

# Michael Fiddelke

Chief Financial Officer

**VIDEO**

**Financial Media Highlights**

 **financial community meeting**








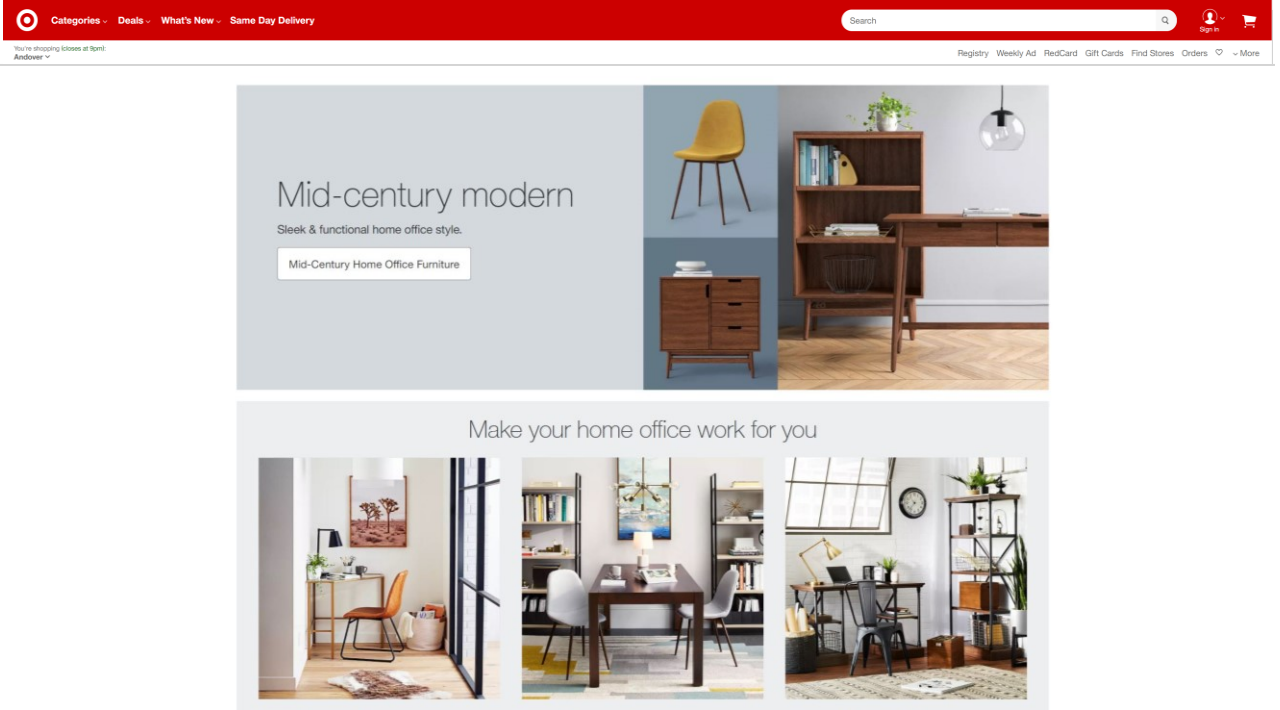
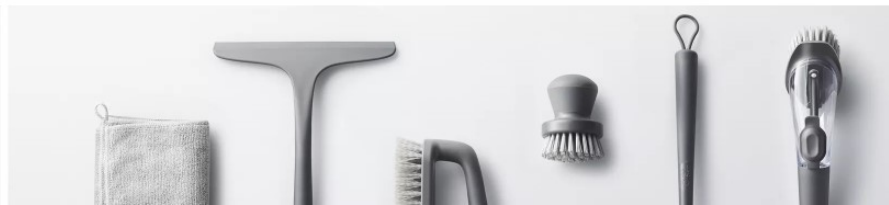


**How much growth comes from  
specific strategies?**



Everyday ingenuity that's a joy to use.  
New & only at 

Introducing Made By Design cleaning tools  
Easy-to-use, purpose-driven tools that'll help simplify your home cleaning routine.





# First Time Drive Up Guests

~30%

increase in  
overall spend

Including an increase  
in store spending



**drive up**



# Merchandise Categories



Apparel



Home



Beauty +  
Essentials



Food +  
Beverage

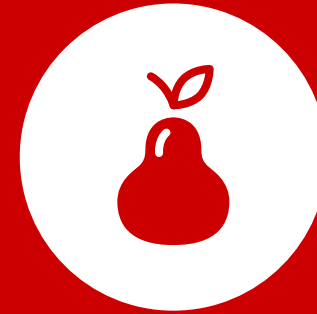


Hardlines





# One Target Run





DO NOT ENTER  
Exit Only  
Due to an emergency order, you must wear a face mask to enter this store.

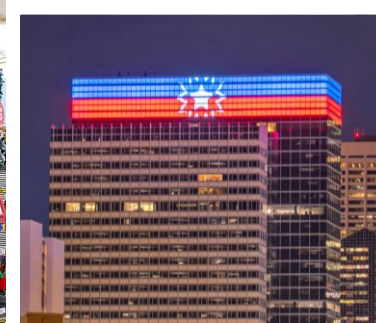
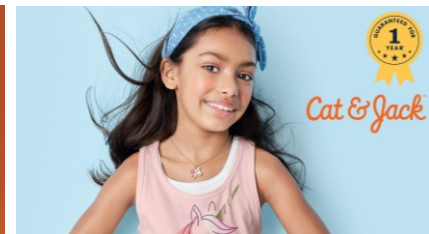
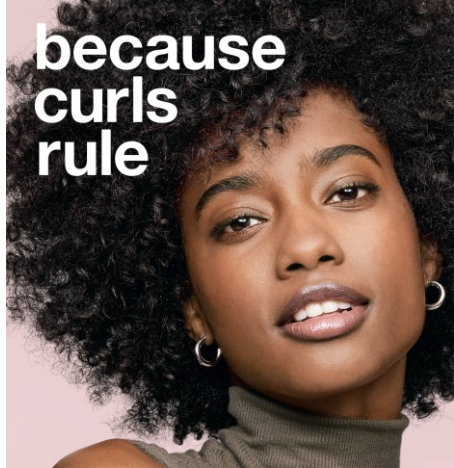
COMMITTED TO USING ALL  
TO HELP  
AND  
LASTING



**Everything we're doing  
at the same time.**





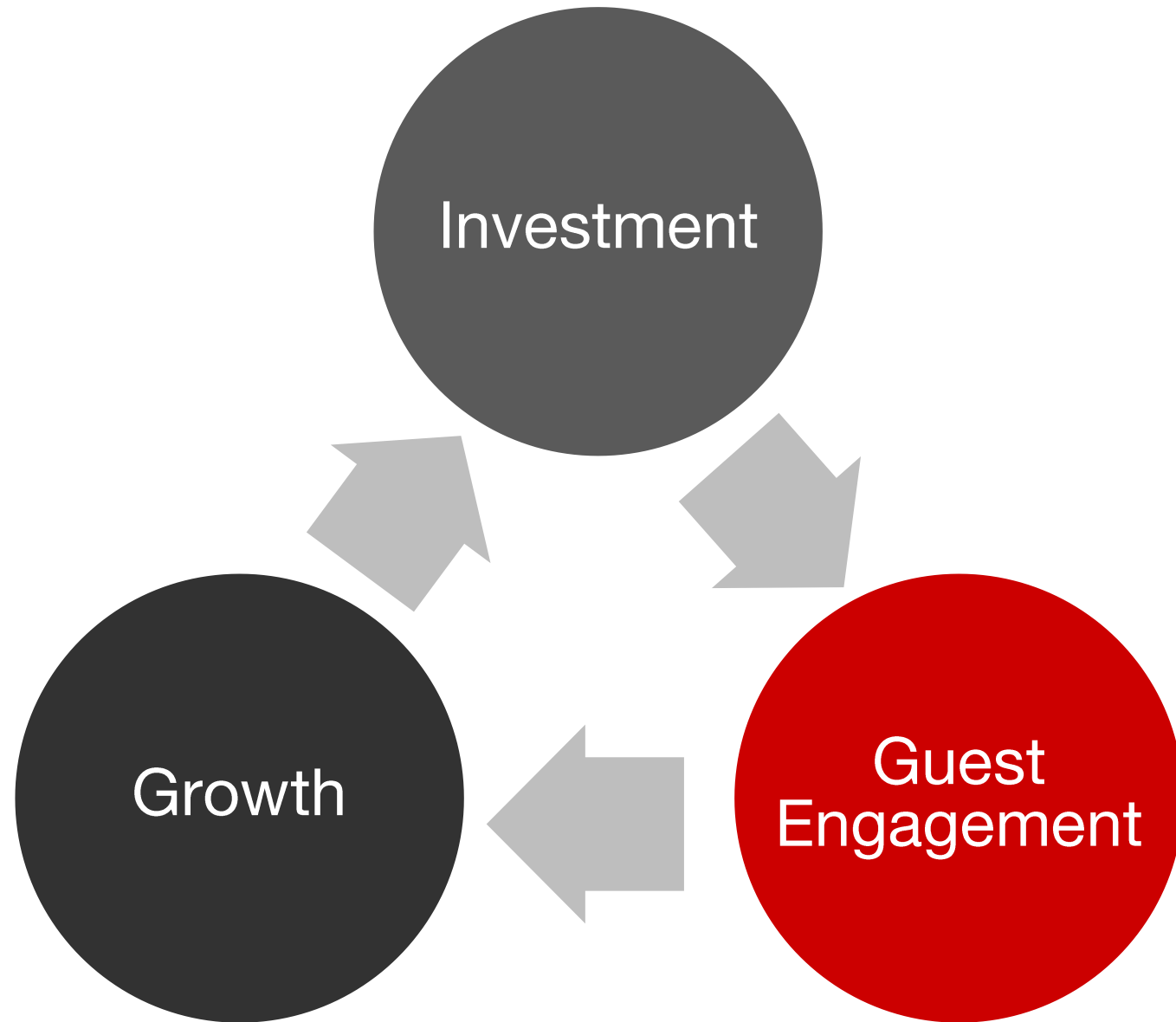




**Assets + Capabilities**

**Engagement + Growth**

**Listening to our guests.**





# Our Success

Evaluate business,  
strategy and guest

New strategic  
focus

Investment of  
capital and expense

**Build on the Foundation**

**Deepen Guest Engagement**

**Drive Long-Term Growth**

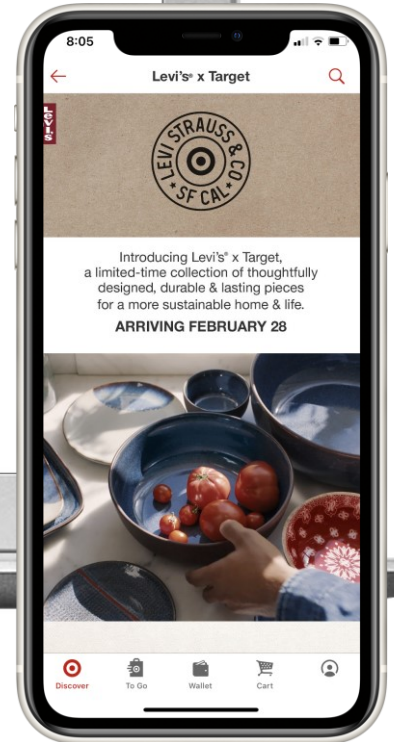
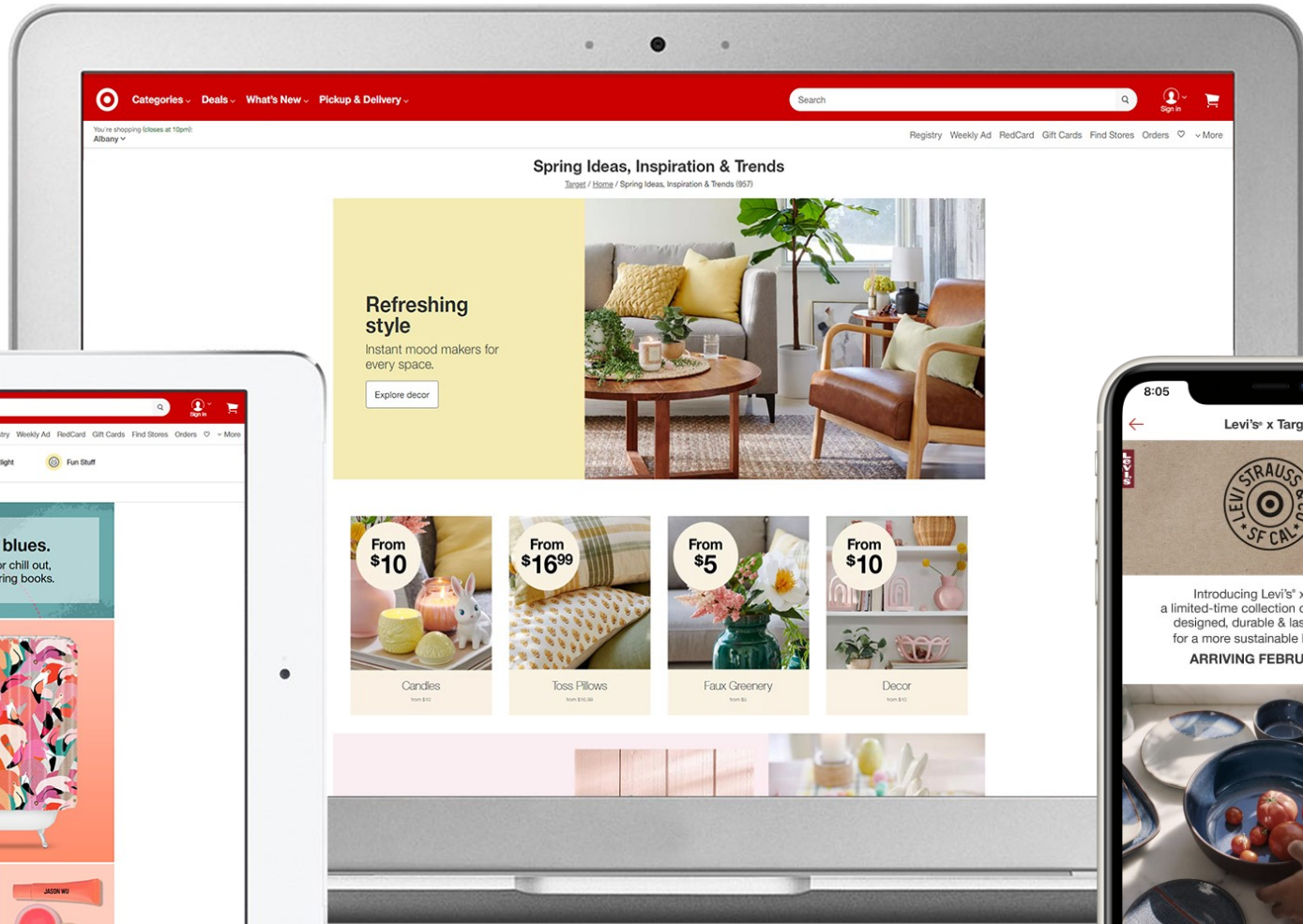
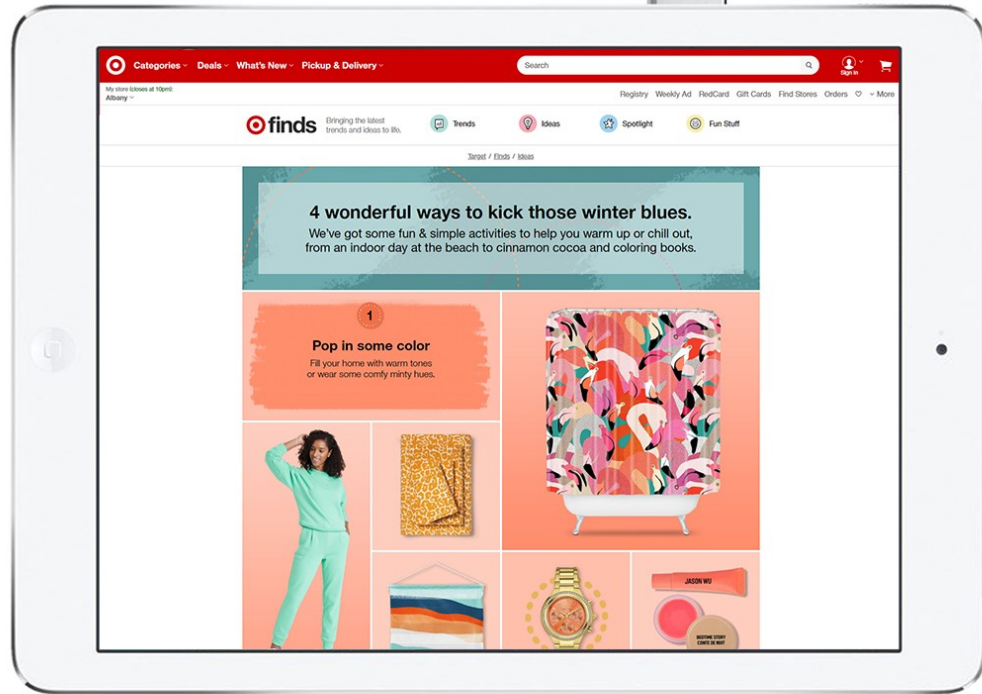
**\$14.2B**

2008-2019  
sales growth

**\$15.3B**

2020 sales growth







**TheCubicleCollections**  
@cubollections

@Target drive up service is amazing! Why have I not done this before? 😁 #nocontact #stayathome 🏠 #firsttime



**Eric**  
@RiseUp4Us

Gotta say. The efficiency, and safety procedures, of @Target Drive Up are really great. I was already a Target fan, but they're building a lot of loyalty with me.

# Multichannel Guest Spend

**4x**

more than a  
store-only guest

**10x**

more than a  
digital-only guest



**Deepening engagement =  
a more valuable guest  
relationship.**

**12M**

new multichannel guests  
in 2020



# Guest Engagement





**stores**



**ship-to-home**



**order pickup**



**drive up**



**same day  
delivery**

Delivered by **Shipt** 



drive up



order pickup

**Now with select fresh  
& frozen groceries**

Available in the  app



# First Time Fresh Order Pickup / Drive Up Guests

**+1 visit per  
month**

increase in  
shopping frequency

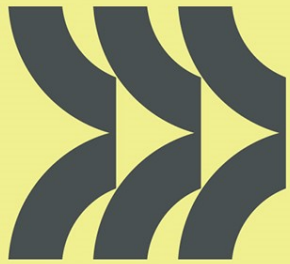
**20-30%**

increase in  
Food + Beverage

**~20%**

increase in  
other categories





all in motion™



made  
for every  
move,  
priced  
for every  
day.



new  
&  
only  
at











Disney



ULTA<sup>®</sup>  
BEAUTY

**We take a thoughtful approach  
to new partnerships.**



~ **90M**  
members

Enjoy the perks  
without the  
annual fee.



Earn 1%\* when  
you shop

RedCard™ purchases continue to  
save 5%\*\* instead of earning 1%.



Get hundreds  
of deals



Help direct where Target  
Gives in your community



Celebrate with a  
5% birthday bonus\*\*\*



 **circle**™

Join Free





circle  
Join free!

7

R CLO

K1

K2





**circle**<sup>TM</sup>



# 2021 Focus



# Expand Our Assortment + Extend Our Reach



**drive up**



**order pickup**



**same day  
delivery**

Delivered by **Shipt** 



## Acquired in 2017

- Essential capability
- Integrated into our business
- Scale in new markets



**Modernize  
Our Network**

**Increase  
Replenishment  
Capacity**

**\$15B**  
of growth

=



more than  
300 new stores





3M

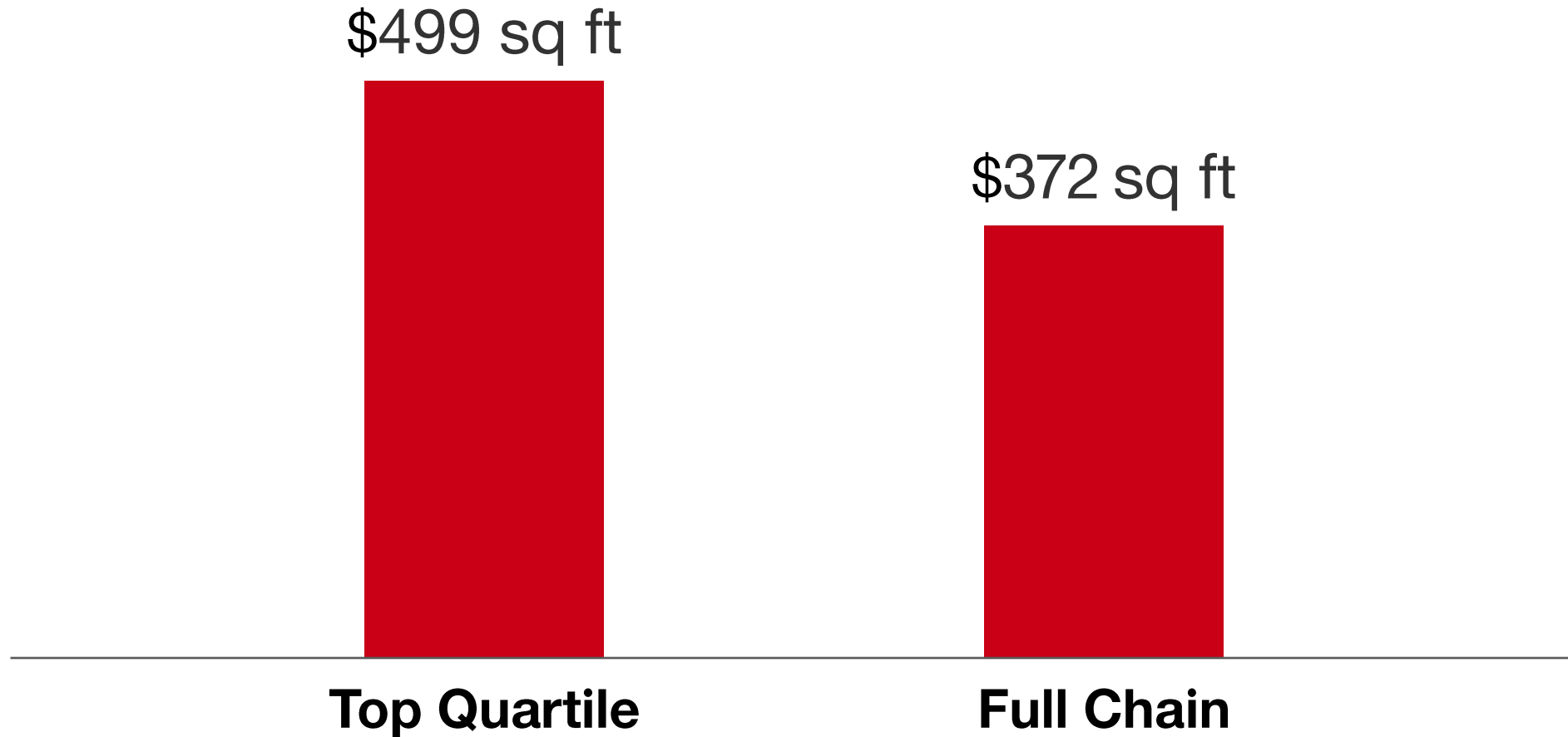
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**Can our stores continue to  
grow digital sales?**

# Average Productivity





# Untapped Capacity

Colma, CA

more than  
**\$90M**  
annual sales  
in 2001





TARGET

TARGET

Serramonte Blvd

Junipero Serra Blvd

WINSTON MANOR

SERRAMONTE

EL CAMINO

FAIRMONT



TARGET

TARGET

Serramonte Blvd

Junipero Serra Blvd

WINSTON MANOR

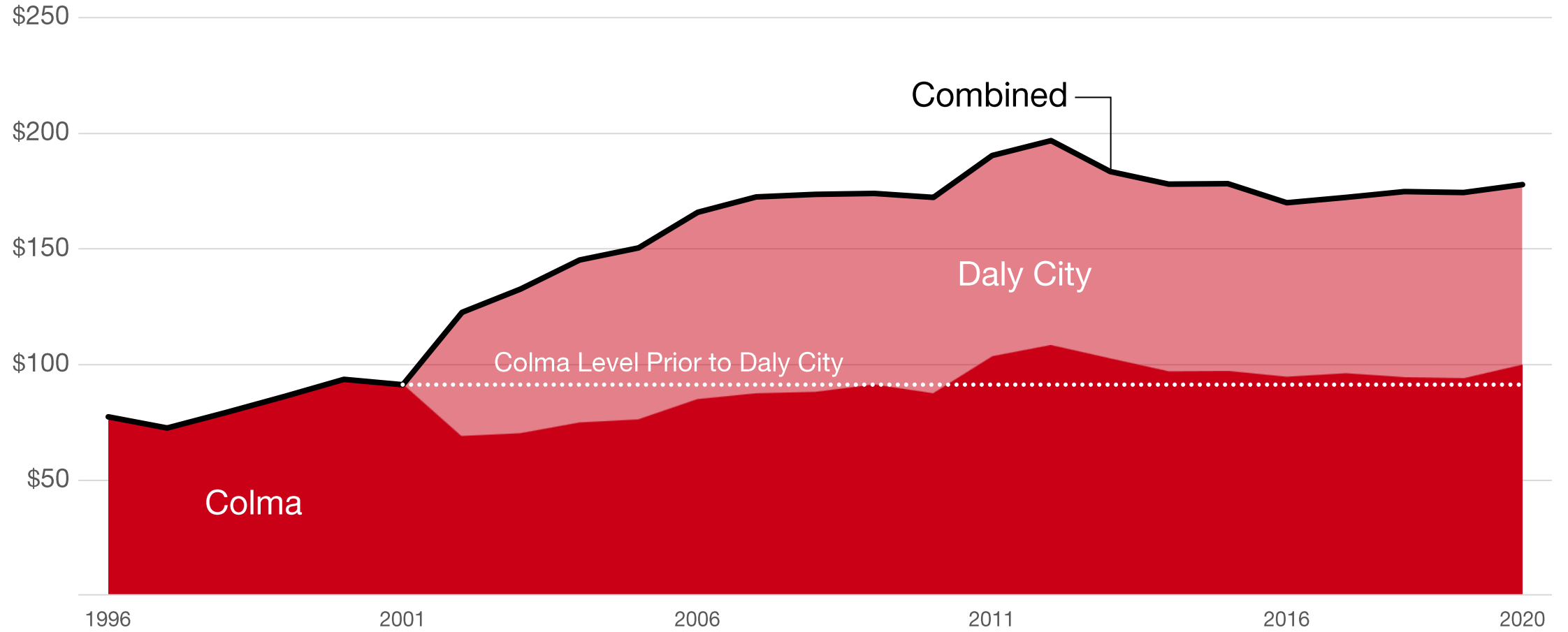
SERRAMONTE

EL CAMINO

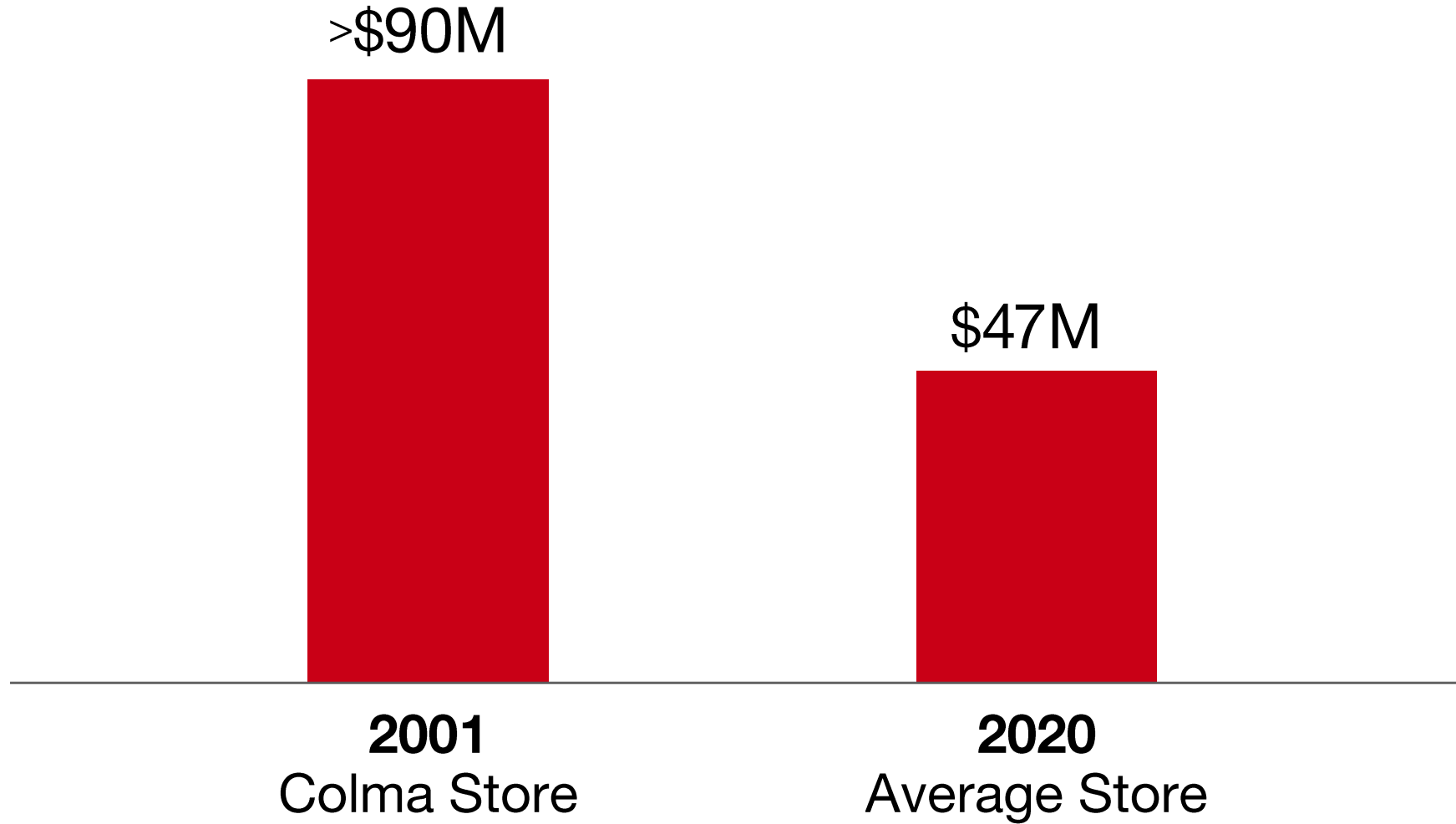
FAIRMONT



# Colma / Daly City Combined Sales



# Fulfilled Sales



FITNESS



order pickup

CVS pharmacy

drive up







# Small Format Stores





# Remodels

# Next Few Years

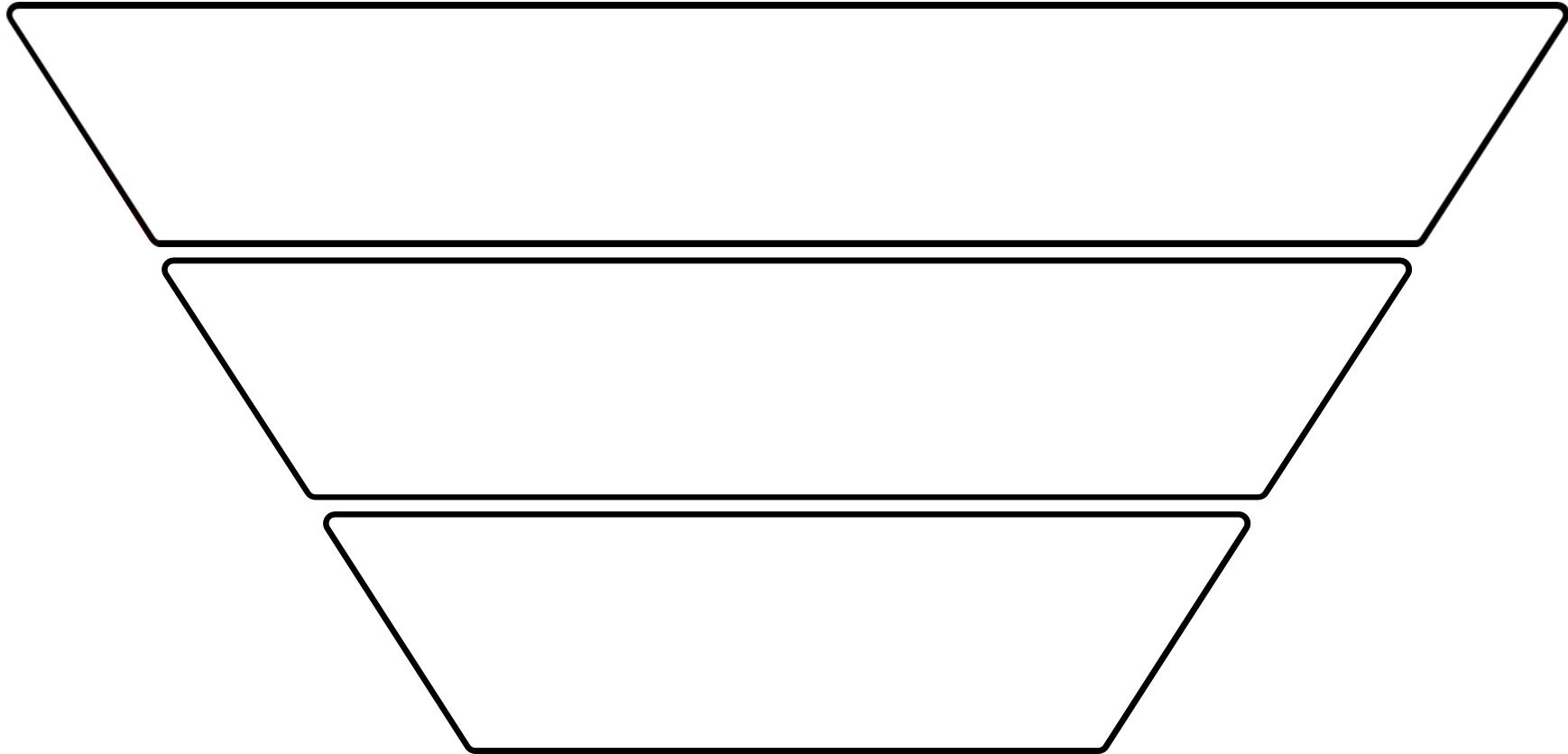
- ~\$4B in annual CAPEX
  - Remodels
  - New stores
  - Supply chain
  - Ulta Beauty shop-in-shops
  - Front-end optimization





**Guidance**

# Topline Considerations



# Macro Factors

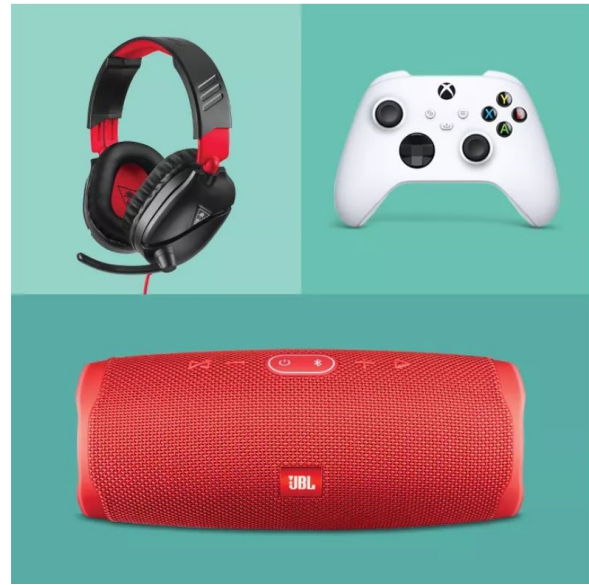
- Path of the virus
- Consumer attitudes and behaviors
- Health of the economy



# Topline Considerations





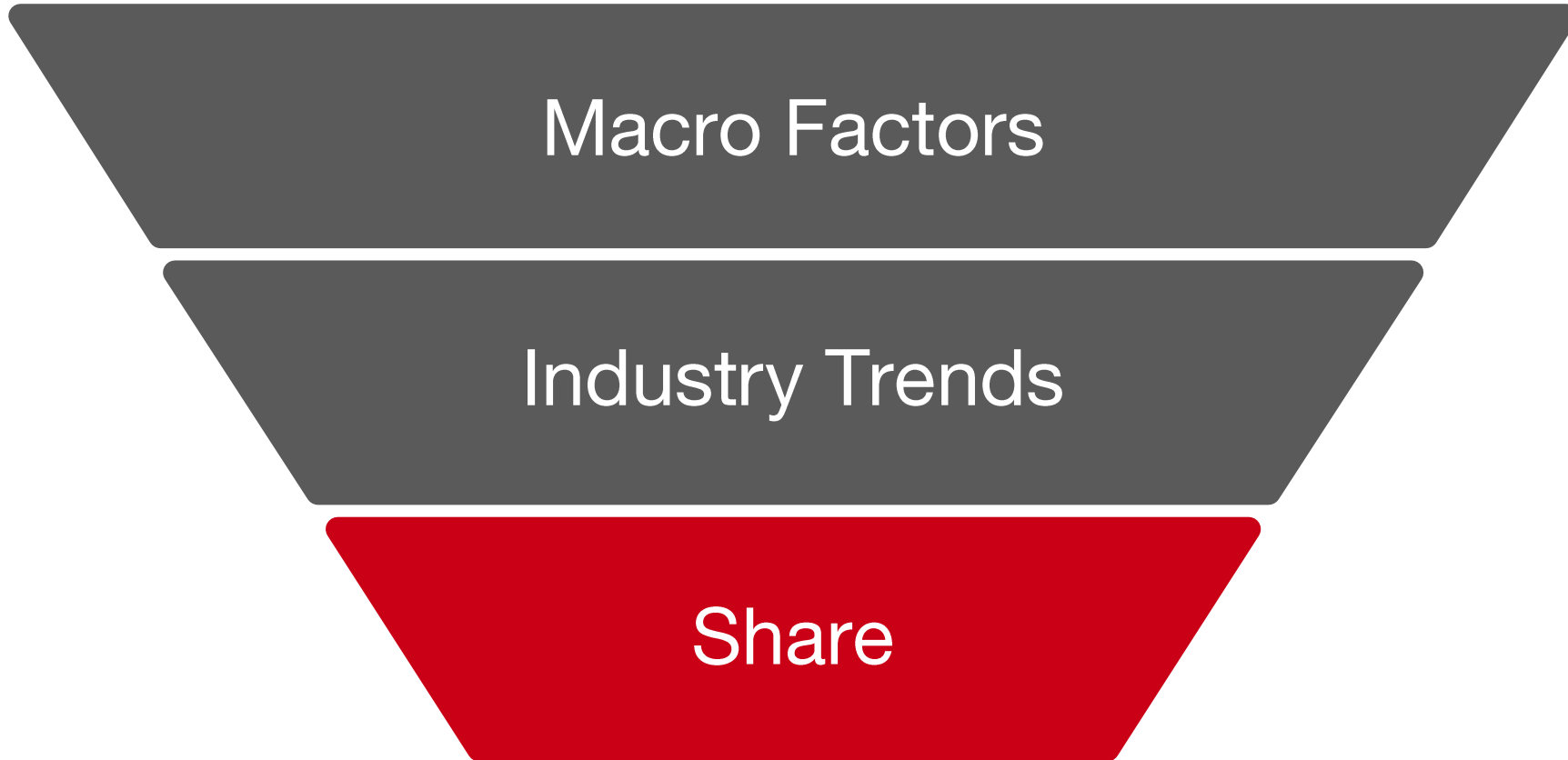








# Topline Considerations



# 2020 Market-Share Gains



Apparel



Home



Beauty +  
Essentials



Food +  
Beverage



Hardlines

# Long-Term Growth





# Gross Margin Drivers

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## Supply Chain + Digital Fulfillment

- **2020**  
(110) bps of pressure
- **2021**  
Less pressure



# Gross Margin Drivers

## Category Mix

- **2020**  
(90) bps of pressure
- **2021**  
Less pressure

# Gross Margin Drivers

## Merchandising Decisions

- **2020**  
+150 bps of tailwind
- **2021**  
Additional markdown pressure

**2021 Gross Margin Rate**  
**lower than 2019 rate of 28.9%**



# SG&A Expense Rate

# 2021 SG&A Expense Rate

- Continued benefit from scale
- Continued benefit from efficiency

**2021 SG&A Expense Rate**  
**lower than 2019 rate of 20.8%**



# 2021 D&A Expenses

- Moderate dollar growth

# 2021 Operating Margin Rate

**Between** ~~2021 Operating~~ **2019 rate of 6%** **Rate**  
**2020 rate of 7%**

more likely in the lower half of that range

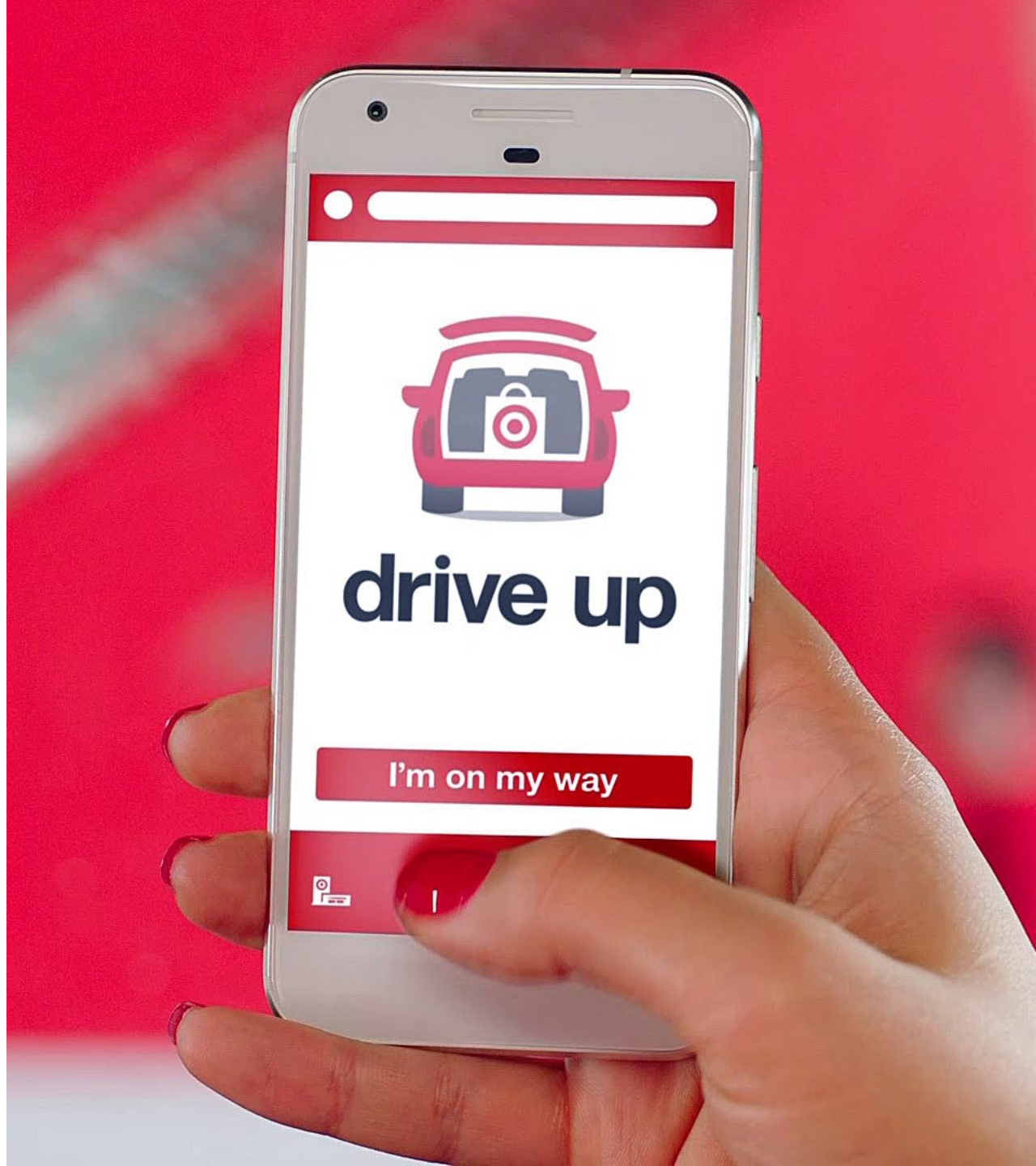






**Flexibility  
+ Agility**





**Perfectly  
Positioned**

**Business Model**

**Team**

**Balance Sheet**

**Perfectly  
Positioned**

**Long-Term Profitability  
Market-Share Gains**





# 1<sup>st</sup> Quarter 2020

- Sales accelerated meaningfully
- Gross margin rate declined more than 4pp
- Began investments in health and safety

# 2020 EPS

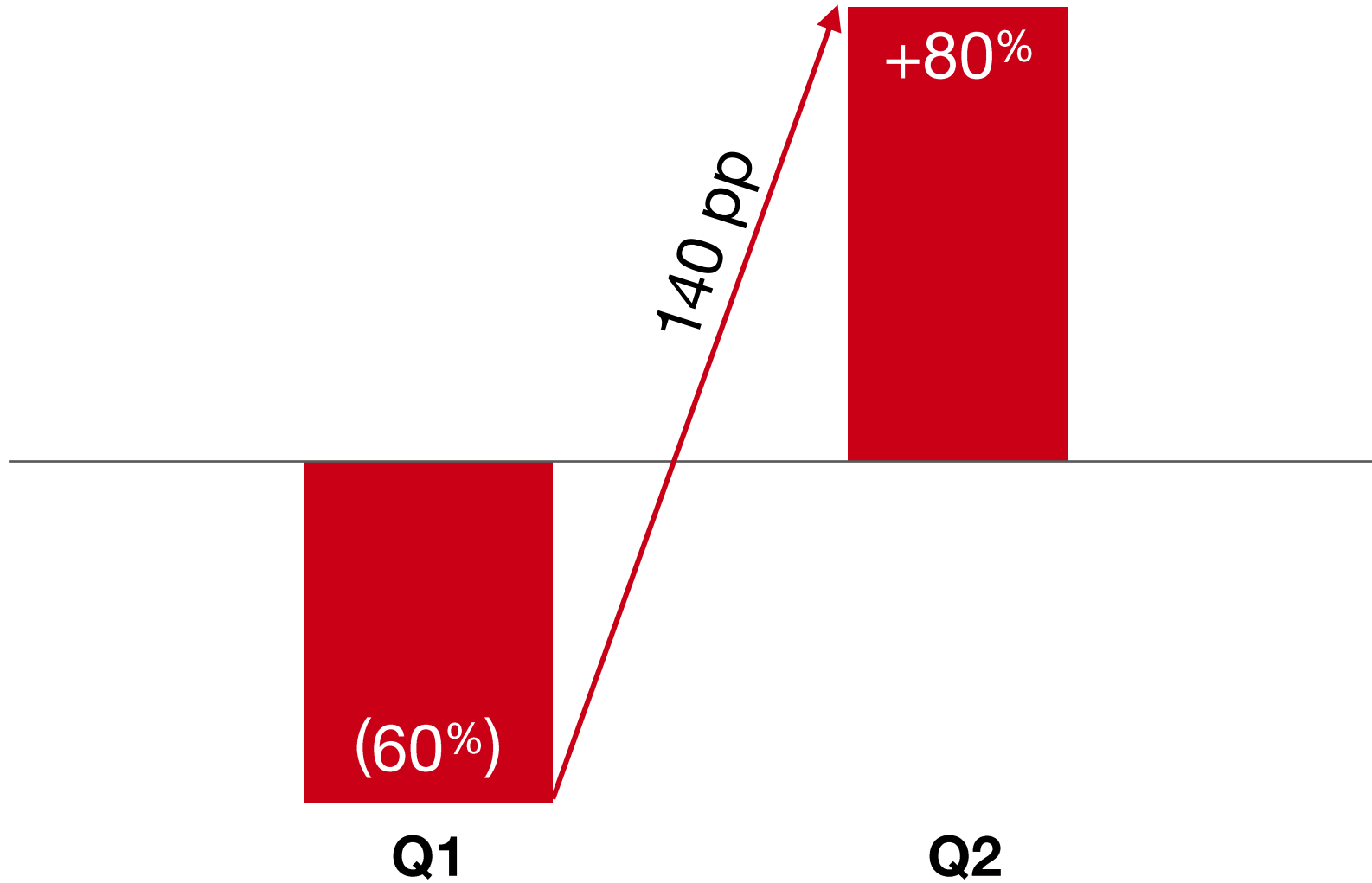


## 2nd Quarter 2020

- Comp sales above 24%
- Higher gross margin rate
- Significant leverage on SG&A and D&A expense lines



# 2020 EPS





# Capital Deployment

# Capital Deployment Priorities

- Invest in the business
- Support the dividend



**2021: On track for our  
50<sup>th</sup> consecutive year  
of dividend growth.**

# Capital Deployment Priorities

- Invest in the business
- Support the dividend
- Return cash through share repurchases



# **2021 Capital Deployment**



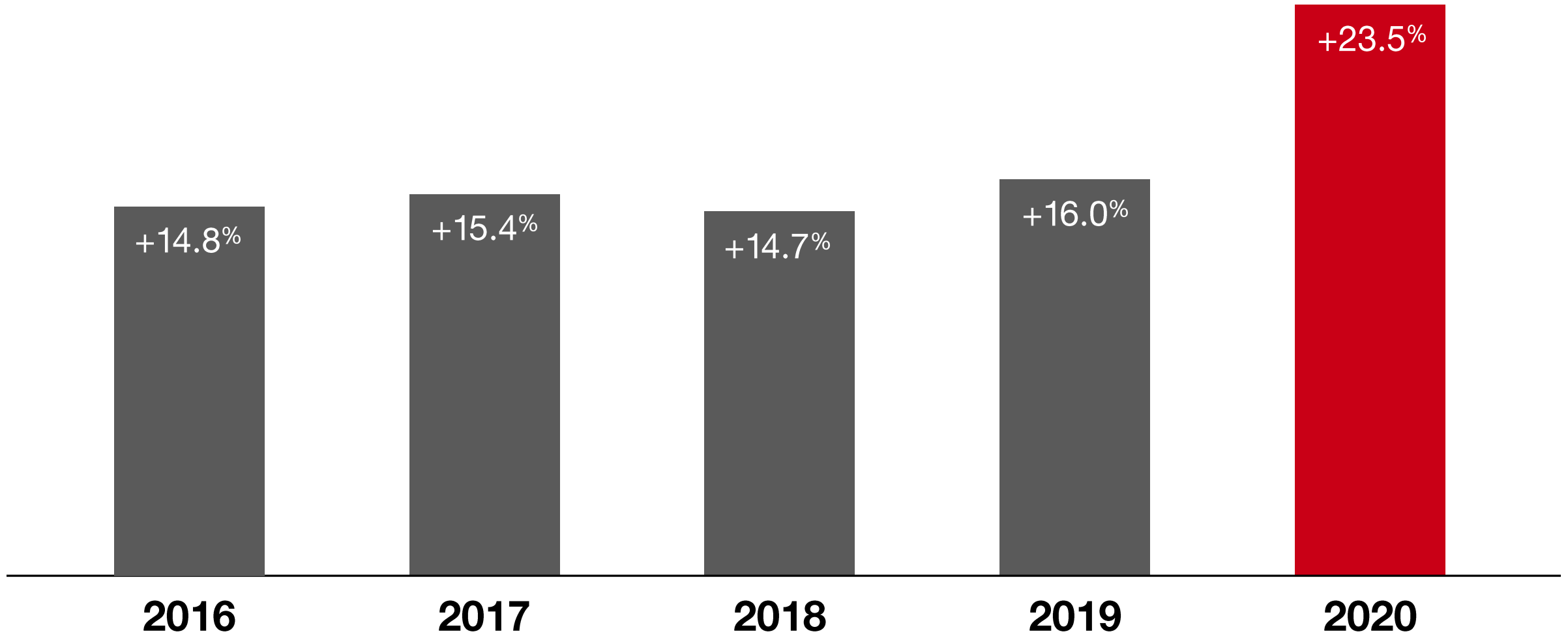
# 2021 Capital Deployment

- CAPEX ~\$4B
- Robust increase in dividend
- Ample capacity for share repurchases



# After-Tax ROIC

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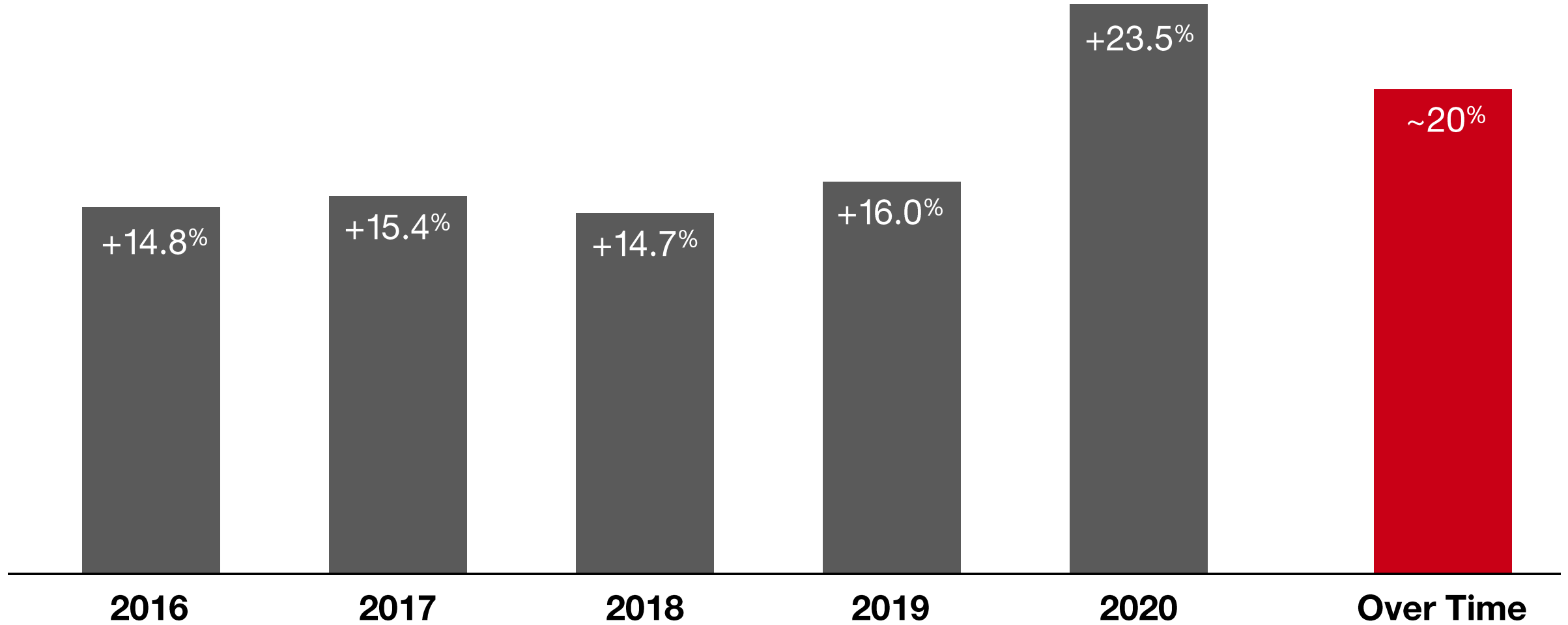




# Considerations in 2021

- Working capital increase
- Higher CAPEX

# After-Tax ROIC



 **financial community meeting**



**order pickup**

**ship-from-store**

**drive up**

**same day  
delivery**

Delivered by **Shipt**



**Listening to Our Guests**

**Differentiated**

**Ample Resources**

**Continued Growth**











**Thank you.**

The image features a solid red background. On the left side, there is a large white semi-circle. On the right side, there are two overlapping, light red rounded shapes. The top one is a rounded rectangle-like shape, and the bottom one is a circle. They overlap each other and the white semi-circle.



 **financial community meeting**