

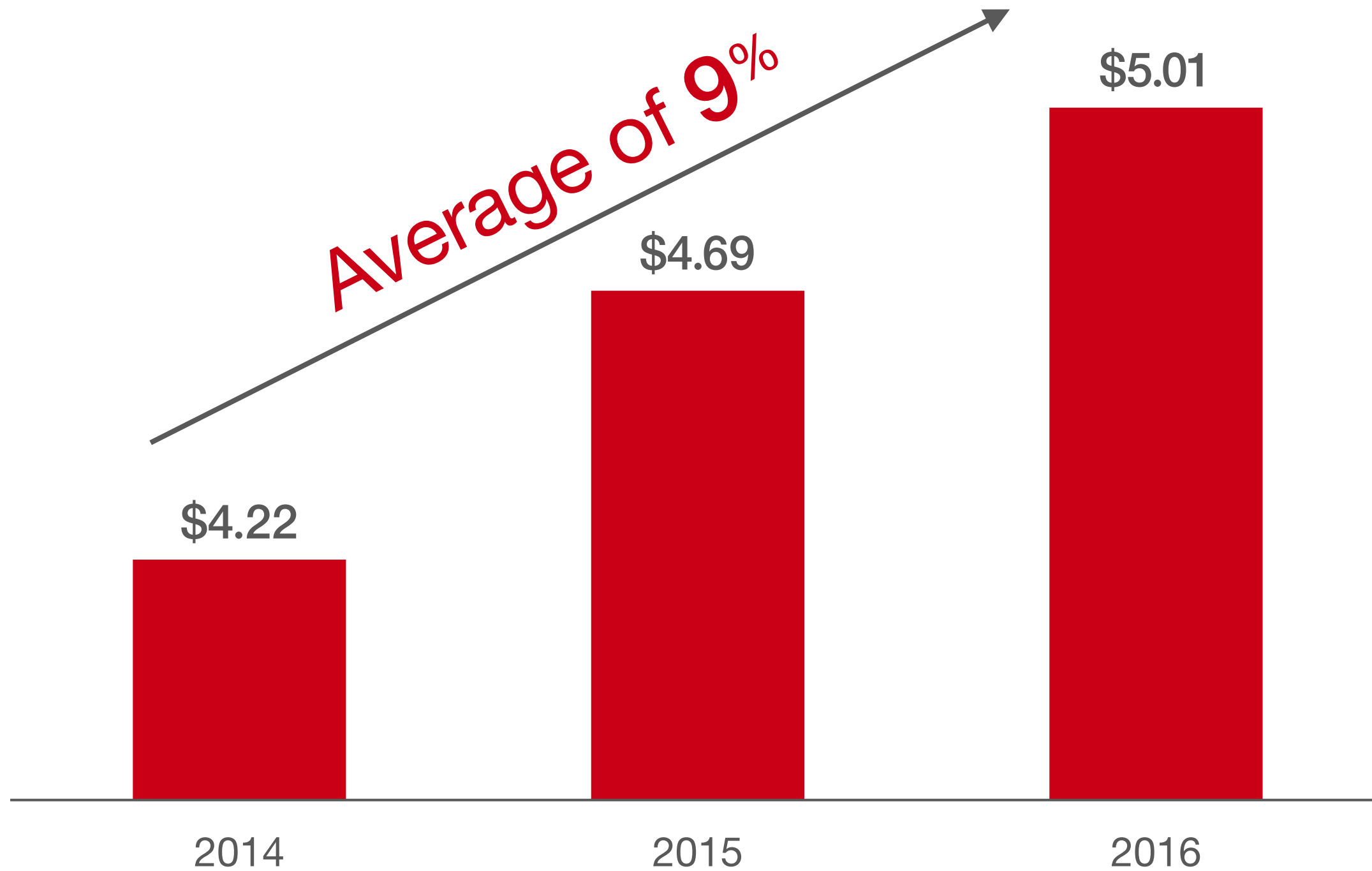
**Cathy  
Smith**

🎯 EVP & Chief Financial Officer

# Progress Report

- Signature categories growth
- Digital sales growth
- Small store formats
- Ship from store in 1,000+ stores
- Core business focus
- \$2 billion reduction in costs

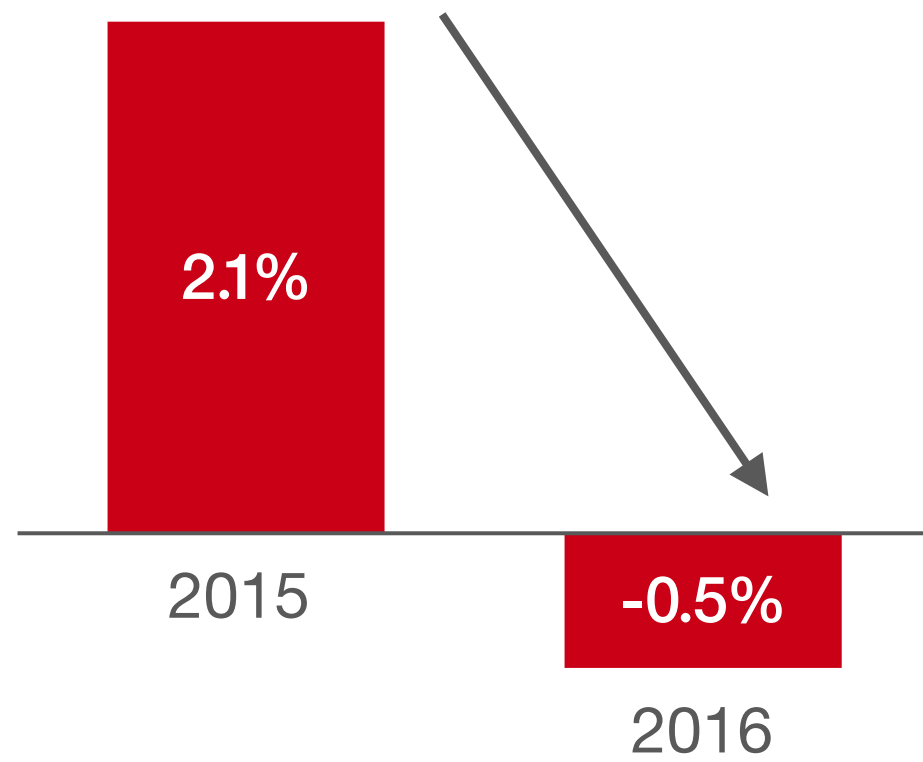
# Adjusted EPS



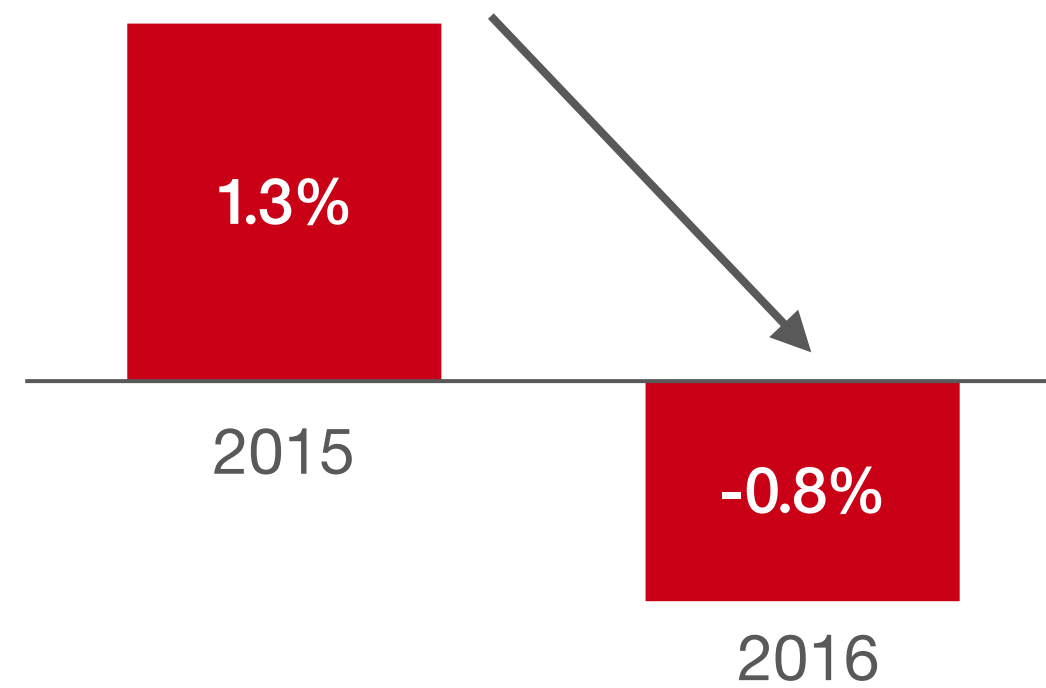
Nearly **\$10 billion** returned to  
shareholders in the last **2 years**

The case for change

## Comp Sales



## Comp Traffic



# Invest in a growth engine

- Consistent
- Sustainable
- Profitable

**Not** starting from scratch



**Invest with a long-term view**

**Digital Capabilities**

**Small Formats**

**Existing Stores**

**Supply Chain**

**Exclusive Brands**

**Core Capabilities**

# Capital Investment

**\$2 billion**  
in 2017

**\$7 billion**  
over next 3 years

# \$1 Billion Investment in Operating Profits

- Store service
- Channel shift
- New brands
- Everyday value proposition



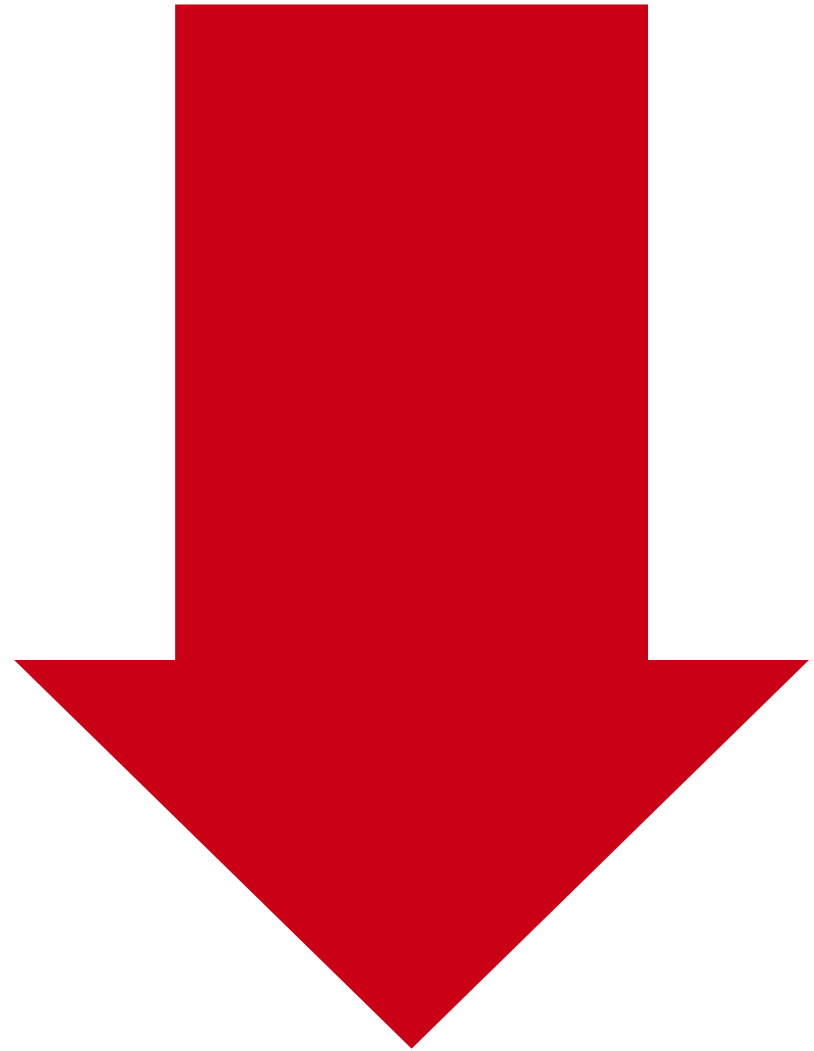
We **could** make changes  
to maintain our margins

They are the **wrong**  
long-term decisions

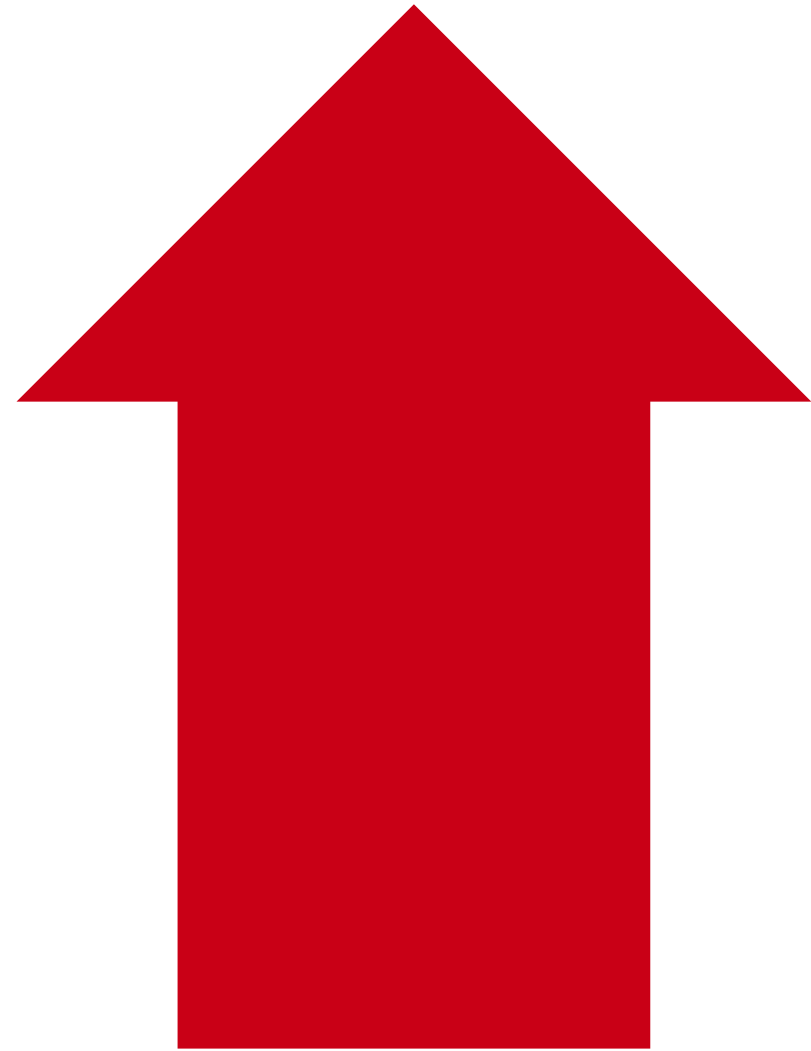
Continue to **reduce costs**  
on non-critical efforts



Operating margins



Market share



# We have the flexibility

- Strong balance sheet & robust cash generation
- Well-positioned assets



Team





Investing to elevate store experience



A photograph of a Target retail store at dusk. The building is a modern, multi-story structure with large glass windows and a prominent red bullseye logo on the upper corner. The interior is brightly lit, showing furniture and home decor. A tall, dark red signpost with a large bullseye logo stands on the left side of the building. The sky is a deep blue, and the overall scene is well-lit by the store's exterior lighting.

# Stores

- 1,800 strong
- Off mall
- Close to consumers
- Universally generate cash

**Strength** of our store portfolio



Annual **close/continue** analysis  
for each store

We have closed  
**hundreds of locations** over time





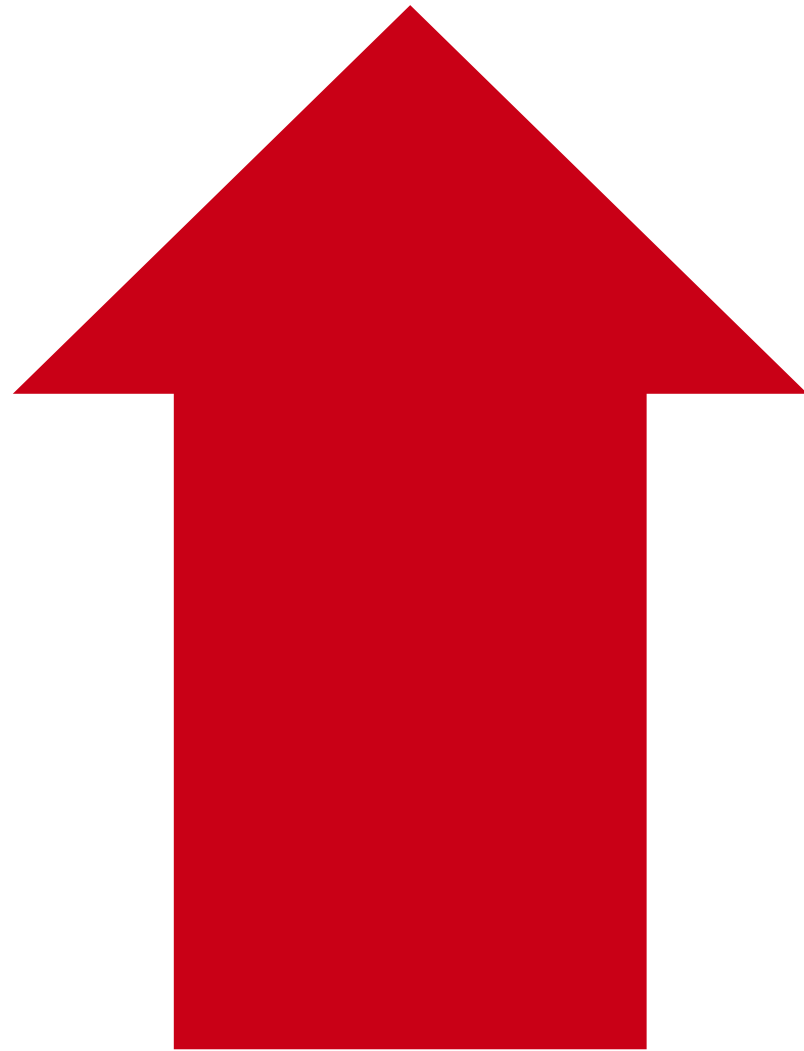
**Returns-based** approach  
to our investment decisions

Drive growth in all channels

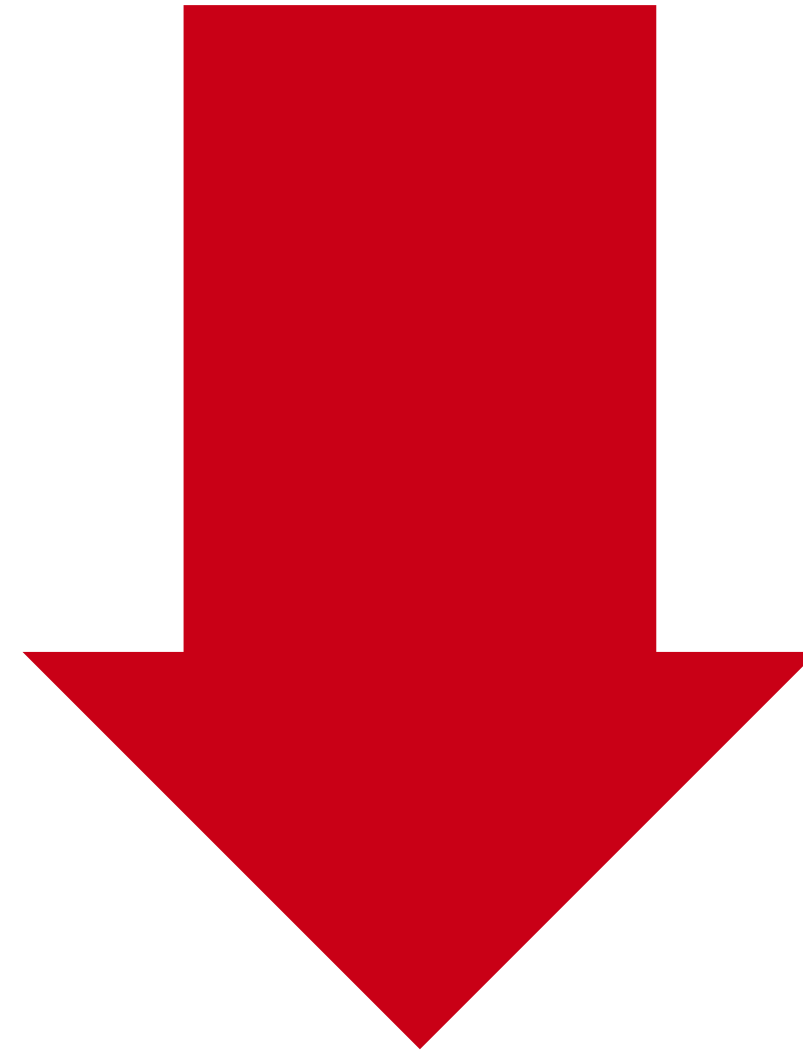
Transform our assets

# Supply Chain

Speed & Agility



Inventory Investment



# Capital Deployment Priorities

- Invest strategically in the business
- Support the dividend
- Repurchase shares



# 2017 Expectations

# 2017 Expectations

Low single digit decline in comparable store sales

- Continuation of recent channel shift trends
- Investments will not have an immediate impact on performance

# 2017 Expectations

EBIT \$1B lower than 2016

- Enhanced store service
- Continued channel shift from stores to digital
- Launch and market new exclusive brands
- Everyday value proposition
- Additional investments in our existing stores

# Breakdown of Investments

- ~\$500 million in SG&A
- ~\$400 million in gross margin
- Remaining pressure will be in D&A

**\$3.80-\$4.20**

GAAP & Adjusted EPS planned for 2017

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

- Difficult business environment to continue
- Mid-single digit decline
- EBIT decline of \$400 million

**\$0.80-\$1.00**

GAAP & Adjusted EPS planned for Q1 2017





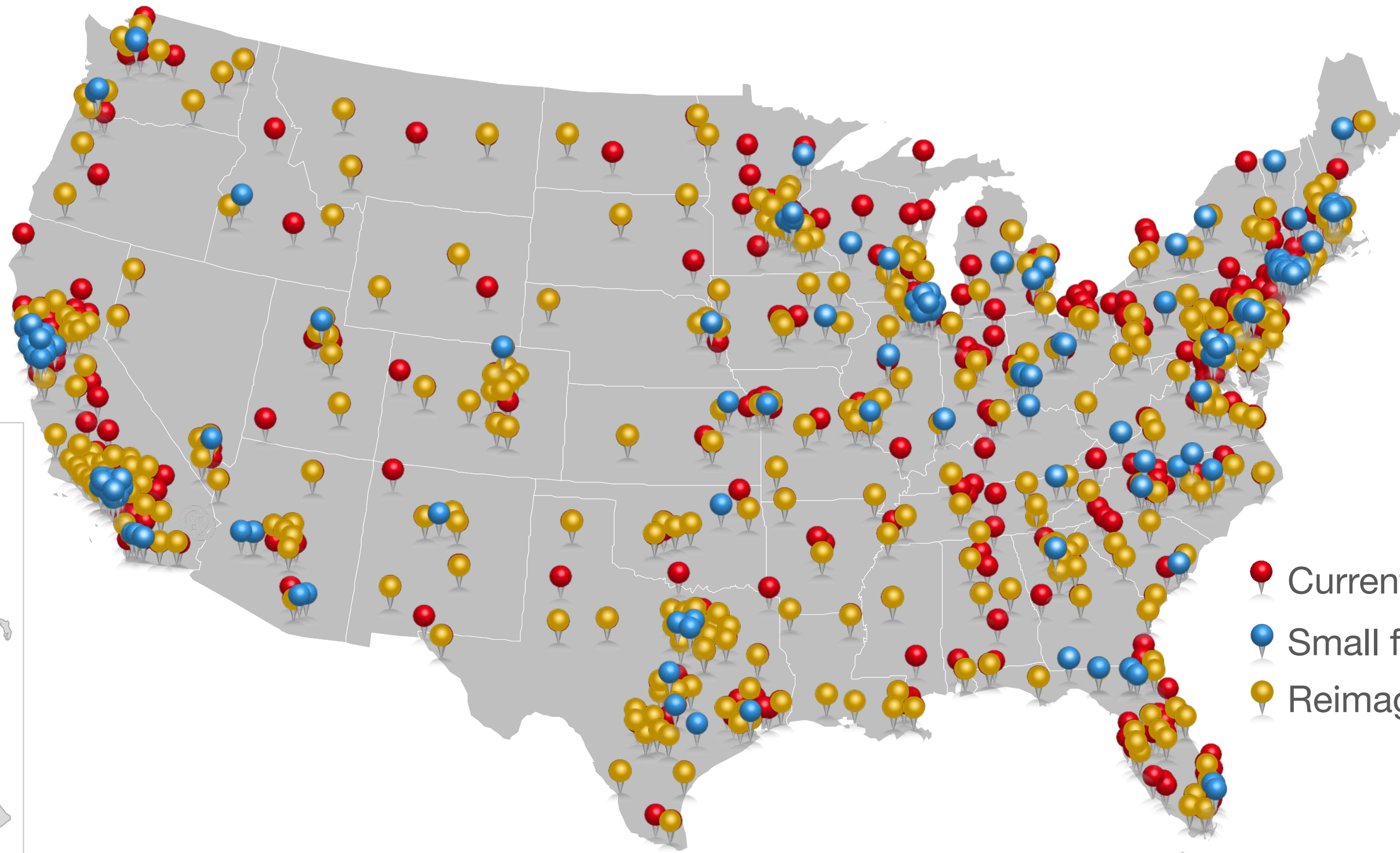
# Financial Plan

- Strong commitment for long-term growth
- Accelerate the transformation of our business model

# Smart Network

- More agile & reliable
- Equally capable of inspiring & fulfilling both physical & digital

# Future of Our Stores



- Current Target stores
- Small format stores
- Reimagined stores

\*representative sites only

# Transform Our Supply Chain

- Meaningfully faster
- More efficient
- More accurate



Stronger brand portfolio

What makes  
our approach different

While others are shrinking  
**we are investing to grow**

Stores as multi-purpose assets

Digital capabilities



**Multi-year**

business transformation

Focus on the company  
**we will become**

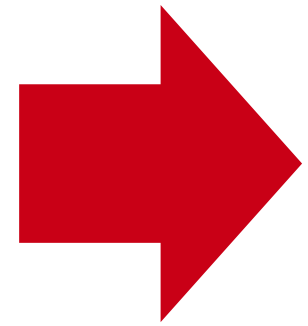
**Positive comp sales**

**Stable profit margins**

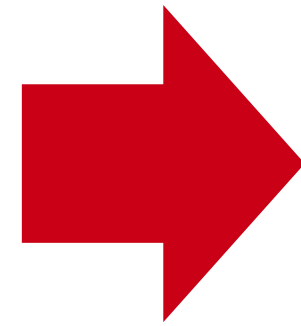
**Strong cash flow**

**Superior ROIC over time**

Investment



Transition



Stabilization  
& Growth

- ✓ **Digital performance**
- ✓ **Small format stores**
- ✓ **Reimagined stores**
- ✓ **Supply chain**
- ✓ **Exclusive brands**



**Targjet**

**is a new idea  
in discount stores**

