Kohl's eyes strong 2022 profits, turns to failsafe brands

March 1, 2022

U.S. department store chain Kohl's Corp predicted above-expectation 2022 sales and profits on Tuesday on the back of faster shipments and the introduction of customer-favorite brands from Calvin Klein to Tommy Hilfiger.

The results, as well as positive earnings from rival Macy's Inc (M.N), signal optimism for the sector after a tough 2021 when supply chain logjams and the COVID-19 crisis sapped sales.

Shares of Kohl's rose 4% in pre-market trading as it also unveiled a $3 billion share buyback and doubled its dividend after surpassing holiday-quarter profit expectations.

The apparel, jewelry and fragrances retailer, which has over 1,100 stores across the U.S., has offered lower promotions and limited some of its weaker private label brands to shield profits from soaring freight expenses.

Popular Names

It has launched Sephora stores at its outlets and introduced perennially popular brands - also including Cole Haan and Eddie Bauer - to draw in more shoppers.

The moves expanded its gross margin to 33.2% in the quarter from 32% a year earlier. It expects net sales to increase 2% to 3% in fiscal 2022, while analysts on average expected a rise of 2.2%, according to IBES data from Refinitiv.

The company forecast earnings per share in the range of $7.00 to $7.50 excluding items, compared with analysts' expectations of $6.55 per share.

But it missed expectations for holiday quarter sales due to product shortages, a resurgence in coronavirus cases and early discounts that encouraged customers to pull forward their Christmas shopping.
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Menomonee Falls, Wisconsin-based Kohl's has also been under growing activist investor pressure to spin off its e-commerce business or consider putting itself up for sale.