x	16.0x	8.0%	3.0%
Average	$126.34	728.5	764.7	24.1%	26.8%	329.0	3.3%	13.5x	22.4x	21.2x	11.6%	1.4%
Median	$119.89	72.2	85.5	17.7%	8.5%	107.7	2.7%	11.2x	19.2x	19.2x	8.0%	0.8%
KSS	**$24.58**	**2.8**	**8.4**	**50.2%**	**20.7%**	**15.4**	**-4.3%**	**7.0x**	**11.5x**	**15.8x**	**7.7%**	**2.0%**

On Yahoo's basis Kohl's trades at 7.0x EV/EBITDA and 11.5x current-year earnings, against peer medians of 11.2x and 19.2x. The peer set mixes mass merchants (Walmart, Target) with platforms (Amazon, Etsy) that grow faster and earn higher margins, so we treat Macy's, the closest department-store peer at 4.9x, as the best guide and anchor on Kohl's own multiple rather than a peer re-rating.

Risks

- **Sales fall faster.** Transactions dropped about 4% in FY2025. Our bear case (sales -3%, gross margin -50bp) gives $20.51, -16% from here.
- **Tariffs and promotions.** About $100m of one-time IEEPA tariff refunds lifted Q2 FY2026 gross margin, new tariffs under Section 122 have followed, and management has warned that fall margins will come under pressure as it reinvests part of the refunds in lower prices. Each 50bp of gross margin is about $73m of operating income, $0.51 of EPS and $3.28 per share of value at 4.9x.
- **Debt and refinancing.** Kohl's is rated B2 / B+. $360m of 10% secured notes fall due in 2030 and $425m in May 2031, on top of $2.45bn of finance leases and $2.7bn of operating leases. A downgrade or tight credit markets would raise interest costs.
- **Credit card income.** Other revenue of $752m (5.1% of net sales), mostly from the Capital One card program, comes at a very high margin and depends on the credit health of Kohl's moderate-income customers and on regulation.

- **Leadership and execution.** Four CEOs in four years and recent senior departures (Director of Stores retired April 2026) raise the risk that the plan stalls.
- **Share price swings.** The stock moved more than 20% in a day seven times in the past two years, ranging from $6.13 (16 Apr 2025) to $24.78 (22 Oct 2026). Position sizing should allow for that.

Financials

Model summary, Base case (FY2023-25 actual from the FY2025 10-K; FY2026-27 from our projections). EBITDA and operating income are as reported, including one-off items in FY2024-25.

$m, fiscal years ending Jan/Feb	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E
Total revenue	**17,476**	**16,221**	**15,527**	**15,373**	**15,296**
Growth	-	-7.2%	-4.3%	-1.0%	-0.5%
Gross profit	6,088	5,724	5,547	5,558	5,458
Gross margin (% net sales)	36.7%	37.2%	37.5%	38.0%	37.5%
SG&A	(5,512)	(5,308)	(5,089)	(5,058)	(5,033)
% of revenue	31.5%	32.7%	32.8%	32.9%	32.9%
EBITDA	**1,466**	**1,176**	**1,324**	**1,247**	**1,168**
Margin	8.4%	7.2%	8.5%	8.1%	7.6%
D&A	(749)	(743)	(700)	(661)	(642)
Operating income	**717**	**433**	**624**	**585**	**525**
Margin	4.1%	2.7%	4.0%	3.8%	3.4%
Interest expense, net	(344)	(319)	(288)	(257)	(250)
Pre-tax income	373	114	336	328	276
Tax	(56)	(5)	(64)	(79)	(66)
Net income	**317**	**109**	**272**	**250**	**209**
Diluted shares (m)	111.0	112.0	114.0	111.6	109.3
Diluted EPS	**$2.85**	**$0.98**	**$2.38**	**$2.24**	**$1.92**
Free cash flow (CFO + capex)	591	182	1,008	510	494
Net debt / EBITDA	n/a	3.6x	2.4x	2.3x	2.1x

Revenue keeps edging down in our base case, and FY2027 earnings dip because the FY2026 tariff refund does not repeat. Free cash flow stays around $500m a year ($510m in FY2026, $494m in FY2027), which funds the dividend and buybacks and brings leverage down to 2.1x.

Sources: Kohl's Form 10-K for FY2025 (filed March 2026); Kohl's Q2 FY2026 earnings release (August 2026); Yahoo Finance prices and comparables; Retail Dive and FashionUnited coverage of leadership and Q2 results; author's financial model.