

Michael Fiddelke

**Executive Vice President and
Chief Financial Officer**



**The environment
rapidly **changed**.**

2022 Profit Headwinds

>\$1B

excess markdowns

\$1B

higher freight + transportation

>\$500M

higher inventory shrink

**The environment
continues to *evolve*.**







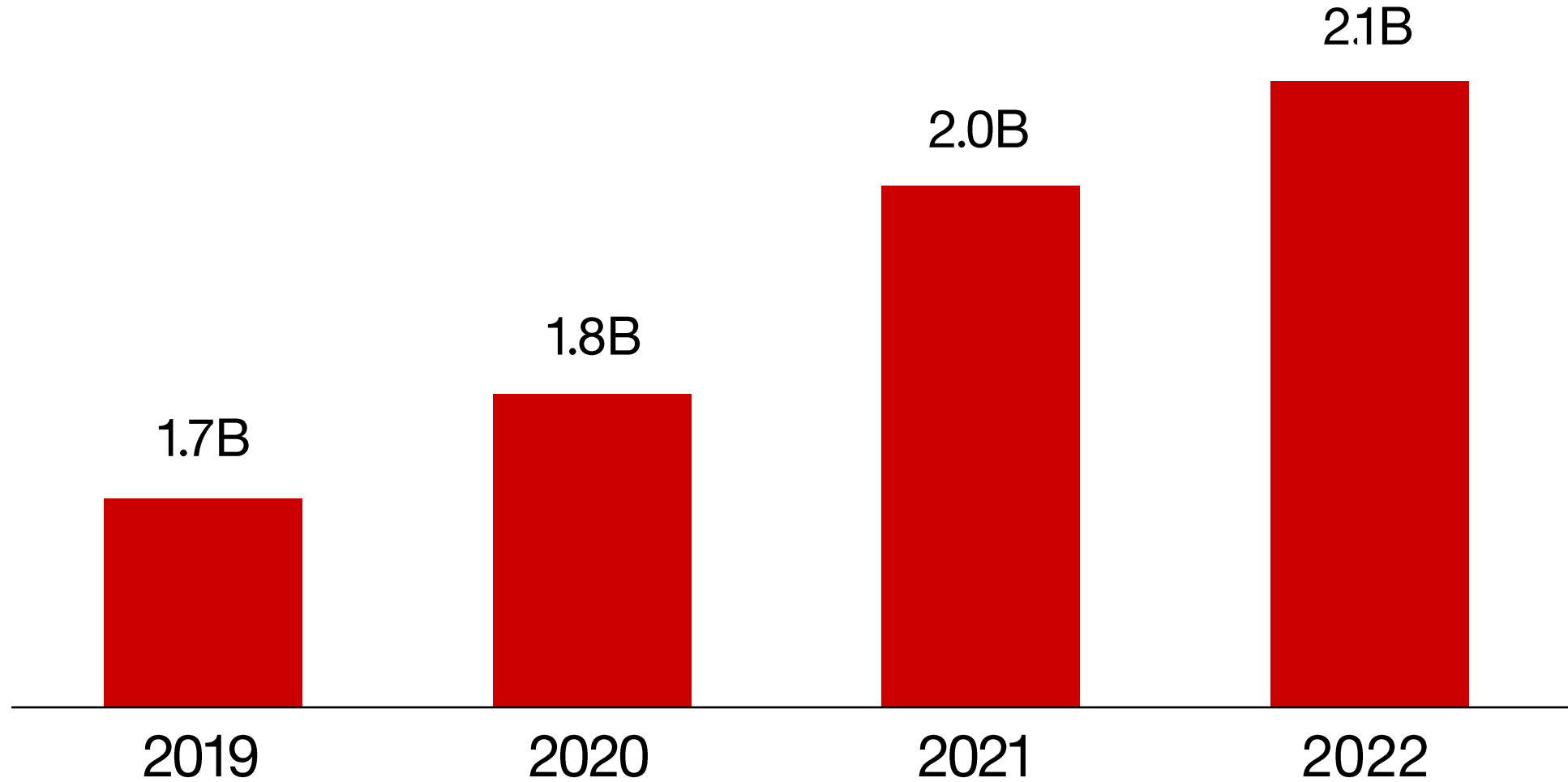
>50%
of digital sales

>10%
of total sales





Guest Transactions





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HEARD ON THE STREET

Shoplifting Fuels a \$94.5 Billion Problem at American Stores

A massive rise in theft is chipping away at an advantage brick-and-mortar retailers have over e-commerce companies: the ability to touch the merchandise.

**The economy
is still in **transition**.**

Bloomberg

Inflation-Wary Shoppers Pull Back as Goods Pile Up in Stores

- Slammed by inflation and uncertainty, consumers pull back
- Both business and individual bankruptcies could rise next year



A shopper in the toy aisle of a Target in Chicago, on Black Friday. *Photographer: Christopher DiIts/Bloomberg*

The New York Times

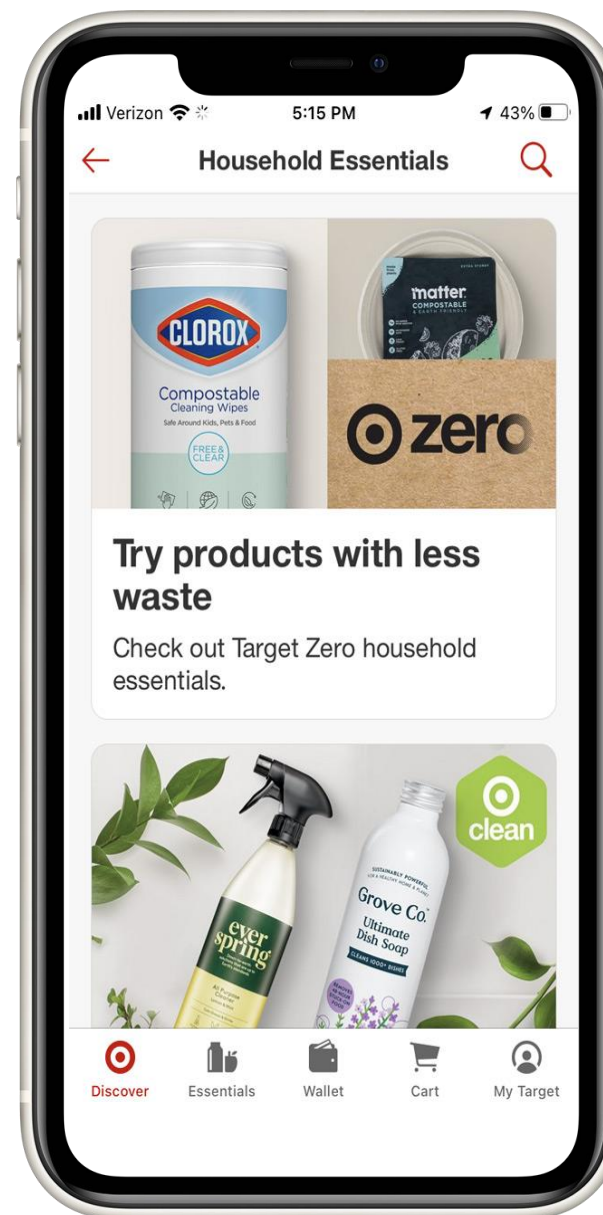
U.S. Mortgage Rates Rise Past 7%

The average rate on 30-year mortgages — the most popular kind among Americans — rose to the highest level since 2002, tracking the Federal Reserve's aggressive campaign of rate increases.





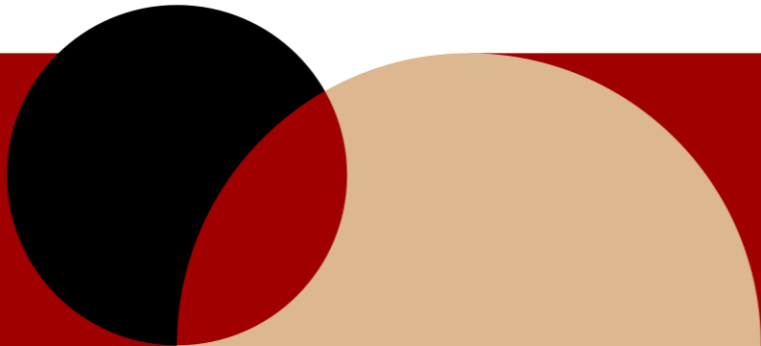
**We remain in a
very strong position.**





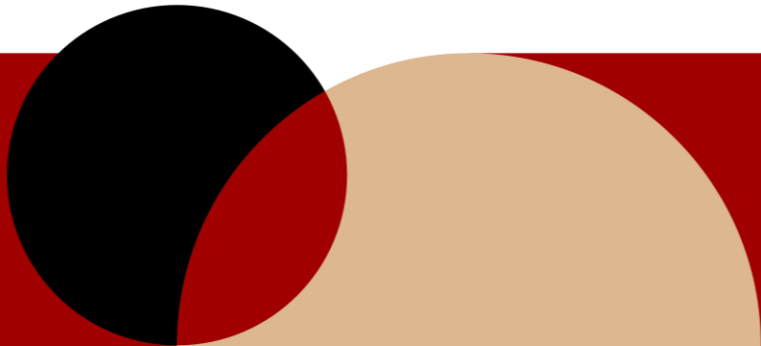
**Our path forward
is **clear.****

Agility + Execution





Long-Term Investments







2023 Cash Flow Drivers

- Increased profitability
- Slower pace of CAPEX
- Faster inventory turns
- Improved payables leverage
- Recovery in working capital

Share Repurchases:
only within the limits of our middle-A ratings

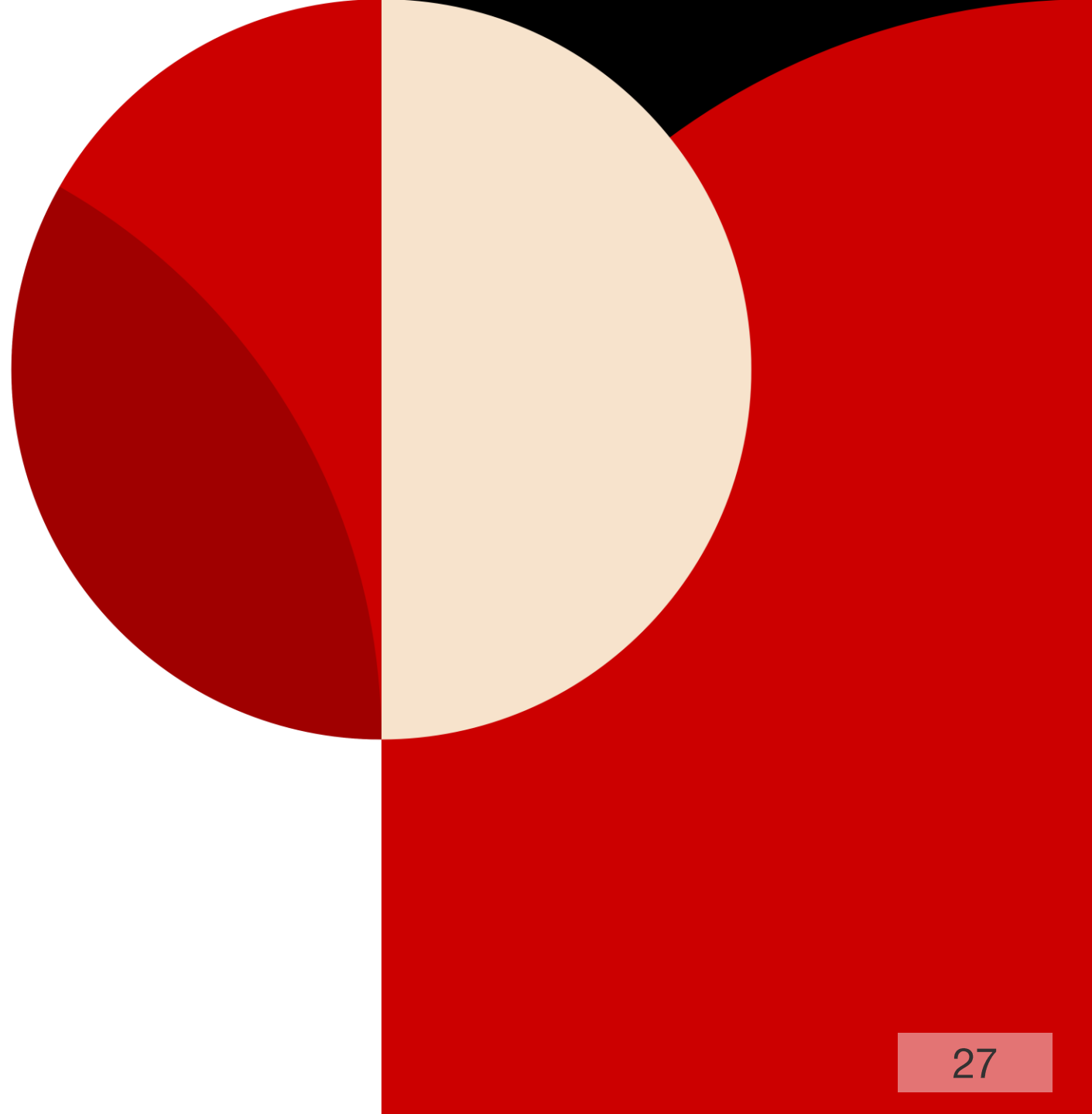
Capital Deployment Priorities

Invest in our business

➤ **Support** the dividend

➤ **Repurchase** shares

2023 Outlook

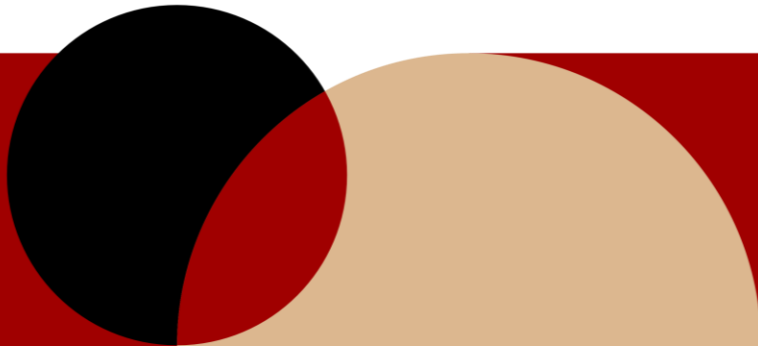


Q1 2023 Expectations

- Comparable sales range:
low-single digit decline to a low-single digit increase
- Operating income: 4% to 5%
- SG&A expense rate: ~1pp higher than 2022
- GAAP EPS and Adjusted EPS: \$1.50 to \$1.90

Full Year Outlook

Caution is the appropriate posture in this environment.



Share Gains + Sales Growth



2023 Expectations

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low-single digit decline to a low-single digit increase

2023 Profitability

Tailwinds

- LY inventory actions
- Freight and transportation

Headwinds

- Inventory shrink
- Soft discretionary sales
- Promotional intensity

2023 SG&A Expenses

- Continued, strong discipline
- Investments in team + guest experience
- Potential rate deleverage

2023 Expectations

- Comparable sales range: low-single digit decline to a low-single digit increase
- Operating income: increase >\$1 billion
- GAAP EPS and Adjusted EPS: \$7.75 to \$8.75
- CAPEX: \$4 billion to \$5 billion



Operating Margin Over Time

- Should grow to 6% or more over the next few years
- Could attain 6% as early as 2024, depending on economic conditions



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Long-Term Goal:

Maintain the rate that maximizes sustainable dollar growth



