
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 17, 2021

Target Corporation

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of incorporation)

1-6049
(Commission File Number)

41-0215170
(I.R.S. Employer Identification No.)

1000 Nicollet Mall, Minneapolis, Minnesota 55403
(Address of principal executive offices, including zip code)

(612) 304-6073
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common stock, par value \$0.0833 per share | TGT | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On November 17, 2021, Target Corporation issued a News Release containing its financial results for the three and nine months ended October 30, 2021. The News Release is attached hereto as Exhibit 99.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

(99) [Target Corporation's News Release dated November 17, 2021, containing its financial results for the three and nine months ended October 30, 2021.](#)

104 Cover Page Interactive Data File (formatted as inline XBRL).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TARGET CORPORATION

/s/ Michael J. Fiddelke

Michael J. Fiddelke

Executive Vice President and Chief Financial Officer

Date: November 17, 2021


FOR IMMEDIATE RELEASE

Contacts: John Hulbert, Investors, (612) 761-6627
 Joe Poulos, Media, (612) 761-0042
 Target Media Hotline, (612) 696-3400

Target Corporation Reports Third Quarter Earnings

- *Third quarter comparable sales grew 12.7 percent, on top of 20.7 percent growth last year.*
 - *Comparable sales growth was driven entirely by traffic.*
 - *Store comparable sales increased 9.7 percent, on top of 9.9 percent growth last year.*
 - *Digital comparable sales grew 29 percent, following growth of 155 percent last year.*
 - *Same-day services (Order Pickup, Drive Up and Shipt) grew nearly 60 percent this year, on top of more than 200 percent last year.*
 - *More than 95 percent of Target's third quarter sales were fulfilled by its stores.*
- *All five core merchandise categories delivered double-digit comparable sales growth, on top of strong sales performance last year.*
- *Third quarter GAAP EPS of \$3.04 was 51.6 percent higher than last year, and Adjusted EPS¹ of \$3.03 was 8.7 percent higher than last year. Third quarter GAAP and Adjusted EPS have both more than doubled since Q3 2019.*
- *For additional media materials, please visit:*
<https://corporate.target.com/article/2021/11/q3-2021-earnings>

MINNEAPOLIS (November 17, 2021) – Target Corporation (NYSE: TGT) today announced its third quarter 2021 financial results, which reflected growth in both sales and profitability on top of record increases a year ago. The Company reported third quarter GAAP earnings per share (EPS) of \$3.04, up 51.6 percent from \$2.01 in 2020. Third quarter Adjusted EPS of \$3.03 grew 8.7 percent compared with \$2.79 in 2020. The attached tables provide a reconciliation of non-GAAP to GAAP measures. All earnings per share figures refer to diluted EPS.

more

¹Adjusted EPS, a non-GAAP financial measure, excludes the impact of certain discretely managed items. See the tables of this release for additional information about the items that have been excluded from Adjusted EPS.

“The consistently strong growth we’re seeing in our business, quarter after quarter, is a testament to the passion and commitment our team brings to serving our guests, and the trust we’ve built with them as a result,” said Brian Cornell, chairman and chief executive officer of Target Corporation.

“Following comp growth of nearly 21 percent a year ago, our third quarter comp increase of 12.7 percent was driven entirely by traffic, and reflects continued strength in our store sales, same-day digital fulfillment services and double-digit growth in all five of our core merchandising categories. With a strong inventory position heading into the peak of the holiday season, our team and our business are ready to serve our guests and poised to deliver continued, strong growth, through the holiday season and beyond.”

Fiscal 2021 Guidance

For the fourth quarter 2021, the Company expects high-single digit to low-double digit growth in comparable sales, compared with the previous guidance for a high-single digit increase.

The Company continues to expect its full-year operating income margin rate will be 8 percent or higher.

Operating Results

Comparable sales grew 12.7 percent in the third quarter, reflecting comparable store sales growth of 9.7 percent and comparable digital sales growth of 29 percent. Total revenue of \$25.7 billion grew 13.3 percent compared with last year, driven by total sales growth of 13.2 percent and a 22.3 percent increase in other revenue. Operating income was \$2.0 billion in third quarter 2021, up 3.9 percent from \$1.9 billion in 2020.

Third quarter operating income margin rate was 7.8 percent in 2021 compared with 8.5 percent in 2020. Third quarter gross margin rate was 28.0 percent, compared with 30.6 percent in 2020. This year's gross margin rate reflected pressure from higher merchandise and freight costs, increased inventory shrink, and increased supply chain costs from increased compensation and headcount in the Company's distribution centers. These pressures were partially offset by a slight benefit from favorable category mix. Third quarter SG&A expense rate was 18.9 percent in 2021, compared with 20.5 percent in 2020, driven by leverage on strong revenue growth.

– more –

Interest Expense and Taxes

The Company's third quarter 2021 net interest expense was \$105 million, compared with \$632 million last year, which included a \$512 million loss on early debt retirement.

Third quarter 2021 effective income tax rate was 22.1 percent, in line with the prior year rate of 21.9 percent.

Capital Deployment and Return on Invested Capital

The Company paid dividends of \$440 million in the third quarter, compared with \$340 million last year, reflecting a 32.4 percent increase in the dividend per share, partially offset by a decline in average share count.

The Company repurchased \$2.2 billion worth of its shares in third quarter 2021, retiring 8.8 million shares of common stock at an average price of \$246.80. As of the end of the third quarter, the Company had approximately \$14.6 billion of remaining capacity under the repurchase program approved by Target's Board of Directors in August 2021.

For the trailing twelve months through third quarter 2021, after-tax return on invested capital (ROIC) was 31.3 percent, compared with 19.9 percent for the trailing twelve months through third quarter 2020. The increase in ROIC was driven primarily by increased profitability. The tables in this release provide additional information about the Company's ROIC calculation.

– more –

Webcast Details

Target will webcast its third quarter earnings conference call at 7:00 a.m. CT today. Investors and the media are invited to listen to the meeting at [Investors.Target.com](https://investors.target.com) (click on link under "Upcoming Events"). A replay of the webcast will be provided when available. The replay number is 1-866-461-2736.

Miscellaneous

Statements in this release regarding fourth quarter comparable sales growth and full year operating margin rates are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties which could cause the Company's actions to differ materially. The most important risks and uncertainties are described in Item 1A of the Company's Form 10-K for the fiscal year ended January 30, 2021. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update any forward-looking statement.

About Target

Minneapolis-based Target Corporation (NYSE: TGT) serves guests at more than 1,900 stores and at [Target.com](https://www.target.com), with the purpose of helping all families discover the joy of everyday life. Since 1946, Target has given 5% of its profit to communities, which today equals millions of dollars a week. Additional company information can be found by visiting its corporate website and press center and by following [@TargetNews](https://twitter.com/TargetNews).

For more on the Target Foundation, [click here](#).

###

TARGET CORPORATION

Consolidated Statements of Operations

| (millions, except per share data) (unaudited) | Three Months Ended | | | Nine Months Ended | | |
|---|--------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | October 30, 2021 | October 31, 2020 | Change | October 30, 2021 | October 31, 2020 | Change |
| Sales | \$ 25,290 | \$ 22,336 | 13.2 % | \$ 73,995 | \$ 64,403 | 14.9 % |
| Other revenue | 362 | 296 | 22.3 | 1,014 | 819 | 23.9 |
| Total revenue | 25,652 | 22,632 | 13.3 | 75,009 | 65,222 | 15.0 |
| Cost of sales | 18,206 | 15,509 | 17.4 | 52,202 | 45,692 | 14.2 |
| Selling, general and administrative expenses | 4,859 | 4,647 | 4.6 | 14,217 | 13,167 | 8.0 |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) | 577 | 541 | 6.4 | 1,739 | 1,660 | 4.8 |
| Operating income | 2,010 | 1,935 | 3.9 | 6,851 | 4,703 | 45.7 |
| Net interest expense | 105 | 632 | (83.2) | 317 | 871 | (63.5) |
| Net other (income) / expense | (6) | 5 | NM ^(a) | (356) | 16 | NM ^(a) |
| Earnings before income taxes | 1,911 | 1,298 | 47.2 | 6,890 | 3,816 | 80.6 |
| Provision for income taxes | 423 | 284 | 48.7 | 1,488 | 828 | 79.7 |
| Net earnings | \$ 1,488 | \$ 1,014 | 46.8 % | \$ 5,402 | \$ 2,988 | 80.8 % |
| Basic earnings per share | \$ 3.07 | \$ 2.02 | 51.6 % | \$ 10.97 | \$ 5.97 | 83.8 % |
| Diluted earnings per share | \$ 3.04 | \$ 2.01 | 51.6 % | \$ 10.87 | \$ 5.91 | 83.9 % |
| Weighted average common shares outstanding | | | | | | |
| Basic | 484.8 | 500.6 | (3.1)% | 492.2 | 500.6 | (1.7)% |
| Diluted | 489.4 | 505.4 | (3.2)% | 496.8 | 505.2 | (1.7)% |
| Antidilutive shares | — | — | | — | — | |
| Dividends declared per share | \$ 0.90 | \$ 0.68 | 32.4 % | \$ 2.48 | \$ 2.02 | 22.8 % |

^(a) Not meaningful.

TARGET CORPORATION

Consolidated Statements of Financial Position

| (millions, except footnotes) (unaudited) | October 30, 2021 | January 30, 2021 | October 31, 2020 |
|--|------------------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,753 | \$ 8,511 | \$ 5,996 |
| Inventory | 14,958 | 10,653 | 12,712 |
| Other current assets | 1,865 | 1,592 | 1,601 |
| Total current assets | 22,576 | 20,756 | 20,309 |
| Property and equipment | | | |
| Land | 6,146 | 6,141 | 6,063 |
| Buildings and improvements | 32,478 | 31,557 | 31,398 |
| Fixtures and equipment | 6,144 | 5,914 | 5,843 |
| Computer hardware and software | 2,447 | 2,765 | 2,706 |
| Construction-in-progress | 1,302 | 780 | 518 |
| Accumulated depreciation | (20,602) | (20,278) | (19,755) |
| Property and equipment, net | 27,915 | 26,879 | 26,773 |
| Operating lease assets | 2,539 | 2,227 | 2,208 |
| Other noncurrent assets | 1,381 | 1,386 | 1,371 |
| Total assets | \$ 54,411 | \$ 51,248 | \$ 50,661 |
| Liabilities and shareholders' investment | | | |
| Accounts payable | \$ 16,250 | \$ 12,859 | \$ 14,203 |
| Accrued and other current liabilities | 5,925 | 6,122 | 5,023 |
| Current portion of long-term debt and other borrowings | 1,176 | 1,144 | 131 |
| Total current liabilities | 23,351 | 20,125 | 19,357 |
| Long-term debt and other borrowings | 11,586 | 11,536 | 12,490 |
| Noncurrent operating lease liabilities | 2,494 | 2,218 | 2,196 |
| Deferred income taxes | 1,246 | 990 | 1,171 |
| Other noncurrent liabilities | 1,931 | 1,939 | 2,128 |
| Total noncurrent liabilities | 17,257 | 16,683 | 17,985 |
| Shareholders' investment | | | |
| Common stock | 40 | 42 | 42 |
| Additional paid-in capital | 6,381 | 6,329 | 6,285 |
| Retained earnings | 8,069 | 8,825 | 7,789 |
| Accumulated other comprehensive loss | (687) | (756) | (797) |
| Total shareholders' investment | 13,803 | 14,440 | 13,319 |
| Total liabilities and shareholders' investment | \$ 54,411 | \$ 51,248 | \$ 50,661 |

Common Stock Authorized 6,000,000,000 shares, \$0.0833 par value; 480,905,493, 500,877,129 and 500,754,729 shares issued and outstanding as of October 30, 2021, January 30, 2021, and October 31, 2020, respectively.

Preferred Stock Authorized 5,000,000 shares, \$0.01 par value; no shares were issued or outstanding during any period presented.

TARGET CORPORATION

Consolidated Statements of Cash Flows

| (millions) (unaudited) | Nine Months Ended | |
|---|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 |
| Operating activities | | |
| Net earnings | \$ 5,402 | \$ 2,988 |
| Adjustments to reconcile net earnings to cash provided by operating activities: | | |
| Depreciation and amortization | 1,952 | 1,848 |
| Share-based compensation expense | 187 | 161 |
| Deferred income taxes | 233 | 26 |
| Gain on Dermstore sale | (335) | — |
| Loss on debt extinguishment | — | 512 |
| Noncash losses / (gains) and other, net | 18 | 124 |
| Changes in operating accounts: | | |
| Inventory | (4,305) | (3,720) |
| Other assets | (117) | (174) |
| Accounts payable | 3,284 | 4,287 |
| Accrued and other liabilities | (722) | 992 |
| Cash provided by operating activities | 5,597 | 7,044 |
| Investing activities | | |
| Expenditures for property and equipment | (2,483) | (2,009) |
| Proceeds from disposal of property and equipment | 23 | 27 |
| Proceeds from Dermstore sale | 356 | — |
| Other investments | 14 | (3) |
| Cash required for investing activities | (2,090) | (1,985) |
| Financing activities | | |
| Additions to long-term debt | — | 2,480 |
| Reductions of long-term debt | (112) | (2,395) |
| Dividends paid | (1,116) | (1,002) |
| Repurchase of stock | (5,042) | (741) |
| Stock option exercises | 5 | 18 |
| Cash required for financing activities | (6,265) | (1,640) |
| Net (decrease) / increase in cash and cash equivalents | (2,758) | 3,419 |
| Cash and cash equivalents at beginning of period | 8,511 | 2,577 |
| Cash and cash equivalents at end of period | \$ 5,753 | \$ 5,996 |

TARGET CORPORATION

Operating Results

| Rate Analysis (unaudited) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Gross margin rate | 28.0 % | 30.6 % | 29.5 % | 29.1 % |
| SG&A expense rate | 18.9 | 20.5 | 19.0 | 20.2 |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) expense rate | 2.2 | 2.4 | 2.3 | 2.5 |
| Operating income margin rate | 7.8 | 8.5 | 9.1 | 7.2 |

Note: Gross margin rate is calculated as gross margin (sales less cost of sales) divided by sales. All other rates are calculated by dividing the applicable amount by total revenue. Other revenue includes \$184 million and \$527 million of profit-sharing income under our credit card program agreement for the three and nine months ended October 30, 2021, respectively, and \$164 million and \$488 million for the three and nine months ended October 31, 2020, respectively.

| Comparable Sales (unaudited) | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|--------------------|------------------|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Comparable sales change | 12.7 % | 20.7 % | 14.4 % | 18.7 % |
| Drivers of change in comparable sales | | | | |
| Number of transactions | 12.9 | 4.5 | 14.0 | 2.6 |
| Average transaction amount | (0.2) | 15.6 | 0.3 | 15.7 |

| Comparable Sales by Channel (unaudited) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Stores originated comparable sales change | 9.7 % | 9.9 % | 11.9 % | 7.3 % |
| Digitally originated comparable sales change | 28.9 | 154.5 | 27.8 | 163.9 |

| Sales by Channel (unaudited) | Three Months Ended | | Nine Months Ended | |
|---------------------------------|--------------------|------------------|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Stores originated | 82.4 % | 84.3 % | 82.3 % | 83.9 % |
| Digitally originated | 17.6 | 15.7 | 17.7 | 16.1 |
| Total | 100 % | 100 % | 100 % | 100 % |

| Sales by Fulfillment Channel (unaudited) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Stores | 96.7% | 96.3% | 96.5% | 96.2% |
| Other | 3.3 | 3.9 | 3.5 | 3.8 |
| Total | 100% | 100% | 100% | 100% |

Note: Sales fulfilled by stores include in-store purchases and digitally originated sales fulfilled by shipping merchandise from stores to guests, Order Pickup, Drive Up, and Shipt.

| RedCard Penetration (unaudited) | Three Months Ended | | Nine Months Ended | |
|------------------------------------|--------------------|------------------|-------------------|------------------|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Target Debit Card | 11.1% | 12.2% | 11.8% | 12.2% |
| Target Credit Cards | 8.9 | 9.3 | 8.7 | 9.2 |
| Total RedCard Penetration | 20.1% | 21.5% | 20.5% | 21.4% |

Note: Amounts may not foot due to rounding.

| Number of Stores and Retail Square Feet (unaudited) | Number of Stores | | | Retail Square Feet ^(a) | | |
|--|---------------------|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
| | October 30, 2021 | January 30, 2021 | October 31, 2020 | October 30, 2021 | January 30, 2021 | October 31, 2020 |
| 170,000 or more sq. ft. | 274 | 273 | 273 | 49,071 | 48,798 | 48,798 |
| 50,000 to 169,999 sq. ft. | 1,515 | 1,509 | 1,509 | 190,116 | 189,508 | 189,508 |
| 49,999 or less sq. ft. | 135 | 115 | 115 | 3,952 | 3,342 | 3,342 |
| Total | 1,924 | 1,897 | 1,897 | 243,139 | 241,648 | 241,648 |

^(a) In thousands, reflects total square feet less office, distribution center, and vacant space.

TARGET CORPORATION

Reconciliation of Non-GAAP Financial Measures

To provide additional transparency, we have disclosed non-GAAP adjusted diluted earnings per share (Adjusted EPS). This metric excludes certain items presented below. We believe this information is useful in providing period-to-period comparisons of the results of our operations. This measure is not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP). The most comparable GAAP measure is diluted earnings per share. Adjusted EPS should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate Adjusted EPS differently, limiting the usefulness of the measure for comparisons with other companies.

| Reconciliation of Non-GAAP Adjusted EPS (millions, except per share data) (unaudited) | Three Months Ended | | | | | | Change |
|--|--------------------|------------|-----------|------------------|------------|-----------|--------|
| | October 30, 2021 | | | October 31, 2020 | | | |
| | Pretax | Net of Tax | Per Share | Pretax | Net of Tax | Per Share | |
| GAAP diluted earnings per share | | | \$ 3.04 | | | \$ 2.01 | 51.6 % |
| Adjustments | | | | | | | |
| Loss on debt extinguishment | \$ — | \$ — | \$ — | \$ 512 | \$ 379 | \$ 0.75 | |
| Loss on investment ^(a) | — | — | — | 8 | 9 | 0.02 | |
| Other ^(b) | (9) | (7) | (0.01) | 8 | 6 | 0.01 | |
| Adjusted diluted earnings per share | | | \$ 3.03 | | | \$ 2.79 | 8.7 % |

| Reconciliation of Non-GAAP Adjusted EPS (millions, except per share data) (unaudited) | Nine Months Ended | | | | | | Change |
|--|-------------------|------------|-----------|------------------|------------|-----------|--------|
| | October 30, 2021 | | | October 31, 2020 | | | |
| | Pretax | Net of Tax | Per Share | Pretax | Net of Tax | Per Share | |
| GAAP diluted earnings per share | | | \$ 10.87 | | | \$ 5.91 | 83.9 % |
| Adjustments | | | | | | | |
| Gain on Dermstore sale | \$ (335) | \$ (269) | \$ (0.54) | \$ — | \$ — | \$ — | |
| Loss on debt extinguishment | — | — | — | 512 | 379 | 0.75 | |
| Loss on investment ^(a) | — | — | — | 19 | 18 | 0.03 | |
| Other ^(b) | 27 | 20 | 0.04 | 33 | 24 | 0.05 | |
| Adjusted diluted earnings per share | | | \$ 10.37 | | | \$ 6.75 | 53.7 % |

Note: Amounts may not foot due to rounding.

^(a) Represented a loss on our investment in Casper Sleep Inc., which was not core to our operations. We sold this investment during the fourth quarter of 2020.

^(b) Other items unrelated to current period operations, none of which were individually significant.

Earnings before interest expense and income taxes (EBIT) and earnings before interest expense, income taxes, depreciation and amortization (EBITDA) are non-GAAP financial measures. We believe these measures provide meaningful information about our operational efficiency compared with our competitors by excluding the impact of differences in tax jurisdictions and structures, debt levels, and, for EBITDA, capital investment. These measures are not in accordance with, or an alternative to, GAAP. The most comparable GAAP measure is net earnings. EBIT and EBITDA should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate EBIT and EBITDA differently, limiting the usefulness of the measures for comparisons with other companies.

| EBIT and EBITDA (dollars in millions) (unaudited) | Three Months Ended | | | Nine Months Ended | | |
|--|--------------------|------------------|--------|-------------------|------------------|--------|
| | October 30, 2021 | October 31, 2020 | Change | October 30, 2021 | October 31, 2020 | Change |
| Net earnings | \$ 1,488 | \$ 1,014 | 46.8 % | \$ 5,402 | \$ 2,988 | 80.8 % |
| + Provision for income taxes | 423 | 284 | 48.7 | 1,488 | 828 | 79.7 |
| + Net interest expense | 105 | 632 | (83.2) | 317 | 871 | (63.5) |
| EBIT | \$ 2,016 | \$ 1,930 | 4.5 % | \$ 7,207 | \$ 4,687 | 53.8 % |
| + Total depreciation and amortization ^(a) | 652 | 603 | 7.9 | 1,952 | 1,848 | 5.6 |
| EBITDA | \$ 2,668 | \$ 2,533 | 5.3 % | \$ 9,159 | \$ 6,535 | 40.2 % |

^(a) Represents total depreciation and amortization, including amounts classified within Depreciation and Amortization and within Cost of Sales.

We have also disclosed after-tax ROIC, which is a ratio based on GAAP information, with the exception of the add-back of operating lease interest to operating income. We believe this metric is useful in assessing the effectiveness of our capital allocation over time. Other companies may calculate ROIC differently, limiting the usefulness of the measure for comparisons with other companies.

After-Tax Return on Invested Capital

(dollars in millions) (unaudited)

| Numerator | Trailing Twelve Months | | |
|--|-------------------------|-------------------------|-------------------------|
| | October 30, 2021 | October 31, 2020 | November 2, 2019 |
| Operating income | \$ 8,687 | \$ 5,901 | |
| + Net other income / (expense) | 358 | (46) | |
| EBIT | 9,045 | 5,855 | |
| + Operating lease interest ^(a) | 85 | 87 | |
| - Income taxes ^(b) | 1,947 | 1,277 | |
| Net operating profit after taxes | \$ 7,183 | \$ 4,665 | |
| Denominator | October 30, 2021 | October 31, 2020 | November 2, 2019 |
| Current portion of long-term debt and other borrowings | \$ 1,176 | \$ 131 | \$ 1,159 |
| + Noncurrent portion of long-term debt | 11,586 | 12,490 | 10,513 |
| + Shareholders' investment | 13,803 | 13,319 | 11,545 |
| + Operating lease liabilities ^(c) | 2,737 | 2,400 | 2,390 |
| - Cash and cash equivalents | 5,753 | 5,996 | 969 |
| Invested capital | \$ 23,549 | \$ 22,344 | \$ 24,638 |
| Average invested capital ^(d) | \$ 22,947 | \$ 23,491 | |
| After-tax return on invested capital | 31.3 % | 19.9 % | |

^(a) Represents the add-back to operating income driven by the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as finance leases. Calculated using the discount rate for each lease and recorded as a component of rent expense within SG&A. Operating lease interest is added back to Operating Income in the ROIC calculation to control for differences in capital structure between us and our competitors.

^(b) Calculated using the effective tax rates, which were 21.3 percent and 21.5 percent for the trailing twelve months ended October 30, 2021, and October 31, 2020, respectively. For the twelve months ended October 30, 2021, and October 31, 2020, includes tax effect of \$1.9 billion and \$1.3 billion, respectively, related to EBIT, and \$18 million and \$19 million, respectively, related to operating lease interest.

^(c) Total short-term and long-term operating lease liabilities included within Accrued and Other Current Liabilities and Noncurrent Operating Lease Liabilities, respectively.

^(d) Average based on the invested capital at the end of the current period and the invested capital at the end of the comparable prior period.