

November, 10, 2017

Kohl's Corporation: KSS

Ryan Fuchs

Sector: Consumer Discrepancies

Industry: Department Stores

Current Price: \$41.17

Target Price: \$27.05

Company Description: Kohl's Corporation offers private label, exclusive, and national brand apparel, footwear, accessories, beauty, and home products to children, men, and women customers across department stores in the United States. The company also sells its products online through the website Kohls.com.

SELL

Current Price:	\$41.17
Target Price:	\$27.05
Market Cap:	7.26B
EV/EBITDA:	4.62x
EBITDA Margin:	7.7%
EBIT Margin:	3.9%
ROIC:	8.03%
ROIC/WACC:	0.78
ROE:	12.69%
Days-to-Cover:	9.26
Volume:	4,567,931

Catalysts:

- Short Term (within the year): Inability to adapt to the consumer shift to online shopping.
- Mid Term(1-2 years): Management's lack of value creation through poor capital allocation
- Long Term(3+): Declining sales will not be able to support excess depreciation on the company's assets

Thesis: The retail industry is in a steady decline due to the consumer shift to online shopping. With Amazon's market share and product line rapidly increasing, it's difficult for traditional retailers to stay competitive. Management's inability to create value has restricted Kohl's from making any advancements, as the company's current price is back to where it was in 2008 when CEO Kevin Mansell took over. With the consumer shift, Kohl's looks like it is almost at the end of its useful life, just like its assets. The company's large amount of depreciation will plague them going forward, as three years of flat earnings doesn't portray growth anytime soon. In a thinning industry, Kohl's doesn't have the management or competitive advantage to fight the decline.



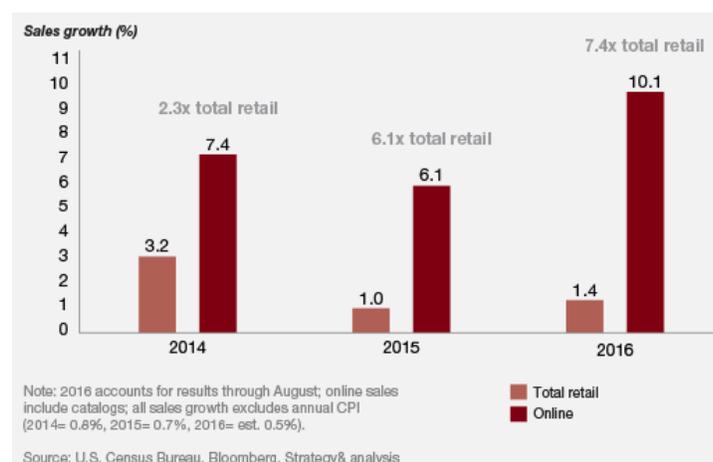
Macy's Inc. and Kohl's' Corp. Q3 Earnings Calls:

On November 11th, 2017, Kohl's Corporation and Macy's Inc released their quarter 3 earnings. Kohl's reported a 3rd quarter diluted earnings per share of \$0.70, down \$0.13 from the prior year quarter. However, the company raised the lower end of their prior guidance, giving a new adjusted EBITDA EPS guidance range from \$3.60 to \$3.80. This was driven by a pre-tax benefit expected the company expects to receive, resulting in a \$0.12 EPS benefit. This benefit pushes expected earnings per share to be \$3.72 to \$3.92 for the year. Kohl's beat on revenue, posting a \$5M increase from the prior year quarter. This was driven by improved traffic trends. Like most retailers, Kohl's 3rd quarter earnings were negatively impacted by the hurricanes, which resulted in a temporary closure of more than 100 stores. The company approximately lost \$15 million in sales while these stores were closed. Kohl's gross margin decreased 30 basis points compared to the prior year quarter. This was driven by the positive impacts of less clearance markdown levels being more than offset by higher shipping costs due to growth in the online business. The company reported a quarter 3 net income of \$117M, a \$39M decrease from prior year quarter's. This was driven by increasing SG&A and depreciation expenses, resulting in a \$44M decrease in operating income from the prior year quarter. An \$11M increase of depreciation expense was driven by higher IT depreciation. Macy's sales for the third quarter of 2017 totaled \$5.281 billion, a decrease of 6.1% from the prior year quarter. This decrease in sales was driven by the closure of stores previously announced by the company. Macy's plans continue closing underperforming stores starting at the beginning of 2018. This decrease in sales includes double-digit growth in digital sales. The company expects that digital will contribute strongly in the fourth quarter, as they anticipate a sales lift of 100 to 150 basis points from the increase in penetration of digital sales. The company posted an operating margin for the third quarter of 2.3%, compared to 1.9% for the prior year quarter. This measure includes restructuring and other costs of \$33 million along with non-cash retirement plan settlement charges of \$22 million. This increase in operating margin was driven by a 5.5% decrease in SG&A due to the restructuring completed at the end of FY 2016 as well as the impact of the closed stores. This lead to a net income of \$34M, a \$19M increase from the prior year quarter.

Industry Outlook:

Changing consumer habits are killing the traditional retail business. In June 2017, it was reported that more than 300 retailers had filed for bankruptcy. Credit Suisse predicts that as many as 8,600 brick and mortar stores will shut their doors in 2017. Retail trends have been increasingly gearing towards online shopping. Ten years ago only 2.5% of retail sales took place online, and today that number has jumped to 8.5%, a change of about \$300B. Online channels experience growth rates as much as 7% higher than retail

sector growth as a whole. This consumer shift is leading many legacy companies such as JC Penney and Macy's to restructure. Other retailers are shifting to omnichannel concepts, aiming to offer consumers a seamless experience whether they are purchasing items online or in a store. However, this strategy has underperformed as the increase in online sales rarely offsets the decline in store activity. The omnichannel approach is also costly, as it requires retailers to maintain multiple supply chains with one direct-to-home and one to the stores. The shift of consumer preferences is derived from the benefits of online shopping such as



competitive pricing, convenience, large selection, quick delivery, 24/7 access, and free shipping. It becomes increasingly difficult for traditional retailers to offer these benefits at a competitive level with Amazon (52 week graph to the right) as the company's market share continues to grow. Amazon obtains a clear competitive advantage as the company's economies of scale allows them to match the lowest prices, offer free and fast shipping, and unconventional return policies which allow customers to keep some returns. The company has also created an unbeatable rewards program, Amazon Prime, which now boasts tens of millions of members around the globe. Consumer tastes have also shifted to low cost products as simpler fashion trends rise. Newer retailers such as H&M and Zara have taken business from many traditional retailers as they offer the newest fashions at low costs. Specialty apparel stores such as TJ Maxx have taken business from traditional department stores specifically due to their ability to offer similar brand name products at marked down prices.



Real Estate:

Kohl's operates 1154 stores in 49 states across the country. These stores are mainly owned or funded by capital and operating leases. That breakdown along with the company's leasing schedule is shown below:

(Dollars in Millions)	Jan 28, 2017	Jan 30, 2016	(Dollars in Millions)	Capital Lease and Financing Obligations	Operating Leases
Land	\$ 1,118	\$ 1,110	Fiscal year:		
Buildings and improvements:			2017	\$ 286	\$ 253
Owned	8,004	7,999	2018	272	254
Leased	1,801	1,848	2019	255	249
Store fixtures and equipment	1,711	1,804	2020	238	245
Computer hardware and software	1,939	1,590	2021	222	241
Construction in progress	318	167	Thereafter	2,372	4,067
Total property and equipment, at cost	14,891	14,518		3,645	\$ 5,309
Less accumulated depreciation and amortization	(6,788)	(6,210)	Non-cash gain on future sale of property	471	
Property and equipment, net	\$ 8,103	\$ 8,308	Amount representing interest	(2,300)	
			Present value of lease payments	\$ 1,816	

Kohl's stores are depreciating faster than its competitors:

Name (BI Peers)	Mkt Cap	Last Px	Chg Pct 1D	Rev - 1 Yr Gr:Y	Sls 3Yr	D&A:Y	OPM:Y	EBITDA to Net Sales:Y
Median	985.05M	4.57	1.35%	-4.80%	-1.90%	375.00M	3.32%	8.00%
100) KOHLS CORP	7.26B	43.04	4.54%	-2.70%	-0.60%	938.00M	6.83%	11.35%
101) MACY'S INC	6.09B	19.98	2.46%	-4.80%	-2.61%	1.06B	7.31%	9.21%
102) J.C. PENNEY CO INC	985.05M	3.17	15.27%	-0.62%	1.91%	609.00M	3.32%	8.00%
103) STAGE STORES INC	52.70M	1.91	1.06%	-10.08%	-3.45%	91.66M	-2.41%	2.33%
104) BON-TON STORES INC/THE	9.84M	0.46	1.35%	-4.13%	-1.90%	92.19M	0.74%	3.54%
105) DILLARDS INC-CL A	1.66B	57.27	0.09%	-4.98%	-1.35%	245.92M	5.08%	8.93%
106) SEARS HOLDINGS CORP	491.03M	4.57	-0.65%	-11.96%	-15.05%	375.00M	-4.86%	-7.24%

Each store's useful life is 5-40 years. The 4.5% difference between Kohl's operating margin and EBITDA margin is larger than its competitors. Over the past 3 years, depreciation expense has grown about \$75M. The

decline in revenues will make it difficult for the company to succeed as they will need to repair depreciated stores along with managing other costs. Kohl's depreciation margin vs. Macy's is shown to the right:

	KSS	M
Depreciation	962	1012
Sales	18,524.00	24,686.00
Depr/sales	5.1933%	4.0995%

Below is Kohl's real estate value per state. The price per square foot is adjusted from a shopping mall's price per square foot to all shopping centers. After depreciation values were generated by multiplying the average storage value to a depreciation rate calculated by dividing the LTM Accumulated Depreciation from the LTM PPE. The real estate value per share is well under the current price Kohl's is being traded at.

				*Adj. from mall price per sq ft to all shopping centers		
Kohl's Real Estate Value				Avg Sq Feet per Store= 80000		
State	# of Stores	Price per sq ft	*Adj Price Per Sq Foot	Avg Store Value	After Depr	MV of Real Estate
Alaska	1	429.15	330.12	26,409,230.77	12,038,537.27	12,038,537.27
Maine	5	350.52	269.63	21,570,461.54	9,832,804.57	49,164,022.87
Hawaii	0	346.46	266.51	21,320,615.38	9,718,913.25	-
Vermont	2	318.34	244.88	19,590,153.85	8,930,089.60	17,860,179.21
North Dakota	4	313.17	240.90	19,272,000.00	8,785,060.51	35,140,242.03
Texas	84	309.50	238.08	19,046,153.85	8,682,109.48	729,297,196.55
Wyoming	2	308.34	237.18	18,974,769.23	8,649,569.10	17,299,138.21
Florida	51	296.34	227.95	18,236,307.69	8,312,944.50	423,960,169.73
Connecticut	22	293.01	225.39	18,031,384.62	8,219,531.18	180,829,685.91
Montana	3	292.85	225.27	18,021,538.46	8,215,042.85	24,645,128.55
Louisiana	8	291.43	224.18	17,934,153.85	8,175,208.94	65,401,671.51
Massachusetts	25	291.30	224.08	17,926,153.85	8,171,562.17	204,289,054.31
Oklahoma	11	284.12	218.55	17,484,307.69	7,970,148.45	87,671,632.98
New Hampshire	11	283.19	217.84	17,427,076.92	7,944,060.05	87,384,660.51
Colorado	24	282.26	217.12	17,369,846.15	7,917,971.64	190,031,319.36
New Mexico	5	281.47	216.52	17,321,230.77	7,895,810.52	39,479,052.60
Delaware	5	280.20	215.54	17,243,076.92	7,860,184.42	39,300,922.09
Kentucky	17	279.47	214.98	17,198,153.85	7,839,706.42	133,275,009.15
Minnesota	27	271.54	208.88	16,710,153.85	7,617,253.66	205,665,848.92
Maryland	23	270.68	208.22	16,657,230.77	7,593,128.90	174,641,964.72
Kansas	12	268.32	206.40	16,512,000.00	7,526,926.06	90,323,112.75
Wisconsin	41	264.23	203.25	16,260,307.69	7,412,193.18	303,899,920.30
Alabama	14	258.26	198.66	15,892,923.08	7,244,722.44	101,426,114.15
Virginia	31	256.30	197.15	15,772,307.69	7,189,740.42	222,881,953.06
Missouri	27	254.74	195.95	15,676,307.69	7,145,979.22	192,941,439.03
Arkansas	8	251.80	193.69	15,495,384.62	7,063,506.20	56,508,049.57
Washington	19	249.29	191.76	15,340,923.08	6,993,095.55	132,868,815.46
New York	51	245.09	188.53	15,082,461.54	6,875,276.94	350,639,123.97
Arizona	26	244.89	188.38	15,070,153.85	6,869,666.53	178,611,329.80
South Dakota	4	244.07	187.75	15,019,692.31	6,846,663.85	27,386,655.40
California	116	242.15	186.27	14,901,538.46	6,792,803.91	787,965,253.97
Michigan	46	238.37	183.36	14,668,923.08	6,686,767.16	307,591,289.57
Rhode Island	3	237.05	182.35	14,587,692.31	6,649,738.46	19,949,215.38
Tennessee	20	236.55	181.96	14,556,923.08	6,635,712.43	132,714,248.67
South Carolina	16	234.66	180.51	14,440,615.38	6,582,694.06	105,323,104.94
Indiana	40	232.10	178.54	14,283,076.92	6,510,880.81	260,435,232.43
Mississippi	5	230.43	177.25	14,180,307.69	6,464,033.89	32,320,169.44
New Jersey	37	230.11	177.01	14,160,615.38	6,455,057.23	238,837,117.56
Idaho	5	277.61	213.55	17,083,692.31	7,787,529.61	38,937,648.04
Oregon	11	226.83	174.48	13,958,769.23	6,363,046.51	69,993,511.58
Illinois	66	224.70	172.85	13,827,692.31	6,303,295.64	416,017,512.28
Ohio	58	222.26	170.97	13,677,538.46	6,234,848.64	361,621,221.04
Georgia	32	222.14	170.88	13,670,153.85	6,231,482.39	199,407,436.56
Pennsylvania	50	221.25	170.19	13,615,384.62	6,206,516.07	310,325,803.40
Utah	12	219.37	168.75	13,499,692.31	6,153,778.21	73,845,338.57
West Virginia	7	216.06	166.20	13,296,000.00	6,060,925.93	42,426,481.50
Iowa	18	207.65	159.73	12,778,461.54	5,825,008.19	104,850,147.38
Nebraska	7	206.64	158.95	12,716,307.69	5,796,675.62	40,576,729.32
North Carolina	30	203.30	156.38	12,510,769.23	5,702,981.77	171,089,453.10
Nevada	12	158.36	121.82	9,745,230.77	4,442,322.64	53,307,871.70
Total # of stores	1154				MV of Real Estate	8,142,396,736.41
					Less: Gross Debt	(4,611,000,000.00)
					Total Equity Value	3,531,396,736.41
					Diluted S/o	137,000,000.00
					Equity Value per share	25.78

Management:

Kevin Mansell took the role of CEO in August 2008 and is set to retire at the end of May 2018.

Current Chief Merchandising Officer Michelle Gass will assume the CEO role at that time.

Throughout Mansell's term, management has failed to create value as the stock price has round tripped back to the beginning of Mansell's tenure in 2008.

Management has failed to create value through their ineffective capital allocation. Cash from operations was \$1,733M in the LTM, compared to \$2,148M in the 12 months ending January 28, 2017.

Throughout the last 5 years, return on invested capital has steadily decreased from 11.1% in 2013 to 8.6% in the LTM. Throughout this time period, Kohl's EBITDA margin has decreased from 14.1% in 2013 to 12.3% in the LTM. Return on assets has also decreased 2.0% over the last 3 years. Despite the lack of value creation,



	2017 Estimate	2016	2015	2014
Information technology	50%	46%	44%	45%
Store strategies	20	28	36	33
Base capital	30	26	20	22
Total	100%	100%	100%	100%

	2016	2015	2014
Ratio of earnings to fixed charges	2.8	3.1	3.6
Return on assets	4.1%	4.7%	6.1%
Return on gross investment ("ROI") (a)	12.6%	14.5%	15.2%

(a) Non-GAAP financial measure

management still continues to allocate their capital repeatedly into the same three areas (shown above). The company refuses to make deals, an activity they should engage in to allow their online shopping business to compete with Amazon and competitors. Wal-Mart responded to Amazon by acquiring Jet.com, one of the fastest growing e-commerce companies in the U.S. Without an acquisition like this, Kohl's will not experience fast enough e-commerce growth to offset the decline in store productivity. Mergers and acquisitions is an area lacking on Board of Directors as no members listed have experience in the field. The board lacks a variety of experience as it is heavily concentrated with retail experts. In an industry in decline, developing outsourced business strategies would serve as an ideal way to create value.

Ownership:

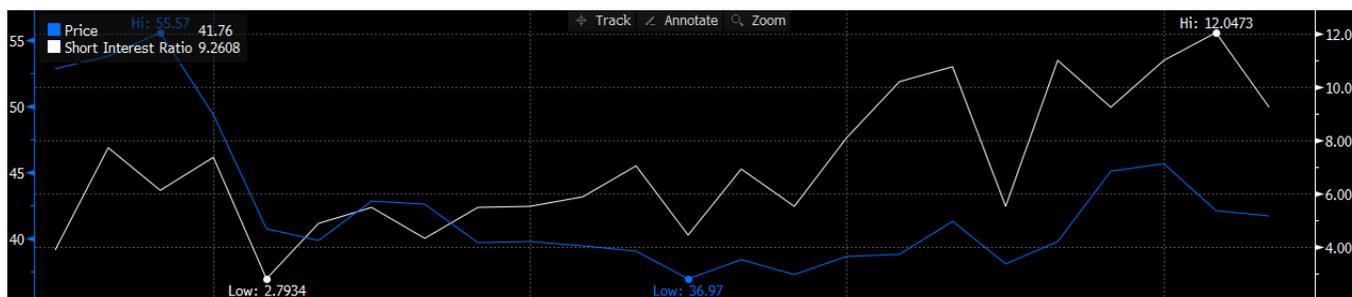
About 98% of Kohl's shares are owned by institutional owners.

Within those institutions, investment advisors own the largest amount at about 81% and a negative change of 2.45%. Hedge fund managers are currently 6.36% of those institutions,

representing a positive change of 1.30%. During the last year,

the number of buyers has decreased by almost 17%. The number of sellers has increased by 2.61% during that time. The stock has a short interest of 9.26 days-to-cover. 19.71% of the float is short.

51) Institutional	10/30/16	Curr	Change
11) % of Shares Held	106.91	117.57	+10.66
12) % of Float Held	107.72	118.74	+11.02
13) # of Institutions	954	914	-4.19%
14) # of Buyers	308	256	-16.88%
15) # of Sellers	307	315	+2.61%
16) # of New Buyers	127	107	-15.75%
17) # of Selloffs	142	131	-7.75%
18) % Chg in Inst Positions	-3.04	-2.06	+0.98%



Macy's Inc. vs. Kohl's Corp.:

As the companies face the same industry wide problems, Macy's and Kohl's are developing new ideas to offset the decline in retail store sales. Both company's plans are similar, as they attempt to improve their online channel and rewards program. Kohl's has attempted to improve its online channel by opening up the company's fifth e-commerce facility in the 3rd quarter. However, this was necessary as Kohl's incurred higher IT depreciation charges during the quarter. Macy's has improved its online channel by significantly improving the company's search engine optimization and user experience of the Macy's app. They have also enhanced their delivery options from expanded same day delivery services to buy online, pickup in store. Enhanced delivery options should enhance Macy's online channel as fast delivery is one of Amazon's competitive advantages. Kohl's company plans on improving its rewards program by simplifying and broadening the reach to provide more rewards to users. Macy's plans to improve their rewards program by strengthening existing customer relationships through higher spending levels and attracting new ones. Kohl's plans on decreasing the size of their stores, as they opened 4 new 35,000 square foot stores in the third quarter. This brought an increase in SG&A of \$15M for the quarter. Macy's has begun closing underperforming stores. This process has brought SG&A down 5.5%. Kohl's efficiency has been plagued by large amounts of depreciation. As shown below, Kohl's efficiency ratio (Sales/IC) is about 1.5x less than Macy's. This lack of efficiency is driven by the large amount of depreciation the company incurs, especially on its fixed asset. The \$3B more in depreciable fixed assets Kohl's holds has held their fixed asset turnover rate well below the industry average.

Name (BI Peers)	Mkt Cap (USD)	Net Fixed Asset Turnover:Y	Depreciable Fixed Assets:Y	EBITDA to Net Sales:Y	OPM:Y
Median	985.05M	3.52	4.31B	8.00%	3.32%
100 KOHLS CORP	7.26B	2.28	13.45B	11.35%	6.83%
101 MACY'S INC	6.09B	3.52	10.33B	9.21%	7.31%

*Non-GAAP measures		
	KSS	M
Sales	18,524.00	24,686.00
NOPAT	418.32	490.86
IC	4,864.19	4,674.81
Sales/IC	3.8082	5.2806
NOPAT/Sales	2.2583%	1.9884%

MACY'S AFTER STORE CLOSINGS:

1 being the best. Criteria:

ROIC = EBITA/Rev x (1-T) x Rev/IC	
History	LTM
m	59.9%
Competitors	58.1%
Target	60.9%

EBIT Margin	
History	LTM
m	5.2%
Competitors	3.42%
Target	4.5%

Other Op. Exp./Revenue	
History	LTM
m	30.9%
Competitors	31.6%
Target	31.6%

DPR/Revenue	
History	LTM
m	4.0%
Competitors	4.4%
Target	3.0%

Rev/IC = 1/(NWC/REV+FA/REV)	
History	LTM
m	27.25
Competitors	-2.07
Target	14.86

Capital Usage (Rev/IC)	
History	LTM
m	3.38
Competitors	2.17
Target	3.08

Operating Fixed Assets Usage	
History	LTM
m	3.89
Competitors	2.68
Target	3.89

ROIC = [ROIC w/o GW] / [1 + GW/IC]	
History	LTM
m	14.1%
Competitors	11.2%
Target	10.5%

ROIC w/o GW = NOPAT/IC w/o GW	
History	LTM
m	7.8%
Competitors	7.8%
Target	7.8%

*Changed DPR/Rev = 3.0%, Operating FA Usage=3.89

KOHL'S AFTER NEW STORES:

9 being the best. Criteria:

ROIC = EBITA/Rev x (1-T) x Rev/IC	
History	LTM
m	63.1%
Competitors	60.5%
Target	63.8%

EBIT Margin	
History	LTM
m	6.1%
Competitors	3.96%
Target	4.0%

Other Op. Exp./Revenue	
History	LTM
m	36.2%
Competitors	27.0%
Target	27.0%

DPR/Revenue	
History	LTM
m	4.6%
Competitors	5.2%
Target	5.2%

Rev/IC = 1/(NWC/REV+FA/REV)	
History	LTM
m	14.66
Competitors	9.15
Target	9.15

Capital Usage (Rev/IC)	
History	LTM
m	1.75
Competitors	2.22
Target	1.9%

Operating Fixed Assets Usage	
History	LTM
m	2.00
Competitors	2.51
Target	2.50

ROIC = [ROIC w/o GW] / [1 + GW/IC]	
History	LTM
m	7.8%
Competitors	7.6%
Target	5.9%

ROIC w/o GW = NOPAT/IC w/o GW	
History	LTM
m	5.3%
Competitors	-1.8%
Target	5.9%

*Changed Operating FA usage=2.50

Liquidation:

Kohl's liquidation value is well under its current price:

Kohl's Liquidation Value			
Cash	100.00%	1074	1074
Inventories	40.00%	3795	1518
Other ST Assets	80.00%	378	302.4
PPE	75.00%	8103	6077.25
Other LT Assets	50.00%	224	112
		Total Assets Value	9083.65
		Less: Total Liabilities	(8,397.00)
		Total Liquidation Value	686.65
		Diluted s/o	137
		Liquidation value p/s	5.01

Conclusion:

In a thinning industry, Kohl's doesn't have the management or competitive advantage to fight the decline. The company has made little advancement in the last ten years as the company's current price is back to where it was when Kevin Mansell became CEO in 2008. The company shows no ability to succeed in such a thinning industry, as posted flat earnings the last 3 years. With little change in strategy for this company and most of their capital being allocated to repairing assets going forward, there's little reason to believe the company can turn it around. Behind declining industry and a weak management team who has don't little to counter it, I am short Kohl's.

Kohl's Corporation (kss)

CENTER FOR GLOBAL FINANCIAL STUDIES

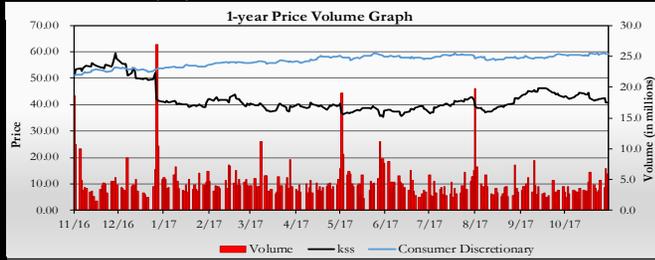
BEARISH

Analysis by RICK
11/10/2017

Current Price: **\$41.17**
Dividend Yield: **5.1%**

Intrinsic Value: **\$33.83**
Target Price: **\$27.05**

Target 1 year Return: -29.2%
Probability of Price Increase: 0%

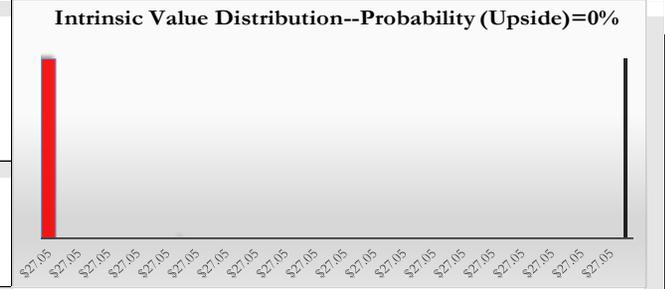


Description	
Kohl's Corporation operates department stores in the United States.	
General Information	
Sector	Consumer Discretionary
Industry	Multiline Retail
Last Guidance	November 3, 2015
Next earnings date	February 22, 2018
Estimated Country Risk Premium	6.17%
Effective Tax rate	24%
Effective Operating Tax rate	24%

Market Data	
Market Capitalization	\$6,940.43
Daily volume (mil)	24.19
Shares outstanding (mil)	168.58
Diluted shares outstanding (mil)	170.00
% shares held by institutions	115%
% shares held by investments Managers	101%
% shares held by hedge funds	4%
% shares held by insiders	0.99%
Short interest	19.51%
Days to cover short interest	0.00
52 week high	\$59.67
52-week low	\$35.16
Volatility	31.36%

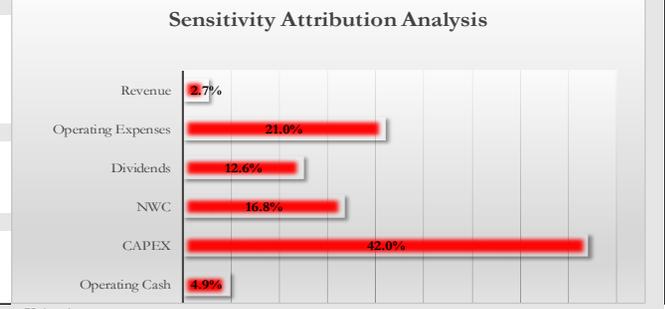
Past Earning Surprises		
Quarter ending	Revenue	EBITDA
10/29/2016	0.22%	5.19%
1/28/2017	-0.21%	5.59%
4/29/2017	-1.60%	7.22%
7/29/2017	0.44%	2.17%
10/28/2017	0.72%	-0.59%
Mean	-0.09%	3.92%
Standard error	0.4%	1.4%

Peers	
Macy's, Inc.	
Nordstrom, Inc.	
J. C. Penney Company, Inc.	
Tapestry, Inc.	
Dillard's, Inc.	



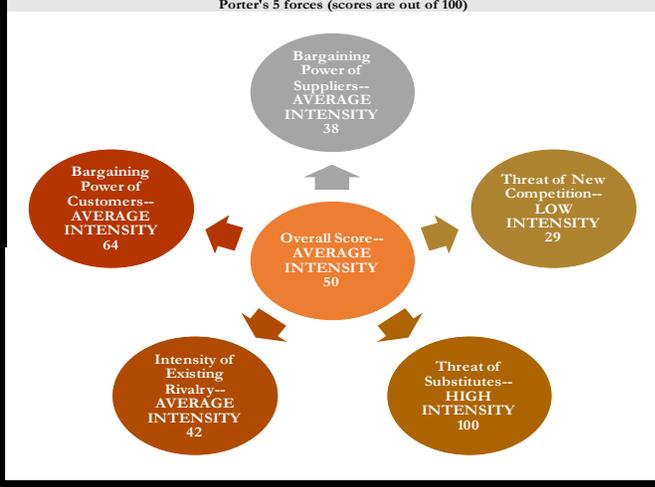
Management		Position		Total compensations growth		Total return to shareholders	
Mansell, Kevin	Chairman, CEO & President			-2.28%	per annum over 5y	-1.11%	per annum over 5y
Chawla, Sonal	Chief Operating Officer			-69.31%	per annum over 1y	-13.68%	per annum over 1y
Schepp, Richard	Chief Administrative Officer			-12.49%	per annum over 3y	4.95%	per annum over 3y
Gass, Michelle	Chief Merchandising & Custom			-34.59%	per annum over 3y	4.95%	per annum over 3y
Besanko, Bruce	CFO & Principal Accounting O	N/M				N/M	
Kelroy, Jason	Executive VP, General Counsel	N/M				N/M	

Profitability		kss (LTM)		kss (5 years historical average)		Peers' Median (LTM)	
Return on Capital (GAAP)	5.3%	7.80%		7.80%		-2.24%	
Operating Margin	3%	4.63%		4.63%		0.50%	
Revenue/Capital (GAAP)	1.75	1.68		1.68		-4.46	
ROE (GAAP)	14.5%	16.5%		16.5%		13.3%	
Net margin	3.9%	5.8%		5.8%		1.9%	
Revenue/Book Value (GAAP)	3.66	2.86		2.86		7.18	



Invested Funds		kss (LTM)		kss (5 years historical average)		Peers' Median (LTM)	
Cash/Capital	3.1%	9.7%		9.7%		14.2%	
NWC/Capital	18.1%	12.0%		12.0%		5.7%	
Operating Assets/Capital	78.8%	78.3%		78.3%		76.2%	
Goodwill/Capital	0.0%	0.0%		0.0%		3.9%	

Capital Structure		kss (LTM)		kss (5 years historical average)		Peers' Median (LTM)	
Total Debt/Market Capitalization	0.53	0.46		0.46		0.64	
Cost of Existing Debt	6.5%	7.3%		7.3%		5.6%	
CGFS Rating (F-score, Z-score, and default Probability)	BB	D		D		BBB	
WACC	9.7%	10.9%		10.9%		8.4%	



Period	Revenue Growth Forecast	NO PAT Margin Forecast	Revenue to Capital Forecast
Base Year	-2%	7.2%	1.61
10/28/2018	-1%	#VALUE!	#VALUE!
10/28/2019	-2%	1.7%	1.78
10/28/2020	5%	1.1%	1.74
10/28/2021	3%	1.5%	1.75
10/28/2022	0%	4.8%	1.70
10/28/2023	1%	5.0%	1.57
10/28/2024	1%	5.1%	1.47
10/28/2025	1%	5.3%	1.38
10/28/2026	1%	5.4%	1.30
10/28/2027	2%	5.6%	1.24
Continuing Period	2%	5.7%	1.18

Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	11.6%	9.7%	\$20.20
10/28/2018	#VALUE!	8.3%	\$25.73
10/28/2019	3.0%	8.4%	\$30.47
10/28/2020	1.9%	8.5%	\$35.07
10/28/2021	2.6%	8.7%	\$39.66
10/28/2022	8.2%	8.8%	\$44.32
10/28/2023	7.8%	9.0%	\$49.06
10/28/2024	7.5%	9.2%	\$53.88
10/28/2025	7.3%	9.4%	\$58.79
10/28/2026	7.1%	9.7%	\$63.81
10/28/2027	6.9%	10.0%	\$68.85
Continuing Period	6.8%	10.2%	

Below, insert a screenshot of your “OUTPUT” page from the Pro-Forma. Or, if you built your own model, insert screenshot of it here.