Michael Fiddelke
Chief Financial Officer
financial community meeting
Prior Financial Algorithm

<table>
<thead>
<tr>
<th>Sales</th>
<th>Operating Income</th>
<th>Adjusted EPS</th>
<th>After-Tax ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>low-single digit growth</td>
<td>mid-single digit growth</td>
<td>high-single digit growth</td>
<td>mid-to-high teens</td>
</tr>
</tbody>
</table>

*Annual metrics*
Sales Growth %

- Avg. 3.7%
- 2018: 5%
- 2019: 5%

Operating Income Growth

- Avg. +5.3%
- 2018: 0%
- 2019: 15%

Adjusted EPS Growth

- Avg. 16.7%
- 2018: 10%
- 2019: 20%

After-Tax ROIC

- Avg. 15.4%
- 2018: 10%
- 2019: 20%
The future is taking shape.
We’ve updated our financial algorithm.
## Updated Algorithm

<table>
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<th>Total Revenue</th>
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<th>CAPEX</th>
<th>After-Tax ROIC</th>
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</thead>
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<tr>
<td>mid-single digit growth</td>
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<td>$4-$5 billion</td>
<td>high-20% to 30% range</td>
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*Annual metrics*
Prior Algorithm

Sales
low-single digit growth

Operating Income
mid-single digit growth

Adjusted EPS
high-single digit growth

After-Tax ROIC
mid-to-high teens

Updated Algorithm

Total Revenue
mid-single digit growth

Operating Income
mid-single digit growth

Adjusted EPS
high-single digit growth

CAPEX
$4-$5 billion range

After-Tax ROIC
high-20% to 30% range
same day delivery

order pickup

drive up
Sortation Centers

- Minneapolis
- Philadelphia
- Atlanta
- Dallas
- Austin
- Houston
Other Revenue
Other Revenue Contributors
**Prior Algorithm**

- **Sales**
  - low-single digit growth

- **Operating Income**
  - mid-single digit growth

- **Adjusted EPS**
  - high-single digit growth

- **After-Tax ROIC**
  - mid-to-high teens

**Updated Algorithm**

- **Total Revenue**
  - mid-single digit growth

- **Operating Income**
  - mid-single digit growth

- **Adjusted EPS**
  - high-single digit growth

- **CAPEX**
  - $4-$5 billion range

- **After-Tax ROIC**
  - high-20% to 30% range
Profit Rates vs Topline Growth
A durable model anticipates continual investment.
Driving Efficiencies

Reinvesting in Growth
Operating Margin Drivers
Gross Margin Drivers

- Merchandise mix
- Channel mix
- Merchandising strategies
SG&A Expense Drivers

- Leverage
- Efficiency gains
- Team investments
D&A Expense Drivers

• Leverage
• Accelerated depreciation
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Capital Deployment
Capital Deployment Priorities

- Fully invest in our business
- Support the dividend with annual growth
- Repurchase shares within middle-A credit ratings
Prior Algorithm

Sales
down single digit growth

Operating Income
up mid single digit growth

Adjusted EPS
down high single digit growth

After-Tax ROIC
up mid to high teens

Updated Algorithm

Total Revenue
down mid single digit growth

Operating Income
up mid single digit growth

Adjusted EPS
up high single digit growth

CAPEX
up $4-$5 billion range

After-Tax ROIC
up high 20% to 30% range
CAPEX Priorities

• Store investments
  • New locations
  • Remodels
  • Fulfillment retrofits
  • National-brand partnerships

• Upstream supply chain capacity

• DC automation
2021 Operating Cash Flow: $8.6 billion
Shareholder Returns

• Dividends
  • Annual growth
  • 40% payout ratio over time

• Continued share repurchases
Prior Algorithm

Sales
low-single digit growth

Operating Income
mid-single digit growth

Adjusted EPS
high-single digit growth

After-Tax ROIC
mid-to-high teens

Updated Algorithm

Total Revenue
mid-single digit growth

Operating Income
mid-single digit growth

Adjusted EPS
high-single digit growth

CAPEX
$4-$5 billion range

After-Tax ROIC
high-20% to 30% range
Revenue
(in billions)

+35%

2019: $78.1
2020: $93.6
2021: $106

Stores Square Footage
(in millions)

+1%

2019: 240,516
2020: 241,648
2021: 243,284
2022 Expectations
Supply Chain Experts Say Buckle Up For Another Bumpy Year

By Brendan Murray
December 22, 2021, 6:00 AM CST

The New York Times

Inflation probably climbed at fastest pace in four decades in January.

Consumer Price Index data released on Thursday could show the biggest annual price increase since early 1982.

THE WALL STREET JOURNAL

Tight Labor Market, Supply Constraints Point to Persistent Inflation

Latest U.S. economic data show supply chains are faltering and prices are rising.
Our Culture
To help all families discover the joy of everyday life

Our Values
- Team
- Technology
- Operations
- Affordability
- People & Planet
- Brands
- Experience
- Relevance
- Stores as Hubs
Continued Growth in 2022
2022 Total Revenue: low-to-mid single digit increase
2022 Operating Margin Rate: 8% or higher
2022 Operating Margin Investments

- Team
- Growth capacity
- Markdown rates
- Value and affordability
Unbeatable Value
for Our Guests
2022 Expectations

• Revenue growth: low-to-mid single digit increase
• Operating income: low-single digit growth
• CAPEX: $4 to $5 billion
• Quarterly dividend: 20% to 30% increase per share
• Share repurchases: $7+ billion
• Adjusted EPS: high-single digit growth
Factors Influencing 2022 Profitability

Front Half
• Annualizing government stimulus
• Continued cost pressures

Back Half
• Annualizing cost pressures in 2021
• Supply chain and merchandising adjustments
Profit Cadence Within the Year

• Variable by quarter
• Generally improves as year progresses
Q1 Operating Income Rate

2019: 6.4%
2020: 2.4%
2021: 9.8%
Q1 2022 Expected Operating Margin Rate

- High relative to history
- Well below 2021 rate of 9.8%
Efficiency and Disciplined Expense Management
>50% reduction in average per-unit digital fulfillment costs since 2018
Team Member Investments

- Steady income
- Career growth
- Education
- Benefits
Service
Satisfaction
Engagement
Visits
Caring for and investing in our team is our best long-term investment.