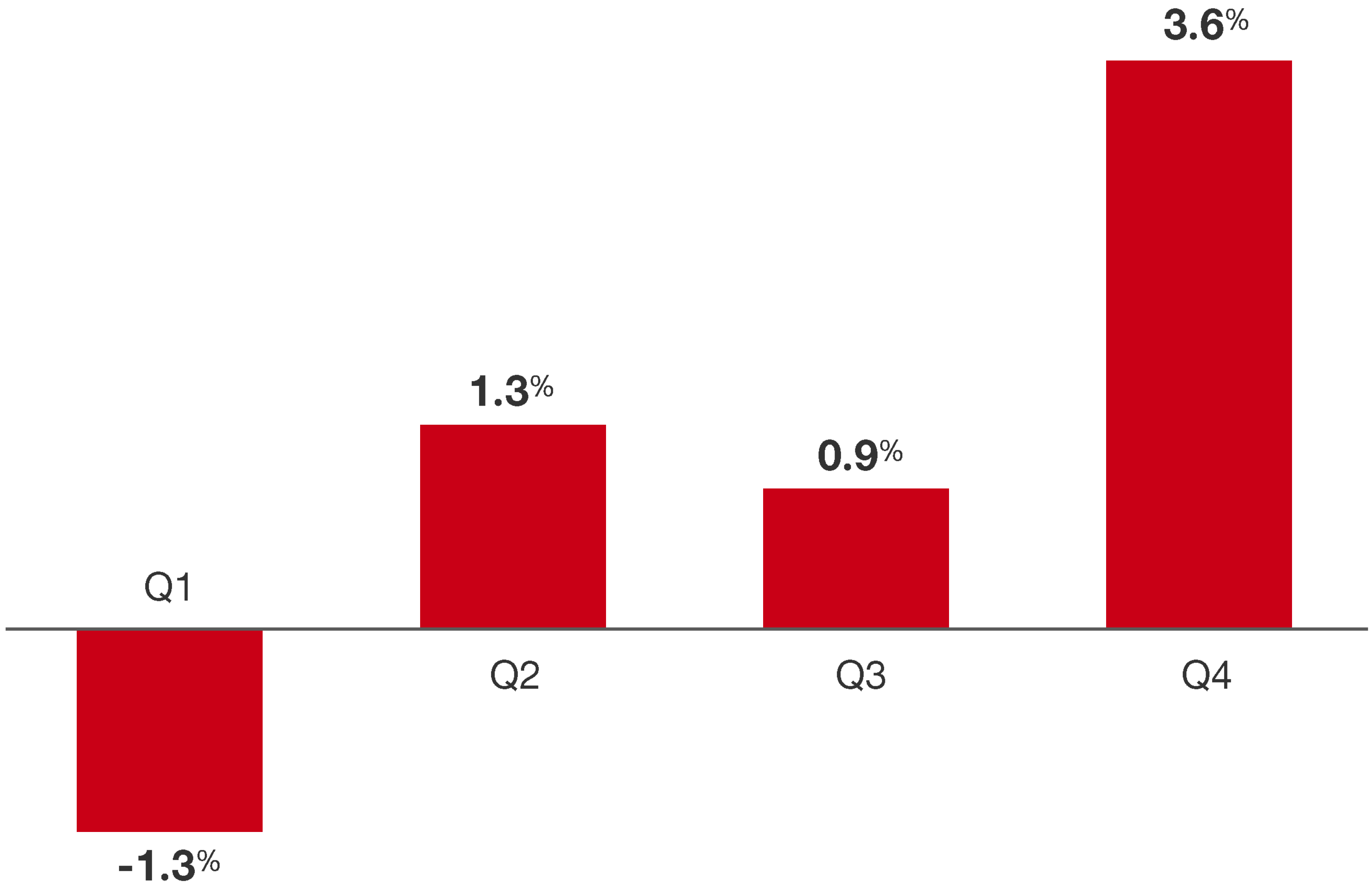
Cathy Smith

Executive Vice President
and Chief Financial Officer

What a difference a year makes

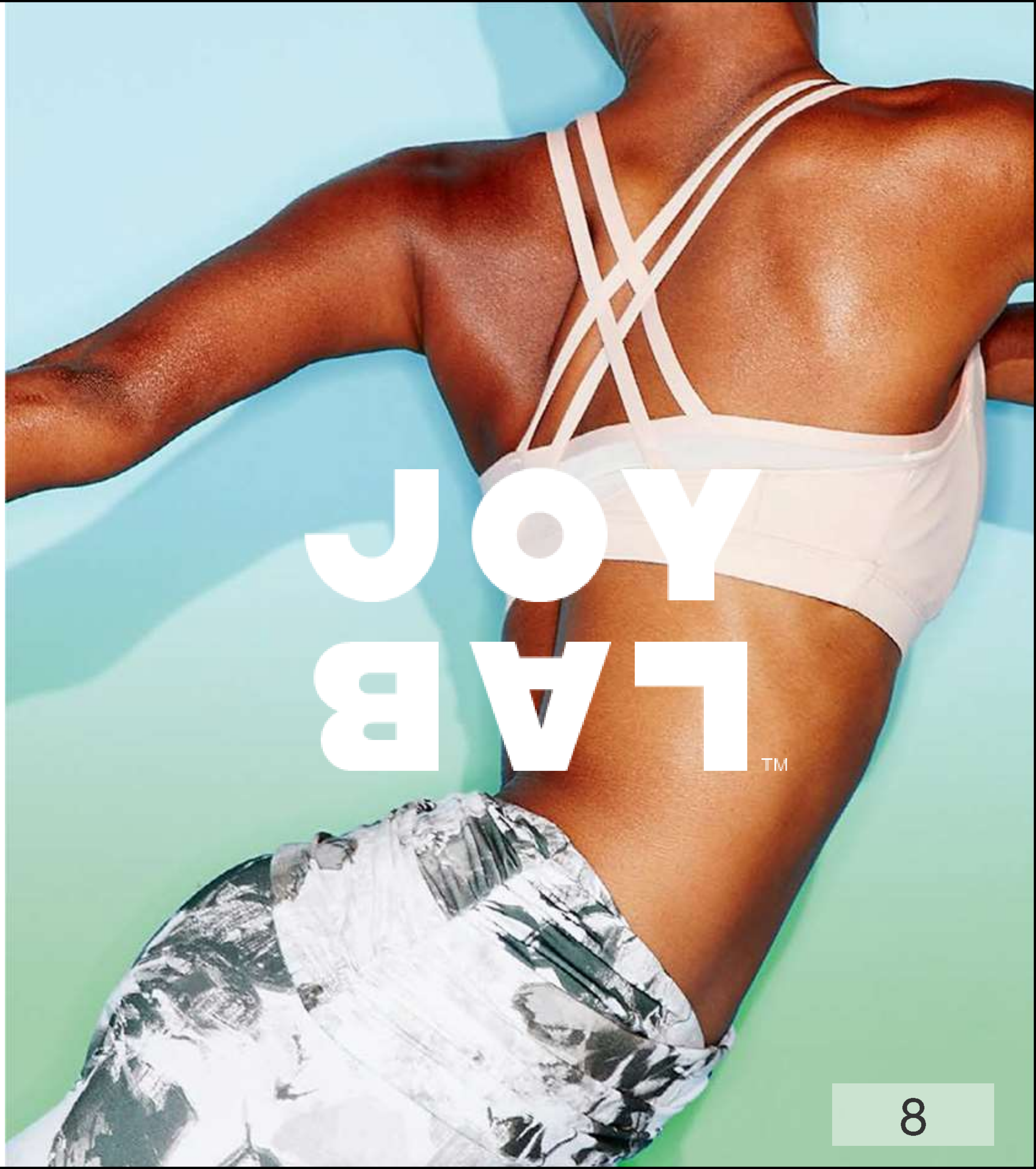
2017 Comparable Sales Growth



Long-Term Profitable Growth

Investment Year

2017 2018 2019


JOY
LAB™

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

Investment Year

2017

Transition Year

2018

2019

$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

Investment Year

2017

Transition Year

2018

Positioned for Growth

2019

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

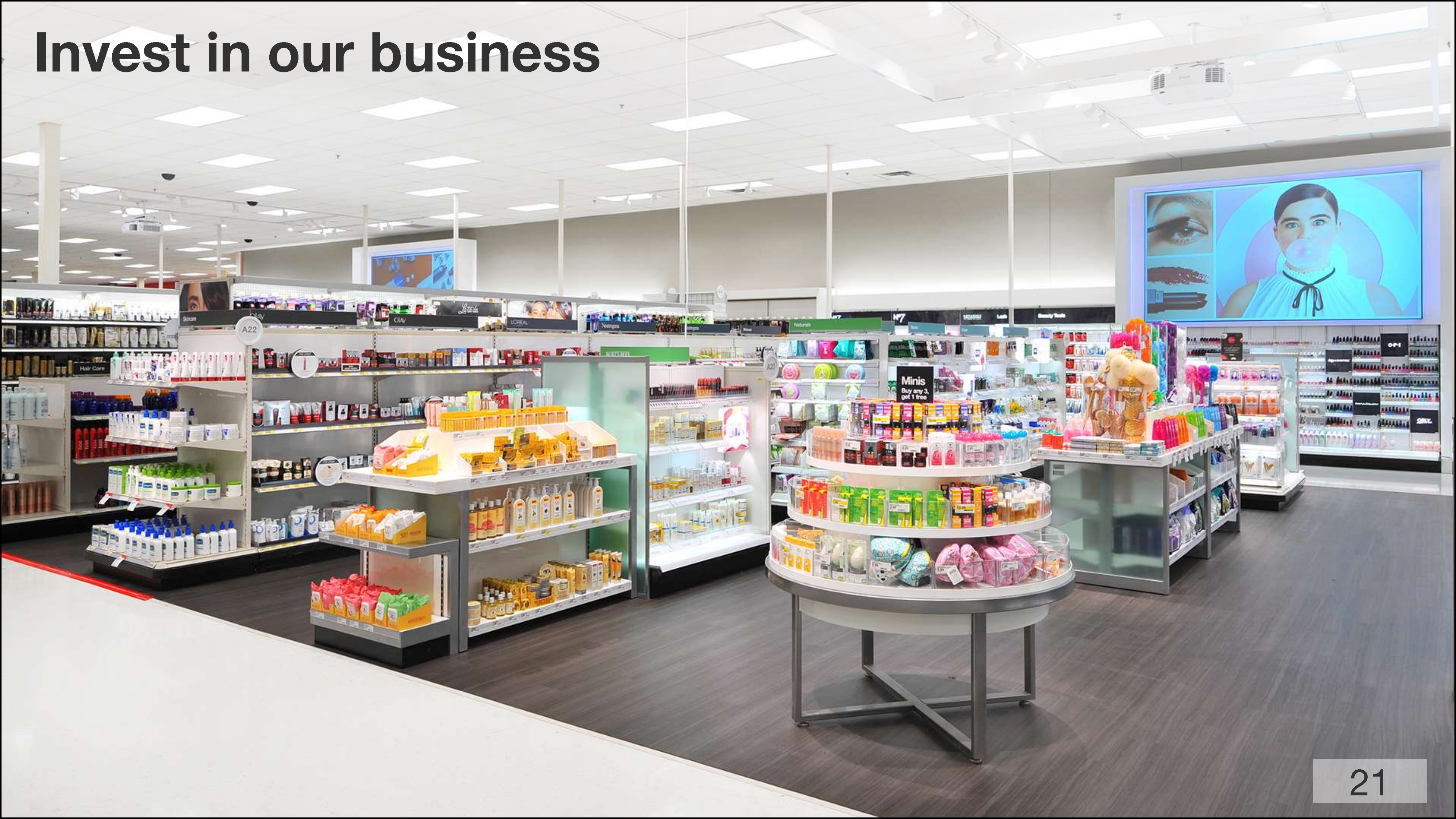
$1.5 billion

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

$15 per hour
end of 2020

$12 per hour
Spring 2018

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


Order Pickup
Entrega de pedid
Guest Service
Servicio al cliente
Gift Registry
Listas de regalos
Returns
Questions

SHIPT

drive up


Continued outstanding return on invested capital

Dayton's


DAYTONS DAYTONS


ONE WAY
order pickup

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


TARGET

Arsenal


TARGET



Martin
TARGET


Making the right long-term choices

- Our business
- Our team
- Our guests
- Our shareholders

Universal Thread
GOODS CO.

Thank You