# *Stock Selection Guide* ®

**The most widely used aid to good investment judgment**

| Company | KOHL'S CORPORATION | | Date | 08/05/05 |
|---|---|---|---|---|

Prepared by **MG**  Data taken from **NAIC Data**

Where traded **NYSE**  Major product/service **Department**

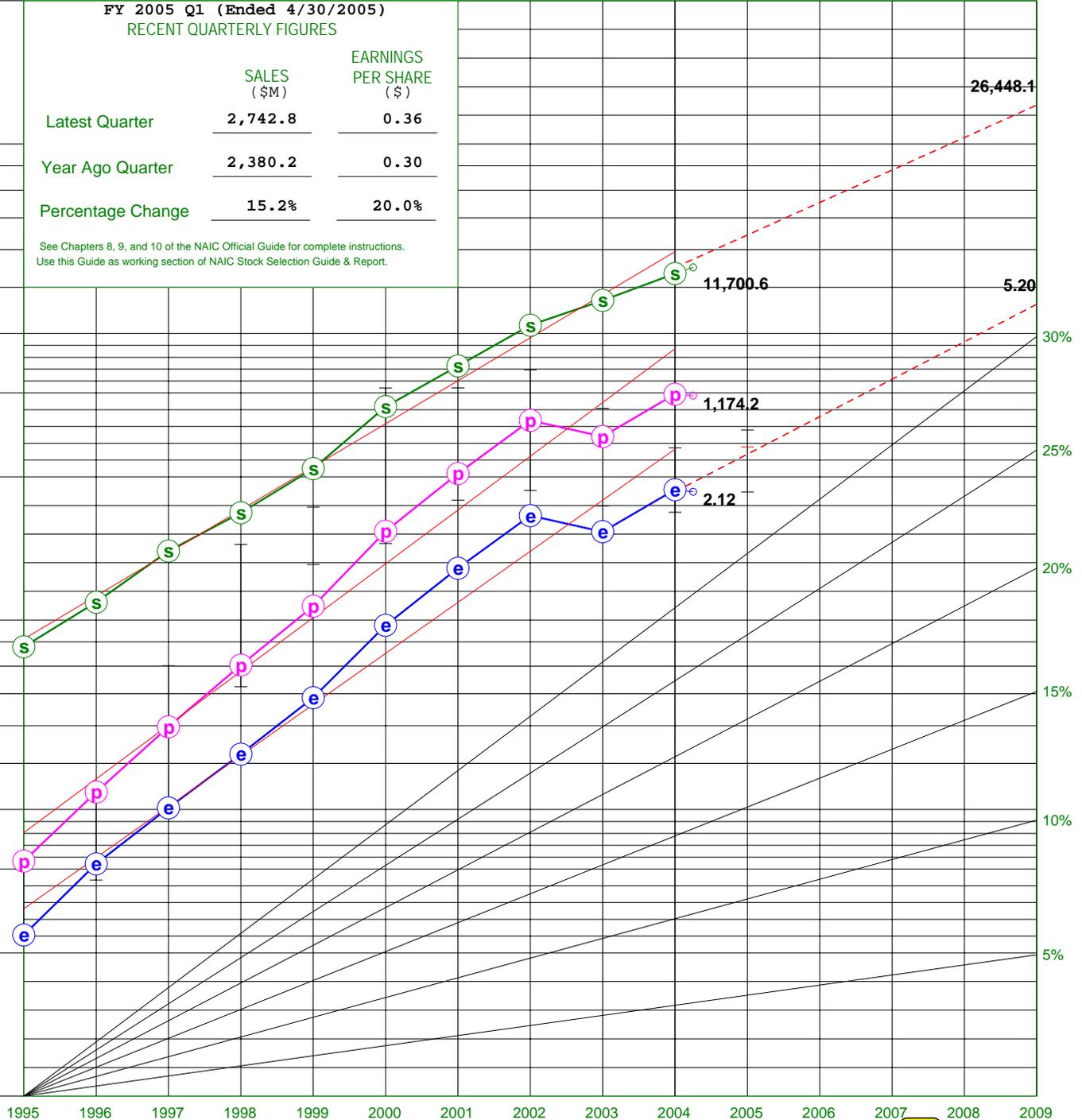| CAPITALIZATION --- Outstanding Amounts | | Reference | | |
|---|---|---|---|---|
| Preferred ($M) | 0.0 | % Insiders | % Institution | |
| Common (M Shares) | 343.8 | 39.0 | 82.6 | |
| Debt ($M) | 1,313.1 | % to Tot.Cap. 20.9 | % Potential Dil. | None |

KSS

## 1  VISUAL ANALYSIS of Sales, Earnings and Price

**FY 2005 Q1 (Ended 4/30/2005)**
RECENT QUARTERLY FIGURES

| | SALES ($M) | EARNINGS PER SHARE ($) |
|---|---|---|
| Latest Quarter | 2,742.8 | 0.36 |
| Year Ago Quarter | 2,380.2 | 0.30 |
| Percentage Change | 15.2% | 20.0% |

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.
Use this Guide as working section of NAIC Stock Selection Guide & Report.



26,448.1

11,700.6

5.20

1,174.2

2.12

30%

25%

20%

15%

10%

5%

1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

(1) Historical Sales Growth **23.1** %  (3) Historical Earnings Per Share Growth **28.0** %

(2) Estimated Future Sales Growth **17.0** %  (4) Estimated Future Earnings Per Share Growth **19.9** %

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| | | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | LAST 5 YEAR AVG. | TREND UP | TREND DOWN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales) | 6.4 | 7.2 | 7.7 | 8.6 | 9.2 | 9.8 | 10.7 | 11.3 | 9.3 | 10.0 | 10.2 | | EVEN |
| B | % Earned on Equity (E/S ÷ Book Value) | 17.7 | 19.8 | 15.0 | 16.1 | 15.0 | 16.6 | 17.4 | 18.0 | 14.0 | 14.7 | 16.1 | | DOWN |

**3 PRICE-EARNINGS HISTORY as an indicator of the future**

*This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.*

PRESENT PRICE ___54.310___    HIGH THIS YEAR ___58.900___    LOW THIS YEAR ___43.700___

| | Year | A PRICE HIGH | B PRICE LOW | C Earnings Per Share | D Price Earnings Ratio HIGH A ÷ C | E Price Earnings Ratio LOW B ÷ C | F Dividend Per Share | G % Payout F ÷ C X 100 | H % High Yield F ÷ B X 100 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2000 | 72.2 | 34.1 | 1.10 | 65.6 | 31.0 | 0.000 | 0.0 | 0.0 |
| 2 | 2001 | 72.2 | 42.0 | 1.45 | 49.8 | 29.0 | 0.000 | 0.0 | 0.0 |
| 3 | 2002 | 78.8 | 44.0 | 1.87 | 42.1 | 23.5 | 0.000 | 0.0 | 0.0 |
| 4 | 2003 | 65.4 | 40.8 | 1.73 | 37.8 | 23.6 | 0.000 | 0.0 | 0.0 |
| 5 | 2004 | 54.1 | 39.6 | 2.12 | 25.5 | 18.7 | 0.000 | 0.0 | 0.0 |
| 6 | TOTAL | | 200.5 | | 220.8 | 125.8 | | 0.0 | |
| 7 | AVERAGE | | 40.1 | | 44.2 | 25.2 | | 0.0 | |
| 8 | AVERAGE PRICE EARNINGS RATIO | 34.7 | | 9 CURRENT PRICE EARNINGS RATIO | | | | 25.9 | |

Proj. P/E [21.57] Based on Next 4 qtr. EPS [2.52]    Current P/E Based on Last 4 qtr. EPS [2.10]

**4 EVALUATING RISK and REWARD over the next 5 years**    PEG=130

*Assuming one recession and one business boom every 5 years, [...]ons are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.*

**A HIGH PRICE -- NEXT 5 YEARS**
Avg. High P/E ~~44.2~~  25.5 (3D7 as adj.) X Estimate High Earnings/Share ___5.20___ = Forecast High Price $ ___132.6___ (4A1)

**B LOW PRICE -- NEXT 5 YEARS**
(a) Avg. Low P/E ~~25.2~~  18.7 (3E7 as adj.) X Estimated Low Earnings/Share ~~2.12~~  2.10 = $ ___39.3___
(b) Avg. Low Price of Last 5 Years = ___40.1___ (3B7)
(c) Recent Severe Market Low Price = ___39.6___
(d) Price Dividend Will Support    Present Divd. = ___0.000___  = ___0.0___
High Yield (H) ___0.000___
Selected Estimate Low Price = $ ___39.3___ (4B1)

**C ZONING**
___132.6___ (4A1) High Forecast Price Minus ___39.3___ (4B1) Low Forecast Price Equals ___93.3___ (C) Range. 1/3 of Range = ___23.3___ (4CD)

(4C2) Lower 1/3 = (4B1) ___39.3___ to ___62.6___ (Buy)    Note: Ranges changed to 25%/50%/25%
(4C3) Middle 1/3 = ___62.6___ to ___109.3___ (Maybe)
(4C4) Upper 1/3 = ___109.3___ to ___132.6___ (4A1) (Sell)

Present Market Price of ___54.310___ is in the ___Buy___ (4C5) Range

**D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)**
High Price (4A1) 132.6 Minus Present Price 54.310
Present Price 54.310 Minus Low Price (4B1) 39.3
= 78.3 / 15.0 = 5.2 (4D) To 1

**E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)**
High Price (4A1) 132.6
Present Market Price 54.310
= ( 2.442 ) X 100 = ( 244.2 ) - 100 = 144.2 (4E) % Appreciation

Relative Value: 74.6%    Proj. Relative Value: 62.2%

**5 5-YEAR POTENTIAL**    *This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.*

**A Present Full Year's Dividend $** ___0.000___    Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.
Present Price of Stock $ ___54.310___ = ___0.000___ X 100 = ___0.0___ (5A) Present Yield or % Returned on Purchase Price

**B AVERAGE YIELD OVER NEXT 5 YEARS**
Avg. Earnings Per Share Next 5 Years ___3.62___ X Avg. % Payout (3G7) ___0.0___ = ___0.0___ = ___0.0___ % (5B)
Present Price $ ___54.310___

**C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS**
5 Year Appreciation Potential (4E) 144.2 / 5 = 28.8 %
Average Yield (5B) = 0.0 %
Average Total Annual Return Over the Next 5 Years (5C) = 28.8 %

| | P.A.R. | Tot. Ret. |
|---|---|---|
| Average Yield | 0.0% | 0.0% |
| Annual Appreciation | 16.2% | 19.5% |
| % Compd Ann Rate of Ret | 16.2% | 19.5% |

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# *PERT Worksheet-A Graph*

Company  KOHL'S CORPORATION _____     (KSS)



44.8%

31.3%

19.9%
17.0%
17.7%

0.0%

4.2%

-9.4%

1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st
1999 1999 1999 1999 2000 2000 2000 2000 2001 2001 2001 2001 2002 2002 2002 2002 2003 2003 2003 2003 2004 2004 2004 2004 2005