

KOHL S CORPORATION
Form 10-Q
June 06, 2008
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 3, 2008

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)

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WISCONSIN
(State or other jurisdiction of
incorporation or organization)

39-1630919
(I.R.S. Employer
Identification No.)

N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin
(Address of principal executive offices)

53051
(Zip Code)

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

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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: May 31, 2008
Common Stock, Par Value \$0.01 per Share, 306,723,144 shares outstanding.

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	May 3, 2008 (Unaudited)	February 2, 2008 (Audited)	May 5, 2007 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 238,805	\$ 180,543	\$ 250,889
Short-term investments	33,727	483,128	252,741
Merchandise inventories	2,816,719	2,855,733	2,699,293
Deferred income taxes	64,892	71,069	11,590
Other	141,126	133,416	174,082
Total current assets	3,295,269	3,723,889	3,388,595
Property and equipment, net	6,619,045	6,509,819	5,576,938
Long-term investments	395,025		
Favorable lease rights, net	204,319	209,958	216,420
Goodwill	9,338	9,338	9,338
Other assets	106,833	107,078	60,301
Total assets	\$ 10,629,829	\$ 10,560,082	\$ 9,251,592
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	\$ 945,411	\$ 835,985	\$ 1,022,304
Accrued liabilities	702,968	798,508	641,862
Income taxes payable	76,870	124,254	122,201
Short-term debt	109,000		
Current portion of long-term debt and capital leases	12,778	12,701	9,921
Total current liabilities	1,847,027	1,771,448	1,796,288
Long-term debt and capital leases	2,048,080	2,051,875	1,040,915
Deferred income taxes	269,608	262,451	255,270
Other long-term liabilities	371,583	372,705	248,705
Shareholders' equity:			
Common stock	3,508	3,508	3,503
Paid-in capital	1,918,578	1,911,041	1,847,744
Treasury stock at cost	(2,526,842)	(2,376,331)	(1,629,320)
Retained earnings	6,716,340	6,563,385	5,688,487
Accumulated other comprehensive loss	(18,053)		
Total shareholders' equity	6,093,531	6,101,603	5,910,414

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Total liabilities and shareholders equity	\$ 10,629,829	\$ 10,560,082	\$ 9,251,592
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See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In Thousands, Except per Share Data)

	Three Months (13 Weeks) Ended	
	May 3, 2008	May 5, 2007
Net sales	\$ 3,624,259	\$ 3,572,040
Cost of merchandise sold (exclusive of depreciation shown separately below)	2,289,209	2,254,205
Gross margin	1,335,050	1,317,835
Operating expenses:		
Selling, general, and administrative	922,746	858,473
Depreciation and amortization	129,977	104,688
Preopening expenses	10,900	8,589
Operating income	271,427	346,085
Interest expense, net	26,698	10,147
Income before income taxes	244,729	335,938
Provision for income taxes	91,774	126,985
Net income	\$ 152,955	\$ 208,953
Net income per share:		
Basic:		
Basic	\$ 0.50	\$ 0.65
Average number of shares	308,531	321,775
Diluted:		
Diluted	\$ 0.49	\$ 0.64
Average number of shares	309,396	325,068

See accompanying Notes to Condensed Consolidated Financial Statements

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KOHL S CORPORATION
CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(In Thousands)

	Common Stock		Paid-In	Treasury	Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Capital	Stock	Earnings	Loss	
Balance at February 2, 2008	350,753	\$ 3,508	\$ 1,911,041	\$ (2,376,331)	\$ 6,563,385	\$	\$ 6,101,603
Net income					152,955		152,955
Other comprehensive loss:							
Unrealized loss on investments, net of tax of \$11,397						(18,053)	(18,053)
Total comprehensive income							134,902
Share-based compensation			8,719				8,719
Treasury stock purchases				(150,511)			(150,511)
Exercise of stock options and other	80		796				796
Net income tax impact from exercise of stock options			(1,978)				(1,978)
Balance at May 3, 2008	350,833	\$ 3,508	\$ 1,918,578	\$ (2,526,842)	\$ 6,716,340	\$ (18,053)	\$ 6,093,531

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**KOHL'S CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In Thousands)**

	Three Months (13 Weeks) Ended	
	May 3, 2008	May 5, 2007
Operating activities		
Net income	\$ 152,955	\$ 208,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including debt discount	130,384	104,874
Share-based compensation	7,961	9,100
Excess tax benefits from share-based compensation	(18)	(6,856)
Deferred income taxes	24,731	40,340
Other non-cash revenues and expenses	2,964	8,365
Changes in operating assets and liabilities:		
Merchandise inventories	39,229	(120,915)
Other current and long-term assets	(6,471)	(45,520)
Accounts payable	112,012	87,928
Accrued and other long-term liabilities	(60,395)	(99,427)
Income taxes	(49,362)	(104,206)
Net cash provided by operating activities	353,990	82,636
Investing activities		
Acquisition of property and equipment and favorable lease rights	(273,474)	(301,311)
Purchases of investments in auction rate securities	(52,800)	(1,827,272)
Sales of investments in auction rate securities	75,500	2,035,208
Net purchases of money-market investments	(3,430)	(29,448)
Proceeds from sale of property, plant and equipment		25,400
Other	2,235	(411)
Net cash used in investing activities	(251,969)	(97,834)
Financing activities		
Net borrowings under credit facilities	109,000	
Capital lease payments	(3,062)	(11,590)
Treasury stock purchases	(150,511)	(904)
Excess tax benefits from share-based compensation	18	6,856
Proceeds from stock option exercises	796	8