Michael Fiddelke
Executive Vice President, Chief Operating Officer and Chief Financial Officer
Build on Our Foundation
Expand Our Footprint
Modernize Our Business
Advance Our Strategy
Inventory Positioning

Demand Forecasting

AI + Machine Learning
Renewed Focus on Retail Fundamentals
2023 Financial Results
2013 to 2023
Long-Term Expectations
2024 Outlook
2023 Performance

- Soft topline
- Better-than-expected profitability
2023 Comparable Sales: - 3.7%

Traffic by Quarter

Q1: 0.9%
Q2: -4.8%
Q3: -4.1%
Q4: -1.7%
Better Comp Sales

Better Digital Sales

Dramatic Improvement in Discretionary Categories
Operating Income

nearly $2B

2023 growth vs 2022

Operating Margin Rate

2022: 3.5%
2023: 5.3%
Operating Margin Drivers

2022

- Markdowns
- Freight and transportation costs
- Shrink
Operating Margin Drivers

2023

- Markdowns
- Freight and transportation costs
- Operational benefits
Operating Margin Drivers

2023

- Markdowns
- Freight and transportation costs
- Operational benefits
- Efficiency efforts
Over $500 million in permanent efficiency gains in 2023.
Operating Margin Drivers

2023

- Markdowns
- Freight and transportation costs
- Operational benefits
- Efficiency efforts
- >20% growth in Roundel
Note: Adjusted EPS is a non-GAAP financial measure most directly comparable to GAAP EPS. Adjusted EPS is reconciled to GAAP EPS in the Summary Financials information posted on our investor relations website.
Cash From Operations

- 2022: $4.0B
- 2023: $8.6B
After-Tax ROIC

2022: 12.6%
2023: 16.1%

Note: After-Tax Return on Invested Capital (ROIC) is a ratio based on GAAP information, with the exception of the add-back of operating lease interest to operating income. The calculation of ROIC is in the Summary Financials information posted on our investor relations website.
2023 Inventory Shrink Costs

- >$500 million higher than 2022
  - ~50 bps of Operating Margin Rate pressure
- ~1.2 pp of cumulative Operating Margin Rate pressure since 2019
Annual Sales
(in billions)

Note: Reflects amounts attributable to continuing operations.
The 2016 sales decline is primarily due to the sale of our pharmacy and clinic businesses, which generated $3.5 billion in sales in 2015.
* 2023 and 2017 were 53-week years.
Sales Mix by Channel

Note: Reflects amounts attributable to continuing operations.

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* 2023 and 2017 were 53-week years.
Sam e-Day Services

- $1.25 billion in 2023 sales
- ~70% of digital growth since 2013
Adjusted EPS

Note: Adjusted EPS is a non-GAAP financial measure most directly comparable to GAAP EPS. Adjusted EPS is reconciled to GAAP EPS in the Summary Financials information posted on our investor relations website.

* 2023 and 2017 were 53-week years.
GAAP EPS

2013: $4.20
2014: $3.83
2015: $5.25
2016: $4.58
2017: $5.29
2018: $5.50
2019: $6.34
2020: $8.64
2021: $14.10
2022: $5.98
2023: $8.94

* 2023 and 2017 were 53-week years.
Dividend Per Share

- 2013: $1.58
- 2023: $4.36
Operating Margin Rate

Pressure From

- Inventory shrink
- Higher digital penetration
Capital Deployment Priorities

Invest in our business

› Support the dividend

› Repurchase shares
Cash From Operations (in billions)

- 2014: $5.2 billion
- 2015: $5.3 billion
- 2016: $5.3 billion
- 2017: $6.9 billion
- 2018: $6.0 billion
- 2019: $7.1 billion
- 2020: $10.5 billion
- 2021: $8.6 billion
- 2022: $4.0 billion
- 2023: $8.6 billion

Total: $67 billion
Capital Deployment

- Share Repurchases: ~$22B
- Dividends: ~$14.5B
- CAPEX: >$30B

>206M shares retired at an average of ~$108
Long -Term Expectations
Revenue Growth Drivers

- Comparable sales
- New stores
- Other revenue
Revenue Growth Drivers

- Low-to mid-single digit comp growth in a typical year
- Invest in the vast majority of store locations over the next decade
Revenue Growth Drivers

- Low-to mid-single digit comp growth in a typical year
  - Invest in the vast majority of store locations over the next decade
- Open >300 new locations over the next decade
  - Incremental sales of ~$1.5B in ten years
Other Revenue Growth Drivers

- Roundel ad business
  - Contributed >$1.5B in value in 2023
- Growing contribution from Target+
Expected Revenue Growth

~ 4% \quad = \quad > \quad $50B

or more in a typical year \quad over the next decade
Long-Term Operating Margin Rate: 6% or higher over time
CAPEX Considerations

- Bottom-up plan, based on strategic and financial criteria
- Follow the evolving needs of the business
CAPEX
(in billions)

Note: Reflects amounts attributable to continuing operations.
Long-Term Capital Deployment

- CAPEX: $3.5B-$5.5B in 2025 and beyond
- Dividends
  - Continued annual growth in per-share dividend
  - 40% payout ratio over time
- Share repurchases
  - Meaningful contributor to EPS over time
  - Within the limits of middle-A credit ratings
Long-Term Shareholder Returns

- High-single digit EPS growth in a typical year
- Annual growth in the per-share dividend
After-Tax ROIC: high teens over time
2024 Expectations
2024 Comparable Sales Expectations

- 0 to +2% range for the year
  - Decline in Q1
  - Growth in Q2 through Q4
2024 Operating Margin Expectations

- Impact of inventory shrink approximately flat
- Deleveraging rate pressure on SG&A
- Favorable freight and transportation costs
- Outsized growth in Roundel
- Continued benefits from efficiency efforts
2024 GAAP + Adjusted EPS Expectations

- Full-year: $8.60 to $9.60
  - Midpoint represents growth of 2% vs. 2023
  - Equivalent to a mid-to high-single digit increase on a 52-week to 52-week basis
Q1 2024 Expectations

- $1.70 to $2.10 for GAAP and Adjusted EPS
- 3% to 5% decline in comparable sales
2024 Capital Deployment Expectations

- CAPEX of $3-$4 billion
- Strong cash generation
- Recommend increase in per-share dividend
- Share repurchases within limits of middle-A ratings
  - Potential to resume repurchases later in the year
Thank You