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OVERVIEW:

Company Summary

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PRESENTATION

John Hulbert *- Target Corporation - VP of IR*

Good morning, everyone, and welcome to our 2024 Financial Community Meeting. I'd like to start by welcoming the investors and others who are attending this meeting in person with us. And of course, we're happy that many, many more of you are attending the meeting remotely. Brian is going to kick off the meeting in a minute, but first, I have a couple of important disclosures.

First, any forward-looking statements that we make this morning are subject to risks and uncertainties, the most important of which are described in our SEC filings. And second, in today's remarks, we refer to non-GAAP financial measures, including adjusted earnings per share. Reconciliations

While Michael still has his hands firmly on the wheel as CFO, this is his first FCM in his new role as our Chief Operating Officer. I can tell you, we're looking forward to discussing Target's growth horizon and how it transcends volatility over any particular quarter or year. Our preference is always to think long term.

It's why for years now, we've emphasized the durability of our business model. And many of you have validated that orientation in the conversations we've had with you over the years. So our session today will focus squarely on the long-term thinking that has driven top and bottom line growth over the last decade and positions us for continued profitable growth in the years ahead. You might be asking, why focus on decades? In part because that feels like a long enough time frame to be meaningful. But it's also because we look at longer horizons when evaluating growth potential for investments like new stores, supply chain and other assets.

And it's good to ask what else would need to be true for those investments to succeed? So we'll analyze our 2023 performance in that context. We'll provide insights on how our '24 plans and guidance fit into that vision. And we'll spend time outlining our plan for sustained growth as well as our capacity to react to unforeseen realities. Both have been important over the last 10 years.

By designing for steady growth before 2020, we were positioned to absorb exponential growth during a demand boom that none of us could have anticipated. Even now the country and the retail industry, are in a prolonged, post-pandemic return to normal, which has been nearly as unpredictable as a pandemic itself from a consumer, social, political and economic perspective. By staying agile as a team and by continuously refining our approach and innovating, we've been able to navigate this time frame.

In fact, if you think back to our earlier algorithms and long-range plans, we're well ahead of where we believe we'd be just a few short years ago. At the same time, we recognize this is a unique moment to clarify our road map for growth. Let me be really clear. Our goal is to recapture profitable sales, traffic and market share gains by expanding what makes Target different and better for our guests, amplifying our appeal to consumers beyond our existing guest base, and reinforcing the innovation and investment that drive durable and consistent results for our business and shareholders. So I might start today with the elements of the overall strategy that have been staples all along and will continue to be staples going forward.

Starting with our stores. The most visible and tangible proof of our long-term planning and investment. When I arrived at Target, we had just over 1,800 stores that didn't quite cover all 50 states. Since then, we built more than 200 new stores. We've invested in more than 1,200 existing locations through remodels and partnerships, and our store footprint has expanded to cover the entire U.S. While retail is decades in the new digital era, on any given day, 2/3 or 3/4 of all U.S. shopping is still done in stores. And thanks to the stores-as-hub model, we invented in the last decade, nearly all Target shopping, including our significant digital penetration growth and our $30-plus billion in revenue growth was made possible by our stores.

So if you think store shopping will wind down anytime in the next decade, we'll politely disagree on that point once again. Over the next decade, we expect to open more than 300 new mostly full-size stores and [make] billions of dollars in incremental growth, while continuing to remodel stores with plans to invest in the vast majority of our nearly 2,000 stores in the next 10 years. We'll also continue to invest in our supply chain and technology. In less than 10 years, we've created, acquired and constantly advanced sortation centers, upstream distribution centers, food distribution centers, and a steady stream of replenishment, technology and logistics innovation. At least 10 additional supply chain facilities are in the pipeline, and will be operating within the next decade.

Underpinning all of this is our long-standing and ongoing investment in technology. This includes a leading team of engineers, data scientists and product managers focused on further integrating AI and machine learning and driving early adoption of generative AI, all geared towards making it easier for our team to best serve our guests across both the digital and physical assets. Take same-day fulfillment. Our initial investments gave us an early lead in same-day. Today, same-day is much more competitive but continued innovation and better integration with our Target ecosystem means we're ready to expand same-day delivery for our guests while also building on our next-day capabilities. You'll hear more about this from Christina and Cara including big moves we're making with Target Circle, a program that didn't exist 10 years ago, but today has well over 100 million members.

Cara will talk about the incredible progress the team has made with Target Circle and where we're headed next. For now, I'll just emphasize the focus we're placing on unlimited same-day delivery through a new membership feature called Target Circle 360, which is launching next month. Here's the takeaway. Without huge investments in stores, supply chain and tech, there is no drive-up or order pickup, which were monumental growth drivers during COVID and today. And without stores, supply chain and tech and providers like UPS, FedEx and Shipt, there is no home delivery which is ready for a step change in guest acquisition, satisfaction and loyalty. As we move forward, we'll leverage our 2017 acquisition of Shipt to help us build unmistakable recognition for Target same-day delivery.

Target's Roundel advertising business is another example of something that didn't exist 10 years ago. But today, it's the fastest-growing contributor to the other revenue line on our P&L. In a crowded field of similar offerings, we're punching way above our weight relative to the scale of our retail footprint. The unique relationship we have with our guests and the value our ad business unlocks for the brands that advertise with us are at the heart of Roundel's performance to date. And since our road map for growth focuses on strengthening our relationship with guests, and converting more consumers into guests, we see tremendous growth potential for Roundel for years to come.

There are a number of other points of continuity and cohesion in our strategy. But for this intro, I'll focus on just one more. That's the strength of our multi-category portfolio and the balance and stability offered by our mix of frequency and discretionary categories. The way we bring those categories to consumers is a stand-out strength we'll continue to build on. The curation, the authority and trend in newness and the competitive advantage and assortment built around beloved national brands, world-class brand partnerships and a fleet of owned brands that drives about 1/3 of our business and puts us in a league of our own.

Ten years ago, our Starbucks and Disney collaborations were strong and growing, and we were building our partnership with Apple. Those 3 relationships continue to grow throughout this time frame, and we added and expanded outstanding partnerships with CVS, Levi's, Hearth & Hand with Magnolia and Ulta Beauty at Target that drive traffic, sales and loyalty. This element of our strategy has been a bright part of our future. It will continue to play a big role in the decade ahead. And our team's expertise and product design and development and brand creation and management, they're towering strengths that really fuel our own brand portfolio.

Brands like Cat & Jack, Threshold, Good & Gather, they bring millions of guests to Target. They are 3 of the 11 brands that generate $1 billion or more in sales each year, a lineup that looked much more modest a decade ago. And they lead a roster of Target brands that contribute to more than $30 billion in annual sales, plus outstanding margins for our bottom line. A steady cadence of brand launches like Figmint last year, and dealworthy last month, help keep our edges sharp on the newness, discovery and affordability consumers crave in the market and find at Target. I believe our own brand capabilities will only become more prominent in the decade ahead, which is why we'll spend time this morning taking you behind the scenes on where we're headed with our owned brands.

Another area where we'll continue to excel is our commitment to our team. In the last decade, we've taken a leadership position in both pay and benefits and learning and development and we'll continue to be a pacesetter as we ensure our team has all the support they need to take care of our guests, themselves and their families. So as we start to pull all this together, you might be saying, Brian, clearly, Target has some strong assets and advantages and cultivated a great team. But what does that mean for 2024 or 2034? I can tell you, our team has been humble enough as that and many other related questions. We're not taking anything for granted. There's no complacency about our past success. And while we recognize that a rebound in discretionary spending will favor our brand and our business. We're not waiting for economic changes or a different consumer outlook.

I've been on the road nonstop since November, walking our stores, distribution floors. And I can tell you, the energy and initiative of our front-line team. What they're bringing to our business this year simply can't be conveyed on the slides behind me. This team has shifted to their front foot, and they're changing the momentum of our business, which is why we've seen sequential improvement from Q2 to Q3 to Q4. Discretionary declines moderated. Traffic trends rebounded. Our Q4 comps were the high end of our guidance. We drove major gains in efficiency and outperformed our guidance of $1 billion in full year profit growth. Recognizing that we needed to clear the volatility and the challenges in the last 2 years, our team buckled down and said, "Go time."

But in recent weeks, I've seen the spelling expand by 2 letters. And I've seen the ambition, expand even more than that. What our team is talking about now is grow time. That's the mantra I hear bubbling up from the front line, all with the commitment to recapturing top line growth, traffic and share gains in the years immediately ahead. That starts with ensuring our team can deliver for our guests each and every day. A major step is coming soon with the upgrades we're launching in Target Circle. Upgrades that will make it even easier to unlock the best of Target. At the same time, a focused list of priorities, along with a continued concentration on retail fundamentals, like affordability and in-stock reliability, will make our guest experience easy and dependable in every interaction. We'll continue to focus on delighting our guests with the products, partnerships and value that make Target feel both elevated and accessible.

The hallmarks here are expert curation, style and trend authority, newness, great design and incredible value. We'll also accelerate our progress in omnichannel discovery. We've all seen how shopping is changing into an always-on activity that's integrated across several aspects of our lives, well beyond physical and digital stores. Discovery and inspiration has always been a hallmark of our shopping experience. We started by providing inspiration and easy access at our stores with no barriers between impulse and purchase. But we see an opportunity to do even more, to think differently about the intersection of physical, digital and social. So consumers can discover Target products wherever they're spending their time. So you'll hear from Christina and Cara this morning, we're going to keep building our capabilities in omnichannel discovery since we see this as an advantage that's ownable over our retail rivals.

So I've thrown a lot on the table, and there's more definition and detail to come. Having tackled both industry and in-house challenges over the last couple of years, I can tell you, I'm not satisfied. And our team is not satisfied with our recent top line results. We wanted to be even further along than we are today, but we're confident in our path forward, and we're eager to share what's next. Target is not just a bigger company than it was 10 years ago. It's stronger, healthier and more resilient, a company that's flipping the switch from go time to grow time.

Over the next hour or so, I'll ask Christina, Rick, Jill, Cara and Michael, to add some texture to those claims. Thanks again for being here. Christina, over to you.

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

Thanks, Brian, and good morning, everyone. Continuing on what you've heard so far this morning, I want to emphasize 2 key themes. First, we've built the foundation for long-term growth with a strategy that is both unique to Target and durable. And second, we're committed to building on that foundation for years to come. So this morning, I'll walk through the ways we're leaning into our core strengths, capabilities and differentiators we've built and refined over time to meet consumers where they are and drive long-term market share gains, sales growth and profitability.

I want to start with an outlook on the consumer, which remains mixed. While there are some encouraging signs in the economy, there are also stubborn pressures impacting families and retail. Consumers say they still feel stretched, they're balancing a lot and having to make trade-offs to meet their needs of their families while sprinkling in the occasional luxury.

And yet their affinity for style and newness plus early signs of disinflation contributed to a sequential uptick in discretionary category performance over the last 2 quarters, something we aim to build on and accelerate. At the same time, we expect consumers will remain highly value conscious, hunting for great promotions and seeking comprehensive value in their purchases. Consumers are also craving stability with small doses of everyday joy. After the volatility of the global pandemic, they're now coping with geopolitical tensions, social and political divisiveness and uncertainty around personal finances. This all demonstrates that our purpose to help all families discover the joy of everyday life remains incredibly relevant. And the assets and capabilities we've cultivated over time, like new and remodeled stores, investments in digital shopping, supply chain and loyalty, they've all increased consumers' view of us as an omnichannel powerhouse.

Those enhanced strengths were built on long-established differentiators like design, curation, a well-balanced multi-category assortment and outstanding value. And those are just some of the elements we'll build upon and amplify through our strategy as we move through 2024 and beyond.

Think about the opportunities around something like omnichannel discovery. Designing experiences that support discovery has always been one of our strengths. Our stores are famous or perhaps infamous for inspiring guests to discover more than they expected. Millions of guests have experienced the joy of entering a Target store for a few items and end up leaving with extra treasures they didn't anticipate. This is a key aspect of how we set ourselves apart from our competitors and something we'll continue to build on, regardless of where or how the shopping trip begins.

After all, shopping looks very different now than it did a few years ago. It's no longer a point-in-time transactional event. Consumers today are constantly taking in new information and seeking inspiration from influencers and trendsetters.

Target is already a trend shaper, but there's an opportunity to accelerate this further on both the platforms we own and on external platforms like TikTok and Instagram. Cara will share more specifics later. So I'll just say that our team's energy and engagement in building these discovery-driven experiences are truly inspiring. It's indicative of an ambition to meet consumers where they are. So that wherever and however a shopping journey starts, the paths lead back to Target as a destination.

We have long been known for delighting guests through a carefully curated set of products and partnerships. We believe that a well-curated assortment isn't just good for managing inventory. It can be additive to the shopping experience, too. Here's an extreme example. Imagine a is by simplifying our end caps to feature single price points and promotions. This allows us to clarify the incredible value we offer while helping our guests to effortlessly recognize the value. No games, no confusion.

to bold jewelry pieces from Kendra Scott. These powerhouse brands have all come together to offer consumers at this store, a sum that is greater than the individual parts.

On another trip, I visited a store in Mississippi, where we had recently completed a wall-to-wall remodel. We elevated the shopping experience, refreshed the assortment and even added a Starbucks, the first one ever in this area. Our local team is incredibly proud that their Target store has become the social hub of this tight-knit community. These examples illustrate the interplay of our strategies, assortment, experience and capabilities. Showing how we're positioning Target to play a unique role in American retail.

So now before I turn things over to Cara, I'm going to invite Jill and Rick to the stage for a discussion on the power of Target's owned brand capabilities, and how they help Target stand out in a crowded marketplace.

QUESTIONS AND ANSWERS

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

Okay. Well, thanks for joining me. Why don't we start Jill and Rick by telling us a little bit about yourselves and your careers.

Jill K. Sando - *Target Corporation - Executive VP and Chief Merchandising Officer of Apparel & Accessories - Home and Hardlines*

Good morning. I am Jill Sando and I lead the Apparel & Accessories, Home and Hardlines merchandising organization. I've been with Target for over 25 years. The majority of that time has been in merchandising, running different businesses across our discretionary portfolio. I also spent some time in planning and helped stand up our product design and development capabilities for our non-apparel businesses.

Richard H. Gomez - *Target Corporation - Executive VP and Chief Food, Essentials & Beauty Officer*

Hello. Good morning. I'm Rick Gomez, I lead Target's Food, Essentials and Beauty businesses. I've had the opportunity to lead a variety of different disciplines at Target, including marketing, digital strategy. And then before Target, I spent over 20 years working in the CPG industry developing, launching and managing a bunch of different Food & Beverage brands.

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

We're happy to have you here. Okay. Our owned brand portfolio on its own would be a Fortune 100 company. More than $30 billion in sales and nearly 1/3 of our total revenue and even more of our gross margin. That's because we have amazing capabilities that allow us to produce brands our guests genuinely love. Jill, let's start with one I know you're particularly excited about a new brand in toys called Gigglescape.

Jill K. Sando - *Target Corporation - Executive VP and Chief Merchandising Officer of Apparel & Accessories - Home and Hardlines*

Kids related categories are huge for Target and toys plays a key role in keeping Target relevant with families. National brands like LEGO and exclusive brands like Our Generation have made Target one of the biggest toy retailers in America. And the addition of Gigglescape gives consumers on more only-at-Target reason to shop toys. Gigglescape is important for a few reasons. It's consumer-centric. It's our first owned brand design specifically for generation alpha and their unique needs. It's filling white space in our owned brand assortment and it has us poised to drive growth in a high-margin category.

And Gigglescape is priced to be accessible to all families. Just a few weeks ago, we launched our stuffed animals. Most are priced under $10 and soon we'll launch books, puzzles and toys with all items in our spring assortment priced under $20. That kind of pricing makes it perfect for gifts and for the spur-of-the-moment purchases because your child is being good today. This is a brand that makes our toys destination -- our toys department a destination even when your Target run was inspired by something else and makes Target an even stronger destination for toys.

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

I love them. They're super cute. Okay. Rick, our frequency categories play such a crucial role in driving trips. And with up & up and dealworthy, we're giving our guests new reasons to choose Target. Can you tell us about that?

Richard H. Gomez - *Target Corporation - Executive VP and Chief Food, Essentials & Beauty Officer*

Yes. Well, as you know, Christina, we invest a lot of time listening to consumers to better understand their needs. And one of the themes that we are consistently hearing is the need for value and affordability. So to address this consumer need, we are relaunching up & up and introducing dealworthy. up & up is one of Target's most popular brands, delivering nearly $3 billion in sales, offering over 2,000 everyday items at affordable prices. And now we are making it even bigger and even better. We have developed product improvements across 40% of the line. We are also introducing hundreds of new items, and we are offering great prices with the average item priced under $7.

We're also launching dealworthy. It's our new low-priced brand with items across the store, ranging from socks, laundry detergent, phone chargers, and I can't stress enough what a great value dealworthy will be. The most items will be priced under $10. And some of those electronics items will be priced at 50% lower than what was previously offered at Target. dealworthy will be the lowest-priced item in each category offering absolutely incredible value.

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

Indeed, our frequency businesses are an important part of driving trips to Target, meeting guest critical needs but our discretionary -- categories have the opportunity to do that as well. Jill, can you tell us a little bit about Cat & Jack?

Jill K. Sando - *Target Corporation - Executive VP and Chief Merchandising Officer of Apparel & Accessories - Home and Hardlines*

Yes. Kids apparel is another area where we have outsized market share and Cat & Jack is a big part of that. This is the kids brand that we launched in 2016. Today, it's a $3 billion brand, the biggest kids brand in America. To put that into perspective, consider this, we sell well over 300 million units of Cat & Jack a year, which comes out to about 8 Cat & Jack items for every child in America under the age of 12. This is part of a discretionary category, but Cat & Jack is a brand that drives repeat business for Target because of great prices and great quality, which parents love and great design that kids love.

And when you think about kids style, the success of Cat & Jack pays dividends across our portfolio. It drives trips and sales across the store during key moments like back-to-school and throughout the year as kids grow into new sizes. Cat & Jack also complements brands like Wild Fable. That's our juniors brand, worn by millions of teens and tweens who started in Cat & Jack. It's one of the biggest juniors brands in the country and one we just extended into swim. Wild Fable is a great brand on its own, one fueled by our speed to trend in a very dynamic category, but it also has an important advantage since families are already in the habit of turning to Target for clothes for their kids.

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

Thank you, Jill. Rick, let's switch gears a little bit and talk about Good & Gather because that's a brand that's helped us reimagine our grocery space and experience and really build our credibility in food.

And we're not just consumer-led when we're launching a product, we're consumer-led in how we continue to grow and develop our owned brands because you can't mistake performance for potential.

Cat & Jack has been a runaway success, but we also learned through listening that we had opportunities to make the brand more appealing to more guests. Among other things, that led to the adaptive items we created to help all kids look and feel their best and the expansions we made to our dressy and mid-dressy assortment, giving families more reasons to choose Cat & Jack and Target.

Richard H. Gomez - *Target Corporation - Executive VP and Chief Food, Essentials & Beauty Officer*

Consumer insight has also helped to continue to develop and grow Favorite Day. We launched the brand during the pandemic, and we've seen it drive trips, build baskets, delivering double-digit growth year after year. So as Food & Beverage has become a go-to category for Target during the holidays, we've expanded the role of Favorite Day to offer key seasonal items. You saw that in November and December with gingerbread kits, hot cocoa-bombs, a huge range of snack mixes. And just a few weeks ago, Favorite Day was front and center for Valentine's Day. And we'll continue to expand Favorite Day into those big seasonal moments that are so important to our guests and important to keeping Target relevant.

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

Well, Jill, this leads the enhanced approach we take into brand management, including a team under your leadership.

Jill K. Sando - *Target Corporation - Executive VP and Chief Merchandising Officer of Apparel & Accessories - Home and Hardlines*

We launched our brand management capability years ago and created an end-to-end process to successfully launch owned brands. And that has enabled an accelerated rollout of owned brands over the past 5 years. And we've been evolving our capabilities and are now operating more like a CPG company, the research, the market analysis, looking hard at the white space. That's shaped our decision making around existing brands, like prioritizing Threshold as our flagship home brand and then offering a range of styles within it. That's critical because Target is one of the biggest home retailers in the country, and this is making it easier for our consumers to navigate our assortment and our brand management work was critical to the success of our new kitchenware brand Figmint, which debuted last fall.

This isn't the first time selling kitchenware as part of an owned brand, but it is our first owned brand devoted solely to Kitchenware and our guests love it. Baskets with Figmint items are 25% larger than our previous owned brand offering. And Figmint was one of several factors that helped us accelerate our Kitchenware business by more than 500 basis points between Q3 and Q4 taking us from a negative comp to a positive comp. Guests respond to newness and innovation and great design and Figmint is just one example of that.

Richard H. Gomez - *Target Corporation - Executive VP and Chief Food, Essentials & Beauty Officer*

There's been a lot of work in Food & Beverage to sharpen the focus of our brand portfolio. The launch of a flagship brand, Good & Gather was the first step. We focused Market Pantry on family favorites at our most affordable prices and we've also retired our previous snack and dessert brand, Archer Farms and replaced with Favorite Day, a brand with a much stronger identity around indulgent treats for the whole family.

All of this helps Target make consumer-centric decisions about our assortment, like the addition of 50 new F&B items for Easter and dozens more that we're launching just in time for the summer season, including a Favorite Day soda. Now it sounds simple, but the thoughtful, deliberate, holistic approach to designing, launching and managing our brands, it's the difference between rolling out catchall brands and the difference between that and building brands that consumers love because we're meeting their needs in a really meaningful way.

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

Well, thank you both. I love that, and that's a perfect note to close on, consumer centricity. That's a theme running through everything we've covered today, new brands like Gigglescape, Figmint and dealworthy. Our relaunched up & up and powerhouses like Gather and Cat & Jack. So thank you, Rick and Jill for that look into our owned brand work, it really is incredible.

When I think about Target's right to win in this environment and our ability to meet key consumer needs, our owned brand is foundational to so many of our plans. That's because the investments we made in our capabilities and our team over more than 2 decades, combined to form competitive advantage that few retailers anywhere can match. And it's not just a competitive moat we're talking about here because we're not hunkering down, playing defense. This work is our springboard into the future.

And through the incredible value we -- value our owned brands offer across each of our key categories, and the compelling newness they're adding to our entire assortment, we'll continue to deepen our relationships with our guests and will give all consumers compelling reasons to choose Target.

Now I'll hand it off to Cara Sylvester, who will tell us more about how we're getting these products in front of consumers and engaging with our guests and potential guests more broadly. Thank you. Cara?

PRESENTATION

Cara A. Sylvester - *Target Corporation - Executive VP and Chief Guest Experience Officer*

Thanks, Christina, and hello, everyone. Today, I'm excited to talk about our guest experience. And you might ask Cara, how do we define guest experience at Target? Well, we think of it as the way we engage across America. From simply saying hello to consumers in a warm-Target way to deepening the relationships we have with existing Target guests, to how we create moments of discovery, connection and joy that invite people to choose Target again and again.

But before we look back at the previous year and preview what's ahead, I want to ground us in a consumer point of view because to understand how Target designs its guest experience, we should start with how people are shopping today. As you heard from Christina gone are the days when people would follow a consistent and well-defined path from discovery to purchase. Today, shopping is nonlinear and simply a part of the general ecosystem of our lives.

Instead of a stand-alone experience that feels planned or predictable, shopping has become immersive, always on and fully integrated into how we all go about our days. A large portion of U.S. consumers, about 40%, start their purchase online and 20% start on social platforms. And those are just the people who are actively looking to shop. Many more are enticed to shop by the inspiration they find scrolling their social feeds for hours every day. This is expansive retail, nontraditional entry points, seamless transition between stores, online and social and fully in tune with what shoppers want and need. To meet these shoppers where they are, we spend a lot of time getting to know what matters to them and seeing the Target experience through their eyes.

it comes to keeping up with trends. Second, our guests are whenever-wherever-however shoppers, using multiple channels to create the experience that fits into their lives. They're in the driver's seat when it comes to creating the experience that works best for them. And we have to meet them where, when and how they need us.

Finally, one more important factor that defines Target guests. They are loyal, really loyal. Our most engaged guest account for a greater share of sales than we see at other competitors. Showing that the connection we have with guests is sticky and drives growth and profitability. Quite simply, guests look to target for inspiration, to find on-trend, high-quality items at a great price and to have some fun. Are we affordable? Yes. Are we fast and convenient? Absolutely. Can you check off everything on your list no matter how you prefer to shop? You bet.

But there are other retailers who can say the same. What makes Target different, what makes guests consistently choose us over any other retailer

Our ongoing investment in our digital capabilities enabled this year's fully connected holiday celebration. In 2023, we transformed our digital experience from a utilitarian shopping platform that was one-size-fits-all to one that is filled with warmth, greets you personally just like Amelia would and delivers a custom blend of newness, trend, value and ease just for you. And it's not just what the guests see but what's happening behind the scenes to power these personalized experiences. We're using generative AI to power our product detail pages to provide more friendly and relevant explanations of what guests want to know about our assortment.

AI also powers features like shop the look and our get it now assistant, which lets you know when items in your cart are available for pickup at a nearby store. It's also the engine behind the insights we use to give guests more personal experiences and rewards through our loyalty program, Target Circle. And it's a key element of how we create thoughtfully curated campaigns for consumers through our advertising business, Roundel.

This might be a good time to talk about how Roundel seamlessly integrates into the guest experience and continues to drive more than $1.5 billion in value for our business. Growing more than 20% in 2023, Roundel is the powerful bridge between our guests and the brands they love. Roundel works with more than 2,600 vendors to deliver creative that is resonant and wholly consistent with the Target experience. In return, our guests receive content that speaks directly to their interest and preferences. Take our holiday campaign with Apple.

Tech products top many guests holiday gift list. So we worked with Apple on a comprehensive campaign to keep their products front and center for our guests this holiday season. With custom content designed to reach our guests across a number of platforms, including Connected TV, YouTube and social media. Our co-created holiday video ad made us the first Apple partner to highlight the new double tap feature on its Watch Series 9 in a spot. To add relevance, we used AI on our site to position the right products in the right moments. Think serving up promotions to RedCard holders, so they get the best deal plus extra 5% off by using their card or helping a guest find a perfect gift for their teenager, hint, go for the AirPods Pro.

This integrated campaign tapped into our powerful ecosystem of digital, social, marketing and merchandising and absolutely resonated with shoppers. We deepened relationships with existing fans and attracted new ones with a significantly higher new guest rate compared to prior Apple campaigns at Target. In addition to the way Roundel powers the guest experience when guests are browsing our app or website unique to Target is our media mix with 35% of revenue being generated outside of our owned properties. That means that we're able to connect with consumers wherever they are, like on social or streaming platforms, driving more than 250 million visits to Target properties in 2023.

And social is increasingly where our guests are. We have more followers than any other mass retailer on TikTok with incredibly high engagement, which underscores our opportunity to connect the love that guests have for us on social to a smooth path to purchase in stores and on our digital properties. Our guests use social to stay in touch with the latest trends in a way that feels specifically designed for them. So we're working across the spectrum of social, from user-generated content and Target creators to our talent partners and Target owned platforms to make it easier for guests to maintain that discovery mindset as they shop.

Over the coming year, you'll see us experimenting to bring off-platform content on to our digital properties, so guests can find inspiration right on our sight and our app. And we'll blend social and commerce to create an experience that taps into real-time trends and makes off-line inspiration to online purchase intuitive and easy. So imagine a guest looking for just the right things for a housewarming celebration. They open our app, which is personalized just for them and type in housewarming party ideas. Using generative AI search, they see the latest products that fit their style and preferences, including delicious snacks from Good & Gather, cheap party supplies, modern glassware and even some new party outfits.

We brought the fun of wandering the aisles of our stores alongside inspiration from lifestyle influencers to spark new finds, like beautiful living room decor. Our guest uses 3D visualization to see it in their space and AI-powered reviews to learn more. They love it and snap it up along with their must-have party supplies. Within a few hours, their haul arrives thanks to same-day delivery, they love the items so much. They share their finds on social media, inspiring other guests to shop Target.

This is the future our teams are working on today, a seamless fluid shopping experience across stores, digital and social, and centered on what our guests want and need. And knowing what our guests want and need, deepening our connection with them and making millions of guests feel that every visit is made just for them is at the heart of our loyalty program Target Circle. We introduced the program in 2019 as a way to say thank you to guests with deals, rewards and perks. Today, we have more than 100 million members who have earned $2 billion in rewards. Members have told us how much they value the program, and it shows.

And throughout the recent holiday season and so far this new year, it's been great to have an opportunity to spend even more time with teams in both our stores and supply chain facilities. While our financial conversations often focus on the metrics we use to assess our performance, there's no substitute for seeing firsthand the strength of our operations, the benefits that come from well-managed inventory and newness and hearing our talented team is focused on building for the future.

So before I move into the financial portion of my remarks, I'm going to spend a few minutes on my priorities as I move into this new role. And as I've mentioned to my new team, I'm coming into this job at a time when our operations are in a very strong position. As such, my top priority is to build on the foundation that John Mulligan and the team have already established, and I'm fortunate to have an outstanding group of leaders already in place. As you've heard from John over the years, the operations team is focused on advancing multiple long-term initiatives to expand our footprint, modernize how we support our business and advance our company strategy. These efforts begin with investments in our store network, developing new locations, remodeling existing ones, supporting key partnerships like Ulta Beauty, enhancing our same-day services and more.

We're also transforming our supply chain. This includes our journey to automate upstream replenishment with a focus on reducing store workload and increasing reliability. It also includes the build-out of our sortation center network, which offers faster delivery times while meaningfully reducing the cost of last mile delivery. Beyond this investment in our infrastructure, we're partnering with teams across the company to enhance our inventory positioning and demand forecasting, leveraging AI and machine learning to enhance our speed, consistency and efficiency. And of course, we're focused on the support and development of our team, including their pay, benefits, training and well-being. As I've said consistently, during my time as CFO, our team is our most valuable asset, and I'm bringing that perspective into my new role.

As Christina mentioned earlier, beginning last year, our team renewed their focus on retail fundamentals after several years of managing through unusually high volatility. These efforts focus first on in-stocks, but encompass a broad array of measures relating to guest experience. In total last year, our store teams rolled out new training on 25 separate best practices, and we've seen the benefit in our recent guest surveys. While those initial improvements are encouraging, we'll continue on that journey throughout this year to ensure we're setting the standard for the shopping experience in U.S. retail.

So now let me turn to our financial results. And while our focus today is on the future, I'm also going to give a look back for perspective on our longer-term trajectory. I'll begin with a review of last year's financial performance and then compare and then examine how it compares with a decade ago. With that context, I'll look ahead to our aspirations over the next 10 years and conclude with our outlook for 2024. It's clear that last year was unusual as top line results came in below our guidance, but our bottom line performance came in well ahead of expectations. For the full year, we saw a 3.7% decline in our comparable sales, reflecting quarterly traffic trends that varied widely from the strongest performance in Q1 to the softest in Q2 and an improving trend in Q3 and Q4.

As traffic improved, we saw a better comp sales trend, better digital sales and a dramatic improvement in discretionary categories. On the operating margin line, our business delivered dollar growth of nearly $2 billion last year, well beyond our initial guidance of $1 billion or more. This was driven by a rebound in our operating margin rate from historic lows in 2022, a year where we faced unusually high markdown rates, sky high freight and transportation costs and rising rates of inventory shrink.

Last year, as the team managed inventory really well, markdown rates improved dramatically, and we saw a huge reduction in freight and transportation costs more than we expected as we entered the year. Healthy inventory levels also helped our operations, without the need to manage overfilled backrooms, store teams were able to flow product onto their sales floor more easily and increase their focus on guest-facing work.

Similarly, our supply chain0 0 1 36 55r$1 plped oa1t'moo.s clear th.061lrable sales, etheir focus on g.fies. Ofe3bnd hused And oxost thuchuest quirm, I'm ba for our team and higher inventory shrink. And finally, last year, we continued to benefit from our Roundel ad business, which grew more than 20% in a year when we were facing challenging trends on the top line.

Altogether, last year's profit performance led to growth in our GAAP and adjusted EPS of nearly $3 or just under 50% compared with the prior year. In addition, cash from operations more than doubled from $4 billion in 2022 to $8.6 billion last year. And finally, after-tax return on invested capital expanded by well over 3 percentage points from 12.6% in 2022 to 16.1% last year.

Before I include my recap of 2023, I want to provide an update on inventory shrink, which includes the impact of retail theft. Last year, consistent with expectations, shrink cost increased more than $500 million compared with 2022, representing about 50 basis points of incremental rate pressure. Even more notable, compared with 2019, shrink costs have reduced our operating margin rate by a cumulative 1.2 percentage points over a 4-year period.

Happily, we've seen some encouraging trends recently resulting from both the actions we've taken and the community efforts we're seeing across the country. I want to pause and give a quick shout out to our assets protection and information security teams who are working around the clock to protect the safety of our team and our guests. I'll add, however, that because it's a lagging metric, we're planning for shrink rates to remain approximately flat in 2024. So now with last year in the books, I want to briefly pull back the lens and look back over the last decade, which is a very long time in retail. This will help to highlight the journey we've been on and the capabilities we've developed serving as the foundation for the next decade of profitable growth. As you all know, the last 10 years were a time of rapid change in retail.

This led to some sluggish results at Target in the early years as our business faced some significant challenges. Those periods were followed by rapid progress in later years based on the steps we took to address those challenges. Let's start with the top line. In 2013, our U.S. business generated about $71 billion in sales, while 2023 sales were about $34.5 billion higher, representing an average growth rate of about 4% per year, breaking down that growth by channel, about $16.5 billion occurred in our stores, while digital sales grew by another $18 billion becoming nearly 13x larger over that decade.

Within our digital sales, same-day services, which didn't exist 10 years ago, accounted for $12.5 billion or 70% of our digital growth between 2013 and 2023. On the bottom line, our adjusted EPS in the U.S. grew by an average of about 7.6% per year from $4.29 in 2013 to $8.94 last year, while GAAP EPS from continuing operations grew slightly faster.

On top of those EPS gains, our per share dividend grew at an average rate of 10.7% per year from $1.58 in 2013 to $4.36 last year. I'd note that these bottom line returns were delivered during a decade in which our operating profitability experienced a meaningful amount of compression from a 6.7% operating margin rate in 2013 to 5.3% last year. As we experienced significant pressure from inventory shrink and higher digital penetration. Going forward, we expect to offset at least a portion of this decline over time as we work to achieve an optimal and sustainable operating margin rate.

Turning to capital deployment. Our priorities have remained consistent for decades. So I'll briefly reiterate them here. We first look to reinvest capital in our business in projects that meet our strategic and financial criteria. Second, we look to support the dividend and build on our 52-year record of annual increases in the dividend per share. And finally, we deploy any excess cash after these first two uses to repurchase shares within the limits of our middle A credit ratings. Over the last decade, our operations generated just over $67 billion of cash. And during that time, the lowest level of any single year was still more than $4 billion. These cash returns demonstrate the durability of our business as we navigated through several challenging periods over those 10 years.

They also give us a lot of confidence in our prospects for making continued productive investments in the years ahead. Throughout that entire decade, deployment of cash was consistent with our long-term priorities. Just over $30 billion was devoted to CapEx, accounting for about 45% of the total. Another $14.5 billion was paid as dividends and cumulative share repurchases accounted for the remainder of just over $22 billion as we retired more than 206 million shares at an average price of about $108, all while maintaining our Middle A ratings over the entire period.

So now with that long-term look back as context, I want to turn to what we expect to achieve over the next 10 years, beginning with the top line, of growth with increases in the low to mid-single-digit range in a normal year, consistent with our average over the last decade. We'll support this comp growth with continued investments in our business in remodels, owned brands, national brands, signature partnerships and value-added services across all channels.

Turning to remodels. We plan to invest in the vast majority of our nearly 2,000 store fleet over the next 10 years. Each year, projects will range from full-scale remodels in which we touch the entire store to more surgical investments, including the addition of Ulta Beauty locations, fixture upgrades, support of our same-day services and more. On top of existing stores, we'll continue opening new locations based on the strong financial returns they generate.

As Brian mentioned, most of these new stores will be larger on average than we've opened in recent years. Based on the opportunities we've already identified, we expect to open more than 300 additional stores over the next decade, meaningfully extending our reach into new neighborhoods. By the end of those 10 years, we expect those new stores will be generating incremental sales of around $15 billion annually.

Beyond our buildings, we'll continue to focus on the well-being of our team members who enable our growth and serve as the face of Target every day. As Christina and Cara highlighted earlier, the human element as exemplified by our team as a continued differentiator for Target in a world where commerce is becoming increasingly mechanized and impersonal. Finally, over the next decade, we expect to continue seeing outsized growth in other revenue. This has been driven in recent years by our Roundel ad business, which contributed more than $1.5 billion of value to Target last year to the benefit of both gross margin and other revenue. On top of Roundel, we also expect our digital marketplace, Target Plus, to make a more meaningful contribution over the next 10 years.

Putting this all together, over the next decade, we expect our total revenue will grow by an average rate of roughly 4% per year over the next 10 years. If we attain that goal, our business will add more than $50 billion of revenue on top of the $107 billion we delivered in 2023. That growth will enable our business to further benefit from scale efficiencies as we continue to extend our reach in the U.S. market. On the operating margin line, our ambition is to reach the optimal rate to maximize profit dollar growth over time. While we don't yet know what that rate will be, we believe it will be at least as high as our pre-pandemic rate of 6%. We made enormous progress in moving back towards 6% last year and expect to make continued progress in 2024 and beyond.

Once we reach that 6% milestone, we'd be happy to continue moving higher as long as we're seeing appropriate dollar growth. For example, if we're successful in reducing shrink over the next few years, that might support our ability to sustainably operate above 6% over time. Regarding CapEx, we don't apply a rule of thumb to determine annual spending. Rather, we maintain a bottom-up plan and allocate capital to all the projects that meet our strategic and financial criteria. As you've seen in recent years, annual CapEx will vary based on the external backdrop and individual project investments, which naturally follow the evolving needs of the business will vary as we snap this chalk line in a specific year.

For example, while in 2022, we needed to rapidly expand our upstream replenishment capacity. We're no longer feeling that same urgency today. Similarly, while we love what we're seeing in our sortation centers and expect to meaningfully grow their capacity over time, the pacing of sort center investments has slowed somewhat in the near term given the brown box last mile delivery volumes declined significantly last year. When we put together all of those considerations, along with our long-term growth ambitions, we believe annual CapEx will typically range between $3.5 billion and $5.5 billion in 2025 and beyond. Regarding our second capital priority, we expect to continue growing the per share dividend over the next decade and we'll manage the rate of annual increases with a goal of reaching a 40% payout ratio over time.

As for our third capital priority, we expect share repurchases will continue to play a meaningful role in our EPS growth in years ahead. Our strong balance sheet successfully absorbed a number of powerful shocks in 2022. And last year, we made significant progress in moving our debt metrics back to appropriate levels. This sets the stage for a potential resumption in repurchase activity later this year. Altogether, we believe we can deliver anticipating a further recovery in unit trends this year as inflation continues to moderate. Altogether, we're planning for a modest increase in comparable sales in the 0% to 2% range for the year. Within the year, our top line will face the highest hurdle in the first quarter, while over the remainder of the year, we'll be comparing over notably softer results. As a result, while we're looking to build on the momentum we've seen in recent quarters, our plans anticipate a comp decline in the first quarter.

After that, we're planning for a resumption of top line growth over the remaining 3 quarters of the year. On the operating margin line, we expect the impact of inventory shrink will be roughly flat to last year. In addition, given our cautious top line expectations and continued investments in long-term growth, we'll likely see some deleveraging on the SG&A line. In terms of tailwinds, we're planning for modest improvement -- modest rate improvement in shipping and transportation as we annualize the benefit of the lower rate contracts negotiated throughout 2023. We're also planning for continued outsized growth in our Roundel ad business, contributing to both gross margin and other revenue. And of course, we expect our efficiency work will benefit both our gross margin and SG&A expense rates.

Altogether, in 2024, we're planning for a modest increase from last year's 5.3% operating margin rate as we continue moving towards our 6% goal. On the bottom line, our 2024 expectations translate to a full year range for both GAAP and adjusted EPS of $8.60 to $9.60. On first glance, the midpoint of this range represents growth of just under 2% versus 2023. However, I'd note that it's equivalent to a mid- to high single-digit increase on a 52- to 52-week basis, given that last year had an extra week. Regarding the first quarter, our full year plans translate to a range of $1.70 to $2.10 for both GAAP and adjusted EPS on an expected 3% to 5% decline in comparable sales.

Turning to our balance sheet and capital deployment. We continue to expect a CapEx range of $3 billion to $4 billion for the year and are planning for another strong year of cash generation. Later in the year, we'll recommend that our Board approved another increase in our per share dividend. And finally, while we don't expect to repurchase any shares in Q1, we may be able to resume that activity later in the year within the limits of our that's been on top of the list for decades. Simply put, investing in the right strategies and capabilities for our consumers and our business is a surest way to deliver outstanding shareholder returns over decades.

As you've seen in the last decade, there's a lot we can't control in the operating environment, but we are in charge of our financial decisions and the business plans and investments that drive our performance. We know that if we perform well for consumers, their market will reward investors who are fueling those efforts. That's why you've seen us highlight our road map this morning. It reflects our team's eagerness to grow, and more importantly, our plan to execute on that ambition. It's how we're putting the assets and capabilities we've built in the last decade to work in ways that are inspiring and in step with how consumers will be shopping in the next decade.

Keep in mind strengths that are unique to us, a comprehensive competitive position, a position that's difficult to replicate because no one can put it all together like Target. We've said it before, it's the power of [brand], from our stores and digital experiences to our fulfillment options, our multi-category portfolio, our signature brand partnerships, our own brand (inaudible) and above all, our global team. Our 400,000 Target team members and a talented and dedicated and determined leadership team, who have led and will keep leading our team through go time. But make no mistakes, everyone at Target from the check lane to the C-suite is committed to the next era of grow time. Now we look forward to hearing from you. I'll ask Christina, Cara and Michael to join me back on stage so we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

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

Hands are going up, why don't we start right here?

Simeon Ari Gutman - *Morgan Stanley, Research Division - Executive Director*

Simeon Gutman from Morgan Stanley. My first question is on the buying discipline. So Target makes a lot of its profit on discretionary products. Do you think you've developed new muscle over the last year or so? Or you just reacted to the environment and we'll see some of this go back?

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

Christina, I think that's a great place to start. And you can talk about the work we've done with our global sourcing teams to make sure we are evolving the way we buy goods across the country.

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

Yes. Thank you for the question. We have evolved significantly over the last 1.5 years plus. What we've been living through over the last couple of years really has been quite unprecedented. And the opportunity has been to infuse more agility and flexibility into our model. So in 2023, we bought with an intention of [placing bets] on the things that we were most excited about, innovation, newness, our own brands, where we saw the business trends were. But we also wanted to make sure that we created flexibility in the model. And so overall, we certainly bought less in those down-trending categories to manage the inventory. But by buying less led to swifter operations, ease and just clarity in how to operate within this environment. We were also able to introduce levers through dual sourcing capabilities, a country of production diversification having more domestic backup.

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

Yes. And maybe just add on that by kind of reinforcing a point Brian made. I love the fact you can't decompose our strategy and to discrete things. It's how they work together, a guest engaging with circle that finds discretionary category discovery within that experience. And so it's never 1 that this year. I'd call out the continued benefits of something like our sortation centers. We have a sortation center in a market ,we're faster and we're cheaper than other forms of delivery.

I also -- I mean we touched on a little bit in the conversation already, but it warrants another shout out. The benefit of exceptionally well-managed inventory just shows up everywhere. We're so much more productive in-store and in our DCs when inventory is well managed. And so I feel really good about the team's work there in 2023. I feel great about our inventory position as we step into 2024. And I would expect our teams to continue taking the growth we've seen and the growth we expect and to translate that more into more efficiencies over time.

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

Yes. Michael, I'd only add that taking a very measured approach to setting priorities year-by-year. We see opportunities in stores, in supply chain, opportunities to better leverage technology to continue to build on that efficiency road map. So year after year, we'll reset priorities to make sure we're laser-focused on delivering those results, and they'll build over time. All right. Back over here.

Daniela M. Bretthauer - *HSBC, Research Division - Senior Analyst of US Consumer Staples*

Danny Bretthauer with HSBC. Question to Cara on the new Target Circle program. I mean, is $49, obviously, like an introductory price? How long are you willing to sustain at the price level? Because I think it's hard to make the math with same day 1 hour delivery at $49 and how do you plan to compete with the other programs, loyalty programs out there? What would be some of the key differentiators other than this entry $49 price point.

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

Cara, I'll let you take it away.

Cara A. Sylvester - *Target Corporation - Executive VP and Chief Guest Experience Officer*

Take it away. We're really excited to talk about it. And I think it's really important that we really anchor on the entire Target Circle ecosystem. That was really important to us. And the notion of accessibility and for all is really, really important. That's why we first are reimagining how we're thinking about delivering value. Our guests are really clear. They want value, affordability and they want ease and so we're making it even easier for our 100 million members to actually be able to get the deals and rewards that they want with automatic savings applied at checkout. I'll hit on your question around pricing in just a minute, but I think it's really important to talk about our cardholders as well. Today, the cardholders, that program doesn't work with Target Circle. And so what we're doing is we're actually bringing these 2 things together.

So that not only do you get 5% off every trip, and extended returns and free shipping, you also get all the benefits of the base Target Circle program, which are those deals that our guests love and those personalized rewards that are based specifically on your shopping behavior. The other thing that we're adding for our cardholders is an evergreen price of $49 for Target Circle 360. So if you are a cardholder for us, always on price will be $49, which is an amazing price, and it's less than $1 a week of the magic of Target delivered to your door.

For Target Circle 360, we're really excited to build on our strength in same-day delivery since our acquisition of Shipt in 2017, you will get the magic of Target delivered to your door in less than an hour. You'll also have access to the Shipt marketplace of benefits. You will also have access to all of those deals and rewards and personalized perks as part of the base Circle program. It's just the beginning for us, that $49 is an introductory promotional price for Target Circle 360.

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

Ed, it's a great question. I'm happy to start. And actually, over the last couple of years, you've seen us move from a focus on small stores, and we can talk about the performance there to more larger-sized stores as we see new opportunities and catchments where we haven't competed in the past. And we've been very pleased with the performance of these new full-size stores as well as the continued performance in urban centers and on college campuses.

So as we look at our pipeline going forward, we recognize there's opportunities for more full-size stores, extend our proximity, bring the best of Target into some new trading areas. And as part of that, you will see us continue to expand our food and beverage offering. Rick talked about the progress we've seen in food and beverage and adding over $8 billion in the last couple of years and the strength of a brand like Good & Gather and for many of you who are tracking the consumer packaged goods industry, there aren't a lot of $4 billion brands out there.

And we launched that brand just prior to the pandemic. And we just continue to see the steady growth and how our guests react to the quality and value we bring with Good & Gather. So we're excited about the pipeline. It will be more larger-sized stores. There will be a broader food offering. And we're going to be moving into trade areas where we can pick up incremental volume and market share because we, in many cases, just haven't competed in these trade areas in the past. Michael, do you want to talk about some of the returns we're seeing with some of our smaller stores.

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

Yes, we feel really good about the returns of those small stores. And it's great to have that flexibility in kind of our toolbox of what's the right thing to build for the opportunity in a specific market. And to be clear, going forward, if the right opportunity can be fit with a 25,000 square foot box that brings us closer to a college campus or an urban center. We know how to do that. We like the returns, and we'll lean in there. But as we step back, and look at what that pipeline looks like in total. It's actually the big box stores where we're able to bring the best of Target that are bubbling to the top in terms of where we expect returns to be strongest. And so we'll lean in to that shift over time. And if our properties team was here on the stage with us, they could roll out a map of the U.S. and show a bunch of main and main locations where we'd love to bring Targets to new communities, and we feel good about what that pipeline looks like.

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

And I'd add 3 more points as we think about small formats. And we're here in Manhattan. 10 years ago, we really didn't have a brand presence in Manhattan. Today, we have over a dozen locations, and we're in many of the different neighborhoods across the city. We've now been connecting with a consumer that we couldn't reach in the past. And we're going to build a long-term relationship there. We're on many college campuses across the country. We know the value of building a connection with college students while they're on campus and the lifelong benefits that's going to provide for our brand as they move into their first apartment or have their first child and start their families. And one of the other things like Christina build on it is the work we've done with smaller formats has allowed us to understand a lot more about segmentation and getting the assortment right geography by geography.

So as we move into new markets, we're going to get much better at segmentation, having the right assortment that reflects the demand in those local markets. So there have been 3 really important benefits of our small format journey. We're touching new cities where we didn't have our presence in the past. We'll build a lifelong connection with college students, and we've learned a lot more about segmenting our assortment.

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

Yes. The only thing I'd add, even the lifelong relationship with college students, you heard Jill be very intentional. We actually seek to make sure that we are really relevant at certain life stages, especially early on in our consumers' lives. Think about the strength that we have in a business like baby, then we migrate them to toys, then we migrate them into video games and/or into juniors. And then having then presence, we do very well at back-to-school and back-to-college time frames. It's very intentional in making sure that our brand stays in touch with families through every life stage. College is the natural next step in that phase and then, of course, back to childbirth. So afterwards. And so that's been very intentional, but then to build back on segmentation opportunities yes, we've learned a lot. I mean, these boxes are small. They're difficult to operate.

We certainly have to cut the SKU count intensively, and we have to study the macro -- or the micro environment of competitors. And so this ability to formulate the right assortment strategy for that community has taught us a lot about the potential to expand that further into our larger size boxes. And we see tons of upside and potential in more sophisticated segmentation and allocation strategies that allow us to optimize the local potential.

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

Cara, one of the things you and I talked a lot is as we open up new stores, there's certainly a physical store component. We drive a lot of new revenue. But there's also benefits from a digital standpoint as we introduce the brand to new communities, you want to expand on some of the things we've learned.

Cara A. Sylvester *- Target Corporation -*

So on a year-over-year basis, that's a big source of improvement. Within there too, freight and transportation is in a much better place today from a cost perspective, not all the way back to 2019 levels, but on a year-over-year basis, another significant source of improvement. In addition, we also see benefit from digital and supply chain to the tune of, I think, 50 basis points in the right direction for the quarter and the year.

And that's a combination of being more productive as inventory levels have been better managed and a little bit of tailwind from fewer brown boxes shipped with our brown box business being down on a year-over-year basis. As we look ahead to next year, all of our best assumptions are wrapped into the EPS guidance we've given. And a little bit of deleveraging, given a cautious view on the top line with some continued improvement in gross margin, we think is going to be the right recipe going forward.

When it comes to a Target Circle instead of speaking to any specific assumption within that business case, I think of Target Circle is about growth. When we meet our guests with the right value proposition in a free loyalty program and the right value proposition and Target delivered to your doorstep through Target 360 and if you're looking for 5% more every day, we've got to Target Circle card for you. All of that is about stronger relevancy in growth.

And so the line of the P&L, I'm most excited about from a Target Circle standpoint is growth. And time and time again, if we think about the P&L through the lens of the guests, we get to the right decisions. It costs us a little bit more to serve a Drive Up order than it does an in-store trip. But when guests start using Drive Up, we've described it before, it continues to be true. They spend 20% to 30% more at Target thereafter. And so we're making decisions with what we think drives the most value and growth in total.

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

Okay. Go back here.

Ivan Philip Feinseth - *Tigress Financial Partners LLC, Research Division - Director of Research*

Ivan Feinseth, Tigress Financial Partners. Congratulations on the great results out this morning. I have 3 questions. First, Cara, in thinking about like store layout and remodel, like, for example, in my local Target, food is on like the left side, but yet cookware is all the way on the other side of the store. And sometimes when I'm purchasing food, I find the need, I may need some cookware to do the dish I'm looking to cook. As an example.

Second is information that you get from using Shipt where a Shipt customer will go outside to other retailers? How much do you take on that information to decide what you're going to carry in the stores? And then if they're using, let's say, buying premium brand, how high of a premium product point do you see yourself going because there are some of your competitors that are using value priced food to bring in customers, but those customers are buying premium priced products.

And then third, on the partnership, what other areas do you see? And how far of a premium level would you go in adding partnerships within your store?

Cara A. Sylvester - *Target Corporation - Executive VP and Chief Guest Experience Officer*

There's a lot there.

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

So Cara, why don't you start with partnerships? And Christina, why don't you talk about some of the learning that we have around how we build assortments?

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

Yes. So as we look at the first quarter, I think the key thing there is our cautious approach on the top line, and there's some differences year-over-year in what we anniversary, but that's a source of pressure in the first quarter. As we get back to growth, deeper in the year, we'll see some of that pressure subsides. So that's the headline on that one, Chris.

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

And Chris, from a market share standpoint, I can assure everyone here, we look at market share in a very granular way every single week across our entire portfolio. And we're going to be very focused on taking market share as we go forward. I'll step back, not just look at the last year, but the last several years. And if I go all the way back to the prepandemic, we've added billions and billions of dollars of revenue growth. I think, Michael, over $30 billion.

And we've deepened our relationship with guests along the way. We've added more capabilities and features. We've deepened partnerships. And those are going to guide us to be even a more relevant retailer and partner for consumers and guests for years to come. So we are very focused right now over not just the next year, but the next 10 years, to continue to drive even more traffic to our stores and visit store site to make sure we are a company that's driving top line growth because we know that's the best way to reward our shareholders.

And we are absolutely going to be razor-focused on taking market share as we go forward. And sitting here today, we know there are significant opportunities across virtually every aspect of our portfolio, whether it's the work that Jill is leading and apparel and home or the work Rick is doing from a food and beverage standpoint and a beauty and essential standpoint, whether it's physical stores or digital, we see a pathway for continued market share growth, and we'll look at that every single week and talk about it every quarter because we know that's critically important to our road map for growth.

So I appreciate everyone who joined us in person today. Those of you who have joined us through the video and the conference. Thanks so much. We look forward to seeing you and hearing from you during our first quarter earnings report. So thank you so much.

Operator

Thank you for joining us.
