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OVERVIEW:

Company Summary

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Editor

PRESENTATION

Operator

The meeting is about to begin.

John Hulbert - *Target Corp - Vice President, Investor Relations*

Good morning, everyone, and welcome to our 2025 financial community meeting. I want to start by thanking all of you for spending some time with us today. Brian will kick off in a minute, but first, I have a couple of important disclosures. First, any forward-looking statements that we make this morning are subject to risks and uncertainties, the most important of which are described in our SEC filings.

And second, in today's remarks, we refer to non-GAAP financial measures, including adjusted earnings per share. Reconciliations of all non-GAAP measures to the most directly comparable GAAP measure are included in our financial press releases, financial presentations, and SEC filings, which are posted on our Investor Relations website.

With that, I'll turn it over to Brian to get things started.

(video playing)

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Good morning, everyone, and thanks for being here today. As we put together this morning's presentation, we thought carefully about the themes we've been hearing from investors, so we can directly address what's on your mind.

And as we walk through progress to date and plans to come, you'll hear us answer three important questions. First, what is Target's unique place in retail? Second, how will Target build more engagement with even more consumers? And finally, how will we translate that engagement to more traffic, sales, and profitability over the next five years?

We believe the answer to those questions lie in the distinct role Target plays in consumers' lives. We're not like other retailers, which is precisely what consumers have told us they value about Target. We're the place they go to discover on-trend affordable products that they can't find anywhere else. And this year, that translated to 350 million more guest trips compared to 2019.

We're the place they know will be a welcome break in their day, whether they're strolling the aisles or scrolling their feed. This is now we've grown by nearly $30 billion in a span of five years. And in a world where shopping has become less inspiring, consumers expect us to be the place they can recapture the joy of retail, which is why we expect to invest $4 billion to $5 billions of dollars in stores, supply chain and technology this year.

In a world where we operate today, our guests are looking for Tarzhay. Consumers coined that term decades ago to define how we elevate the everything, every day to something special, how we add unexpected fun into shopping that would otherwise routine. And across categories and platforms, we stayed true to that Tarzhay spirit by helping guests check off the essentials while discovering what's new and exciting.

Target has always believed that shopping should be more than transactional. It should be an inviting experience that encourages people to stay, browse, discover and buy while making it easy for those looking to quickly get what they want and get on with their day.

We remain anchored to that vision of what shopping should be, but we're not beholden to what we've achieved in that vision in the past. In fact, we're leveraging the strengths we've gained from decades of growth and making changes in how we operate to carry forward the magic of Tarzhay for today's consumer.

And in doing so, we're blazing a trail for long-term growth. Our expectation is to drive more than $15 billion in revenue growth over the next five years. To get there, we have to hold or grow share across the majority of our categories. And with most of our categories, we've seen very positive momentum in this regard. We had an outstanding year in Beauty.

We saw nearly 7% sales growth and share gains. Apparel, too, grew share over the last three quarters. And over the holiday season, we gained share in Home and areas of Hardlines like books and toys. Those tailwinds give us confidence in the year ahead and the overall long-term trajectory of our business.

At the same time, we're keeping a close eye on near-term sales trends. The sales decline in February we reported this morning reflects a mix of factors. Consumers continue to show a willingness to splurge on newness. We saw this play out around Valentine's Day, where we saw record-high sales. Yet, as we've discussed before, persistent economic uncertainty has consumers taking a cautious approach to spending, particularly in discretionary categories.

Despite these near-term challenges, we are investing in multiple ways to hold and grow share across our merchandising portfolio and reach our goal of more than $15 billion of growth in the years to come. New stores and remodels, supply chain enhancements, digital capabilities, newness across our assortment, partnerships with well-loved brands, momentum in loyalty, same-day delivery, our media business and more.

Today, you'll hear about the investments we're making across the business to manage known environmental risks and lean into strengths in areas we can firmly control. This road map for growth begins with today's Tarzhay, which lives at the intersection of product and experience and delivers everyday discovery and delight.

So let's start with product. From the staples that serve as affordable basket builders to those unexpected finds to keep guests coming back to see what's new, Target's standout blend of brands and categories is well known. That strategic mix of products is what makes our assortment different.

It's a key factor in driving traffic in our stores and online. That's why we continue to believe in the power of our discretionary categories to give consumers even more reasons to choose Target. You'll hear more from Rick on this today. But as merchants, we're focused on listening to consumers and keeping a pulse on what's relevant and trending.

And we not only adapt to trends, we make them our own. Target's ties to fashion, entertainment, sports, culture, they run deep, enabling us to deliver an assortment and the experiences that raise the bar on what it means to delight consumers.

Now nothing better exemplifies this than our Taylor Swift Exclusives. The record-breaking event made Black Friday buzzworthy again. Guests lined up outside our stores and drove huge online demand that made The Eras Tour Book the highest-selling music book of all time with nearly 1 million units sold in the first week alone.

And as much fun as it was to see the crowds and deliver this one-of-a-kind experience for our guests, we're not content with one big moment per year. We have a steady stream of newness that flows into our assortment, so guests always have something to discover as they shop.

In January alone, when millions of guests were looking to jump start their 2025 routines, we introduced 2,000 new wellness products, 600 of which could be found only at Target, representing a mix of own brands, national brands, and emerging brands. Here are just a few examples.

Blogilates for Target, an exclusive activewear collection developed with social media influencer, Cassey Hope; or BERO, the new non-alcoholic beer brand cofounded by actor Tom Holland. We added new items to our own brand, Auden, and introduced Peloton apparel to our Target Plus marketplace. That last mention is important because it reflects the steady expansion of our Target Plus portfolio to include products from more than 1,500 trusted partners.

Target Plus is a great example of how we're taking a fresh look at areas of our business where we believe are ripe for growth. By ramping up our investment last year, we have grown Target Plus to a $1 billion marketplace that's growing at a double-digit pace. We're doing it in a way that's true to Target: giving consumers more choice within the broader umbrella of the trusted Target brand, no compromise in quality or experience, just more Target guests to enjoy.

The investment and stewardship we extend to Target Plus applies to the full scope of Target's guest experience. We have always been students of design and focus on the elements that make for a standout shopping experience: quality, selection, presentation, and service. That's why you'll hear how we're investing in stores, supply chain and digital to elevate the total guest experience.

Our stores have always been a consistent investment priority for years because they serve a dual role: as shopping destinations and fulfillment hubs. Those investments have contributed to traffic gains and double-digit growth in services like Drive Up and same-day delivery with Target Circle 360.

Now we're focused on making our stores-as-hub model work even harder in 2025. Our level of investment in stores will accelerate as we open more than 20 new stores and remodel many more across the chain. And behind the scenes, we'll continue to bring our supply chain and stores closer together, using our proximity to guests to move inventory with more speed, efficiency, and flexibility than ever before.

In tandem with our investments in physical shopping spaces are the investments we're making in our digital experience. Think socially inspired and AI-enhanced. Target's digital ecosystem is all about anticipating consumer preferences and making the path to purchase easy and fun. Our digital investment is always on.

And you'll see us pushing even further into creating an immersive experience, using search, social and data-driven personalization. This gives consumers even more ways to discover the magic of our assortment and engage with our brand.

One of the very best representations of how we tailor our experience to the needs of our guests is Target Circle. When we launched our reimagined loyalty program last year. We started from a place of consumer feedback. What do they love about shopping at Target? What could we do better?

What would build stronger connections with our brand? The result was a refreshed free-to-join program, open to all, customized with benefits, net match how consumers like to shop.

We started 2024 with one of the nation's leading loyalty programs and added 13 million members over the course of the year. Many of those members layered on extra benefits, like our Target Circle Card, which offers an extra 5% savings every day; and Target Circle 360 that offer same-day delivery services as part an annual subscription. We're thrilled with the energy and engagement we've seen so far. And you'll hear from others, Target Circle is a critical lever for delivering a more personalized experience for our guests.

As membership grows, we gather more insights about how guests prefer to save and shop with us. We apply those learnings to everything from marketing and digital design to assortment decisions and operational improvements. It’s how we’ll drive relevance and even deeper loyalty.

You’ll see this come to life with our in-house media company, Roundel. Delivering nearly $2 billion in value last year, Roundel continues to deliver significant profitable growth. Advertisers and vendors consistently cite the ease with which they’re able to deliver creative campaigns that provide a strong return on investment. And with recent changes to bring our Roundel and social commerce teams closer together, we see the potential to double the size of our media business over the next five years. Accompanying these investments is our teams commitment to deliver retail fundamentals that make or break how guests experience Target. We know that when items are out of stock, or shipments are late, or lines are long, we disappoint shoppers and sacrifice sales. You’ll hear today how we’re making progress in these areas so we can reliably serve our guests. Reliability is a theme you’ll hear throughout today’s presentations. Reliably in-stock so consumers can count on us for everything they need. Reliably easy so shopping is more fun and less of a burden. Reliably affordable so we’re fully embracing out “Expect More. Pay Less.” promise. And reliably Target with newness and a selection you can’t find anywhere else. In every aspect of our business, we are investing and evolving to deliver a reliably joyful experience to our guests. Today’s Tarzhay is fueled by a differentiated strategy that leans into everyday discovery and delight and speaks directly to consumers preferences and areas of growth potential. Our investments to execute with more speed, efficiency and reliability is why we’re confident in Target’s future growth and profitbility. So, let me turn it over to the team to give you more details. So Michael, over to you.

Michael Fiddelke - *Target Corp - Executive Vice President, Chief Operating Officer*

Well thanks Brian. I’m happy to take the baton and share a bit more about how we create the discovery and delight behind today’s Tarzhay. And make no mistake, at the heart of that magic is incredible, on-trend, affordable product. That combination of newness and on-trend style that we deliver through our assortment makes us who we are. It’s our owned brands that you can only find at Target. It’s our well-loved assortment of national brand partners – both big, established brands and those smaller, emerging brands. And it’s those key limited-time partnerships that you’ll find online and in our stores. There are some ‘forever truths’ in retail. One of them, Retail is about product and the best product at the best value wins. And when you can find that fantastic combination of newness, style and value at Target, we win. And there’s a second retail truth, experience is critical. And so, in operations, we’re focused on how we bring those products to life, how we help our guests discover them in an elevated and easy way that's uniquely Target. We know that today, consumers increasingly shop digitally. And that's why we've invested in a powerful digital experience to help them find product more often than not in the palm of their hand and social and on our app, positioning Target to win in a world where the consumer purchase funnel is changing.

And it's working. We have a $20 billion digital business that's hitting on all cylinders with nearly 9% growth in Q4. But at Target, we couple digital strength with a strong belief that the brick-and-mortar experience matters.

And a differentiated in-store experience that's powered by our incredible team is critical to bringing product and discovery to life for our guests. It's that seamless combination of that elevated discovery experience across stores and digital that will power the more than $15 billion of growth that Brian shared we expect in the next five years.

And so in the next 15 minutes, I'll explore some of the ways we're delighting consumers with an on-trend assortment, how we're making it even easier for them to discover those great products whenever and however they want; and then how we're delivering ease, speed and reliability for a consumer whose expectations continue to rise.

So let's start by taking a look at the retail landscape. What we see is an addressable market that's huge. Even as a $100 billion retailer, we make up less than 3% of a $4.2 trillion market. In fact, together with the other nine biggest retailers, we make up less than 40% of that market. So what does that tell us? There's a lot of market share up for grabs, and we're well positioned to continue to grow our share of the pie on the strength of a strategy that's uniquely ours.

And I'll go back to my opening remarks to highlight our first area of focus on our path to growth: delighting consumers with on-trend assortment packed with style newness and value. One of my favorite examples is our All In Motion line of activewear. It's become a staple for all five members of the Fiddelke household because it's comfortable, fashionable and performs well at a fraction of the cost of the other brands.

Now maybe this is just the inherent finance guy in me, but before my two daughters fell in love with All In Motion, I winced at the cost of an athleisure outfit for them. Those leggings cost how much and they're going to fit you for how long, but now they specifically ask for All In Motion over those more expensive brands, which I have to say is a proud dad moment for me.

And a lot of guests have responded to the quality and value with the same enthusiasm. All In Motion is more than a $1 billion brand and grew over 10% in 2024. So only at Target, of course, part of a long list of exclusive brands that consumers love. Combined with our well-loved national brand and the way our team leans into seasonal moments and special partnerships, we have a team who makes moments memorable and turns products into must-haves. And that's a winning formula for relevance and growth. You'll hear more from Rick on this shortly.

So regardless of how guests come across those got-to-have-it items as part of their discovery process, where they're browsing our store while sipping a Starbucks, scrolling our app over Saturday morning coffee or clicking to buy via social from their couch, camp chair or anywhere in between, we're making it easier for them to shop whenever and however they want through an elevated experience that only Target can deliver.

And that discovery experience is our second area of focus as we work to earn an even greater share of the market opportunity I laid out at the top. We're investing in stores to bring the best of Target closer to more consumers, making it even easier for them to fall in love with our products and experience and visit Target more frequently.

Three out of four Americans live within 10 miles of a Target store. We call that a good base on which to build. Last year, we shared plans to add 300 stores over 10 years, and we feel great about the fact that in 2024, we opened 23 of those new stores and plan to open another 20 this year while remodeling many more across the country. Increasingly, these new locations will be full-size Targets, giving us the space and flexibility to offer the very best Target experience.

Consumers are overjoyed to have these stores in their backyards as we see in our new store performance metrics. And we continue to gain traction with consumers as a destination for discovery. You can see that traction in our 2%-plus traffic growth in Q4 and our 20% uptick in traffic since 2019, numbers that translate into 350 million more guest trips to Target in 2024 than 2019. Let me say that again, 350 million more guest trips. And while we're not aside with our growth over the last two years, rising traffic clearly demonstrates the power of our strategy to drive continued relevance and growth over time.

And in adding stores, we're not just making it easier to discover and take advantage of the Target store experience. We're adding horsepower to the engine for our digital business because our stores are the fulfillment power plant behind Drive Up, same-day delivery via Target Circle 360 and fast brown box shipping for those times when a guest shopping mission isn't an in-store trip. And that interplay between stores and digital is critically important to our strategy.

As Cara will discuss in a bit, they aren't separate businesses, their the business. When we make it -- easy for guests to shop digitally to swing by our Drive Up lane on the way home from soccer practice or scheduled doorstep delivery via Target Circle 360, guests repay that ease and convenience by spending a lot more at Target, 20-plus percent more after they start using Drive Up or same-day delivery. And perhaps surprisingly to some, they spend more in store as well.

So our third area of focus on our road map for growth underpins the others. We have to deliver. And we come at this challenge from an enviable position. Guests love our stores. An assortment, full of newness and value, an elevated shopping experience, that's a key reason why consumers pick Target. And at the heart of it, the best team in retail.

Our team is crushing it with real progress made in 2024. But as we assess where we're at, we know that two things can be true. We start with a great guest experience. And we aren't where we aspire to be. In a world where consumer expectations continue to rise, we have to deliver even higher levels on things like ease, speed and reliable in stocks.

We know there's no Tarzhay magic if you can't find the item you were looking for because we were out of stock or we didn't delight you in store. In-store reliability is an area where we've made considerable progress. In fact, our out of stocks were lower in every quarter of last year than the year before and the year before that. But we're not settling for progress. We're confident that we will continue to improve in 2025 and beyond.

Along with Chief Supply Chain and Logistics Officer, Gretchen McCarthy and her team, we have a lot of work in flight to support this goal, and I'll highlight a few of the key elements. First, we're changing how we measure success to give us an even better read on exactly how we're performing.

To illustrate what I mean, the graph I just showed highlights very real improvement for us on average for the enterprise. But if you're a guest shopping on Sunday night who discovers that we're out of stock on the item you came to get, you don't care about the enterprise average. You just want to know why we don't have your milk.

And so we've rolled out a new suite of measures to help us get more granular in our assessment of our in-stock performance. These metrics tell us with greater precision than ever by channel and by hour how we're actually showing up for our guests.

We're doubling down on this work with a focus on the items that matter most. Think the thousands of items that are most frequently purchased where it's most critical that we're at the top of our game in every store on every day, open to close. We have the entire enterprise rallied around this work, including implementing changes like designing our merchandising displays, to have more capacity for those critical items.

Now I want to pause here for a moment to offer a bit of context regarding our inventory levels at the end of the year. Q4 ending inventory at cost was up a little over 7% to last year due to several factors. First, we pulled forward receipts to introduce greater newness in key categories like Apparel and Hardlines.

Second, we added two new food distribution centers and made some intentional investments to improve product availability, as you just heard me share. And third, we also saw some receipt timing volatility. We'll continue to monitor our inventory levels closely always with an eye on having the right assortment at the right time.

And again, this is why we're focused on shorter lead times: because shorter lead times not only help us reduce inventory risk, they also help keep us in step with the latest trends, something I know Rick will talk more about.

As part of our work to improve our end-to-end replenishment execution, we're also midstream on a multiyear journey to modernize with tools powered by AI, our core inventory management systems. These are the tools that enable more accurate forecasting, help us better position inventory to drive in-stock speed and reduce costs. These new systems are now used by about 40% of the assortment. That's more than double the percentage that used them in 2023, progress we expect to continue in 2025 and beyond.

Of course, that's only one ingredient in an exceptional guest experience. Delivering an elevated store experience is another, and that's a place where we have momentum on which to build. Take our guests' experience at checkout. We've invested in more staffing in our belted checkout lanes and made changes to speed up the self-checkout process. And our guests are telling us it's working. I'll highlight one of many examples.

Our guest satisfaction for speed of checkout has risen to its highest level in more than three years. We know how hard it is to move those numbers and couldn't be prouder of our team's progress. But, and I'll say it again, our aspirations don't end there. Let's take a closer look at that graph.

Here again, these measures of progress represent averages. And that means in some stores on some days, we're truly delighting our guests. While with other stores, on other days, we can be falling short of expectations. That's why in 2025, you'll see me and our new Chief Stores Officer, Adrienne Costanzo, focused on this progress to help our team deliver a more consistently excellent guest experience.

Now we know we won't be perfect in every store at every hour of every day. But I know I speak for Adrienne when I say we aspire to be. And I'm confident we'll build on this momentum with another step forward in 2025.

We're at our best when process improvements, like those we've seen at checkout, give our team time to add that extra personal touch through interactions with our guests. After all, our team is the best expression of our brand. And when we make it easier for them to prioritize time with our guests, it leads to higher guest satisfaction and loyalty.

And speaking of loyalty, our team members were instrumental in helping attract 13 million new Target Circle members in 2024. In the words of California store Director, Andy Fung, whose store was a standout in signing up new Target Circle members, It's all about demonstrating care and making connections with guests.

I love that, Andy. And knowing a great guest experience starts with a great team member experience, we continue to make investments in our team that allow them to show up even better for our guests, including technology advancements aimed at improving the team member and guest experience, from the GenAI-powered store companion used to answer hundreds of thousands of questions last year to advancements that make our self-checkout lanes easier for visually impaired guests to navigate.

And while we, of course, love that in-store trip and we'll continue to invest in elevating the store experience, sometimes a store trip isn't in the cards. And for a busy family, the mission of the moment is all about speed and ease.

For us, speed starts with our same-day shopping options. There's nothing faster than Drive Up or same-day delivery powered by Circle 360, both of which meet guest needs within a few hours. Guests love these services, something that shows in their continued growth in sky-high Net Promoter Scores.

And if you need a box shipped to your home, we've got you covered, too. Brown Box shipping is specifically a place within our supply chain, where we're making meaningful progress on speed and where we expect more to come. We're over 11% faster in average delivery time in 2024, nearly doubling our packages delivered next day over last year, a key factor in driving the healthy growth in total shipped package volume, which has more than doubled since 2019.

We know speed matters to our guests and that with increased speed comes more sales. We’ve shared how sortation centers have helped us drive speed and efficiency, and we expect them to continue to grow volume while making us faster and less expensive. But we also plan to speed up delivery to guests that don't happen to have a sortation center in their backyard.

In 2024, we've been testing how to leverage our Shipt capabilities to enable store-to-guest Brown Box delivery in markets without sortation centers by allowing drivers with Shipt to work delivery routes handed off directly from stores.

While we're in the early stages of expanding this test to more markets, we're very encouraged by the early results as it's making us faster and more cost-efficient. It's yet another example of the power of our stores-as-hubs strategy, coupled with the delivery powered by shoppers and drivers with Shipt. And it's one of the many reasons we're excited about our work across our network to speed up package delivery in 2025 and beyond.

As you can see, we plan to accelerate this year in more ways than one. And I want to thank our more than 400,000 incredible team members who bring this experience to life every day for our guests and whose focus and dedication continues to raise the bar on guest experience.

You've heard a lot from me today, so I'll leave you with what's most important. And I'll do that by going back to those 350 million guest trips. What do those guest visits tell us? They demonstrate the power of our strategy. The 350 million more guest trips last year than in 2019 show how our strategy continues to gain relevance and how it will power our next $15 billion in growth.

And we're clear-eyed about our strategy and what it will take to realize those expectations. It starts with delighting consumers with incredible product. We then bring -- that incredible product to life with an elevated discovery experience that for us is equal parts digital and store.

And as you might expect the COO to say, the fundamentals matter. All that strategy is just words on a page if we aren't delivering a great shopping experience every day. And you're going to see us make progress in our inventory reliability and modernize our core supply chain while reducing lead times.

You'll see us bring greater consistency to our store experience and continue to improve our package delivery speed. I'm confident in our ability to deliver on that progress to be faster more reliable and more consistent than before in 2025 and in the years to come as we continue to elevate the discovery and delight behind today's Tarzhay.

And it's my pleasure now to introduce Rick, who will take you deeper into the product and merchandising piece of the strategy. Rick?

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Thanks, Michael. I'm excited to be here and to share a glimpse into what's coming at Target. It's all grounded in an idea you heard this morning: every day discovery and delight, which is at the heart of today's Tarzhay. For consumers, Target is a term they created. A statement of love for this brand and the unique spin we put on the intersection of product and experience.

For our team, delivering today's Tarzhay is a responsibility in our discretionary categories, Home, Apparel, Hardlines; in our frequency categories, Food & Beverage and Essentials; and in Beauty, which sits at the intersection of frequency and discretionary.

Because there's not one entry point into the Target experience, there's six, and countless paths to reach them, which means our team is relentless in looking for ways to spur discovery and make every shopping trip special through a combination of creativity and being at the forefront of style and trend because ease, affordability and reliability are things we must achieve to stay relevant.

But to truly win, we have to chart a course that is distinctly Target. So across our business, 6 categories that don't necessarily have a lot in common actually serve the same purpose for us, creating the kind of everyday discovery and delight that sets Target apart.

Our commitment to the consumer and to differentiation in a competitive environment comes through in each of the three components of our assortment strategy. That includes national brands that consumers love and a $31 billion owned brand portfolio and more than 40 beloved brands you can only find at Target, roughly 1/4 of which are delivering at least $1 billion a year in sales, like Cat & Jack, one of the top kids apparel brands in America; Threshold, Good & Gather and up&up, all of which are approaching or exceeding $3 billion in annual sales.

And then there's our special partnerships with national brands and world-famous designers as well as small independent brands that consumers love discovering at Target. There's a lot of power for us in this mix, but we know we can't stand still. We have to earn every trip. We grew traffic in stores and digital last year, and we're committed to building on that.

That means as we look across our business, we're having honest conversations about where we need to make investments. build capabilities and deliver improved performance and exciting conversations about how we can leverage our signature strengths to set Target apart.

Now we've grown our Food & Beverage, Essentials, and Beauty categories by nearly $20 billion since 2019, making Target the fifth largest frequency player in US retail. And as we look to drive these businesses forward, we're focused on two key priorities.

The first is continued improvement in reliability, particularly within Food & Beverage. This is a business that's grown by almost $9 billion over the last five years. And during that time, Target has become the fifth biggest digital grocer in America.

So to keep up with the surge in demand, we've opened three new food distribution centers over the last two years, expanding our network to eight facilities nationwide. And we have another one opening in 2026. And while we've made big strides with in-stocks, we know that high in-stocks on average are only part of the equation.

There is still an important opportunity for us during peak shopping periods, including Sunday afternoon and weekday evenings, because these are times where being out of stock on a key item can cost sales on related items or even the entire trip.

And across our frequency businesses and Beauty, we're focused on delivering the kind of consistent newness that has helped transform these categories. That will be led by our flagship Food & Beverage owned brand, Good & Gather, which is one of the biggest and fastest-growing grocery owned brands in the US and on the brink of becoming Target's first $4 billion owned brand. This year, we'll add 600 new items across Good & Gather and our powerhouse snack and dessert brand, Favorite Day.

To put that in perspective, for many CPG brands, a dozen new items represents a big year. But for our Food & Beverage team, that's what we'll average in one week. And I am proud to share that today, we're bringing the design-style partnerships that Target is known for to Food & Beverage through a series of Good & Gather collaborations.

The first with James Beard, award-winning chef, Ann Kim. It sets at almost 1,800 stores nationwide next week, starting at just under $7. We'll have seven items from Chef Ann with flavors representing her Korean heritage, including four frozen pizzas in styles that she's made famous in her Minneapolis restaurant, Pizzeria Lola. This is another example of delivering everyday discovery and delight in our grocery aisles, a big step forward in our journey to make Target a retailer that doesn't just sell food but celebrates food.

And within Essentials, we've seen how taking a fresh look at a legacy brand can make a big difference for consumers. Last year, we relaunched up&up, reformulating about 40% of the assortment to make it even better for consumers and adding hundreds of new items that we knew guests wanted.

Today, with more than 2,000 items, up&up is closing in on becoming a $3 billion brand, part of an everyday Essentials assortment, that also includes dealworthy, a lowest price brand we launched last year that spans several categories storewide; and Everspring, our elevated sustainable offering.

New brands and brand refreshes are a key tool for helping us meet consumer needs, which is why our relaunch of Boots & Barkley, our pet accessories brand, is so exciting. Pet care is a big growth opportunity. New product just set in stores on Sunday, and it's everything an animal lover could want.

And we'll continue delivering newness across Essentials, adding 14 new brands in nutrition this spring to build on consumers' interest in wellness and more than 2,200 new baby and toddler items, 50% of which will be exclusive to Target, including 200 new items from our baby owned brand, Cloud Island.

Now we've nearly doubled the size of our Beauty business since 2019. Amazing in-store presentation and a great digital experience, our partnership with Ulta Beauty and our assortment that includes some of the leading brands in the industry have combined to make Target an undisputed beauty destination. And we are not resting on our laurels. That's why we just announced the addition of 2,000 new products to our assortment, 90% of which will be priced under $20.

That includes an expansion in our offering in brands like EOS, NYX, Native, Alodia, Camille Rose, and the addition of nearly 50 new brands like Bubble and Daise, plus more newness within Ulta Beauty at Target to further cement Target status as a go-to for all things beauty.

Now when we consider our discretionary categories, Hardlines, Home and Apparel, these are the business that made Target famous. And while no denying after massive growth during the pandemic, they've been challenged in recent years, they're still generating more than $50 billion in sales. They're a huge part of what differentiates Target. And we saw meaningful acceleration across our discretionary portfolio in Q4.

So to turn that acceleration into sustained growth, there are three big big opportunities in front of us. First, we're being bold in transforming our Hardlines and Home businesses based on consumer insights and changing trends. Second, we're making changes to get faster – cutting the time it takes to move products from a sketchpad to a factory to a consumer's basket. And finally, we're moving with a sense of urgency to deliver the kind of compelling newness that makes Target a place for discovery, delight, and joy. When it comes to being bold, I love how our Hardlines team is embracing the spirit of what they're calling "Fun 101" as they reimagine what this business can do for consumers. Words matter and what Fun 101 is all about is realizing the untapped potential of a category that includes toys, video games, music and books, sporting goods, and technology. We have significant strengths in businesses like toys and video games. And nobody does pop culture better than Target. At the same time, we're excited about the growing opportunity in sports, entertainment, and lifestyle tech. And by putting all of this together, we will transform our Hardlines business, and make Target a year-round destination for everything you need to create fun moments for yourself and your loved ones. Ultimately, this will impact how we show up in store and online. And it's already having an impact on our approach to product. Just consider a few examples. Like how we're making Target a go-to for big moments in culture. You saw that on Black Friday with the huge Taylor Swift release that Brian mentioned. We were one of the top retailers for Wicked, with 60% of our Wicked assortment exclusive to Target. And in January, Target was the place to be for the launch of Rebecca Yarros' latest book, Onyx Storm. Books are so important to the families we serve. And I love how our team has responded. We're gaining share because we've made Target a destination for top titles. And that work paid off with Onyx Storm. We were the number one retailer on its release date with 30% share en route to blowing past all of our goals for the launch. We're also betting big on emerging brands. Like the Nex gaming cube, a system that's great for the entire family including children who aren't ready for the more advanced controllers. By partnering early with Nex, before they really took off in the fall, we had the inventory needed to support a surge in demand in November and in December. And we're also leaning into sports, particularly in getting children ready for their first sport, building on the role we play for families in other areas of our assortment. That's a small sample of what Fun 101 means. And I love how it's distinctly Target. It has so much potential to grow this entire business.

In Home. In Home, we have been on a journey. And as you know, this is an industry that's been challenged over recent years. But we are not using that as an excuse. We must do better. And we believe Target can be the destination for great home style to help create spaces and moments families will love.

So we're building a channel strategy for Home that gives consumers the range of choice they want, along with the joy that comes with shopping at Target. That starts with doubling down on Target's legacy when it comes to style, design and affordability.

So through our design capabilities, we are focusing on the brands and products where we have seen Target make the biggest difference for consumers, helping them layer in thoughtful, trend-forward updates over time, like Threshold and Hearth & Hand with Magnolia, beloved brands that are part of millions of homes across the US.

We're also incredibly excited about what we've seen since relaunching our Casaluna bedding brand this year. With new prints and patterns and bamboo materials, the product is beautiful. And great design is also driving improved performance.

Over the last couple of months of the year, Casaluna sales were up nearly 6%. And over the last two years, our new kitchenware brand, Figmint, has become a guest favorite. Thanks to incredible style and can't-miss pricing, it is competing directly against some of the biggest players in the industry.

We're also committed to being first to mass like we've done with great brands like Stanley and Espresso and influential designers like Shea McGee. And we're going big on seasons and holidays in the role we play in major life moments like Back-to-College, where we'll deliver even more of the newness and elevated experiences that separate Target.

At the same time, we continue to expand our third-party marketplace, Target Plus, which is contributing to the acceleration of Home and represents a significant opportunity to grow this business. What sets Target Plus apart from other marketplaces is that it's consumer-led.

Rather than opening the doors to any seller, we're focused on building relevance and trust by working with partners that complement our assortment and also help us provide more of the breadth consumers are looking for, ensuring we're a strong option in categories where we wouldn't otherwise have a big presence.

That includes great brands like Dupray and ModernLuxe. And there's a lot more potential for Target Plus to grow our Home business while freeing up our teams to focus on creating the kind of Tarzhay experience consumers can't find anywhere else.

Now I want to talk a little bit about our Apparel business. Comp sales in apparel were up more than 3% in the fourth quarter and driving share gains across almost all demographic groups, including families and those making more than $100,000 a year.

A lot has gone into this, but I'm especially proud of what our team is doing when it comes to increasing our speed to market. This helps ensure consumers can find what they want, when they want it. We saw that last year when the mob wives leopard print aesthetic, took off on TikTok, loosely inspired by the 25th anniversary of The Sopranos. Within days, we were able to work with our vendors to get product available online. And within weeks, we had product in store.

In today's environment, this kind of speed goes hand-in-hand with being a discovery destination and driving some of the experience enhancements you'll hear about from Cara. And in our owned brands, our team can get product from design to a shopper's basket in a little less than eight weeks on our fastest calendar. But speed is about more than just strengthening our ability to jump on the latest trend of what's going viral right now.

By reducing our product development calendar by at least 20% across our entire assortment, particularly in Home and Apparel, we're adding in speed and flexibility that gives us more time to react to changes in the market and changes in consumer needs when it comes to newness, colors and sizes.

Our owned brand sourcing and global supply planning teams do this by working closely with our vendor partners and strategically managing raw materials, production capacity and lead times so we're getting the right items to our guests at the right time while still upholding the high expectations consumers have for Target when it comes to quality, sustainability and responsible sourcing. Delivering on both speed and flexibility drives the kind of relevance that boosts top line.

And that kind of rigor and discipline also drives bottom line performance. A great example of this is to work on All In Motion. You already heard how Michael and his family love this brand, and they are not alone. Consumers couldn't get enough of our everyday soft fabric and steady drumbeat of new silhouettes and styles in 2024. So our team responded, chasing into an additional 8 million units, which helped All In Motion deliver a more than 10% comp sales increase last year.

And when we think about flexibility, that includes our country of production strategy for the products we directly source and the multiyear effort we've made to diversify countries of origin. Our primary focus is on delivering the quality products at competitive prices that our guests deserve. And it's important to know that around half of what we sell is made in the US.

In terms of our owned brand production, we've reduced what we source from China from roughly 60% in 2017 to around 30% today and on our way to less than 25% by the end of next year, a goal we expect to achieve four years ahead of our schedule.

We've been especially effective in our apparel production and just 17% penetration in China, thanks to success in shifting production to countries across the globe. That includes a strong effort to move production to Western Hemisphere, countries like Guatemala and Honduras, which has added the benefit of keeping -- of helping us get product from factories to US consumers even faster. So we're excited to continue pursuing opportunities in the Western Hemisphere across all owned brand categories and in the US where possible.

Finally, there's so much newness across discretionary, like our new Pillowfort collections, featuring Disney and Marvel, setting in stores in the spring; or the way our Goodfellow menswear team is moving from rolling out new items in February and September to launching new on-trend items almost monthly; or the exciting Warby Parker partnership we just announced with shop-in-shops that will begin opening in the back half of the year.

And I can't underscore enough how just excited the entire Target team is about our upcoming partnership with Champion. Because when you combine Champion's legacy in sportswear with Target's style authority, the result is amazing. This multiyear partnership will begin setting in stores in August and will include a lifestyle collection featuring unique apparel, sporting goods, and bags.

Ultimately, this will bolster our style authority and complement our existing assortment of national brands and own brands. And most importantly, I know consumers will absolutely love it. So I want to extend a special thank you to Jamie Salter and everyone at Authentic Brands Group and Champion for all of your hard work in making this one-of-a-kind partnership possible.

Okay. Before I hand off to Cara, I want to reiterate that everything we do starts with listening to consumers, learning from what works and what doesn't, and making improvements every day so no matter why, when, or how you're shopping, it's easy, inspiring and affordable. That's how we create everyday discovery and delight. And that's the thinking behind the phrase today's Tarzhay because winning in this retail environment is not about what we've done. It's about what we're creating every week, every quarter, every year to drive this business forward.

So I'm proud of the resiliency, consumer-centricity, and creativity of our team and what they bring to everything that they're doing. And I can't wait to see what they're going to come up with next to give more consumers more reasons to choose Target every day. Thank you.

Now over to Cara.

Cara Sylvester - *Target Corp - Executive Vice President and Chief Guest Experience Officer*

Thanks, Rick, and good morning, everyone. It is great to be back with you again to share our plans to continue building momentum in our business. As you heard earlier from Brian, we aspire to bring together the best of what consumers want in a shopping experience in a way that is uniquely Target.

Many other retail experiences offer trade-offs. You can have a good value, but not the best shopping experience. You can have unlimited choices, but difficulty searching and feeling inspired. You can have quality but at steep prices. Not with us. At Target, we don't believe in trade-offs. We believe in the power of and for our guests.

You heard from Rick that consumers want on-trend, quality products and they want them at affordable prices. That's been part of our Expect More, Pay Less DNA for decades. Consumers want convenience and a great shopping experience. Whether you choose to shop in stores or online, we intentionally design an elevated experience to be Target filled with discovery, inspiration, and ease.

Consumers also want a compelling array of product choices, and they want to know that we stand behind each and every product that we sell. But we know it isn't just about what we sell. It's also so much about how we sell it.

From TV ads to how we show up on social platforms to the way we design our stores, our website and app, we know that experience is crucial, and we want to immerse consumers in a joyful and inspiring retail journey every time.

After all, in addition to our on-trend, design-forward products, Target also became famous for our aspirational in-store experience. It's how we earned the moniker Tarzhay from our guests, and it's why they continue to hold us to the incredibly high standard that we also hold for ourselves.

And those expectations, they aren't exclusive to our stores. Consumers not only want but expect Target to provide that same level of discovery and inspiration while scrolling our app as they get when strolling our physical aisles. So that's a key focus.

As we continue to take that Tarzhay feeling that guests have loved for decades and keep it fresh and relevant today by investing in capabilities to become America's favorite discovery destination. This approach uniquely blends physical and digital retail along with social in a way that only Target can.

To us, it isn't just about a set of fulfillment options. Digital is the new front door to our experience, a way to come alongside our guests when they want and need us most. Sometimes, that's providing mom the much-needed inspiration on how to pull off that perfect yet affordable kids birthday party. Just a few clicks, and everything she needs is added to her cart for a Drive Up order ready in a few hours.

At other times, it's Target Circle 360 saving the day, helping dad with all he needs to make dinner tonight, brought straight to his front door from one of Shipt's 300,000 shoppers nationwide. So while others may view digital as if it's a separate business, a profit headwind to overcome or simply a way to sell ads, we view it first as another opportunity to do what we do best: bring that Target magic to consumers.

Now this experience actually starts before they ever step foot through our physical or digital front door. It starts from their couch as they enjoy ads that are distinctly Target and drive the awareness and brand love that we strive for.

From the iconic Target lady to our easy-on-the-eyes holiday team member Kris, who is lovingly referred to as hot Santa on social, these campaigns, they're more than entertaining. They reinforce the love that consumers feel for our brand, helping keep Target top of mind long after the commercial ends. And it's working.

For example, Target Santa stole the show across media outlets this holiday season with more than 70 million social mentions, making it one of the top searches on TikTok the week of Black Friday. Through cultural relevance and a style that is uniquely Target, we're creating an unmatched emotional bond with our guests that translates to traffic and sales growth.

But these bonds, they only last if we consistently delight and inspire our guests. So over the last year, we've continued to invest in many enhancements and innovation with the spirit of continuing to do just that. First, we always want to get the fundamentals right.

For example, we've been improving our AI-powered algorithms to enhance the logic behind our online product recommendations, our search functionality, and substitutions. And while guests may not even realize that we've made these changes, A/B testing has shown that these have already led to hundreds of millions of dollars in incremental sales.

But beyond the fundamentals, we're also always innovating, leaning in with a test-and-learn approach to design our digital experience to be truly distinctive. For proof, look no further than our industry-leading Drive Up service.

We were one of the first retailers to offer Drive Up, and it didn't take long before it became one of the most beloved services that we offer. And even though this service has delivered consistently high growth and high Net Promoter Scores, that hasn't stopped us from innovating to make it even better, adding features like Starbucks or returns right to your car.

Recently, we became the first retailer to integrate our app into Apple Car Play. And of course, the service is also available through Android Auto. Using these car-based technologies, guests can now let their local Target team know they're on their way to pick up their Drive Up order.

They can navigate hands-free to the store and alert the team when they've arrived. The convenience, the ease and the reliability of our digital experience has supported tremendous growth with overall digital sales now representing about 20% of our total volume.

And we're punching well above our weight in categories like Food & Beverage, helping with dinner tonight or even just stocking the pantry without ever having to get out of your car. Drive Up and same-day delivery have been game changers for so many of our guests and have helped propel us to one of the nation's top five grocers, well ahead of many traditional grocery stores in the US. We're also innovating in support of product discovery and making changes that are more revolutionary, including how we're infusing GenAI technology and social media signals into our digital experience.

We've integrated the power of GenAI throughout our digital experience in many compelling ways, including summarizing guest product reviews to better help other guests make purchase decisions, enhancing content to make our product detail pages richer and more compelling, and building tools like our GenAI-powered gift finder that help guests find the perfect present for their loved ones over the holiday just by answering a few simple questions.

Before arriving at our digital or our physical front door, we know that social media plays an outsized role in today's shopping journey. Consumers seamlessly shift between discovering trends and making purchases, which means shopping is no longer a distinct transaction. It's an always-on experience woven into every day browsing and social interactions.

This provides countless opportunities to engage consumers in new ways and provides outsized potential for Target. Why? Because of all big-box retailers, Target is the most engaged with brand on TikTok, Instagram and Facebook, number one.

Social platforms are already among the fastest-growing drivers of traffic to our digital platforms. And with far greater engagement compared to our peers, we know there are massive opportunities ahead of us. And because we know where consumers are starting their shopping journey, we can use AI to identify emerging trends from these social platforms to more quickly amplify relevant products we carry.

You heard the example from Rick on the mob wives trend that we saw a few months ago. And as this trend began to go viral on social platforms, we were able to quickly amplify all things leopard print across our platforms right as it was trending, capitalizing on this cultural moment as it occurred rather than reading and reacting after the fact. And again, it isn't about stores or digital or social. It's all of them working together. We're connecting our digital experiences with our already beloved store experience unlike anyone else.

So we know that consumers, they don't just set their phones down when they shop in a physical store. In fact, more than 1/3 of guests with the Target app use it while shopping in our stores. This not only gives us additional ways to merge our in-store and digital shopping experience. It also leads to more opportunities to drive sales through compelling product recommendations and promotions. It's why guests who use the Target app while in our stores already spend more per transaction, nearly 50% more, in fact, with room to grow this further.

So recently, we rolled out new functionality that transforms your phone into a personal shopping assistant used to enhance the in-store experience. This functionality helps guests navigate within the store and allows them to easily find everything they're looking for through guided virtual pathing. So no more guessing what aisle a product is in or even where that aisle is located. We can also recommend products that complement what you're searching or buying for.

And what makes me even more excited is not just what we are doing, but the endless possibilities of what we can do and soon. We're currently developing ways to utilize the app to search current Target Circle offers, navigating bargain hunters to where in the store these deals can be found or imagine a situation where knowing where you're located in our store, we can customize your app experience to tailor the content based on what you're currently browsing.

For example, if the guest is standing in one of our beauty aisles, we could show them trending and viral beauty brands as well as work with key vendor partners to offer real-time personalized promotions to drive trial, conversion and inspiration.

And of course, digital commerce is seeing rapid growth from online marketplaces, and we've been extending our assortment through our marketplace Target Plus. Based on continued guest feedback, testing and iterating, we've been on a journey to scale up our marketplace offerings with a wider array of brands, price points and products in a logistically feasible and cost-effective way.

And with our partnership with Shopify, we're able to more quickly identify new and emerging brands for our marketplace as well as onboard partners and products faster and easier than ever before. This is contributing meaningfully to our digital traffic. In the last year alone, Target Plus represented around 10% of our external search volume.

Now to be clear, we still believe our intentional invitation-only approach is the right strategy both now and in the long haul for Target. But that hasn't prevented us from massive growth. Target Plus now generates over $1 billion in GMV, having grown more than 35% in the past year alone.

This includes growth of nearly 40% in Home categories, more than 60% in Essentials and Beauty and more than 170% in Food. And this momentum isn't slowing down. In fact, we expect Target Plus to deliver upwards of $5 billion in annual GMV within the next five years. Yes, our strategy is different, but we believe the trust consumers have for the Target brand is a real competitive advantage. And that trust should extend to our marketplace offerings, too.

So I want to pause here for a moment and address another frequently asked question on if we would prefer to drive demand into our stores rather than online due to the incremental costs associated with digital fulfillment.

Now to be clear, we think consumers should get to decide where and how they shop, not a retailer. And while our in-store shopping is what made Target famous, and yes, it's the most profitable on average, our digital channel is profitable as well and continuing to get even more efficient over time. And that's without adding the benefits of Roundel and Target Plus. Jim will share more on this a bit later.

But what's missing from the question is why we love seeing consumers engage with us online. Beyond the economics of an individual purchase is the power that each of those interactions has to deepen a consumer's connection to our brand, an opportunity that we don't take lightly.

With every positive experience, we increase the affinity a guest has with our brand. They become part of the total Target ecosystem. It's why guests using our same-day services tend to spend more overall with Target, more than 20% more on average, including more in our stores.

So now let's spend some time talking about our loyalty platform, Target Circle. Last year, we were sharing our relaunch plans for an already beloved program. And today, I can tell you the relaunch worked as planned, growing the love for Target Circle with new and existing members. But we aren't standing still. In fact, we have plans to make Target Circle bigger and better than ever, bigger being the operative word. Here's a sneak peak of a spot that will air later this month.

(video playing)

So the marketer me cannot help but smile watching that ad. We are going bigger because we're relentlessly focused on growing engagement with our brand and rewarding consumers for choosing Target. And our members say they love it, both with their words and with their actions.

Last year, active Target Circle members spent 3 times more on average compared with nonmembers. Target Circle cardholders spent around 6 times more, and Target Circle 360 members spent an average of 8x more, shopping us 6x more often than nonmembers. But a common question I get goes something like this, Cara, there's so many loyalty programs out there. Why should consumers sign up for another with Target Circle?

So let me unpack this a bit. The base program is completely free, providing access to automatic deals and personalized offers just for you. Simply put, you save more money just by signing up. And a reminder that if you're a Target Circle cardholder, you save an extra 5% every day.

Target Circle 360 members get all the benefits of our base program plus same-day delivery from Target and other retailers. And clearly, consumers see the value of a membership in Target Circle 360 given that our membership count is more than 4 times greater compared to a year ago.

So now I want to focus on all the ways we've differentiated our membership program, both in how it exists today and how we'll continue to make it better going forward. And as with everything we do, it starts by listening to what guests tell us they want.

First, we know that our guests love to shop across many of their favorite stores. Other membership programs only provide access to one retailer. With Target Circle 360, you already get unlimited same-day delivery with a personal shopper at Target and more than 100 other retailers powered by Shipt for just $99 per year and only $49 per year if you're a Target Circle cardholder.

Our guests are also early adopters and love trying new things. So new this year, Target Circle 360 members will receive exciting gifts and offerings that they can choose from every month, adding an element of exclusivity and surprise for our most loyal guests. Target Circle 360 members will also get the VIP red carpet treatment with early access to exciting deals and limited-time offerings and partnerships ahead of other guests.

Finally, our data shows how often guests are using same-day delivery powered by Target Circle 360 while traveling. So whether stocking the hotel room with snacks or quickly getting those items they forgot to pack, we know our guests love to travel, and we want to help take the stress out of it.

So we are incredibly excited to announce a partnership with Marriott Bonvoy coming later this spring to make traveling even easier and more rewarding for Target Circle 360 members. More details to come very soon. These are just a few of the continued investments that we're making to elevate our loyalty offering, and it shows the importance of how we're thinking about differentiating our same-day delivery service, too.

In the same way that we first became famous for our in-store experience and later led the industry with Drive Up as well, we aspire to grow same-day delivery to be another unmistakably Target offering that becomes synonymous with the elevated joy, the value and experience that we're known for. With the signature service as a core benefit, over the next three years, we believe our Target Circle 360 membership count has the potential to more than triple with opportunities to grow even further over time.

And as you've heard me share before, the insights that we gain from our Target Circle members help power our media business, Roundel. These insights allow us to introduce the right brand partners and products to the right guests, creating connections that are beneficial for all involved. And we're doing it in unique ways both on platforms that we own and those that we don't.

Our approach is built for long-term success by creating value-driven placements that enhance, not disrupt, the overall experience for consumers. If our aim is to put the guest at the center of every investment that we make, then our approach to digital advertising should be no different.

For example, with Target product ads by Roundel, think sponsored ads on our website and app, we help partners place ads where guests are already browsing and with shoppers who are likely to purchase based on our rich data and insights. This leads to very high conversion rates and return on ad spend. The result: these ad sales alone have grown more than 35% last year.

And another key source of Roundel's power lies in the qualities of our audiences, Target guests who are trend-forward, deeply engaged and enjoy shopping. The richness of our guest base and the trust they have for our brand, this is why we're seeing outsized growth. It's also why we have so much confidence in Roundel's ability to scale for years to come.

We continue to innovate and prove our value to existing partners who spend more with us every year. We're also making it easier for smaller emerging brands to utilize the power of Roundel's reach. And in the last year, we've grown this partner segment by more than 40%. At nearly $2 billion in value for Target, we see the potential for Roundel to double its size over the next five years.

I want to pause here to address the notion that these digital offerings are alternative revenue streams or ancillary businesses. Others may talk about them this way, but at Target, they're part of our holistic ecosystem. And one only provides value because of how it works with the rest of the portfolio. The reason why Target Circle is a beloved loyalty platform is because it's attached to a brand that consumers love.

Roundel is powered by the robust insights that come from Target Circle. And as we grow our offerings on Target Plus, well, that allows Roundel to onboard new advertising partners more quickly, too. Our ecosystem is not a collection of individual capabilities or offerings but parts of a hole that interact harmoniously to serve our guests each and every day.

So over the past year, we've continued to invest in opportunities to be the best version of ourselves for our guests today and tomorrow, and that isn't slowing down. We'll continue to find ways to unapologetically set ourselves apart, to offer an experience that is uniquely Target and to continue to provide more than consumers even knew they could expect from us.

With that, I'll welcome Jim to the stage for his first Financial Community Meeting.

Jim Lee - *Target Corp - Executive Vice President, Chief Financial Officer*

Thanks, Cara. I've been at Target for about six months now. And while I've already had the chance to meet some of you, I'm looking forward to spending many more times with you in the year ahead. Since I arrived, I developed a much deeper appreciation for the strength of Target business model and the team that supports it. In particular, I want to thank my members of my talented finance team who focus on being outstanding business partners while ensuring we make the right long-term financial decisions.

I was excited to come to Target because of the amazing brand backed by assets and scale that we can apply throughout our business, including nearly 2,000 stores served by more than 60 supply chain facilities and an experienced global sourcing organization with offices around the world; a large and diversified owned brand portfolio generating more than $31 billion in annual sales; a unique and balanced mix of six core merchandise categories, spanning both wants and daily needs.

Each of which generates well over $10 billion in annual sales; a full suite of digital fulfillment capabilities that together account for more than $20 billion in annual sales with one of the fastest-growing marketplaces in Target Plus; and one of the biggest loyalty programs in the country, Target Circle, which helps to fuel Roundel, one of the largest retail advertising businesses in the US

With all these assets supporting our differentiated strategy, Target has a compelling growth opportunity in the years ahead, and I'm looking forward to sharing our progress with you over time. As you know, we faced some unexpected challenges in 2024, and we're encouraged that we ended the year with stronger-than-expected Q4 performance.

When we first provided fourth quarter top line guidance last November, we expected comparable sales in a range around flat. This morning, we reported a 1.5% increase in Q4 comp sales, consistent with our January update.

When we guided Q4 EPS back in November, we specified a range of $1.85 to $2.45. And this morning, we reported Q4 GAAP and adjusted EPS of $2.41, near the very high end of that range. It's also notable that despite the volatility we saw on a quarterly basis, our full year results ended up within the top and bottom line ranges that Michael provided at the beginning of the year.

And while last year's EPS was slightly lower than in 2023, that year also included a 53rd week. When we adjust for our estimate of the benefit of that extra week on an apples-to-apples basis, 2024 net sales grew by about 1% over 2023 and full year EPS grew by about 3%.

Among other highlights in 2024 was the healthy increase in guest traffic in both our stores and our digital channels. Within digital, we saw double-digit growth in both Drive Up and same-day delivery powered by Target Circle 360. We also saw more than 35% growth in third-party GMV on Target Plus last year with more than 40% growth in Q4. Roundel also had another strong year with growth in the mid-teens.

Beyond getting to know the Target team, I've also gained a deeper appreciation for the ways that Target is unique within the US market. For example, and as Cara highlighted earlier, our approach to digital commerce is distinctly different from other retailers. And I want to dig into that because things might look similar on the surface.

For instance, when you look across the top of this slide, you see a complete omnichannel retailer, offering in-store shopping and a full suite of digital fulfillment options. But what makes Target unique is the way those fulfillment options work together to increase guest engagement more broadly.

As Michael mentioned earlier, when guests try our Drive Up and same-day delivery services, they increase their overall spending by an average of more than 20%, including more spending in our stores. You don't hear that from others, and it's a tangible example of the power of and that Cara described earlier.

Another important aspect of our digital strategy is the way we choose our assortment and how that plays into our supply chain strategy. In managing our assortment, we focus first on selecting the right set of items in the categories our guests expect from us, then we determine the appropriate channel by item and category. Because of this selective approach, most of our first-party digital sales come from items we offer both online and in our stores.

This fits perfectly with our stores-as-hubs model, allowing us to leverage our stores assets, inventory, and team to fulfill a very high percentage of our first-party demand, more than 97% in 2024. It's a model that delivers speed and efficiency in a capital-light manner. And importantly, it's scalable as our digital sales have more than tripled over the last five years on largely the same asset base.

Of course, beyond the direct impact and benefit of first-party sales, the digital channel also powers our Roundel ad business and our Target Plus marketplace. Target Plus is an agile capital-light option for selling a wide range of products from distinctive brands without the need to buy, store and move the inventory ourselves.

As a result, Target Plus is especially well suited for items that turn slowly, items that occupy a lot of physical space and ones for which demand tends to be variable and less predictable. While Target Plus is a relatively small contributor to our P&L today, there's a compelling opportunity to rapidly expand our Target Plus assortment, benefiting both our top line and bottom line in 2025 and beyond.

So now I want to touch on the profitability of our digital business because the answer is different from what many people believe. Last year, even if we narrowly focus on the direct impact of digital sales, the digital channel at Target delivered incremental profit dollars to our business. Now to be clear, the profit rate in the digital channel is lower than our stores. But digital growth is good for our bottom line, and we have clear plans in place to further improve our digital profitability over time.

I also want to note, this analysis of digital profitability doesn't rely on the sizable indirect benefits we gain from our digital platform, including revenue from Roundel and Target Plus, and importantly, the growth in store sales we see when a guest tries one of our digital services. To emphasize that point, our first-party digital business delivers incremental profit to our bottom line, even if we exclude the indirect benefits from Roundel and Target Plus.

Beyond digital profitability, I want to also unpack a few of our financial metrics behind our six core merchandising categories because understanding these dynamics is critical to understanding our business. At the top of this slide, you can see the percentage of our sales in each of our six core categories, a balanced mix you don't see anywhere else in retail.

The next slide compares the gross margin rates in each of these categories, ranging from the lowest rate in Hardlines to more than double that rate in Apparel. This wide range is an important part of understanding our financial results because variability in category growth rates can have a very meaningful impact on our gross margin rate. And over the last five years, the range of margin mix impact has been quite wide from as much as a 160 basis points headwind in the first quarter of 2020 to 150 basis points tailwind a year later.

Next on the slide, you can see our own brand mix, which runs from more than 75% in apparel to the low single digits in Beauty and Hardlines. Obviously, this metric is important strategically, but it also has implications for our financial results. Owned brands are a key part of our differentiation, and they typically earn higher gross margin rates than our national brands. They also involve longer lead times, giving us less flexibility to react to changes in sales trends.

That last point relates to the next row on the table, showing the relative space occupied by these categories in the supply chain. Together, these two metrics help to illustrate a challenge that we encountered in Q3 of last year, when a meaningful slowdown in Home put extra pressure on our supply chain in stores at the same time they were handling peak volume in advance of the holidays.

As a result and as Rick covered earlier, the team has been working to reduce lead times in our longest lead Apparel and Home categories. This effort will be an ongoing journey, but we've already made progress, most notably in Apparel.

And over time, this work will benefit our business in many ways, especially when volatility is high. More specifically, with shorter lead times, we can react more quickly when consumer demand rises to replenish more quickly and maximize sales.

Conversely, when demand softens unexpectedly, shorter lead times allow us to adjust inventories more quickly and reduce markdown exposure. In addition, this work can help our supply chain by reducing peaks and valleys and storage needs when there's a volatility in demand.

Beyond our work on lead times, the team is leaning into Target Plus as a way to augment our assortment without taking on the inventory risk and capacity needs of our first-party business. While there's potential across our entire assortment, we see a big opportunity in Home, where an extended assortment on Target Plus can enhance the relevance of our assortment, especially for items that are bulky and not well suited for guests to bring home in their car.

Finally, as you see at the bottom of the slide, you can see the relative variability in sales trends in each of these core categories over time. Not surprisingly, variability is highest on the discretionary side of our assortment, where guests can rapidly adjust their short-term spending as conditions change. With about half of our sales in these categories, we naturally have more variability in our business than if we only sold our frequency

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categories. But importantly, we're also compensated for that variability as our highest-margin categories are also on the discretionary side of our business.

With that as context, I want to move to our longer-term financial aspirations, which remain largely consistent with what we shared before. Michael outlined the addressable market opportunity earlier. And with our scale, assets and strategy, we're looking to address that opportunity by maintaining or growing share in categories that we sell, resulting in an average of low to mid-single-digit top line growth over time.

And notably, over the last five years, Target's average top line growth has exceeded that pace, resulting in total growth of about 36%, a number that compares favorably to the retail sector and consumer spending over that period.

But growth rates varied widely over that period with nearly half of that -- nearly all of that growth in the first two years and flattish trends since then. This reflects our strong mix of discretionary categories and the dramatic swings in consumer spending that happened during the pandemic and the period of high inflation that followed.

And today, while consumer spending trends are not yet back to normal, we're seeing some encouraging trends in our discretionary business, including three consecutive quarters of share gains in Apparel, improving share trends in our Home business and holiday season share gains in both sporting goods and toys within Hardlines. When combined with steady growth in our frequency categories and ongoing share gains in Beauty, we feel well positioned to deliver long-term top line growth.

Turning to profitability. We expect to grow our operating margin rate over time based on multiple profit-enhancing opportunities ahead of us. Among those tailwinds, we expect continued outsized growth from Roundel and Target Plus, both of which are accretive to our operating margin rate. We're expecting more good news from shrink in 2025 and beyond.

As you recall from 2019 through 2023, our operating margin absorbed about 120 basis points of pressure from higher inventory shrink. Last year, we recovered about 1/3 of that pressure as a lower financial impact from shrink was an approximate 40 basis points tailwind to our full year operating margin rate.

Given recent trends and the increased focus on retail crime we've seen at the federal state and local level, we expect to benefit from further shrink improvement in 2025 and beyond. Beyond shrink, we expect to benefit from ongoing efficiency efforts throughout our business.

In the last two years since we launched the work, we've already attained the initial goal of more than $2 billion in savings. But that doesn't mean we're going to stop. Rather, it will become an ongoing mindset across our business to find savings opportunities we can take to the bottom line or reinvest in support of our guest experience, lower prices, and our team.

Altogether with these margin opportunities, we believe we're positioned to deliver mid- to high single-digit annual EPS growth over the next several years. And with our scale, if we hold or gain share in each across our merchandise categories, we can expand the size of our business by more than $15 billion over five years, an amount that's larger than many of our retail peers.

Now I want to turn to our outlook for 2025. On the top line this year, we're continuing to plan cautiously and are looking to grow our net sales in the range of around 1% with expected comparable sales around flat. We're planning to deliver a modest increase in our operating margin rate this year as profit tailwinds offset continued investments in long-term profitable growth.

For the year, we're expecting an effective tax rate of 23% to 24%, which includes the implementation of new global minimum tax rules. Altogether, we're expecting 2025 an adjusted EPS of $880 to $980. Regarding capital deployment, I'll first reiterate our long-standing priorities. We first look to invest fully in our business in products that meet our strategic and financial criteria. Second, we look to support the dividend and build on our record of more than 50 years of annual increase. And finally, we look to return any excess cash beyond those first two uses through share repurchases over time within the constraints of our middle Acredit ratings.

Regarding the first priority, we continue to expect CapEx of $4 billion to $5 billion this year. The bulk of these investments will be focused on stores, including both new locations and existing ones. In addition, we're making robust investments in both supply chain and technology to support the initiatives our team highlighted earlier.

Regarding the dividend, we plan to recommend that the Board approve a low single-digit increase in the quarterly dividend later this year. And finally, beyond those first two uses, we expect to have capacity for share repurchases within the limits of our credit ratings. As always, the timing and magnitude will depend on business results and our assessment of the external environment.

In particular, we plan to make some extra flexibility in the near term to help us navigate uncertainty regarding tariffs. With a sourcing organization that's decades old, our team has a lot of experience in navigating this type of volatility. They're monitoring the situation carefully, and we expect to successfully navigate through any changes, just like we have in the past.

However, given near-term uncertainty, we'll be looking to maintain a larger-than-normal cushion on the balance sheet. As always, our team will focus first on minimizing any impact on our guests as we manage our business to deliver on our financial goals.

Finally, I want to spend a minute on our guidance practices and our decision to move away from quarterly guidance. This change reflects our expectation of continued elevated volatility, which limits the effectiveness of quarterly forecasts. As an example, consider the impact of warm weather on Apparel sales in last year's third quarter. namely, our apparel Comp moved from more than 3% growth in Q2 to down nearly 1% in Q3, back up to a 3.5% growth in Q4.

Even as we move to annual guidance, we'll have the opportunity to revisit our full year outlook after every quarter and assess whether any changes might be appropriate. And of course, we can comment on timing considerations and prior year comparisons.

And I'd like to comment on our top line results so far this quarter as sales have become more volatile since the recent holiday season. More specifically, in February, we saw record sales performance on Valentine's Day. But overall top line performance for the month was soft as cold weather affected Apparel sales and consumer confidence declines impacting our discretionary assortment more broadly.

Looking ahead, we expect to see a moderation in this trend as Apparel sales respond to warmer weather around the country. And given our performance around Valentine's Day, we're looking forward to the Easter holiday, where we'll feature a seasonal assortment ranging from candy to toys, home decor and apparel, and of course, everything needed for Easter dinner.

Beyond the impact of these early top line trends, we're expecting some outsized profit pressures in this year's first quarter compared with the rest of the year. These include tariff uncertainty, expected start-up costs from a ramp-up in new stores and remodel projects, and the timing of certain SG&A and tax expenses within the year. In contrast, we'll face easier profit comparisons to the back half of the year, including the Q3 benefit from lapping last year's unexpected supply chain costs, which we don't expect to repeat in 2025.

As I get ready to hand things back to Brian, I want to start by thanking the entire Target team for their tireless efforts to support our guests, our business and each other. Our teams have managed through several years of elevated volatility, and they've never lost their focus on serving our guests.

I also want to thank everyone who's here today for your continued interest in Target. The same way that volatility presents a challenge for our team, we know it's challenging for investors. Today, we are laser-focused on reducing volatility in our business as we focus on controlling what we can control. And with the potential for reduced volatility, combined with growth prospects ahead of us, there's a compelling opportunity to reward shareholders over time.

With that, I'll turn things back over to Brian.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Well, thank you, Jim. In a minute, I'll invite the team back to the stage to answer your questions. But before I do, let me recap a few key points, starting with the three questions I posed at the beginning of the meeting. What is Target's unique place in retail? How will Target build more engagement with even more consumers? And how will that engagement translate to traffic, sales, and profitability over the next five years?

As we shared with you today, we are very confident in our path forward because we have the scale, the strategy, and the capabilities to make Target a long-term winner in retail. It always starts with product. We've grown sales across all six categories of our assortment, resulting in overall growth of nearly $30 billion over the last five years.

We're the fifth largest frequency player in US retail. We're accelerating investments in our discretionary categories to build on the more than $50 billion in annual sales in Hardlines, Home and Apparel. We're giving guests access to thousands of trusted products and brands through our billion marketplace, Target Plus, a marketplace we expect to reach $5 billion in GMV over the next five years.

We pair this newness with relevance and value in our assortment and an experience that makes it easy and fun for consumers to shop in a way that works best for them. As a result, guests made 350 million more trips to Target last year than they did in 2019. Those trips are part of our ecosystem of marketing advertising, loyalty benefits and digital and in-store experiences that make every trip tailored to the needs and preferences of our guests.

That level of personalization and flexibility is a win-win for our guests and our business. Our industry-leading same-day services are growing at a double-digit pace and even more growth potential ahead. Target Circle 360 membership quadrupled since launch. And we've added benefits like a partnership with Marriott to maintain that momentum.

In our media business, Roundel continues to generate nearly $2 billion of value for Target while creating connections with consumers and brands that we believe will double in size in the next five years. All this comes together in a road map for growth that we expect to deliver more than $15 billion in sales growth over the next five years.

Today’s Tarzhay , it’s here. That consistent drumbeat of everyday discovery and delight we offer to consumers. It stays true to who we've always been, keeps pace with consumer trends and leverages our connection to culture, great trends on our own while always thinking long term about the unique role Target plays in retail and in the lives of millions of consumers we serve each and every day.

So thank you once again for being here today. And now I'll invite Michael, Rick, Cara, and Jim to join me on the stage to take your questions.

QUESTIONS AND ANSWERS

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Alright. Absolutely love the show of hands as we started to walk back to the stage. And Michael Lasser, I think I saw your hand go up very first. So I'll give you the first question today.

Michael Lasser - *UBS - Analyst*

Thank you very much, Brian. Michael Lasser from UBS. It seemed like one of the messages today that Target offered is we can still generate growth, but also increase the predictability and lower the volatility of the business based on some of the investments that we're making in systems, team members and infrastructure. So A, is that?

And B, when are we going to -- when is it realistic for outsiders to start to see that play out in the P&L? Because it has been quite volatile over the last few years. And I'll add my second question. Speaking of volatility, the tariff situation remains quite fluid. Based on what you know today, how did you factor that into your guidance for 2025? Thank you very much.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Michael, it's a great place to start. And those are two powerful takeaways that focus on consistency and reliability. You've heard it from Michael, you heard it throughout our discussion today. And certainly, Jim and I have spent a lot of time talking about consistency going forward. Michael, I'm going to let you start and talk about the focus on reliability. And Jim, what's kind of share your thoughts on the importance of consistency as we go forward.

Michael Fiddelke - *Target Corp - Executive Vice President, Chief Operating Officer*

Yes. It's a good question, Michael, and think about it and we think about it as consistent progress over time. You could hear us building on momentum, in some cases, where we talked about -- we've had reliability -- inventory reliability improvements for eight quarters in a row now. And we want to build on that with more progress as we move through the quarters of 2025.

Rick share is we're shortening lead times. Discretionary categories are going to come inherently with more volatility than food staples. But when we can pull 20% of our lead times out of a category like Apparel, and that's some of the thinking that's gone into our lead times that are powering the receipts that we take in through 2025 in that category, we'd expect that to help us reduce that volatility over time.

Jim Lee - *Target Corp - Executive Vice President, Chief Financial Officer*

Yes, if I add, I think clearly, it's important for us to be focused on delivering value for the long term, but we clearly understand the value of consistency as well. I think you'll see an ongoing journey as we're trying to reduce volatility. It will take some time, and there's certainly stepping stones along the way. But it will take some time to get to the end goal.

But that's our focus. And also our focus is giving on controlling what we can control. There's elements out there that are uncontrollable, but we're going to focus on what we can do the best and be as efficient as we can be.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Michael, turning to your question about tariffs. And obviously, we've spent a lot of time as a team talking about tariffs. We've got a very experienced team in place. We've been here before. We've managed through tariffs in the past. But Rick, you talked on stage today about some of the changes we've been making. Obviously, speed and flexibility is important in this environment. Why don't I let you start? And Michael, why don't you build on some of the changes and the thoughts we have around tariffs right now.

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Yes. And I think I'd start with the team. We have a really incredible team, both in global sourcing as well as design, decades of experience. And under their leadership, they've been very proactive and been thinking about this for years now and have been working to diversify our country of production.

And so we have been pulling -- moving things out of China to other places around the world, looking at going across Asia as well as Western Hemisphere, Guatemala, Honduras. So we have a much more diverse set of countries from which we produce. And I think that's just going to give us more flexibility and help us be more agile.

You used the word -- I think you used the word dynamic or fluid to describe tariffs, and we see it very much the same way. And so we just need to make sure that we have options and that we're being flexible. And as we're going through this and navigating sort of the changes that we continue to put the consumer first and that we're thinking through how are we going to navigate this while delivering the value that we've committed to deliver to the consumer.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Michael, before I turn it over to you to be really clear for everyone that's here today, when we think about tariff and tariff implications, we only start with the impact on consumers and the families we serve and how in an environment like this, we continue to make sure we're providing the affordability and value they're looking for. And Michael, I know that's been part of our conversation for a long time now as we think about the impact of tariffs.

Michael Fiddelke - *Target Corp - Executive Vice President, Chief Operating Officer*

Yes. Absolutely. And I think Rick said it well. I mean it starts with a great team and a huge test of the team that works through what we expect to kind of navigate as we move through 2025. But to connect that question to the one we just had before, you also heard Rick describe, we diversify our countries of production, especially in the Western Hemisphere, we actually get the benefit of speed, too. And so that helps us read trend. It helps us reduce volatility from an inventory perspective in those businesses.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Let me start over here. Simeon?

Simeon Gutman - *Morgan Stanley Co. LLC - Analyst*

Hi, everyone. Simeon Gutman, Morgan Stanley. I want to point it to Jim and then bring everyone back in. There was a 6% margin target -- EBIT margin target at 1 point. We didn't hear about that today. And there was maybe a mid-single digit to long-term EPS growth.

Can you talk about the either reinvestment rate of the business or providing you more flexibility? And then Brian, more broadly, is there a greater reinvestment as you look at this business given the factors that retailers are facing? Thanks.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Jim, I'll let you start.

Jim Lee - *Target Corp - Executive Vice President, Chief Financial Officer*

Yes. I mean in terms of referencing, one, is continuous productivity and think about continually fueling our investments for our business. As Michael stated last year, I mean, our -- we look for what's the optimal rate of which we can maximize our profit dollar growth over time. And we certainly think we have tailwinds and continued operating profit margin that we expect to maintain this year and years going forward.

So we expect to make that progress with -- in addition to newness, affordability and merchandising and lots we do in our core. Digital growth and high-growth platforms like Roundel and Target Plus are going to be accretive. And we also have the continued tailwinds from shrink as well.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Simeon, on the investment side, I'll go all the way back to the tax rate adjustments back in 2017. And since that time, we've invested well over $50 billion of capital in our business, in our stores, in supply chain, in technology. We've been investing in building new capabilities, and Cara can talk about the capabilities that we've built from a marketing standpoint, investing in new initiatives, Rick investing in tools to make sure were better merchants.

So we've been investing in our business for a number of years. And it's that combination of strategy and scale and capabilities that for me is so important as we sit here today and gives us so much confidence in the future.

But Cara, why don't you talk about some of the investments we've made in marketing? Because I know, Michael, we talk a lot about stores, and I know you've been tracking the investments we've made in stores and the new stores -- new full-size stores we're building and the work on supply chain and remote. But why don't you give a group an example of some of the investments we've been making from a marketing and loyalty and capability standpoint.

Cara Sylvester - *Target Corp - Executive Vice President and Chief Guest Experience Officer*

I was going to say, and just piggybacking off of the conversation around how we think through -- you mentioned digital is an always-on investment. As we think through the power of what investing in stores has done for us to be able to propel to our digital business to where it is today and we think through this intersection of digital, stores and social as being really the sweet spot for how we connect with consumers. And so our investments in marketing have come alongside that.

There's no better example of today's Target than if you look at how we show up on social, as an example. I mentioned the power of the Target brand being the number 1 engaged-with brand. That's both based on how we put things out into the world, newness content. It's also how consumers talk about us and the power of how they talk through that.

So if I think about where we're then leveraging that power of those marketing investments to make our digital experiences smarter, to make those more Target, if I think through modern retailer today, physical, no one has a better store experience for us; social, we have the power of the brand. You have the investments that we've made consistently in digital. I think that really sets us up for success go forward.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Rick, one of the things that we know we've been investing in, and you talked about it today from the stage, is our owned brand portfolio. And we talked about a $31 billion owned brand portfolio, close to a dozen billion-dollar brands, four that are on their way to be $3 billion or $4 billion brand.

We've been making big investments in our own brand portfolio and those capabilities. And I know you and your team run it like a consumer packaged goods company. Why don't you give the group a sense for the way we're investing in our own brands and the capabilities behind those brands.

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Sure, I would love to. I mean, first of all, the fact that we refer to them as owned brands says something. We don't think of them as private label. We don't think of them as labels. They are brands that have positioning, that have meaning, that have a clear consumer target and bring differentiation to the marketplace. And so to do that, we have to continue to not just launch brands, but we have to manage brands and make sure that we're bringing innovation and news to those brands.

And I think the couple of examples I would highlight is up and up. It's a brand that's been around for a long time, has lots and lots of items, but it needed a refresh. And so we went in and invested in the brand, redesigned all the packaging graphics, took about 40% of the line and did product improvements, new fragrances, more sustainable packaging. And we're really excited about that. And that's what we think you need to do to keep brands contemporary and relevant.

The other example I would just give you really quickly is All In Motion. All In Motion, as you know, is our performance brand for the whole family. And we continue to invest in that brand with new fabrications, new colors, new silhouettes.

And that news and that investment in the brand is paying off, and we are seeing double-digit growth on All In Motion in the fourth quarter. And it's actually been growing for quite some time now. And so those are just two examples across frequency and discretionary. But when you think about the brand portfolio that we have, we are investing in all of those brands to keep them relevant and to keep them growing.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

I think we've been investing in stores and obviously supply chain. Maybe expand on some of the investments, including the capabilities that we've been enhancing to run our stores and our DCs even more efficiently.

Michael Fiddelke - *Target Corp - Executive Vice President, Chief Operating Officer*

Yes. You heard me refer today to some of the technology investments we continue to make. I mean some of that system modernization and supply chain is at the core how we buy and replenish product. And we've been on a multiyear journey that I'm excited about what the progress in 2025 will be to bring more of those capabilities to more of the assortment.

And then another place where I get excited, you can probably pick it up in today's presentation of where we're innovating, is when it comes to the speed that we can drive in our stores-as-hubs model. And some of you have had the chance to visit a sortation center, and you can see what those facilities have done for us.

But what we think we can pull off in some of the markets that don't have a sortation center that can make us even faster with package delivery and make us more efficient, another great example of kind of a sustained focus on how we get more efficient over time, I get excited about what 2025 will hold that.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Simeon, I'll end with one other area that we've made big investments in the last few years. And we couldn't cover everything today. I know we covered a lot of ground. But Rick talked about the dramatic growth we've seen in Food & Beverage over the last few years. That is a byproduct of consistent investments in our food supply chain, in our sourcing capabilities, in our in-store experience, in our team at-store level that's managing food each and every day. Those have been a big part of the acceleration we've seen in food.

And Cara, you talked about the fact that we're now one of the biggest digital food retailers in the United States. It's a byproduct of consistent investments behind those key drivers in our business.

Go right up here in the middle.

Chris Horvers - *J.P. Morgan Securities LLC - Analyst*

Thanks. Chris Horvers, JPMorgan. Good morning. Thanks for the presentation. So my -- well, I'll give both questions like Michael did. So my first question is longer term. Target Plus going from $1 billion to $5 billion, it's a big number, that's big growth. Is that -- what's driving that? Is that a way to think about how the assortment is going to expand over time?

Obviously, there's a marketing push there as well. And would you ever consider sort of a Fulfilled by Target kind of model? And then more in the near term, as you think about the pressures that you're talking about in the first quarter, inventory is up 7%. I know you talked about it a little bit. To what extent are you baking in some excess clearance and promotional pressure? Thank you.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Cara, why don't you start?

Cara Sylvester - *Target Corp - Executive Vice President and Chief Guest Experience Officer*

Sure. I think on the Target Plus front, I think it's always important to start with why we have a differentiated strategy. Consumers don't expect Target to carry every single item that's out there. They do expect us to carry on-trend, affordable, high-quality products, and they expect us to stand behind each and every one.

That being said, that strategy does not prohibit us from growth. We grew Target Plus by 35% in this past year, accelerated in the fourth quarter by complementing the assortment strategy that Rick talked about. In Apparel, you saw from Jim, 75% owned brand. Target Plus allows us to add key national brands like the Peloton fitness apparel or Crackle wear.

In Home, breadth of style is critically important. We are a style authority. So Target Plus allows us to actually capitalize on all of those trends. So we hit the $1 billion mark. We have our eyes set on the next milestone, which is $5 billion in five years. It is a big number. That's just the milestone. That's not the endgame. We see consistent growth because we've continued to lean in, be consumer-led. We've tested and iterated to get to this point. We see great growth ahead.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Chris, we talked a lot about February, and there are a number of different factors. We talked about extreme cold. I was reminded this morning there were floods and fires across the country in February. Consumer confidence has dipped. We've all seen those numbers. There are some other factors as consumers think about the potential impact on tariffs and what it will mean for them.

But Rick, you had some real important highlights as we think about February. And importantly, we've got spring and Easter in front of us. So why don't you talk about kind of where we are and kind of the next step forward as we go into March and April. And then Jim, you can talk about how we factored these tariff components into our guidance.

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Sure, I'd be happy to. I mean -- and I think, Jim, you mentioned this, February was volatile and there was a lot of things going on out in the macro environment. But there were some things that give us encouragement, some proof points that give us some optimism going into the spring.

The first one that I would highlight is, although consumers are strapped, they're on a budget, they're under financial pressure, they still are prioritizing and leaning in to those special holiday moments. We saw that in Valentine's Day. We had record sales in Valentine's Day. That bodes really well for Easter. So we are encouraged by that and looking forward to Easter.

The second thing I would say is we talked about the consumer being very resourceful. Looking for lowest prices, the best deals, we saw that play out with Circle Week in the fall. It was our biggest fall promotion that we have ever had. We're coming up on Circle Week in a few weeks. So there's a lot of reason to believe that from a consumer perspective that, that will be really relevant and that they will lean in there.

The third thing that gives us confidence going into spring is the weather has been very volatile. But in certain markets where we've seen the weather, at least for a week or so, what we've seen is our Apparel, particularly our most weather-impacted Apparel categories, see an acceleration in trend up to almost 600 basis points.

And we're seeing that across swim, kids, and men's, which tend to be the most weather-impacted Apparel categories. And that gives us confidence that we've got the right styles, we've got the right colors, we have the right content for spring. So the weather will change, it will change. And when it does, we feel like we're going to be really prepared to have great style, great design at affordable prices, which has really been the equation for success in the Apparel business.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Jim?

Jim Lee - *Target Corp - Executive Vice President, Chief Financial Officer*

Yes. In terms of all of the things that are happening in the market, so our full year guidance will reflect sort of a wide range of potential scenarios and uncertainty that we see in the marketplace right now. So that certainly covers tariffs and certain things.

As I mentioned, we're going to be focusing on what -- controlling what we can control. What we don't know is potential consumer demand that's across the board, across -- based on how tariffs ripple across the economy, for instance. But we have that wide range for the reason.

As I mentioned earlier, like moving off of quarterly guidance to annual guidance just reflects the fact that we are in a position of elevated volatility. So there's going to be swings up and down across the quarters, and we think that's the prudent play.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Right. Why don't we come back to this side.

Karen Short - *Melius Research - Analyst*

Hi. Karen Short from Melius Research. So my question is -- or two, how much are you expecting in savings? And how much will that benefit the actual full year guidance? And then the second question is, when you look at 2Q to 4Q, can you just talk about the puts and takes in terms of gross margin and SG&A? And how do you think about the cadence of EPS 2Q to 4Q?

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Okay. Michael, I might ask you to start with the plans we've had in place for a number of years now around efficiency, driving effectiveness throughout the organization and how we've embedded that in kind of everything we do.

Michael Fiddelke - *Target Corp - Executive Vice President, Chief Operating Officer*

Yes. Jim said it well. I mean you can think of that as always on going forward. And I think you can see even in our guidance for the year to be expanding operating margin rate on a flat comp implies some healthy efficiency gains from within the business. And so we expect the team to lean in and deliver those just like we laid out with our guidance.

But it shows up all over the place. It shows up in the fulfillment example. And if you go back on what's been driving some of those efficiency gains going before, reducing number of split package shipments has made us more profitable when we ship product.

The sortation centers, we saw our sortation center packages delivered by drivers using the Shipt capability, up over 30% last year. And so that just means a lot more packages delivered in a more cost-efficient manner. And so those are the types of efficiencies among many and others.

I mean I get the pleasure every week of seeing a scorecard that lets us know operationally, how are you performing in our stores. And that scorecard was screaming green, greener as we moved through last year. And when we're on our best practices, it sets us up to achieve the consistency. You heard me talk about we want to drive in 2025, but it also drives efficiency within the business. When we're executing well, we're making it most efficient for our teams.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Rick, I know your teams are focused on efficiency and everything to do from assortment planning to pricing and promotion, how you're running the business. I think if you shared a few examples. And then Cara, it's so important, the work you've been leading and really infusing GenAI and how we're handling marketing and building loyalty. I think sharing some of those examples would be really helpful for the group.

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Yes. I mean where we are focused on in merchandising is how do we modernize merchandising and what we call the roundtable, the cross-functional team that comes together. What we've recognized is the world has changed. Speed is critical. Trends happen really fast. Something goes viral on TikTok, and it could be the leopard print or it could be something else, and we have to be on top of that, and we have to be able to move quickly. And that's going to require a new way of doing work in a new way of doing business.

So that we've initiated that process now. And our hope is through this calendar year to kind of really redefine how merchants show up, how they spend their time. And the goal of it really is trying to take some of that non-value-added work off of the plate so that merchants can lean in externally and be more creative and looking for new opportunities. So that's really what we're focused on.

Cara Sylvester - *Target Corp - Executive Vice President and Chief Guest Experience Officer*

And I would just comment on how we leverage, again, the consistent investments in technology and AI to really power our digital platform to power loyalty as well and our ad business as well. If I talk through sort of traditional AI, I mentioned we made a ton of investments and improvements in our algorithms this year. We're seeing really great results from that.

It's also important to point out that AI powers Target Circle. And so as we think through our ability to have our large multimillion dollar -- or multimillion member base, we now are able to actually give personalized promotions, which leverage science so that we're more efficient and more profitable as we think through our ability to drive a better guest experience but also make it more efficient for Target.

And then I hit on some of the places where we're then layering on with GenAI. And GenAI is exciting because it's human-based technology. It can make the experience richer. It also can just be more efficient for us as humans to be able to consume information and make purchase decisions.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

So Jim, if you think about kind of start of year, balance of the year, maybe we'll just give it an EPS level. How are we feeling about the business? And what kind of shape do you want to provide?

Jim Lee - *Target Corp - Executive Vice President, Chief Financial Officer*

Yes. And I think part of my commentary was about also we'll have easier profit comparisons in the second half of the year for lapping the Q3 supply chain challenges. And there's also a timing aspect. I think, Cara, you mentioned there's a timing aspect of SG&A when that will hit our P&L this year. So it will be much more front-loaded in the first half versus the second half.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Great. All right. Why don't we go back a couple of rows. And I'm sorry, we're staring into the lights now. So I'm just going to let them -- but right there, that sounds great. Thank you.

Cristina Morales - *Signum Research - Analyst*

Hi. Thank you. This is Christina Morales from Signum Research. My question is regarding growth. How do you expect to gain more market share? Is it installed base, Drive Up more digitally? How do you expect to gain that share?

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Rick, I might ask you to start, but I know Cara has a point of view on this as well. And we've spent a lot of time thinking about share opportunities across our entire portfolio, the changes that are taking place in retail physical opportunities, digital opportunities, how we leverage some of the capabilities we've been investing in for years. Why don't you start, Rick?

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Yes. And I would start with a comment that Cara made in her presentation, we're starting with the consumer, and we're starting with where the consumer wants to shop, and that's where we'll be. When we get the consumer to be more of an omnichannel consumer, shopping multiple different fulfillment nodes, multiple fulfillment types, we see them spend a whole lot more.

So you'll see us actually try to facilitate more of that for people who are shopping in store, getting them to shop digital, people who are shopping digital to try to do a Drive Up or to try to come into store to a degree that we can bring people into the Target ecosystem and have them use different services and participate in different programs Target Circle, they become stickier and stickier and they become more loyal and loyal. So we don't really think about it as like let's prioritize different options as much as let's get the consumer in and have them use multiple different types so they ultimately become more loyal.

Cara Sylvester - *Target Corp - Executive Vice President and Chief Guest Experience Officer*

I would just add on, and I think Rick said it really well, shopping has evolved quite significantly. And so how consumers are actually interacting with our different fulfillment services is very different today than it was even just a few years ago.

And I think as we think about how we design our experience, we want to create and continue to invest in that signature in-store experience. Physical retail, we -- you heard this from all of us. We really believe in the power. When people think Target, they think, let me grab that Starbucks and roam the aisle and see what's new. We love that.

That's evolved though in terms of how -- what they're putting in their cart when they're in stores versus maybe what they did in their Drive Up order. So in-store experience, truly signature Drive Up experience, truly signature same-day delivery experience, and I would also truly signature social experience. As we think through those four areas, the intersection of them, we really want to ensure that those are the places that we're doubling down and investing in to connect with consumers go forward.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Yes. I'll back to a slide that Michael had in his presentation, $4.2 trillion of US retail dollars. And of the top 10 players, they represent under 40%. We're a three share today. But over years and years, we've been investing in this amazing product assortment, this unique combination of amazing national brand partners, this robust $31 billion owned brand portfolio and all the great emerging brands that want to do business with Target and start on our shelves and be part of our digital ecosystem. The work we've been doing from a digital standpoint, think about physical, digital and the component of social and making it really easy for our guests to shop with us.

And Michael, we never lose focus on those retail fundamentals, making sure that we're more reliable every time you shop. We think in a world where there is going to be further out in retail. It seems like almost every couple of weeks, we see one of our competitors saying they're closing stores, they're rationalizing their portfolio. Those are all share opportunities for us.

And we've got 2,000 amazing stores today. We'll be sitting on the stage in a few years' time how we have 2,300, and we're in different captions. We'll have a bigger and more robust digital business with services like Target Circle 360 that just make it really easy for you to engage in the brand.

So we see significant opportunities. We talked about more than $15 billion today. But when we look at the entire retail universe and where we sit today, we think we have some amazing assets and capabilities to leverage and a terrific team. We keep moving down the line.

Paul Lejuez - *Citigroup Inc. - Analyst*

Thanks. Paul Lejuez, Citi. Curious around that flat comp that you talked about for F '25. Which categories do you expect to be above? Which ones you expect to be below? Also curious about how you're thinking on food inflation. And what are we going to do about eggs?

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Rick, do you want to start with eggs or do you want to start with some opportunities growth?

Rick Gomez - *Target Corp - Executive Vice President, Chief Commercial Officer*

Yes. I think as we looked to 2025 and what we decided to do is to take a conservative posture given all of the volatility, particularly in some of the discretionary businesses. And what we said is, let's plan conservatively, and then let's see how things fold with the consumer, their mindset, their behaviors. And then to the degree that we need to chase into volume, we can do that.

We think on our frequency businesses, it's a little bit more predictable with tariffs aside. And they've been giving -- like delivering single-digit growth. And so we anticipate that, that will continue going forward. So it's a little bit of a posturing on trying to be conservative given the volatility that we see.

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

Maggie, I want to make sure if you have a question, I've seen you sit there patiently. I don't want to put you on the spot, but I give you a chance to answer it, no? Then I see a handle along the aisle right here in white, if we could hand her the mic.

Zhihan Ma - *Sanford C. Bernstein & Co. - Analyst*

Thank you very much. Zhihan Ma from Bernstein. A quick follow-up question on e-commerce. I think, Jim, you mentioned that it's already profitable, excluding Roundel and Target Circle 360 and all of the memberships as well. What are the levers you can pull to improve the core e-commerce profitability from here? And on top of that, on the Circle 360 program, what makes you differentiated given that people are only going to have maybe a few paid memberships a year? Thank you.

Michael Fiddelke - *Target Corp - Executive Vice President, Chief Operating Officer*

I'm happy to start on the profit journey we've been on. It was fun to hear Jim unpack some of what we see today. And we think we're just getting started there. We see opportunity to get more efficient in all those paths of fulfillment over time.

The most expensive thing to do always to be to ship a package or ship a brown box. You've heard us describe a couple of times today some of what we're excited about that we think can add speed and reduce cost in package fulfillment.

But we're also hard at work on how we make the other parts of the experience more efficient. Some of the tools and technology that we built in a hurry as Drive Up exploded in the early days of the pandemic, we're going back to now with an eye to how can we take footsteps out for our store team to allow those processes to function even faster.

That will be work that we continue to make progress on in 2025. And so I get excited about our starting point, sure, but even more excited about the efficiency that we think with our scale we can drive all those different modes of fulfillment.

Cara Sylvester - *Target Corp - Executive Vice President and Chief Guest Experience Officer*

I'm happy to hit on the Target Circle 360 question. And I think it's also important to start with Target Circle because we've seen incredible response. We've been able to attract 13 million new members. We see some of our highest-traffic weeks of the year, upcoming really excited about Target Circle Week. But importantly, we're making it really easy. It's free to join and it's easy to save more money, really compelling to consumers right now.

Beyond that, we've been really pleased with what's been happening with Target Circle 360. As I shared in my remarks, we know that guests shop a lot of rent in retail. You saw that $4.2 trillion market share. People shop a lot of different places. And so for us, Target Circle 360, the ability to get same-day delivery from Target but also 100 other retailers with our partners at Shipt is differentiated today in the marketplace.

We're also going to continue to be really consumer-focused and focused on what Target guests want from Target. So I mentioned a few of the things that we're going to continue to add. We're going to compare ourselves. We're actually looking to look to our member base to say, what can we do to actually make it easier for them to get the best of Target every time they interact with us?

Brian Cornell - *Target Corp - Chair and Chief Executive Officer*

So I see the clock has run out. I do want to thank everyone for joining us. As we wrap up today, I'd share with you personally, I've been sitting in this chair for 11 years now. And we've gone through different cycles. We've lived through pandemics. We've seen record-high, 30-year-high inflation, no changes in the consumer environment. But sitting here today, I would tell all of you, I don't think I've ever been more excited or more confident about the direction we're headed. And we shared a lot of that with you today.

But I always start, Rick, with product. And I think we have this very unique assortment of amazing national brand partners, our owned brands, emerging brands; and then those partnerships that we announced just this week, what we do with Disney and Marvel, what we're going to do with Champion going forward. We're a destination for partners, we're a place people who want to do business.

Cara, you've talked a lot today about the work we've done from a digital standpoint, how we're integrating social in everything we do, the excitement we have about the future of Roundel, Target Plus, what we can do with Target Circle 360.

And then, Michael, just the fundamentals we constantly come back to and running 2,000 great stores with more to come, making sure that we continue to become more reliable, more consistent, we see tremendous upside as a team. And I can't tell you how much pride I have in the team that's here and the 400,000 team members that wake up every day, thinking about how they serve our guests throughout the country. So thanks so much for joining us. We look forward to seeing you throughout the year. And I appreciate your attention today. So thank you.

Editor

Portions of this transcript marked (technical difficulty) indicate audio problems. The missing text will be supplied if a replay becomes available.