



Kohl's 4th-quarter profit rises on solid sales of store label products, lean inventory

By ANNE D'INNOENZIO , Associated Press

Last update: February 25, 2010 - 4:14 PM

NEW YORK - Kohl's Corp. saw higher profit and solid sales in the fourth quarter as the department store operator attracted more customers who took advantage of its value-priced store-label brands, but still spent less per trip.

The chain, known for its moderately priced products, also gave a full-year earnings prediction within range of Wall Street's expectations. But its first-quarter earnings guidance was below analysts' views, and it offered a cautious sales outlook for the year amid an uncertain economy. Shares rose \$2.49, almost 5 percent, to \$54.08 as results beat Wall Street forecasts.

"Demand will continue to be weak throughout 2010" and sales will be fueled by taking market share away from rivals, Kevin Mansell, Kohl's president, chairman and CEO told investors, sounding the same theme offered by other major retailers this week.

Kohl's said it plans to open 30 new stores this year and remodel 90 others, up from its previously planned 65. It also said it will roll out marketing and merchandising strategies tailored to certain regions, such as the Southeast, after it saw success with that strategy in the Southwest.

Like many retailers, Kohl's stuck with planned promotions amid soft economic conditions during the holiday season, but didn't have to use deep discounts because it was able to keep its inventory levels in line with demand.

Kohl's, based in Menomonee Falls, Wis., also capitalized on exclusive brands such as Dana Buchman, Simply Vera Vera Wang and LC by Lauren Conrad, and gained market share from the closings of competitors such as Mervyn's.

Store label or exclusive brands accounted for 42.7 percent of the fourth-quarter sales and helped drive profit, the company said.

For the period ended Jan. 30, earnings rose 28 percent to \$431 million, or \$1.40 per share, from \$336 million, or \$1.10 per share, in the same period a year earlier.

Analysts surveyed by Thomson Reuters

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expected \$1.37 per share.

Sales increased 9 percent to \$5.68 billion from \$5.23 billion, narrowly topping Wall Street's forecast of \$5.67 billion.

Executives told analysts that consumers continue to be financially strained and are looking to stretch their dollars further.

Wes McDonald, Kohl's chief financial officer, told investors that while customer counts rose 7.3 percent per store for the quarter, the amount that shoppers spent per transaction dropped 8.2 percent as shoppers continue to purchase fewer items per trip.

In an interview with The Associated Press, Mansell said that shoppers continue to focus on necessities like coats and underwear, but the big difference from a year ago is that they're not cutting back more.

"The message is very clear," said Mansell. "With less to spend ... they are going to be very selective in (where) they chose to shop at."

Sales at stores open at least a year grew 4.5 percent during the quarter. The measure is a key indicator of retailer performance since it measures growth from existing stores rather

than newly opened ones.

Full-year profit improved to \$991 million, or \$3.23 per share, from \$885 million, or \$2.89 per share, in the prior year.

Sales rose 5 percent to \$17.18 billion from \$16.39 billion in 2009, with sales at stores open at least a year up 0.4 percent.

Kohl's expects fiscal 2010 earnings of \$3.40 to \$3.63 per share. Analysts predict income of \$3.63 per share.

The retailer anticipates profit of 48 cents to 52 cents per share for the first quarter. Wall Street projects profit of 54 cents per share.

Kohl's said its outlooks assume sales growth of 4 percent to 6 percent and an increase of 1 percent to 3 percent for sales at stores open at least a year.

Kohl's had 1,058 stores in 49 states at year's end.

AP Retail Writer Michelle Chapman contributed to this report.

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An advertisement for a concert. On the left is a portrait of Clay Walker wearing a black cowboy hat. To the right of the portrait, the text reads: "CLAY WALKER WITH SPECIAL GUEST LEE BRICE THURSDAY, APRIL 15 ON SALE NOW TICKETMASTER.COM". In the bottom right corner, the "Mystic Lake" logo is displayed, with "CASINO • HOTEL" and "mysticlake.com" below it. At the very bottom, in small text, it says "Owned and Operated by the Shakopee Mdewakanton Sioux Community".

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