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# EDITED TRANSCRIPT

TGT.N - Q4 2021 Target Corp Earnings Call & Financial Community Meeting

EVENT D/gmw/TIME: MARCH 01,20212 / 2:00PM GM

## **CORPORATE PARTICIPANTS**

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Good morning. It's great to be back here in New York for our first live event since the start of the pandemic. I can tell you, our entire team has been looking forward to seeing you in person. It's been a long couple of years.

We are a bigger, stronger company now. We're growing on a bigger base than ever, and we recognize the power of 'and'. We have a slate of focused initiatives, and they work together in unison. We have a connection to our guests, and we have relevance to their lives. We have physical and digital experiences and the only at Target touches. We have a multi-category portfolio and a differentiated approach to curating owned and national brands. We have scale in same-day services and the pathway for more digital growth, thanks to the synchronized operation of stores, fulfillment centers, flow centers, sortation centers and Shipt.

We have the commitment for Target forward, and we can use our size and scale to benefit people and the planet. We'll serve our guests through challenging times, and we'll find terrific opportunities for growth. We definitely have the power of 'and'. We know today's consumers are facing a series of follow hardships from the pandemic. We see higher prices across the country. We see supply chain constraints that are steadily working themselves out but will likely take more time, both of which are made more uncertain by the crisis in Ukraine.

And we see people reevaluating how they think about work. Millions of people are searching for careers that have meaning and purpose, and they are turning to companies like Target for opportunities. As you'll hear today, we're walking our stakeholders through these challenges. We have the global scale to keep the products people want and need moving through our pipeline. We have the value levers, multi-category assortment and multichannel shopping experience. And we allow our guests to consolidate trips, get more done in one store and experience a little bit of affordable luxury for their families, especially in this inflationary economy.

Above all, we built a culture that cares. Our teams understand the way to grow and win together is to care. They care about each other. They care about our guests. They care about our communities. They care about the millions of families we touch each and every day. As I look at the future of Target, I increasingly see care separating us from the industry. So before we dive in our corporate strategy and operational details, I want to tie some of these things together. I want to show you how our potential, our culture, our connection and caring tie into a business model that will deliver even more personalized, even more equitable, even more sustainable growth in the future.

For a concrete example, look no further than the announcement we made yesterday to invest up to \$300 million to set a new starting wage and to expand access to health care benefits to more team members and their families. 2 years ago, we raised our starting minimum wage to an industry-leading \$15 per hour. Now we're setting new starting wage ranges of \$15 to \$24 per hour, positioning Target as a wage leader in every market where we operate.

We'll also provide broader, faster access to health care for hourly team members, making nearly 20% of our team newly eligible for benefits and reducing the waiting period for all hourly store team members to enroll in Target medical plans. You can count on us to keep leading with investmentsre sustai v

That's when all on my own, I updated my resume and sent my application in. I didn't need my mom's help this time. She wasn't in my interview either like she was in the past. 45 minutes into the interview and telling them that I had to be honest, I have autism. They said, "Thank you for sharing. Welcome to Target."

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**Brian C. Cornell**

Nicholas shared with the team, "I know it's just a frame, but there's a lot of meaning behind it. What you did may seem small, but it represents so much more." This is just one example of how our team continuously shows up, living out our values and putting care first. I am so grateful for their unwavering commitment to our guests, the communities they serve and each other, all in service of our purpose.

So now let's go deeper into each of our 6 strategic pillars, distinct but interwoven aspects of how we intend to grow. They represent core ideas to create forward motion for our business and help define the sum of the parts that is uniquely Target. Let's begin with one of the most iconic differentiators at Target, our brands. Through our careful balance of exclusive owned brands and industry-leading national brands, Target differentiates by curating a unique assortment, driving preference in a crowded retail landscape. We've built guest affinity through our flagship brands like Good & Gather, All in Motion, Cat & Jack and Threshold. We've also continued to innovate with new brands such as Brightroom, Target's first dedicated storage and home organization owned brand; and Kindful, our first pet food brand with premium ingredients and no artificial colors, flavors or preservatives.

Through our world-class design and sourcing functions, we are able to develop and produce products at an incredible quality and value, always a focus for our guests, but never more so than in an inflationary environment. To illustrate the scale of our owned brands, in 2021 alone, Target sold more than 330 million units in Cat & Jack, equating to nearly 7 items for every child in the United States under the age of 11. And even though these brands are already big, they're still growing. In fact, Target's owned brands grew 18% in 2021. And at more than \$30 billion, our owned brand sales alone now rival the size of some Fortune 100 companies.

But as we've said before, it isn't about owned or national brands. The harmony created between them is part of what makes Target unique. Our recent progress in denim serves as a perfect example. Years ago, we recognized a vast opportunity to elevate denim's role at Target, stemming from considerable guest and market research. So when Universal Thread and Goodfellow launched, both featured extensive new denim offerings, including a variety of styles and inclusive sizing, all at sharp price points. The guest reaction to the quality and value was fantastic.

We further rounded out the assortment by deepening our partnership with Levi's, which continues to grow. All told, the interplay between our owned and national brands has reinvigorated this category, bringing us from a retailer that sold denim to a denim destination, having grown sales in this category by more than \$150 million since 2019.

And Levi's isn't the only growing partnership at Target. We're also deepening our relationship with leading national brand partners like Disney, Apple and Ulta Beauty. Brian touched on the strong results we're seeing with our first 100 Ulta Beauty at Target stores. We entered this partnership knowing our guests were looking for prestige beauty brands and industry-leading expertise, and that's exactly what these new shops are delivering.

In stores where we've added an Ulta Beauty experience, guests are buying incremental items from the Ulta Beauty assortment while continuing to shop the beauty brands they've loved at Target for years. In fact, these new spaces average more than 2x the productivity of the rest of the store, and the growth is proving to be incremental. Specifically, in stores that have added an Ulta Beauty section, we're seeing a mid-teens lift across total Beauty and productivity lifts in complementary categories as well. With these incredible results, we remain committed to operating at least 800 Ulta Beauty at Target locations over time with plans to add more than 250 new locations in 2022.

At Target, we pride ourselves on the level of service and shopping experience we provide. As John and Mark will share in more detail, we made meaningful investments and progress in the store shopping experience over the past several years. So I'll focus on our opportunity to grow our in-store services.

Target has long been a destination, an escape, largely because of the differentiated experience we provide. In-store services are one more way we can make life easier for our guests, helping them to accomplish more in a single trip to their local store. Years ago, we began our partnership with CVS Health to provide pharmacy services in our stores, and they continue to deliver exceptional care and expertise today. This not only benefits our guests who fulfill their prescriptions in our stores but also consolidates another trip, simplifying their lives.

Similarly, we provide convenient, well-established optical services, which we have at more than 500 of our stores and growing. Yet we still have an opportunity to do more. Let me share an example of a recent pilot we plan to scale. In 2021, Target began testing ear piercing at several Minneapolis-based stores. Our research found that guests were looking for a reliable, safe and convenient place to get their families' ears pierced.

So we created a joyful and differentiated experience, making us the first-and-only national retailer to offer ear piercings performed by a licensed nurse. This service helps us connect and celebrate a major milestone with often younger guests, creating lasting affinity for our brand.

Given the success of the pilot, we recently expanded the rollout to nearly 200 stores with plans to meaningfully increase that number by the end of 2022. This is a fantastic example of what happens when we listen to our guests, deeply research the market opportunities and create a differentiated solution.

Another growth pillar is our focus on affordability as value remains among the biggest loyalty builders in retail. Our goal is to deliver unbeatable value by providing affordability across every category every day. After all, we established our Expect More, Pay Less promise decades ago, and we're continuously evolving what it means to deliver great value.

Given that the U.S. economy is experiencing the highest inflation rate in decades, the American consumer is becoming increasingly price-conscious. This is why we believe our comprehensive view of affordability, which focuses on price but encompasses so much more, sets Target apart from our competitors, driving deepened engagement and growing loyalty. Our guests tell us that affordability begins with price, but also includes proximity, accessibility and assortment choices that satisfy any budget.

It also means receiving valuable benefits like those we offer through Target Circle, including exclusive promotions and deals, 1% earnings to redeem on future purchases and the ability to help direct Target's charitable-giving to the causes our guests care most about; and the industry-leading benefits we offer for our RedCard holders, including 5% of every transaction, free shipping on Target.com and no annual membership fees. Over the years, RedCard guests have saved more than \$9 billion on their purchases, including more than \$1 billion in 2021 alone.

Now I'd like to share a bit more about 2 emerging growth pillars in our framework. While they represent more nascent opportunities, they are positioned to spur incremental growth on top of our existing strategies. The first is our focus on relevance, something we've long worked to maintain and grow with every guest interaction. Brian shared the compelling opportunity we have to better harness and apply the power of guest insights. Through this opportunity, we can optimize our assortment, more effectively make offers to our guests and, most importantly, personalize our interactions with them. We've long known the joint value we can create for our vendors, our guests and Target by connecting guests to the products they want and need.

But as we continue to deepen our relationship with the guest, our ability to refine and elevate this value is extraordinary and will continue to drive outsized growth over the next several years through the likes of Target Circle, Roundel and Target Plus. Cara will provide more detail on these rapidly growing platforms in a moment.

Finally, I want to highlight Target Forward, the newest chapter in a long history of strong corporate responsibility at our company. At a time when the American consumer is becoming increasingly focused on not just what they buy but also where and how the product was made, how its production impacts the world and those who produced it, and how companies function as citizens of a global community, we are proud of our bold commitments to better people and the planet with every choice we make.

As we grow and continue to develop our new owned brands, our Target Forward commitment is to design and elevate circular, sustainable brands. Of course, these brands will begin with a focus on our guests but also consider the impact to the world. We aspire for 100% of our owned brand products to be designed for a circular future by 2040.

Additionally, our teams will continue designing to eliminate waste, using materials that are regenerative, recycled or sourced sustainably to create products that are more durable, easily repaired or recyclable as well. Beyond our sustainability efforts, our aspirations to accelerate opportunity and equity are equally pivotal. While we still have far to go, Target's REACH Committee is encouraged to be leading the industry with progress against virtually every goal we have set forth. We'll continue to share specific progress over time, but I want to highlight a few examples with you today.

The first is in our Beauty business, where we have increased our black-owned or founded brands by 65% since 2020, and are now leading the industry with more than 70 black-owned and founded brands. Some of these entrepreneurs launched through Target's Accelerator programs designed to quickly scale brands at Target.

Entrepreneur Cora Miller of the Black-owned Hair Care business, Young King Hair Care, went through our 2020 Target Takeoff program and subsequently launched in 365 Target stores. Given the immediate success and reaction from our guests, we now have plans to expand this line into significantly more stores in 2022. Cora is among a group of fewer than 100 Black female entrepreneurs to raise more than \$1 million in venture funds ever. We want Cora's story to become the rule, not the exception. We'll continue to elevate entrepreneurs like her through Accelerator programs, including the recently launched Forward Founders program, which equips historically under-resourced entrepreneurs to build their businesses and gain access to industry-leading retail resources and partnerships.

With more than half of our first cohort comprised of Black entrepreneurs, we aim to provide a launching point for many new and emerging Black-owned businesses. If we've proven anything over the last few years, it's that Target's a growth company. Even though we're now a more than a \$100 billion business, the opportunities for growth are immense.

We have created momentum through unique and innovative strategies, many of which began long before the onset of the pandemic. And because



But the biggest differentiator when you look at Target's digital experience, it is designed with guests at the center. We take the friction out so that guests can experience Target on their own terms, which means we are guest-obsessing at every touch point to stay a step ahead of evolving guest behaviors. For example, we're leaning into the love our guests have for our digitally led same-day services because that's sticking. Routines developed early in the pandemic are now part of their lives, things they cannot live without. But they look a little bit different today.

So here's a guest who had a Drive Up order, our highest NPS service, but then she was drawn inside to discover something new. Then there's this guest who said, "Can we just talk about the fact that you can go through Target with Starbucks in hand and then go through Ulta?" These new kinds of Target runs and stock-ups reflect our guests' evolving needs and wants and a seamless omnichannel experience that delivers on them.

Today, Target has 40 million guests and counting shopping across channels. And as you've heard us share before, omnichannel guests spend 4x as much as stores-only guests and even more compared to digital-only guests. Target can bring together insights across an omnichannel journey, from RedCard and registry, to digital and in-store, to our call centers and every step in between, which means we're getting a 360-degree view of the kind of guests that are driving so much growth.

With these meaningful insights, we can make sure that Target magic they love is even more relevant in their lives and the experience even more personalized. So you can imagine what this looks like. For one guest scrolling through the app, what she sees is curated especially for her. There's her favorite items and great deals on her go-to essentials for weeknight dinners. And because she told us she's a teacher, it really means something to her when she sees a Target Circle offer that makes her classroom supplies more affordable.

She's getting ideas for what to pack in lunchboxes for her kids this week, too, maybe a little something from Good & Gather. And what's more, her app experience helps make life easier as someone who might need a shopping partner once in a while. That's our name for a new service that allows her husband to do the Target run while she's working, a service that is near and dear to my family's heart. So she checks out and later that afternoon, he picks up what's for dinner.

Here's another kind of personalized guest journey that we're obsessing over. A guest is shopping for essentials when he sees a message from a banner ad about Clorox' Glad bags. He's purchased them before, but other brands, too. The headline benefits really resonate with him. So this time, he adds Glad to his cart. He checks out and drives up. Purchases like this one contributed to a 40% higher return on ad spend for Clorox and a 25% increase in customer retention over the duration of the campaign.

Let me share the back story on this type of Target run. At the start of the pandemic, Clorox saw growth in guests buying their products for the first time, and they wanted to retain them. So they turn to our media company, Roundel, to measure guest values and behaviors. Using that research, Roundel developed a series of A/B tests, and Clorox used those key insights to optimize messaging and audience targeting.

How we're leveraging media to know our guests better and create a more relevant and personalized experience for them is incredibly exciting, and so is this. From its humble beginnings in 2007 with just 5 team members and known as online vendor marketing, Roundel is now a 500-plus person strong fully integrated Target team, already delivering more than \$1 billion in value for Target, and we expect that to grow to \$2 billion over the next several years.

To sum up Roundel, it's positioned for continued success because it's delivering on relevance and value. That's a win-win-win for Target, for our partners and for our guests.

Now I'd say the same thing about Target Plus. Target Plus is different than other marketplaces. It's invite-only with vetted partners we have relationships with who are extending our aisles digitally. And because of our trusted and curated assortment, our guests aren't sifting through thousands of pages of results for the one thing that's going to bring them joy. In fact, Target Plus is so seamless on the things that matter, the ease of the experience, a relevant assortment and the benefits of RedCard and in-store returns, the majority of guests don't know they're shopping with marketplace. It feels like Target. It feels personal, and the love for marketplace is only growing. In 2021, Target Plus grew 75%.

thinking about splurging for his upcoming vacation. The RayBan aviator he's looking for our online, and he's over the moon about the RedCard savings as he makes the purchase from our partner, Luxottica. And when he decides on a pair -- different pair that will frame his face even better,

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**Cara Sylvester** - *Target Corporation - Executive VP and Chief Marketing & Digital Officer*

So no matter where you look in our omnichannel experience up at the Cat & Jack sign in store or online, the relevant connections we have with our guests are making a positive difference in their lives within our communities and for our business, and we're never going to stop.

Now I'm delighted to introduce my friend and team member, John Mulligan.

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**John J. Mulligan** - *Target Corporation - Executive VP & COO*

Well, good morning, everybody. So I'm often asked how Target continues to operate within a challenging and volatile environment, putting growth on top of growth and building trust with our guests quarter after quarter. I could point to our agile supply chain, our hundreds of omnichannel stores, our industry-leading fulfillment capabilities and the operational algorithms that make it all work. But the real key to our continued growth is our global team and all the ways they're using our resources and operations to take care of our guests.

In just the last 2 years, they've picked and packed 4x more items for same-day fulfillment, supported double-digit store traffic gains with a safe

Our investments in capacity start upstream and how we innovate within our supply chain to deliver on the growing need for inventory in our stores. Before last year, we hadn't added a new regional distribution center in over a decade, even as our total sales grew 40% over that same time period. Rather than add buildings, we grew by investing in automation, robotics and process design to improve the efficiency of our existing sites. Of course, we'll always keep investing to make our buildings more efficient. But with an additional \$27 billion in sales over the last 2 years, we can't rely on that alone. It'sen as b

continue to open around 30 new stores a year. For the better part of the last decade, our store growth has been driven by small formats. With a more flexible footprint, these stores have enabled us to enter new markets and reach more guests.

This year, we'll keep going, opening doors in iconic sites, from the historic streets of Charleston, South Carolina to the buzzing energy of Times Square. At the same time, small isn't all we've got planned. With our stores now more productive than ever, there are benefits to a bigger box. And given the favorable real estate market, these sites are available at attractive deals. I'm not talking about our largest store formats, though they continue to do extremely well for us. I'm talking about midsized stores, 2 to 3x bigger than our small formats. These sites are built in dense neighborhoods with enough room for a traditional store experience and digital fulfillment, helping us bring Target closer to even more guests.

This versatility is another example of how we built a flexible operation to support our growth. Ten years ago, we designed and built 2 store formats: large and larger. Today, we have the opportunity to open and operate stores in spaces of any size so we can meet our guests wherever they are. This year, we'll open stores ranging from 14,000 square feet to 10x that size, using that flexibility to design shopping experiences that best meet the needs of each local community.

And before I hand it over to Mark, I'll close with how I started with our team. You heard it from Brian and Jen, our store director in Wisconsin, "We're still in the early days of our growth strategy." And it's our team, continuing to accelerate capabilities and build trust with our guests that will keep Target growing well into the future. As we've invested in their growth, from wages and benefits that you heard about today, to education, skill training and career progression, internal surveys show our team's engagement, morale and confidence in Target's future remain strong. That stability has led to better guest service, more collaboration, and as Brian said, a finer ability to flex, adapt and navigate the new challenges of being a bigger, stronger Target.

When we take care of our team, they take care of our guests, proof that Target's culture will power our strategy to deliver ease, inspiration and joy for our guests for years to come. Take a look.

(presentation)

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**Mark J. Schindele** - *Target Corporation - Executive VP & Chief Stores Officer*

Good morning, everyone. One of the best parts about my job is getting to spend time with our team every week in stores across the country. And I hear stories like those we just shared in the video, stories about what Target means to our team. And there's no doubt that our more than 300,000 store team members, who interact with our guests every day, are Target's biggest asset and our single-greatest differentiator. They inspire me as they bring our purpose to life every single day.

And I'm excited to talk about them and what they do, including ways that may not show up on the balance sheet. Take Terence, for example. He's a team member in our Fairview Heights, Illinois store who stopped what he was doing to help change a guest's flat tire in our parking lot. Her response, "He's my hero. I'll be looking for him every time I go in that store just to tell him how special he is." Or [Manu], a leader in our Maui store, who helped the elderly community in the remote town of Hana. She partnered with a local nonprofit to help them get the essentials they needed when they couldn't make it to the store in person.

Our team is there to help our guests every day, handing them clean carts as they walk in our front doors, helping them find that perfect item on the shelf, dropping their bags into their car or shipping orders out the back to their homes. They show up for local communities and each other day in and day out. And that's why when we set out to put our stores at the heart of everything we do, it was clear that the most important investment we could make was in our team.

We know an engaged team is more productive and creates a better experience for our guests. And over the last year, we've invested in wages, debt-free education and made even more of our team eligible for health benefits. We've also focused on desired hours and more reliable schedules through one-on-one conversations with our team, and we have an ongoing commitment to develop our team to get to wherever they want to go.

We've also seen great growth in our new on-demand scheduling option we introduced this year, with more than 35,000 team members already signed up. It's a perfect opportunity for those team members who mainly want a couple of shifts a month or a college student who wants to work over the holiday season when she's back over winter break. Together, our investments and consistent hours for our team and the flexibility of on-demand models help us deliver for our guests while supporting the diverse needs of our team.

Even as the U.S. labor market is seeing some of the highest turnover on record, our rate in Target stores remains below pre-pandemic levels. Our stores are fully staffed, and we've been able to leverage the training and the tenure of our team to easily shift against demand without missing a beat.

Let's talk about the experience we're delivering for our guests. Target is the easiest place for our guests to get everything they need, no matter how they choose to shop. Even in a year as unpredictable as 2021, we saw satisfaction rise with gains in many of our most important drivers of guest experience, like interacting with our team on the sales floor and wait time at checkout. In fact, over the past 2 years, our already impressive overall Net Promoter Score increased more than 10%, a true testament to our team's commitment to service.

In every store from the register, the Drive Up lane, our team is building loyalty with guests, offering ease, convenience and incredible service that keeps them coming back. For example, more than 60% of our new Drive Up guests return to use it again that month. And when a guest tries a new same-day service for the first time, they spend more at Target going forward, including in our stores. And last year, more than half of our digital sales came from our same-day services.

In the year ahead, we'll fuel that momentum, deepening our trust with our guests with an experience our competitors can't match. That means clean, bright and on-brand floors that invite discovery, inspire guests with the latest products, all brought to life by an incredible team, a team that's empowered and trained across the building so they can jump in wherever our guests need us.

Everything we do at Target is grounded in making our guests' daily lives even easier. We want every Target run to be fast, convenient and rewarding, and that includes the return process. Our teams are building the capability to accept returns from the Drive Up lane with plans to test later this year. So guests will be able to check everything out their shopping list and return a product that wasn't quite right at the same time and without leaving the car.

And lastly, I'm really excited we're going to pilot the ability to order Starbucks for Drive Up so guests can get everything on their list and request their morning latte when they're on the way while never even unbuckling their seatbelt. We'll take a test-and-learn approach in select markets throughout the summer and fall with a goal of eventually making this option available from coast to coast.

To bring these enhancements to life and continue strengthening our operations, our team is working to streamline on the back end, even further integrating the omnichannel experience into how we run and staff our stores. Now, of course, nothing at Target happens in a vacuum, so we're working with partners from across the organization, from tech and digital to supply chain and properties, to support these capabilities. The ability of our store teams to ship local orders out our back doors continues to increase our speed to guests while delivering cost savings of more than 40% per unit versus upstream shipping.

We're working closely with our supply chain partners as we roll out more sortation centers across the country. As you heard from John, we're excited about the efficiencies they'll continue adding to our ship-from-store operation. Frequent sweeps of our stores to a local sortation center frees up space in our backrooms, and centralizing the sorting process helps our team be more productive and saves valuable time.

Our teams are focused on greater ease and efficiency with store staffing, especially when it comes to same-day options, so we can be ready to flex with guest demand. We're enhancing our technology to give store leaders an even clearer real-time picture of fulfillment needs and testing out new tools to help them better predict guest patterns in the future, helping us be even more efficient in staffing, the right teams at the right times, ready to do the work and deliver for our guests.

We're making upgrades to physical spaces that support these services, remodeling our stores with more hold capacity, adding dedicated doors with easy access to the exterior. We're adding more Drive Up spaces to our parking lots, and we're even adding some canopies in stores that get bad weather, all so our teams can get orders to guests quickly and safely every time.

And inside our stores, we're making improvements to the process itself to make things even easier for our team and better for our guests, like finding the most efficient ways to pick orders from how we deploy the team members, to technology that helps reduce footsteps throughout the store, all with the goal of continuing to deliver the ease and convenience our guests expect.

Our solid operational foundation and stores-as-hub model has allowed Target to be there for our guests even when the world shifted around us, and they'll continue to be the engines of our growth. That foundation is made even stronger by the deep roots of empathy and care and everything our teams do to keep us moving forward together.

And before I turn it over to Rick, I can't miss the opportunity to say thank you to our team. With stores at the center of how we serve guests across the country, they've risen to every challenge with care, resilience and flexibility, not only meeting guest needs today but ensuring we'll be ready for them tomorrow. Thank you.

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**Richard H. Gomez** - Target Corporation - Executive VP and Chief Food & Beverage Officer

Thank you, Mark. I am proud to be here today representing Target's Food & Beverage team because getting to \$20 billion in sales last year, delivering double-digit growth on top of 2020's double-digit growth, achieving billions of dollars in market share gains and becoming America's fourth-biggest digital grocer and being named Retailer of the Year by Supermarket News, well, none of that happened by chance.

As some of you know, we've been on a journey when it comes to groceries at Target. Food has always played an important role in driving trips and basket size, but we knew we could do so much more in this space. Today, Target is a company that doesn't just sell food. We are a company that





couldn't wait to work with. So the next morning, he picked up the phone, sparking a relationship that led to Everything Legendary becoming Target's first Black-owned, plant-based meat supplier.

And Target has taken a strong position in coffee, a category where our guests have especially high expectations. Black & Bold is a 3.5-year-old company founded by 2 childhood friends, and they have put social impact at the center of their business model, giving 5% of their profit to support kids and underserved communities. It's a company that we knew was a perfect fit for Target. They were our first Black-owned coffee brand. Today -- well, today, they're available in 1,300 stores and online. The response has been amazing. I love this tweet.

"Now you got to go to Target and by a Keurig and the Black-owned coffee, Black and Bold." That tweet also brings me to another key differentiator in Target: the role we play as part of Target's multi-category assortment. That's something that sets Target apart on everyday trips and especially around holidays and key seasonal moments. Target dominates holiday seasons because guests love that they can get everything they need at Target: Halloween candy and costumes; the Thanksgiving turkey and games for the kids while the adults are gathering in the kitchen or watching football; and, of course, everything you need to make Hannukah, Christmas, Kwanza, 3 Kings Day special, including our robust selection of gingerbread houses.

And this trend is continuing in 2022 as we saw during the first big seasonal moment of this year, Valentine's Day. Through the power of the total Target experience, the way we innovate, including our new Favorite Day, Valentine's Sugar Cookie kits, building on Target's cachet in the gingerbread space, and the platform we provide for our national brand partners to do amazing things to grow their brands, our team came through with the kind of Valentine's Day experience that makes Target special. In fact, we delivered our biggest Valentine's Candy sales ever, and we did it by the close of business on February 13. We did it with a day to spare. And we reached another milestone on February 13, finishing the week with record sales for snacks ahead of the Super Bowl.

And despite all of this, what's so exciting to our team is that there's still a lot of room for us to improve, grow and gain even more market share in food for years to come. For instance, our research shows that even our best guests underestimate the breadth of our assortment, thinking they can only get some of their groceries at Target. As we continue to raise awareness of our full offering and we get credit for what we are already doing and the value that we provide, well, that is a huge opportunity.

You heard Christina talk earlier about accessibility and affordability. That's why the Digital Snap payment option we're rolling out this year is so important to Food & Beverage. It's going to make our entire experience, in-store and online, accessible to all families, allowing them to shop on their terms regardless of how they pay for their groceries. And as we move more product faster than ever through our distribution network, we are continuing to look for ways to move that product even faster. Some of our improvement will come from the way we work with our national brand suppliers, encouraging them to prioritize the growth opportunity that Target represents. We're also working to better utilize our food distribution centers to keep up with the fast-growing demand.

We'll continue leveraging the power of our owned brands for everyday needs and big seasonal moments. And I'm excited that for the first time, we're going to have a holiday-themed Favorite Day assortment this year.

And then there's Circle. It's especially crucial to what we're doing in food, raising awareness of our assortment and the value that we offer. As you heard from Cara, we are not done growing what's already one of America's biggest and most vibrant loyalty programs. And as our marketing team continues to build on the success of Circle, that's going to help our entire business, but especially Food & Beverage.

We have a lot to be proud of. And there's a lot of opportunity, and yes, a lot of work in front of us. But when I think about the future, I'd say my optimism is rooted in our team. So before handing off to Michael, I'll close with one more thought on team. Over the last couple of years, we've hired scores of Food & Beverage directors and coordinators, people with immense expertise in the grocery industry who are helping us drive continuous improvement across our operations.

A few weeks ago, I was visiting stores in Colorado, and I was talking to one of our coordinators, Bridget. I asked her why she joined Target. Now keep in mind, this is someone who joined us from another retailer, someone who already had a good job and was doing well in her career. But when I posed this question, the first thing she said goes to what Brian was talking about in his intro, she talked about culture. Bridget was willing

to take a risk in her career to leave a situation that was pretty good and give Target a chance because of what she heard about being a part of this team.

She told me a lot about the people she works with, the support she has to make decisions that are right for the guest and the partnership she has with team members working in other categories. Bridget told me it was everything I hoped for and more. In this environment, the race for talent is just as intense as the race for sales. But every day, people are opting in to be a part of the Target team. Because of what we have already achieved? Absolutely, but even more so because of the possibility of what we can do going forward.

I'm just as proud of that and inspired by that as I am of any of the numbers that we've shared today. Because when I think about everything in front of us, team members like Bridget and the human touch and the guest focus that our entire team brings to their work, well, that is what is going to ensure that our guests can always count on Target.

Thank you so much. And now I'll hand things over to Michael.

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**Michael J. Fiddelke** - Target Corporation - Executive VP & CFO

Thanks, Rick. At the top of the meeting, Brian shared some of the key milestones from the last 5 years. And I'd like to begin my remarks today by highlighting one more, which is the long-term financial algorithm we unveiled during that time. You'll recall that the prior algorithm anticipated low single-digit sales growth, mid-single-digit operating income growth, high single-digit adjusted EPS growth, after tax ROIC in the mid- to high teens.

In the 2 years leading up to the pandemic, our business was consistently generating top line performance in line with the algorithm as we saw average sales growth of 3.7% in 2018 and 2019. And on the bottom line during that period, our business grew somewhat ahead of the algorithm with average adjusted EPS growth of 16.7% over those 2 years and an average after-tax ROIC of 15.4%.

Since the beginning of 2020, COVID has changed nearly every aspect of consumers' lives, and we've all seen its impact on the retail industry. At Target, our team and durable model navigated these changes incredibly well, advancing our business far ahead of expectations. Simply put, over the last 2 years, our financial performance blew away the prior algorithm from top to bottom. And today, we're a much larger retailer, generating industry-leading returns on capital.

As we enter 2020, things remain far from ordinary, but a future beyond this volatile time is taking shape. And given the durable and sustainable model we've built and the ongoing investments we're making, we've updated our financial algorithm, which will define our long-term expectations beginning next year, in 2023, and beyond. This updated algorithm demonstrates our confidence in Target's ability to continue growing on top of the incredible expansion over the last couple of years.

Specifically, over time, our updated long-term algorithm anticipates mid-single-digit annual growth in both total revenue and operating income, high single-digit annual growth in adjusted EPS, annual CapEx of \$4 billion to \$5 billion, after-tax ROIC in the high 20% to 30% range. Compared with our prior algorithm, this new one leans more into growth driven primarily by comparable sales, combined with the benefit of new stores and continued growth from other revenue sources. Our confidence in Target's ability to continue growing is based on all of the initiatives you've heard about today, which are designed to drive engagement, traffic and market share gains, including: new stores; remodels; national brand partnerships and owned brand innovations; expansion of our same-day services; growth of new and emerging revenue sources; further rollout of sortation centers; continued investments in value and affordability; leveraging guest insights to enhance our assortment and promotions while personalizing the guest experience; elevating guest service through investments in the team, training and technology, all while investing in Target Forward, to enhance the long-term sustainability of the business and the planet.

Since today is the first time we've included other revenue in our top line guidance, I want to pause and cover some of what's reflected in that line of the P&L and what's been driving its growth. And while there are many smaller items represented on this slide, profit sharing income on our credit card portfolio has historically accounted for more than half of it. But in recent years, Roundel has been the primary growth driver of this line, causing it to become its second largest component. I want to emphasize, however, that Roundel's impact extends well beyond the amount reflected on

this line alone as a meaningful portion of Roundel's income reduces our cost of sales, benefiting our gross margin. Among other notable drivers, Shipt membership fees are included on this line, along with the fees we received from third-party vendors on Target Plus, which are expected to grow over time.

Moving to the operating income line. You'll note that our long-term growth expectations are consistent with the prior algorithm, but we don't rely on rate expansion to get there. Now I should quickly point out, we'll happily welcome rate expansion when it happens for the right reasons, including the massive scale benefits we've realized over the last 2 years. But as I've said many times, given that we're focused on maximizing profit dollar growth, our plans account for the inherent trade-off between profit rates and top line growth. Put another way, a durable business model anticipates the need for continual investments to deliver sustainable growth. As such, we've built an algorithm based on driving and harvesting continued



more than 50%, reflecting both efficiency gains and the benefit of mix as our most efficient same-day services have become a bigger and bigger portion of our digital sales.

Looking ahead, the rollout of sortation centers presents a compelling opportunity to further reduce the unit cost of last-mile delivery. As John mentioned, in the Twin Cities market, where we've been piloting our first sortation center, we've seen our average per unit last-mile fulfillment costs go down by nearly 1/3.

The second example I want to highlight is the enormous benefit we've realized from the investments we've been making in our team. These investments have driven positive change to the lives of hundreds of thousands of team members, offering more steady income, pathways to career growth and education and access to benefits that meet their evolving needs. But these investments are delivering efficiency and growth in our business as well. A portion of these gains come directly from the fact that with high retention rates and improved training, our team can accomplish tasks more efficiently than in the past.

But that's just the beginning. Because of our investments in the team, they're continually delivering higher levels of service, building on the trust

We have a strong record of thoughtful investment in supply chain and innovation. We provide a competitive advantage by keeping our stores stocked and our digital orders filled. We have the flexibility we need to contain the constraints so we can keep growing and thriving in any environment. And above all, we have the team.

A few days ago, I visited several Minnesota stores. I was impressed with the Ulta Beauty displays, with our Disney shops, with our Apple stores, but what impressed me most was a team member who came up to me and said, "Brian, I'm so proud to be working at Target. I'm proud of how you're handling the pandemic. I'm proud to be part of the Target team." We have a team that's committed to making Target of the future even better, the Target of the future even stronger and the Target of the future even more caring.

For everyone who's listening today, including our teams across the globe, know we're already working to determine the best way to support humanitarian efforts for the people of Ukraine. As we have throughout the last couple of years, we'll rally our team, put our resources to work to support families through these challenging times.

And with that, I'm going to ask all of our speakers to join me on stage, and we'll start taking your questions.

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## QUESTIONS AND ANSWERS

**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

All right. As we get started, I would ask you to wait for a microphone. Please introduce yourself. While you can see us, however, it's a challenging time seeing you. So I'll look for a show of hands. We've got one right up front.

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**Christopher Michael Horvers** - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Chris Horvers, JPMorgan. So my first question, I have 2, is in the long-term sales guide, it seems like you're baking in about a 3.5% to 4% comp. Is that fair? And how are you thinking about the share gains component of that? Because you've gained a lot of share in the past few years. 3.5% to 4% seems like a very sort of normal rate of consumption growth in the economy. So is that -- are you baking in any share gains?

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Michael, do you want to start? And then I'll come back and talk about our approach to share.

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**Michael J. Fiddelke** - *Target Corporation - Executive VP & CFO*

Yes. As we think about the long-term algorithm, comp growth will certainly be the biggest driver there. Where that lands in a given year, might be up or down. But I'll tell you, we expect to be a business that continues to grow and gain share year-over-year. The investments we're making are to drive outsized growth, and that should come with share gains.

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Yes. And Chris, I'll give you a sense for how we run the business each and every day. And I can tell you, this team spends hours each week looking at share by category across our markets to make sure that we have the plans in place to constantly be taking share as we go forward. So there's lots of different metrics we look at as a team. I would tell you this team spends a tremendous amount of time looking at share, share opportunities, building plans to make sure the over \$10 billion of share we've gained in the last couple of years is something that we continue to move forward as the years go by. So we are very focused on share, and our guidance will certainly be a company that continues to take share across the entire multi-category portfolio both in stores and from a digital standpoint.

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Christopher Michael Horvers - *JPMorgan Chase & Co, Research Division* -

great alignment across the organization. As Christina mentioned, from a capability standpoint, we're still in some of the early days. As much as we've been talking about remodeling stores, John Mulligan going all the way back to a meeting in 2015, we've touched about half the chain. We've got another thousand stores that we're going to touch going forward.

We're very excited about the pipeline of new stores. And as John talked about, various size stores that allow us to maximize share opportunities in these catchments. From a same-day fulfillment standpoint, while we're very excited about the progress we made, Rick and Mark can talk about the potential upside as we think about temperature-controlled products going through Drive Up and pickup.

So in so many areas from a own brand standpoint, from a national brand standpoint, rolling out these partnerships that we talked about a lot today, but many of them are still in limited locations. There's tremendous upside there. We think as we continue to build out our circle and our connection with our guests, there's continued upsized opportunities there. So a consistent strategy, capabilities that are still maturing, but I'll come back to the importance of our team and culture and the investments we've been making. And those are only going to strengthen our business model over time.

The one point that perhaps we didn't call out specifically that I think is really a hallmark of Target today is we combine that focus on strategy and building capabilities and investing in our team and culture with a team that's focused on execution. And if you look at the results, how we got from \$70 billion to \$106 billion, yes, the strategy was critically important. And listening to the guests as we formulate that strategy was incredibly valuable. The capability certainly allowed us to accelerate during the pandemic. Those investments in team and culture, they have supported us throughout the pandemic. But this is a team that's been executing every day from a store standpoint, from a digital standpoint, category by category.

And Michael, I think our execution will only improve in the out-years, which gives me tremendous confidence in the future growth and market share opportunities we will capture.

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**Michael J. Fiddelke** - *Target Corporation - Executive VP & CFO*

Yes. The only thing I might tack on to that is the algorithm contemplates those investments. The CapEx we're putting to work, the way we've described operating margin and the fuel we can create to reinvest in the business. Growth doesn't just happen, you have to invest in it. The algorithm contemplates that.

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**Michael Lasser** - *UBS Investment Bank, Research Division - MD and Equity Research Analyst of Consumer Hardlines*

And my second question is Target's operating margin has gone from 6% to 8% over the last couple of years. Presumably, a lot of that's come from a 30% increase in your store productivity, which is pretty extraordinary, coupled with a reduction in your average unit cost to fulfill online orders. The expectation coming into the meeting was you'll give a little bit more of that 8% margin back. You're arguing, "No, we're going to keep that." So what is it about what's happened that you think is more sustainable moving forward that contrast that prior to the pandemic?

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board fgsd*



**John J. Mulligan** - *Target Corporation - Executive VP & COO*

Yes, I think that's right there. I mean you hit on what the 2 big drivers are. One is scale. And as we get bigger, there's benefits that flow through the individual store P&L. First of all, they're leveraging all the fixed stuff. That's the easy-peasy part, but everything becomes more efficient. When we go from \$40 million to \$55 million, we may only add one truck a week to that store or 2 trucks a week. We don't double the number of trucks that a store has to work. So you gain efficiency there in the backroom as you're moving inventory to the front of the store. Things like that just create efficiency.

Again, once you're out on the floor and stocking goods, if you're a \$40 million or \$55 million store, that doesn't change. You're out on the floor. If I put 2 on the shelf or 3 on the shelf, nothing really changes there. There's a marginal amount of incremental work, right? So those are the little

And so we are in negotiations when products are on allocation or they're limited due to supply chain constraints. Our national partners recognize that Target is a place to grow, and they're looking to us first. And I think that's a change of where we are today than where we've been in previous years.

The other thing I would just say when it comes to things like produce, the faster we're moving, the fresher the product, the less the waste. So it helps us not only from a financial perspective, but actually from a guest experience perspective as well.

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Let's go to another question. I think we've got one right back here.

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**Antonio Morales**

Antonio Morales from Signum Research. You were talking about the national partners and national things. So do you have any plans on expanding to the international market like around the world in the short, mid or long term?

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Yes. I'll take this one. We get this question all the time. And certainly, I will never say never. But for today, as we look at the opportunities that we have right here in the United States, we're going to stay very focused on the foreseeable future, executing our plans, building on our momentum and investing in the United States before we start to think about any type of future international expansion.

All right. We got one right back here to the left.

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**Peter Sloan Benedict** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Peter Benedict at Baird. First question, just on Roundel, I think you noted that it delivered \$1 billion in value to Target. Can you define value? Is that revenue? Is that gross profit? Is that influenced sales? I just want a clarification on that. That's my first question.

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Cara, why don't I ask you to start with some highlights on Roundel. And Michael, maybe you can fill in the blanks82.me highp brfl. At hileft.

**Michael J. Fiddelke** - *Target Corporation - Executive VP & CFO*

Yes. I touched on this a little bit in my remarks. You can think about \$1 billion as kind of the size of the total Roundel business. And there's a piece of that, that shows up in other revenue and there's a piece of that, that helps us out on the gross margin line, too.

But you'll notice, we don't describe it as some separate other business. Cara's point on it starts first with our guests. When we can solve for a guest problem arm in arm with a business partner, that creates value in total. And part of that is captured in that \$1 billion, part of that is captured in a better guest experience overall.

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Let's see, right up front.

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**Robert Frederick Ohmes** - *BofA Securities, Research Division* -

productivity per box basis. And how does that factor into your growth algo? And then, Cara, I have a question for you. This is a fun one. But most searched-for brand or category that you don't currently carry that you would love to have.

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**Brian C. Cornell** - Target Corporation - Chairman of the Board & CEO

Michael?

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**Michael J. Fiddelke** - Target Corporation - Executive VP & CFO

Yes. So John has talked in the past about the capacity we have to continue growing in stores. And the thing I'd come back to there is we've seen over the last couple of years how well stores and stores as hubs scale. I mean we've got productivity gains and productivity per foot gains across the chain. It's actually true that the biggest stores generated the biggest productivity gains over the last few years. And so that speaks to the headroom we're creating.

We know the throughput we can get in stores. And if you kind of go through quartile by quartile in our stores, that implies we've got a lot of stores that could get a lot bigger before they tap out. And so we feel really good about the opportunity to keep growing the business. But stores as hubs is the thing that enables so much of that capacity.

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**John J. Mulligan** - Target Corporation - Executive VP & COO

I think the other thing I'd add on is as inventory turns increase with scale, you just push things through faster. Speed and flow of inventory is the key to the whole game, like we were just talking about with Robby. And as that happens, we see it in our largest stores, they just move inventory. It's constantly moving through. It shows up at night. It's out the store the next day. That's capacity. You're just moving inventory. So a lot of headroom for growth from that perspective.

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**Brian C. Cornell** - Target Corporation - Chairman of the Board & CEO

Cara, you want to tackle search, most popular item?

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**Cara Sylvester** - Target Corporation - Executive VP and Chief Marketing & Digital Officer

So that's a fun one, too, Steph. Thanks for the question. I think our search terms and what the guest is looking for changes seasonally all the time, always seasonal products, always newness and always the hot items that are out there. And so we see a really close look at our search really on a weekly basis and work with our merchant partners to share back those insights.

What I would tell you is over the years, the search insights, of course, are going to impact. And we're going to feed those over to the merchandising team for them as they're constantly looking for the right mix of our owned brand products and our national brand products. And so we'll continue to make sure we're feeding those over.

Christina, is there anything you would add?

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**A. Christina Hennington** - Target Corporation - Executive VP & Chief Growth Officer

I think that's really well said. And you'd be surprised at how quickly those ebb and flow week by week as the consumer went through so much change over the year. And I think that's where the breadth of our multi-category portfolio has played to our advantage that, whether it's a mask they're looking for or Xbox or it's a new spring dress, we've been able to be there for them in all those moments.

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

We've got a question towards the back.

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**Edward James Yruma** - *KeyBanc Capital Markets Inc., Research Division - MD & Senior Research Analyst*

This is Ed Yruma from KeyBanc. Two quick ones from me. I guess, first, on the food assortment. You've done a very impressive job adding more food over the past couple of years. I guess as you think about the incremental share opportunity, are there more foods you can add? Do you think you can become that weekly grocery destination? And then as a follow-up, sometimes when you head into kind of a sticky consumer environment, we see trade down, focus on value. Are you seeing any of the leading indicators that the consumer is feeling pressured?

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Rick, why don't you start from a food standpoint, and then we'll come back to some of the consumer trends we're seeing right now.

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**Richard H. Gomez** - *Target Corporation - Executive VP and Chief Food & Beverage Officer*

Sure. To talk about food, we, as I said before, have a lot of positive momentum on what we're seeing in the food business. We continue to see opportunity to continue to grow as we think about our assortment, and I would say that the real 3 key drivers of the growth that we see in the future.

The first is the digital business, which is our same-day services. Industry-leading in general, but particularly relative to our competitive -- our grocery competitive set. It's a real step up, not only from an experience standpoint, from a convenience and ease perspective. I think John mentioned the NPS scores. It's a differentiator relative to other particularly grocers.

The second thing that I would say is different about our assortment, which you mentioned and the competition is our owned brands. Good & Gather, only 2 years in and is already over \$2 billion in sales. Favorite Day is brand new. It developed during the pandemic and is already off to a

We know we've got a consumer who is looking for value. But as Christina noted, they're looking for newness as well. And anything new is exciting and showing up in that basket. There's clearly inflationary concerns that are starting to pop up in the conversation. But it's still a U.S. consumer with a pretty healthy balance sheet.

So we're going to have to watch this carefully. We know March, April are going to be important time frames as the consumer overlaps, some stimulus checks and child care. So we're taking a cautious approach to the first quarter. But we continue to see a very resilient consumer who has a solid balance sheet and is balancing that desire for value and concerns with inflation with a desire to find something new and just go back out and experience everyday life.

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**Joseph Isaac Feldman** - *Telsey Advisory Group LLC - Senior MD, Assistant Director of Research & Senior Research Analyst*

Joe Feldman, Telsey Advisory Group. Wanted to go back to the sortation centers. I may have missed, but how many do you plan for this year and then beyond? Like it seems like you may only need one per major market based on the map that you put up. But -- and then maybe the -- I don't know if you want to share the cost with us but to build it, to hire people, all of that would be great.

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**John J. Mulligan** - *Target Corporation - Executive VP & COO*

Joe, you know us better than that. We will -- by the end of next week or next month, we will have 6 of them open. We're thinking probably 5 more later this year. And of course, part of this little unknown, same supply chain problems that have impacted our ability to remodel and open new stores, things are slower, permits are slower, everything slower. We'll see. But that's where we're headed. And we think there's an opportunity over the next 4 or 5 years to continue to build at least that pace, perhaps a little bit faster. But when you look at the major or urban areas across the country, lots of opportunity.

And I wouldn't say, in the case of many cities, it will not be just one per city. Just the way you navigate some cities and the way they're carved up makes that harder to do. And so the opportunity for us to do several in the city is there for us. But that's all down the road. So you'll see us continue to build into it.

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

We probably have time for 2 more questions, so let me make sure we get some new hands.

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**Kelly Ann Bania** - *BMO Capital Markets Equity Research - Director & Equity Analyst*

Kelly Bania from BMO Capital. Question about the longer-term operating income outlook. I think, Michael, you mentioned you'll welcome the rate growth when it happens for the right reasons. So maybe just help us understand what are those right reasons.

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**Michael J. Fiddelke** - *Target Corporation - Executive VP & CFO*

Yes. I think the last 2 years are pretty instructive. The rate growth we saw over the last 2 years came from scale benefits. That's a more sustainable version of rate growth. But to be clear, that's not the number in the P&L we're optimizing for. It's profit dollar growth over time. We'd expect to find the fuel to fund the investments to power the top line, and that's kind of the thing that's at the heart of the algorithm. But when we see sustainable rate growth, we'll welcome it just like you saw over the last couple of years.

**Gregory Scott Melich** - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Greg Melich with Evercore ISI. A follow-up and then my question. The follow-up is AUR. This year, if we think with inflation out there, how do you think AUR plays out this year in that guide in terms of traffic and ticket or units?

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**Michael J. Fiddelke** - *Target Corporation - Executive VP & CFO*

Yes. I don't know if my crystal ball is that clear, Greg. But the story that we've really seen most recent quarter to start with is the incredible growth in traffic. There's some puts and takes in basket, but virtually all of our growth in Q4 came from traffic. So we'll -- as you heard today, we'll continue to be focused on protecting value and making sure that our price position is strong, and that's working. It's leading to deepening engagements, it's leading to more trips to Target.

And so where exactly AUR lands over the course of the year, I think, is going to be a journey we'll all take together, and we'll see. But traffic has been the story for us.

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**Gregory Scott Melich** - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Still the traffic. And then maybe a 3P fulfillment. You've mentioned a little bit about extending the aisle with some vendors, with Roundel doing well. I guess I'd like to understand, what is the right assortment for Target both in-store and online? Do we want to get to 10 million SKUs? Do we need to? Is it curated? Are we selling Roundel services to trusted vendors as opposed to United Airlines? How do we think about that?

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

Christina, I might ask you to start. And Cara, I know you've got a point of view on this topic.

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**A. Christina Hennington** - *Target Corporation - Executive VP & Chief Growth Officer*

Yes. First and foremost, our point of view on assortment is all about curation. It's making sure that we understand the consumer and that we can craft an assortment that starts with a balance of really well-designed, high-quality and value owned brands, coupled with the leading national brands that consumers would expect to find. By having a curated assortment, it fuels the stores-as-hubs model because there isn't this long extension that we have to fulfill from other parts of the network. We're using the inventory base of the stores, which creates efficiencies, which creates speed, which creates lower costs.

Additionally, we think it's a guest benefit. The ability to navigate the assortment and navigate the paradox of choice is real. And so creating options that are much more relevant in a more tight environment is important to us, and that extends to our marketplace.

And so Cara can talk a little bit more about how we think about that, but it's really a complement hand in glove.

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**Cara Sylvester** - *Target Corporation* -

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**Brian C. Cornell** - *Target Corporation - Chairman of the Board & CEO*

So I'll wrap up from here. And I want to start by thanking all of you for joining us in person. We've really been looking forward to this. It's been a long couple of years. I hope you walk away with a clear sense of our direction as a company, the strategies that will guide us going forward, the capabilities we'll continue to invest in, the important role that our team will play and the unique culture that I believe really defines and separates us from many of our peers. So I hope you leave recognizing we are committed to being a growth company, one that is a profitable growth company for years to come, great stewards of capital and will provide great returns for shareholders. But I really appreciate your time, your engagement today. And we look forward to seeing you again in person next year. So thanks for joining us. Stay well. Stay safe. We hope to see you again soon.

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