Cathy Smith
Executive Vice President
and Chief Financial Officer
What a difference a year makes
2017 Comparable Sales Growth

Q1: -1.3%
Q2: 1.3%
Q3: 0.9%
Q4: 3.6%
Long-Term Profitable Growth
2017 Business Performance

- 2-4% average sales lift on store remodels
- Strong financial performance from new small formats
- New exclusive brands
- 25%+ digital growth – our fourth consecutive year
- New fulfillment options
- $4 billion additional sales at our everyday low prices
- Accelerating guest traffic
$3+ Billion Investment

- Tripling the number of store remodels
- 30 more small format stores
- Expanding digital fulfillment options
- Shipping more orders from stores
- Investing in our supply chain
- More new brands
- Balancing everyday prices and promotions
Earnings per share from core business will stabilize in 2018
2018 Operating Margin

Headwinds

• Accelerated depreciation
• New digital fulfillment options
• Wage investments
• Price and value investments

Tailwinds

• Growth in high margin categories
• Reductions in unit fulfillment costs
• Expense leverage
• Cost control
Disciplined Capital Deployment
Strong Cash Generation
~$7 billion from operations

$1.5 billion more than 2016
Tax Reform
We didn’t wait to make big investments
Invest in our business
Invest in our team
Team Investments

$11 per hour
October 2017

$12 per hour
Spring 2018

$15 per hour
end of 2020
Capital Investments
~$3.5 billion
2018 capital investments
Investing to support Target’s long-term sustainable growth
Capital Allocation Priorities

• Business projects that generate long-term value
• Support our dividend with annual increases
• Share repurchase within credit-rating limits
2018 Financial Expectations
2018 Financial Expectations

• Low single digit increase in comparable sales
• $5.15–$5.45 expected GAAP & adjusted EPS
• 20 basis point decline in operating margin rate
  • Small changes to gross margin and SG&A rates
  • ~$175 million higher D&A expense
• ~$60 million lower interest expense
• Consolidated tax rate in low-to-mid 20% range
1st Quarter Expectations

- Low single-digit increase in comparable sales
- Moderate increase in gross margin rate
- Offset by a higher SG&A expense rate
- $80 million increase in D&A expense
- 60-80 basis point decline in operating margin
- Lower interest expense and tax rate
$1.25-$1.45
GAAP & adjusted EPS planned for Q1 2018
~50 basis points of sales growth from new stores in 2018
Evolving Business Model → Evolving Financial Model
Deliver traffic, sales and profit growth enabled by our strategic investments
Continued outstanding return on invested capital
14\%*
2017 after-tax return on invested capital

* Excluding the one-time benefit from tax reform
>14%

2018 after-tax return on invested capital
Margin rates will remain sustainable over time
Evolve Financial Model
+
Reward Investors
Making the right long-term choices

- Our business
- Our team
- Our guests
- Our shareholders
Thank You