



**Financial
Community
Meeting**

Michael Fiddelke
Chief Financial Officer



**Financial
Community
Meeting**

Our Business

Sustainable Model

Build on Our Success



**Low-single
digit comps**

**Mid-single
digit growth**
in Operating Income

**High-single
digit growth**
in EPS

**Continued Expansion
of After-Tax ROIC**



Quarterly Numbers

Profit Rates

Single Transaction

Promotions

Cost of Labor

OR

Future Investments

Profit Dollars

Lifetime Value

Everyday Prices

Investments in Team

Quarterly Numbers

Profit Rates

Single Transaction

Promotions

Cost of Labor

Short Term

Future Investments

Profit Dollars

Lifetime Value

Everyday Prices

Investments in Team

Long Term

OR

Quarterly Numbers

Profit Rates

Single Transaction

Promotions

Cost of Labor

Short Term

Future Investments

Profit Dollars

Lifetime Value

Everyday Prices

Investments in Team

Long Term

AND

Long-Term Focus

Strong Execution Every Quarter

Strong Topline Growth





Now Open



750



100

100

100

100

100

100

100



100





CASY
TARGET

Registry

and
without
the waiting

pickup

Get More
To Your Door.

Get \$25

Exchange & Return P

Check & Electri

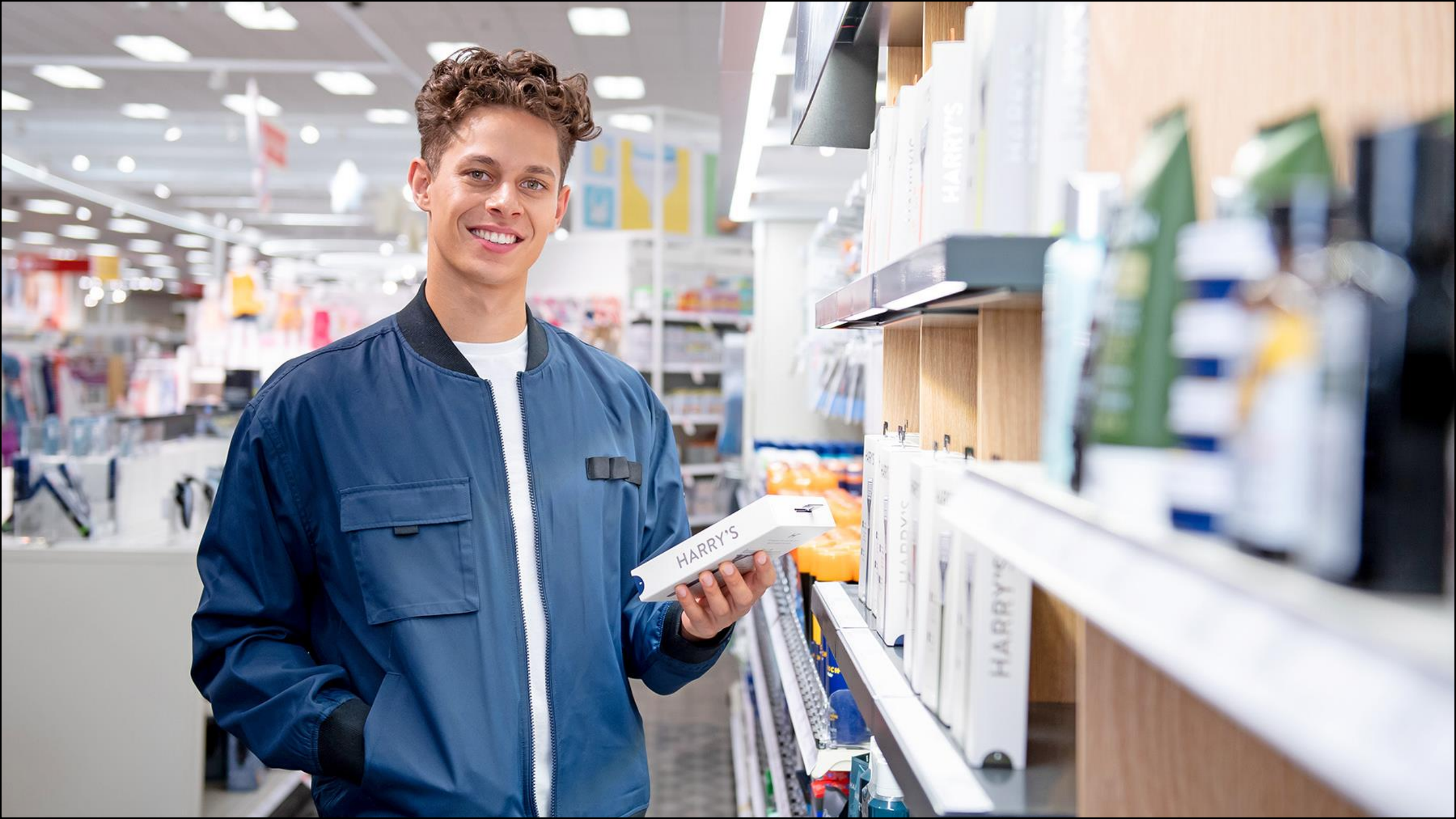
Profit Rates vs. Topline Growth

2019 Performance

- Traffic **up 2.7%**
- Comparable sales **up 3.4%**
- Operating Margin Rate **up 50bps**
- Operating Income Dollars **up 13.3%**
- GAAP EPS from Continuing Operations **up 15.4%**
- Adjusted EPS **up 18.4%**
- After-Tax ROIC of **16.0%**

Relevance & Growth

The path to long-term profit dollar growth **is healthy topline growth.**





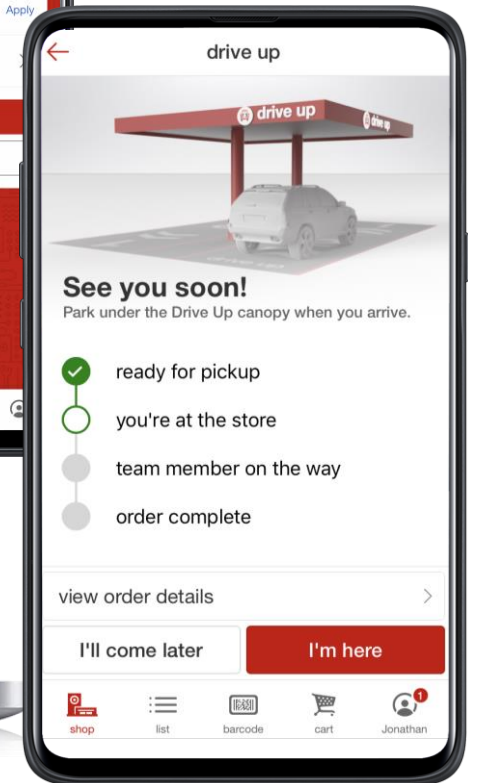
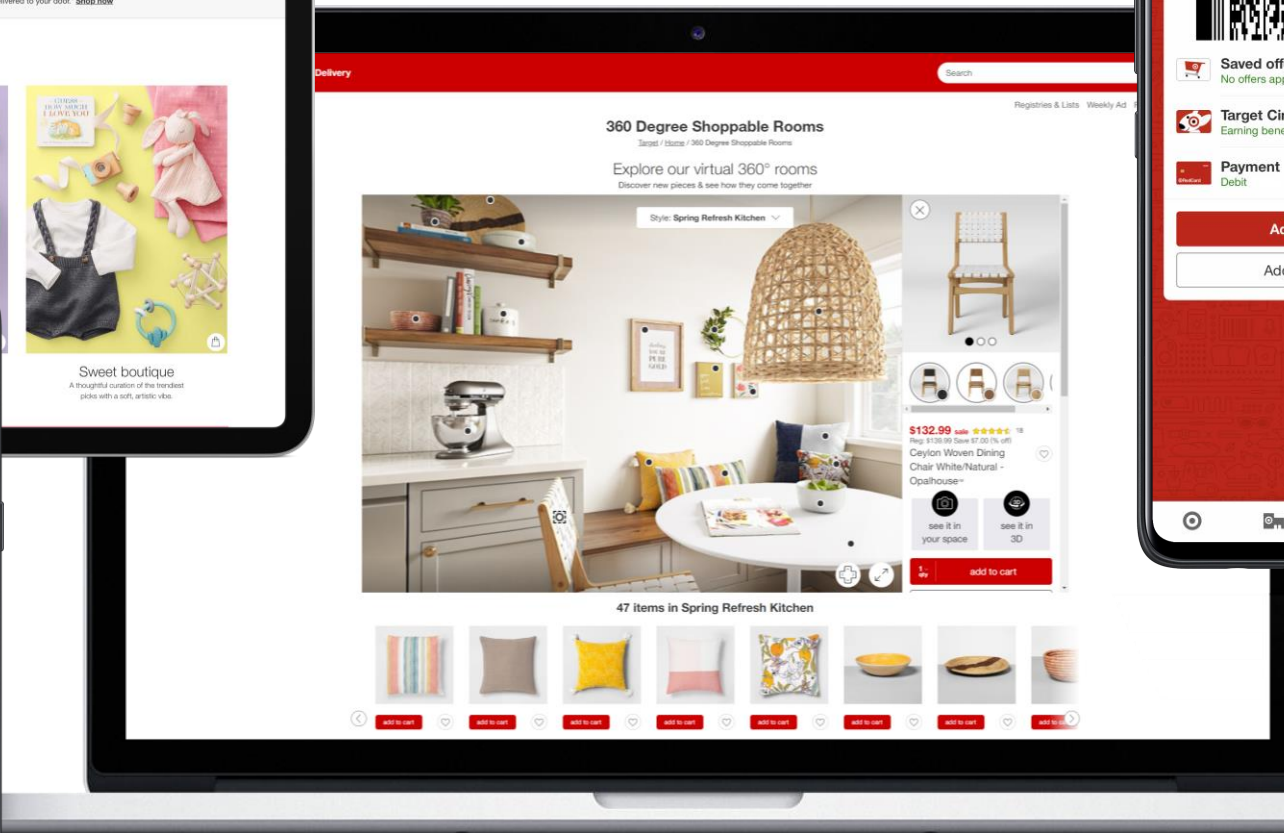
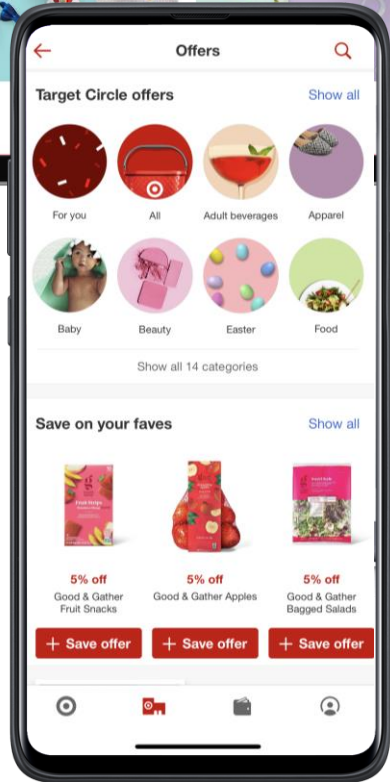
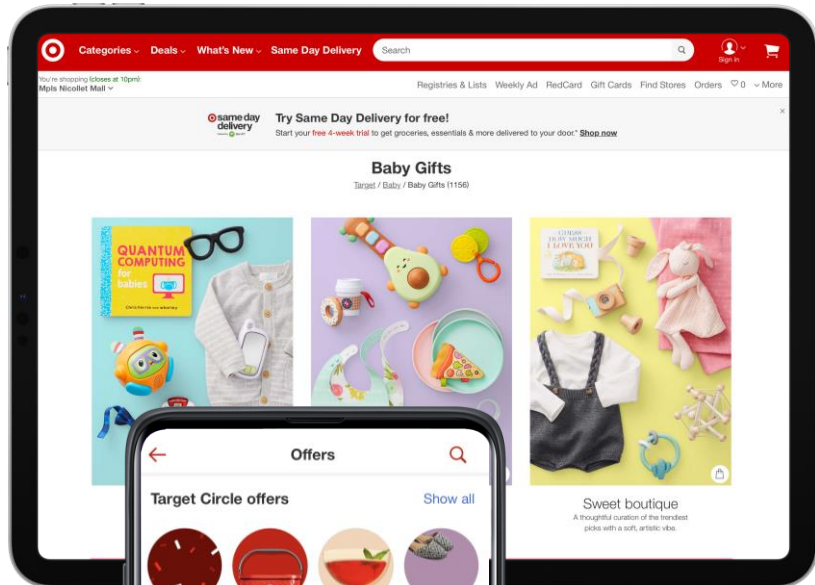


Our Journey in Digital

Ten years ago, we were hesitant
to invest in digital.

Our guests loved us,
but shopped a little less often.

We realized the need for change
before it was too late.



**Strong Topline
&
Bottom Line**

**New fulfillment
possibilities emerged.**

Ease, Convenience & Reliability

Same-Day Services



order
pickup



drive up

Shipt 

New Ways of Shopping

Higher Engagement







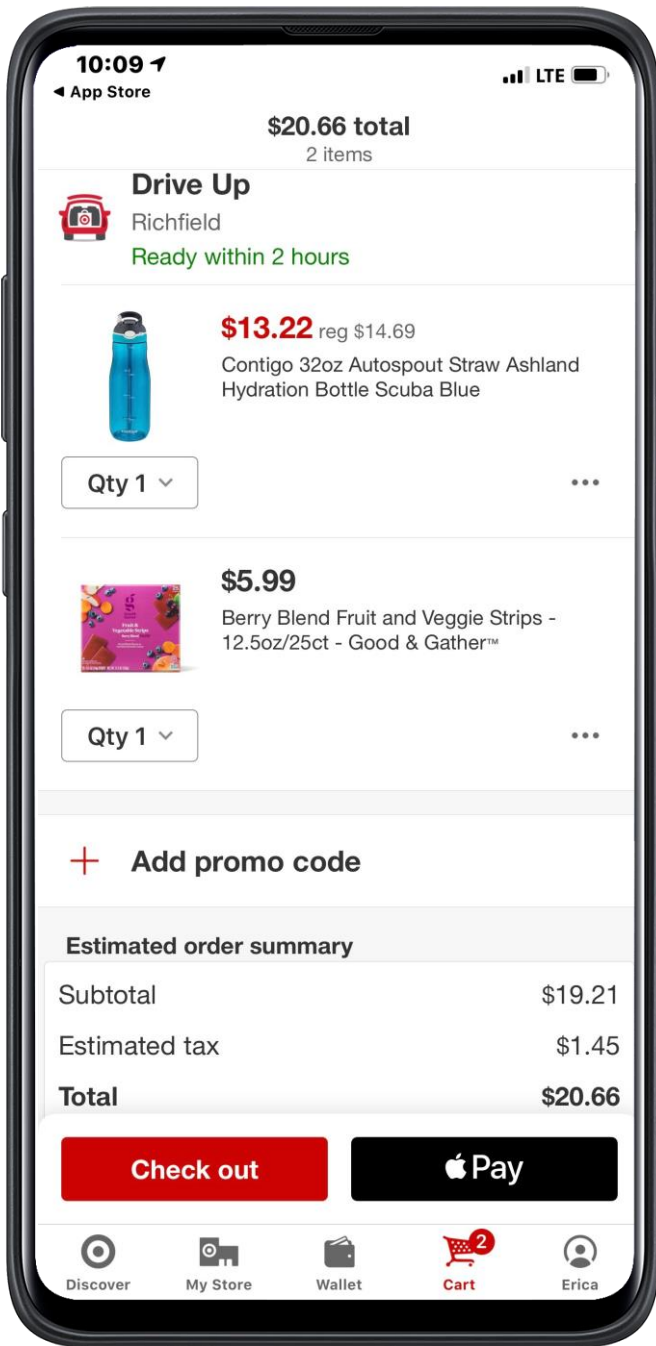
drive up

~25%
increase in
overall spend

+50%
digital
spend

+9%
in-store
spend





Our Digital Journey

Design Solutions +
Invest in Capabilities

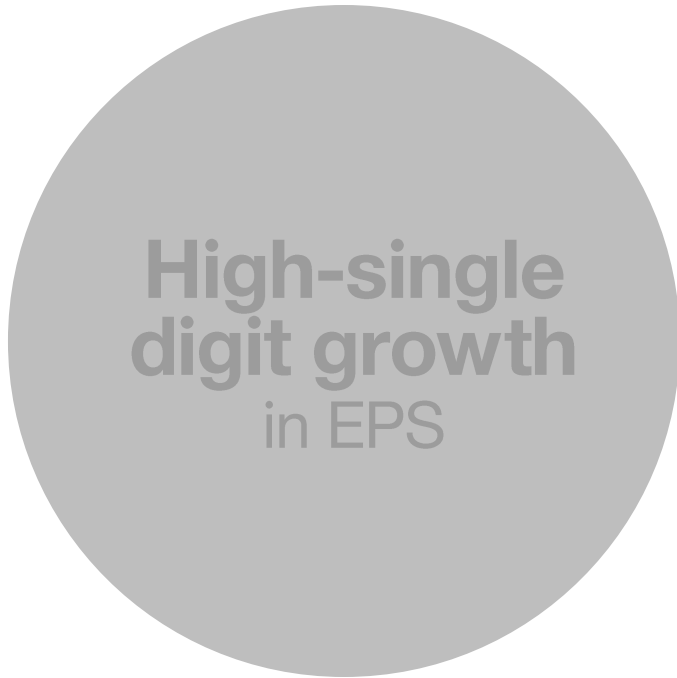
Credibility
+ Convenience

Business Growth

New Capabilities
+ Business Model

Long-Term Financial Algorithm





**Continued Expansion
of After-Tax ROIC**

All of our initiatives
are working together.



LLINE
NEW YORK

MAYBE-LINE
NEW YORK

MAYBEL-LINE
NEW YORK

MAYBEL-LINE
NEW YORK

LOREAL

Under \$1.89

COVERGIRL

Products we ❤️

cashu



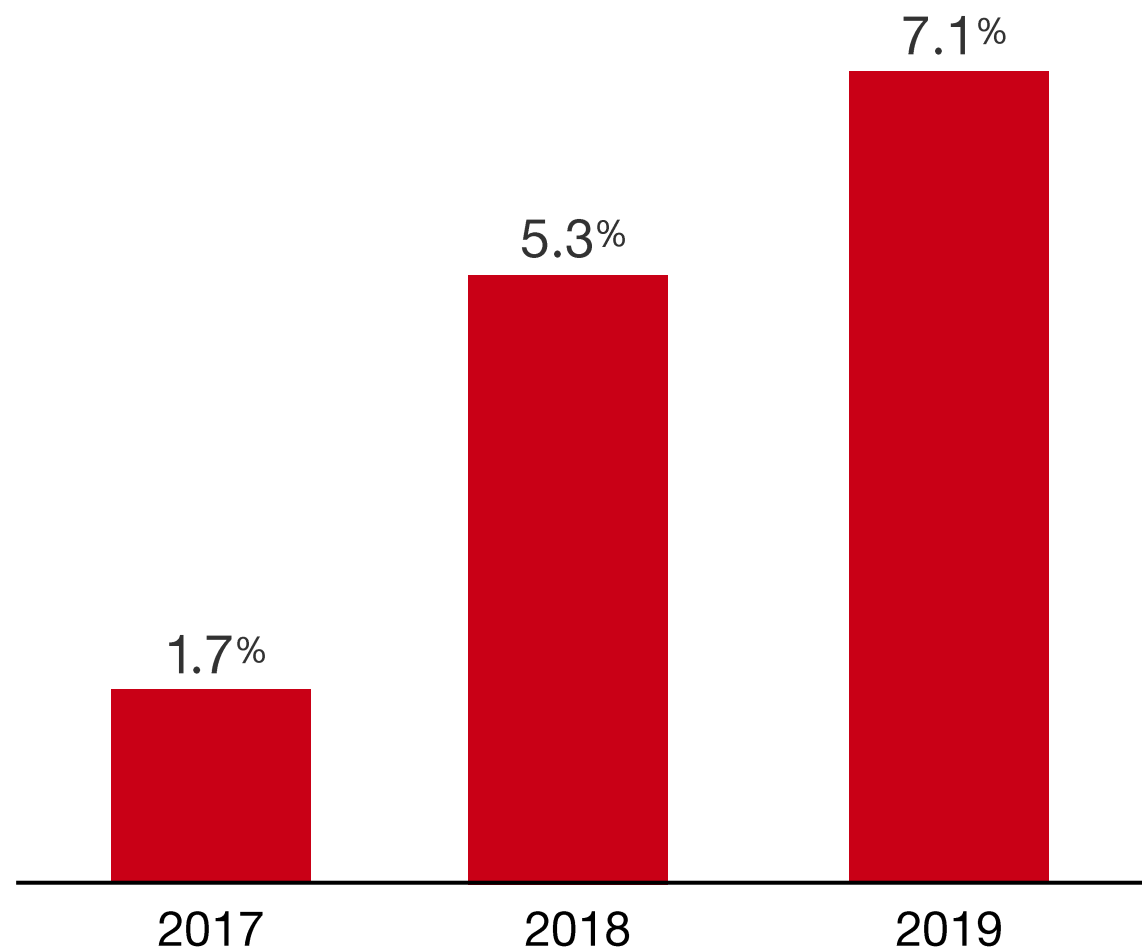
elf

A3

Go ahead,
beautiful.

Target beauty

Beauty Comparable Sales



Operating Income Margin Rate Drivers

Gross Margin
SG&A



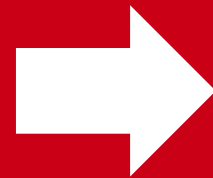
Little to No Net Change

D&A



Slight Leverage

Operating Margin



Slight Leverage

Operating Income Margin Rate

Headwinds

Tailwinds

Gross Margin

Digital fulfillment +
supply chain costs

Merchandising strategies
Sales mix

SG&A

Labor investments

- Hours
- Wages
- Benefits

Productivity improvements

- Stores
- Disciplined prioritization

Little to No Net Change

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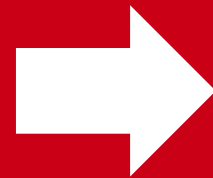
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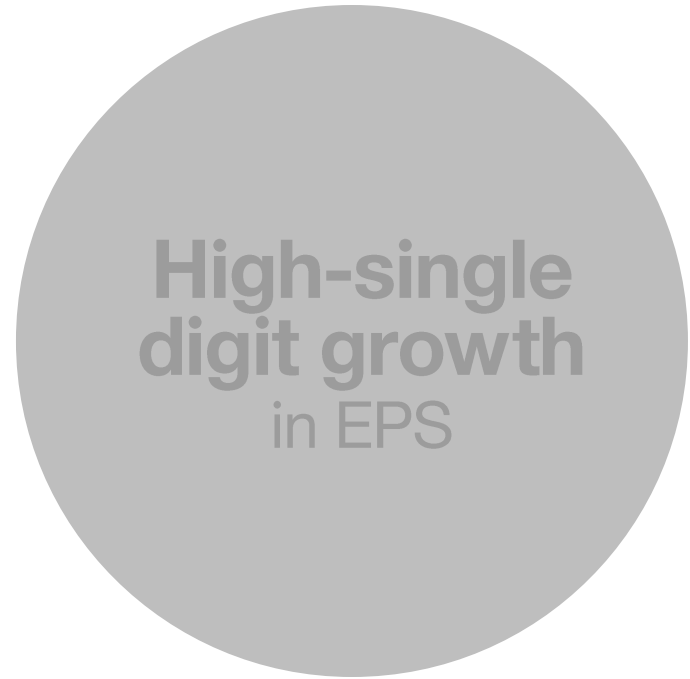


Slight Leverage

Operating Margin



Slight Leverage



Continued Expansion
of After-Tax ROIC

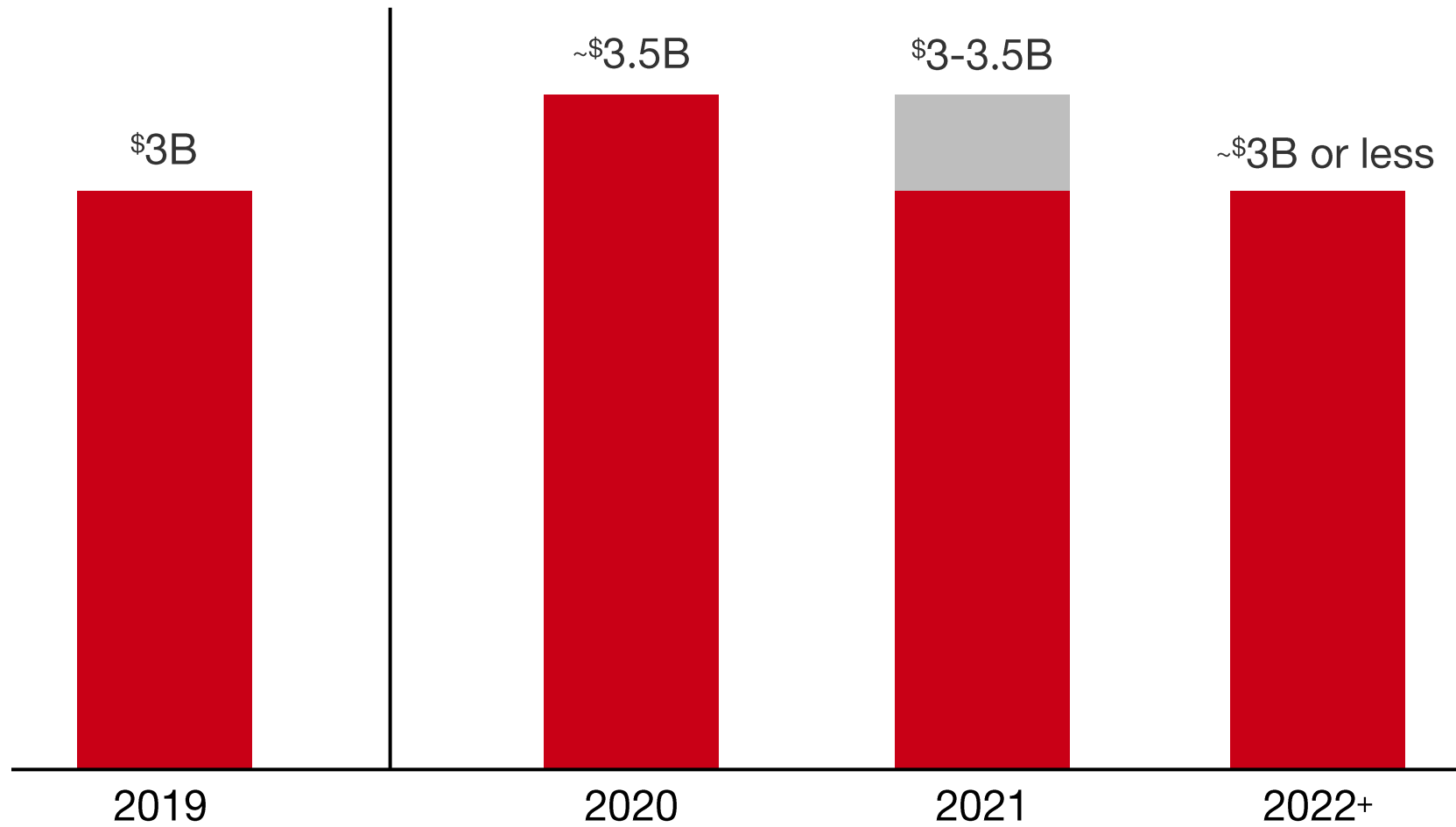


Capital Deployment Priorities

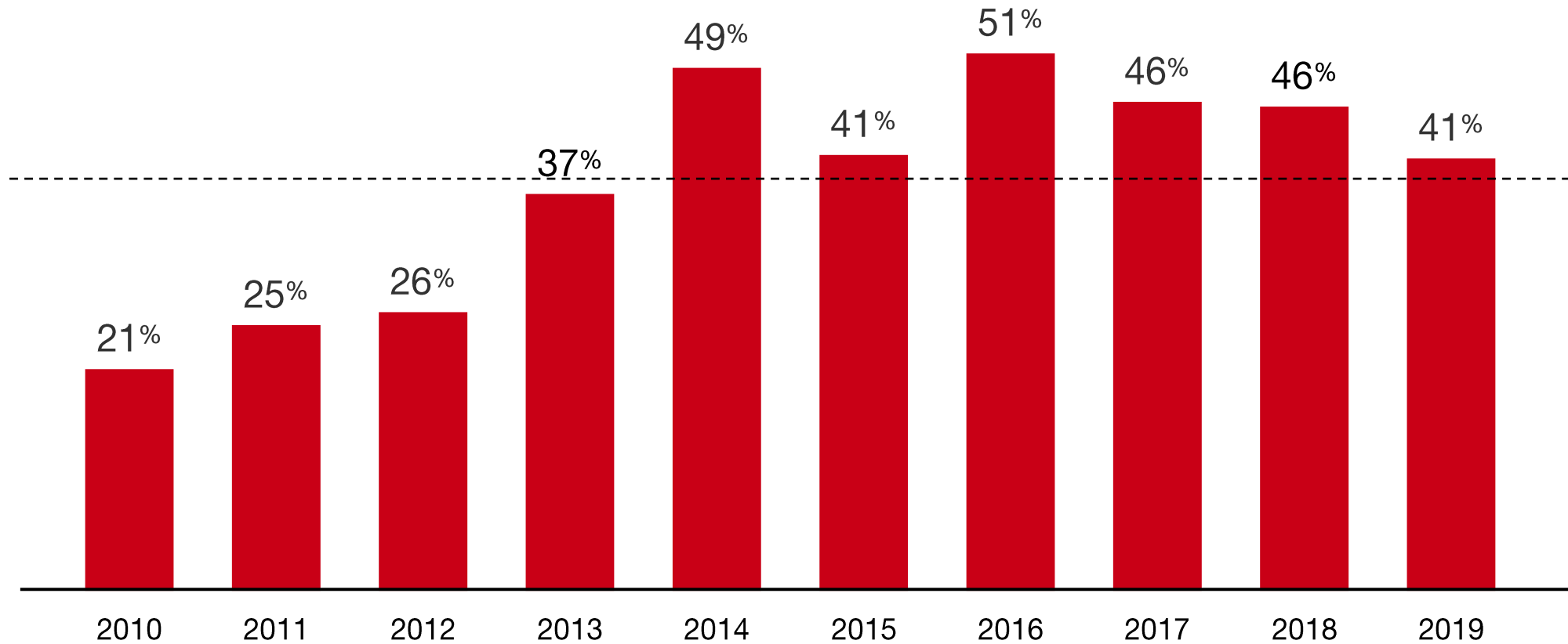
- Invest in the business
- Support the dividend
- Return excess cash

Capital Spending

CAPEX

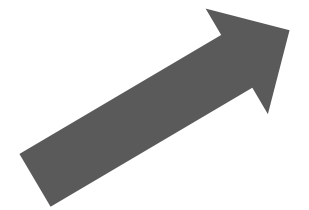
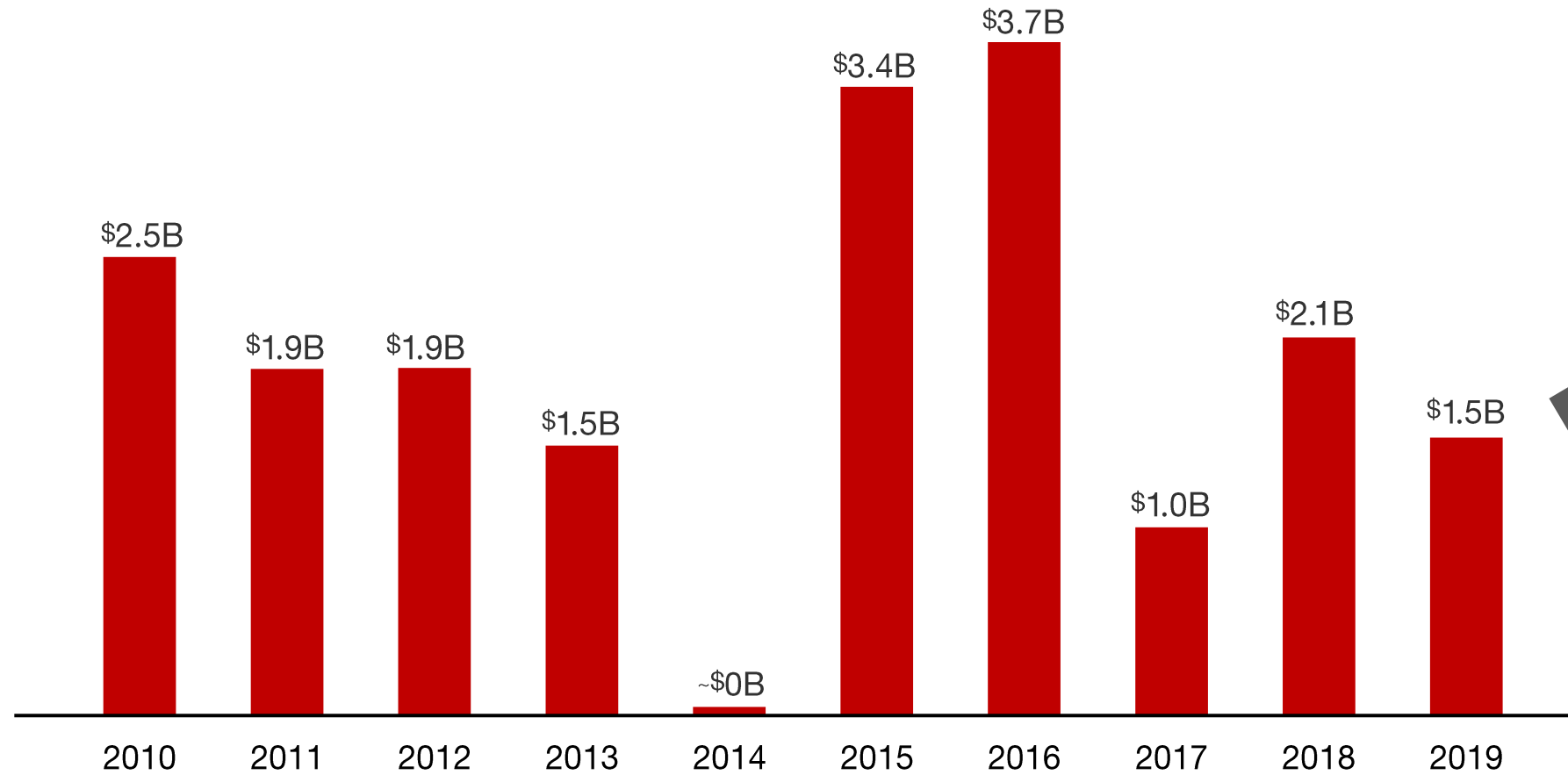


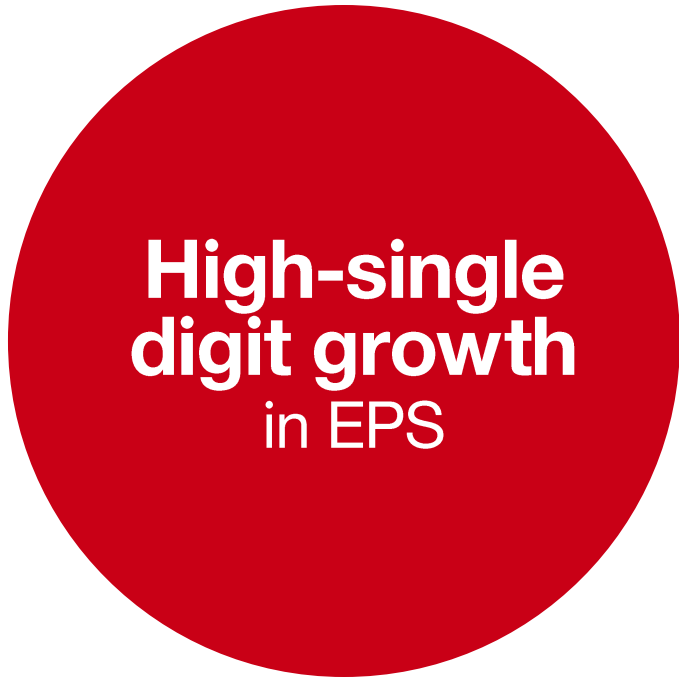
Dividend Payout Ratio



Payout Ratio calculated using Net Earnings from Continuing Operations

Share Repurchase

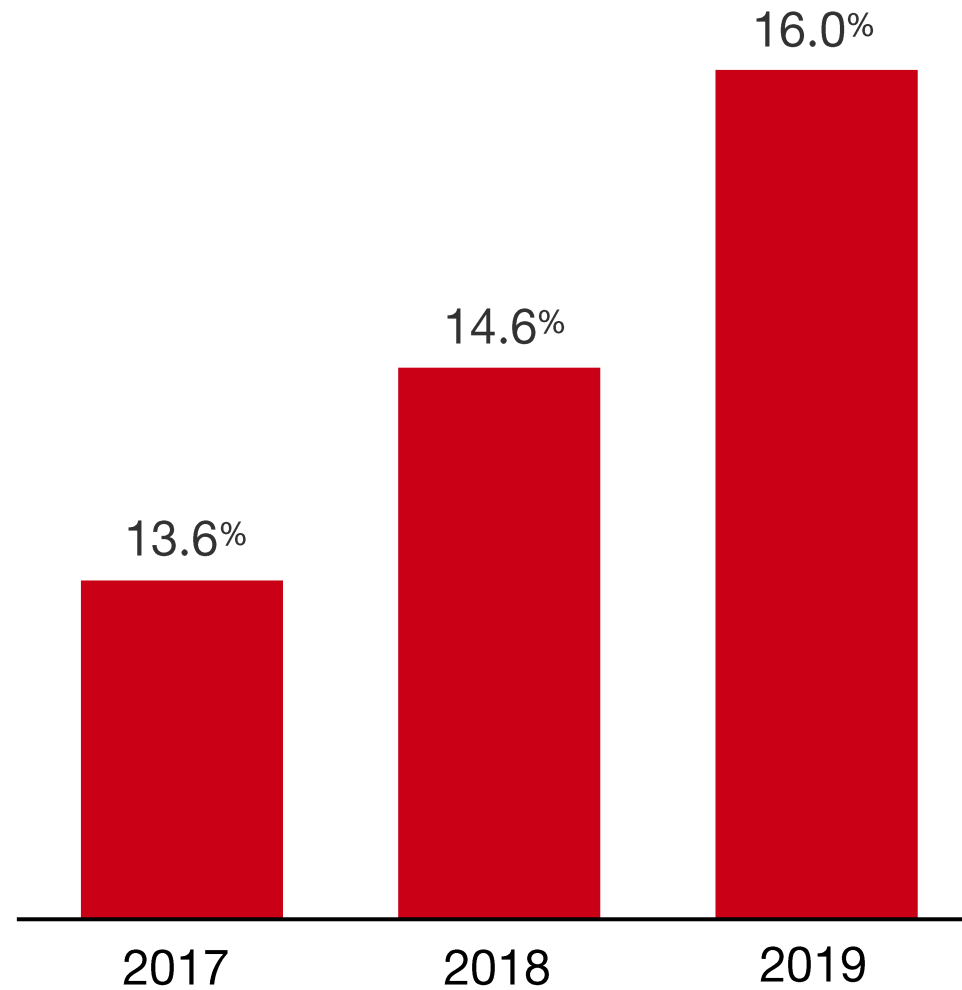




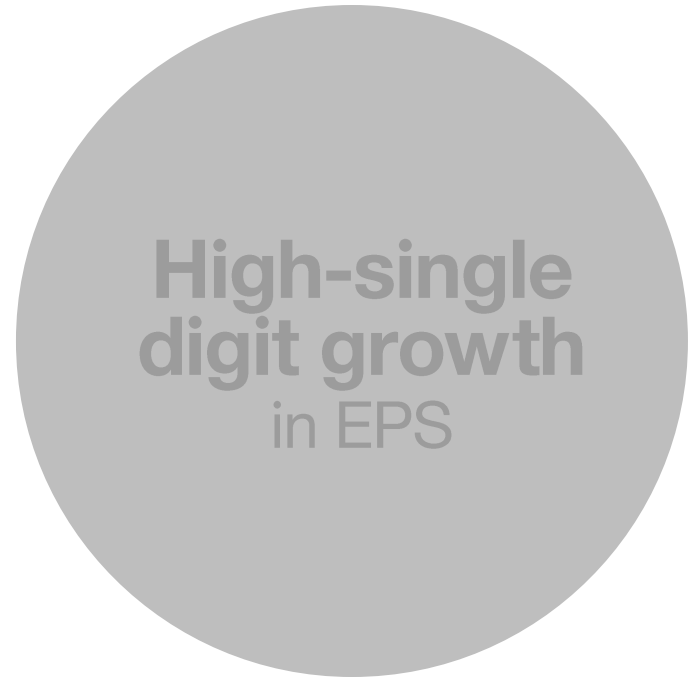
Continued Expansion
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Middle-A Credit Ratings

After-Tax ROIC



Excludes discrete tax benefits related to the Tax Cuts and Jobs Act of 2017



**Continued Expansion
of After-Tax ROIC**



Guidance reflects
everything we know today.

2020 Financial Projections

Comparable sales → low-single digit increase

Gross margin rate → essentially flat

SG&A expense rate → moderate increase

D&A expense rate → small decline

Operating income rate → flat to up slightly

Operating income dollars → mid-single digit increase

GAAP and Adjusted EPS → \$6.70-\$7.00

1st Quarter Expectations

Comparable sales → low-single digit increase

Gross margin rate → moderate increase

SG&A expense rate → moderate increase

D&A expense rate → small decline

Operating income rate → small increase

Operating income dollars → mid-single digit increase

GAAP and Adjusted EPS → \$1.55-\$1.75





