Michael Fiddelke
Chief Financial Officer
VIDEO
Financial Media Highlights
financial community meeting
How much growth comes from specific strategies?
First Time Drive Up Guests

~30% increase in overall spend

Including an increase in store spending
Merchandise Categories

Apparel  Home  Beauty + Essentials  Food + Beverage  Hardlines
One Target Run
Everything we’re doing at the same time.
Assets + Capabilities

Engagement + Growth
Listening to our guests.
Our Success

Evaluate business, strategy and guest

New strategic focus

Investment of capital and expense
Build on the Foundation

Deepen Guest Engagement

Drive Long-Term Growth
$14.2B
2008-2019 sales growth

$15.3B
2020 sales growth
4 wonderful ways to kick those winter blues.
We've got some fun & simple activities to help you warm up or chill out, from an indoor day at the beach to ornament making and coloring books.

Pop in some color

Get your home and wardrobe ready for spring with these colorful and joyful ideas.
@Target drive up service is amazing! Why have I not done this before? 😊 #nocontact #stayathome🏡 #firsttime

Gotta say. The efficiency, and safety procedures, of @Target Drive Up are really great. I was already a Target fan, but they’re building a lot of loyalty with me.
Multichannel Guest Spend

4x more than a store-only guest

10x more than a digital-only guest
Deepening engagement = a more valuable guest relationship.
12M new multichannel guests in 2020
Guest Engagement
stores

ship-to-home

order pickup

drive up

same day delivery
drive up  order pickup

Now with select fresh & frozen groceries
Available in the Target app
First Time Fresh Order Pickup / Drive Up Guests

+1 visit per month
increase in shopping frequency

20–30%
increase in Food + Beverage

~20%
increase in other categories
all in motion.

made for every move, priced for every day.

new & only at Target
We take a thoughtful approach to new partnerships.
2021 Focus
Expand Our Assortment + Extend Our Reach

drive up

order pickup

same day delivery

Delivered by Shipt®
Acquired in 2017

- Essential capability
- Integrated into our business
- Scale in new markets
Modernize Our Network

Increase Replenishment Capacity
$15B of growth = more than 300 new stores
Can our stores continue to grow digital sales?
Average Productivity

Top Quartile: $499 sq ft

Full Chain: $372 sq ft

Based on mature stores
Untapped Capacity
more than $90M annual sales in 2001
Fulfilled Sales

2001 Colma Store: $90M
2020 Average Store: $47M

Based on mature stores
Small Format Stores
Next Few Years

- ~$4B in annual CAPEX
  - Remodels
  - New stores
  - Supply chain
  - Ulta Beauty shop-in-shops
  - Front-end optimization
Guidance
Topline Considerations
Macro Factors

- Path of the virus
- Consumer attitudes and behaviors
- Health of the economy
Topline Considerations

- Macro Factors
- Industry Trends
Topline Considerations

- Macro Factors
- Industry Trends
- Share
2020 Market-Share Gains

- Apparel
- Home
- Beauty + Essentials
- Food + Beverage
- Hardlines
Long-Term Growth
Gross Margin Drivers
Gross Margin Drivers

Supply Chain + Digital Fulfillment

- **2020**: (110) bps of pressure
- **2021**: Less pressure
Category Mix

- **2020**
  (90) bps of pressure

- **2021**
  Less pressure
Gross Margin Drivers

Merchandising Decisions

- **2020**
  +150 bps of tailwind
- **2021**
  Additional markdown pressure
2021 Gross Margin Rate lower than 2019 rate of 28.9%
SG&A Expense Rate
2021 SG&A Expense Rate

• Continued benefit from scale
• Continued benefit from efficiency
2021 SG&A Expense Rate lower than 2019 rate of 20.8%
2021 D&A Expenses

• Moderate dollar growth
2021 Operating Margin Rate
Between 2019 operating margin rate of 6% and 2020 rate of 7%, more likely in the lower half of that range.
1st Quarter 2020

• Sales accelerated meaningfully
• Gross margin rate declined more than 4pp
• Began investments in health and safety
2020 EPS

(60%)

Q1
2nd Quarter 2020

• Comp sales above 24%
• Higher gross margin rate
• Significant leverage on SG&A and D&A expense lines
2020 EPS

Q1

(60%)

Q2

+80%

140 pp
Capital Deployment
Capital Deployment Priorities

- Invest in the business
- Support the dividend
2021: On track for our 50th consecutive year of dividend growth.
Capital Deployment Priorities

• Invest in the business
• Support the dividend
• Return cash through share repurchases
2021 Capital Deployment
2021 Capital Deployment

- CAPEX ~$4B
- Robust increase in dividend
- Ample capacity for share repurchases
After-Tax ROIC
After-Tax ROIC

- 2016: +14.8%
- 2017: +15.4%
- 2018: +14.7%
- 2019: +16.0%
- 2020: +23.5%
Considerations in 2021

• Working capital increase
• Higher CAPEX
After-Tax ROIC

2016: +14.8%
2017: +15.4%
2018: +14.7%
2019: +16.0%
2020: +23.5%
Over Time: ~20%
Listening to Our Guests

Differentiated

Ample Resources
Continued Growth
Thank you.
financial community meeting