



**Financial
Community
Meeting**

Cathy Smith

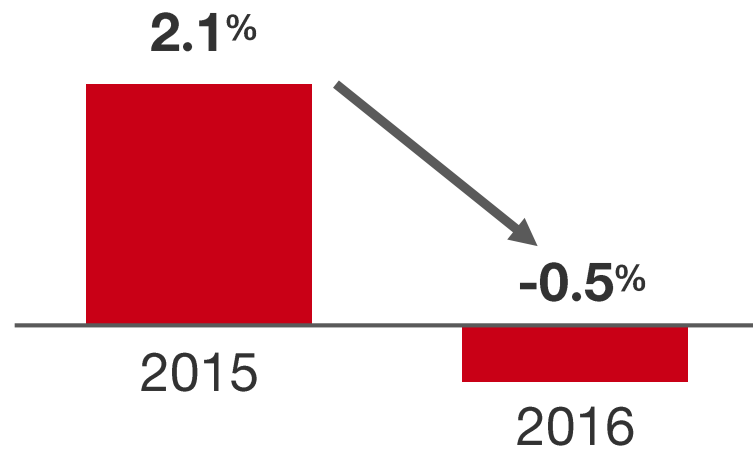
Executive Vice President and
Chief Financial Officer



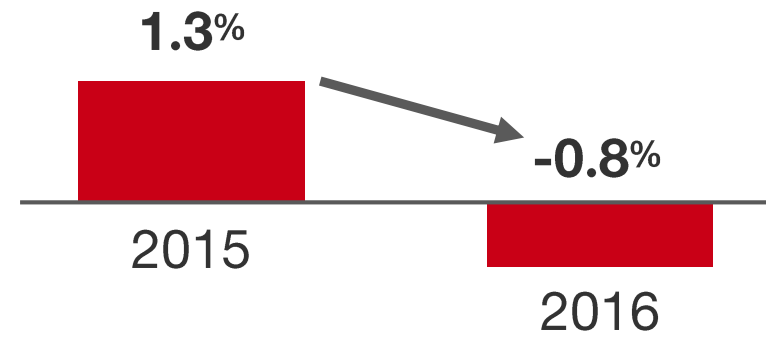




Comp Sales



Comp Traffic





TARGET

STOP



Focusing on the right priorities

**Skating to where
the puck is going...**



Strong Operations

Well-Located Stores

Fiercely Loyal Guests

Strong Balance Sheet

Robust Cash Flow

Best Team in Retail

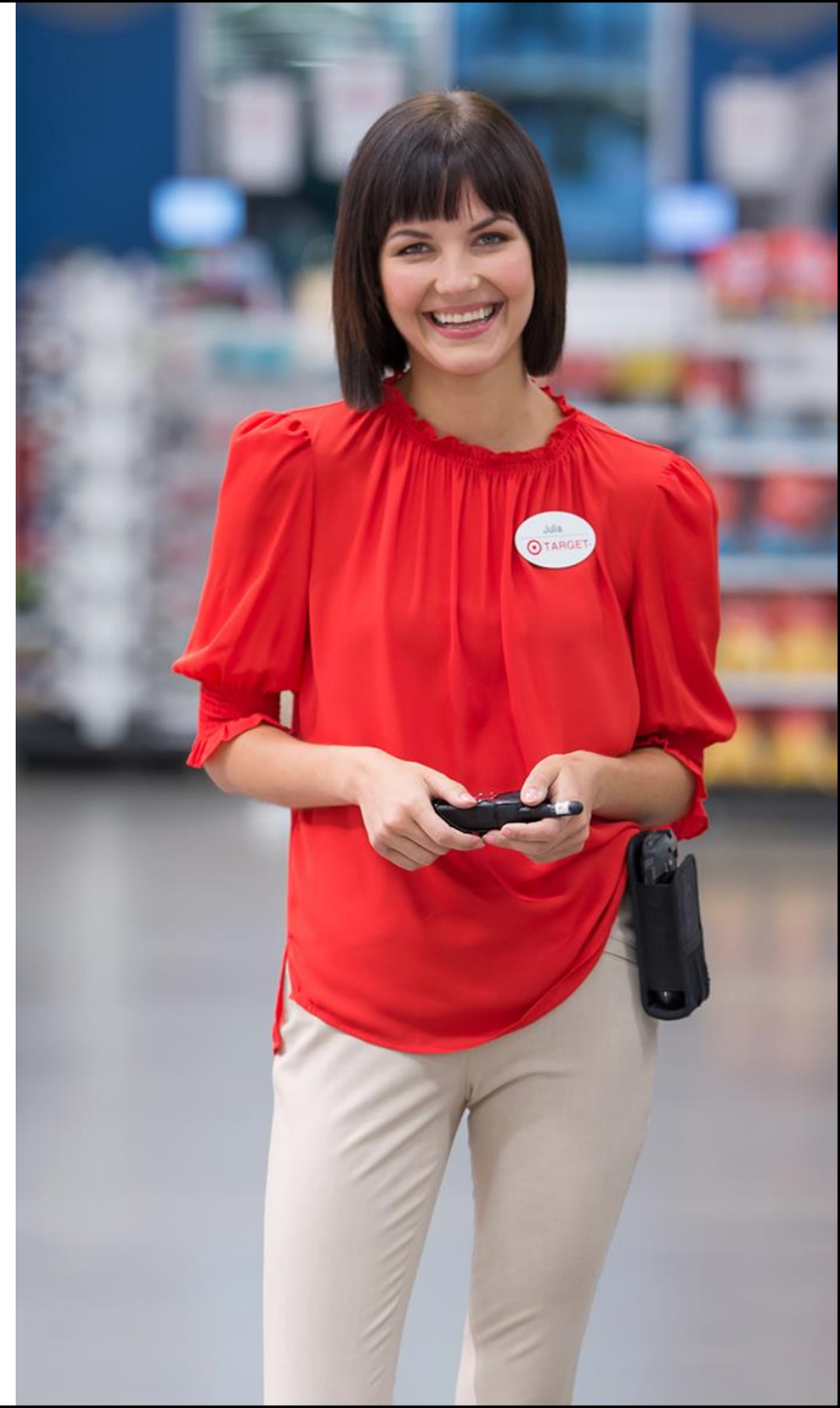
**Additional
Investments**

Capital

Operating Margin

Investment Focus

- Store remodels
- New technology
- New supply chain model
- Owned and exclusive brands
- Pricing and promotions
- Training, hours and wages



**America's
easiest place
to shop**

 **delivery
from store**

 **same day
delivery**

Shopped by  SHIPT



free 2-day ship



drive up



order pickup

Multi-Year Plan

Investment
Year

Transition
Year

Positioned for
Profitable Growth

2017

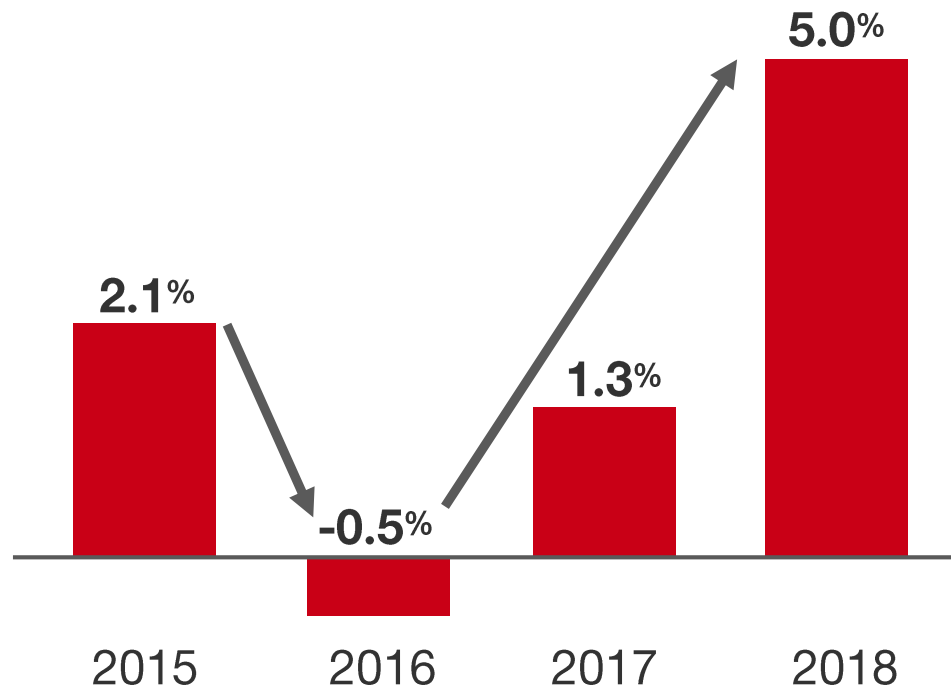


2018

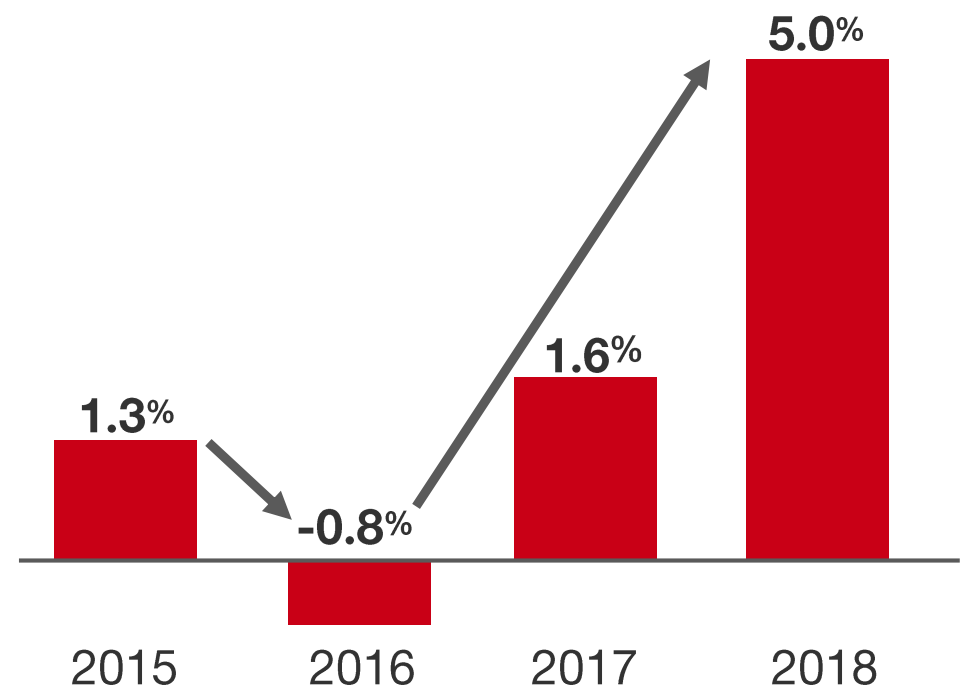


2019+

Comp Sales



Comp Traffic



Age is just a number

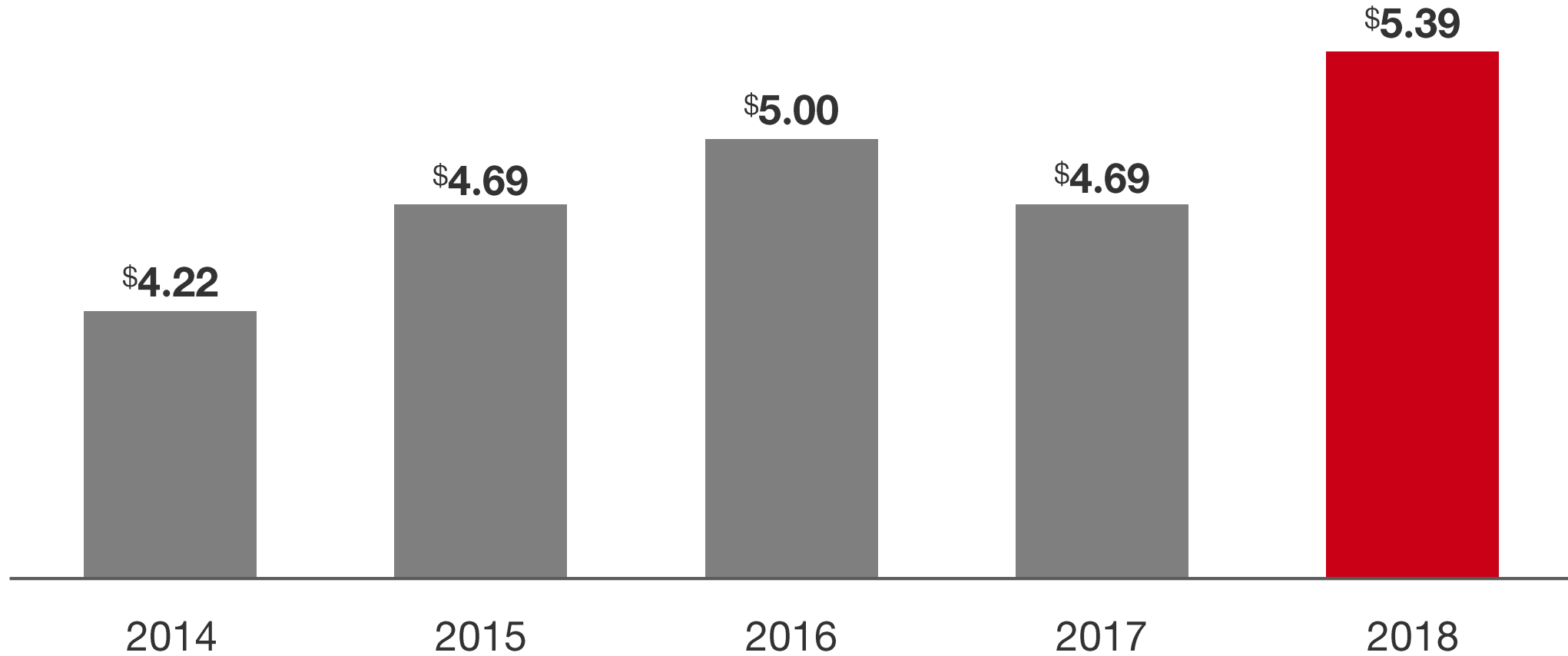


Fresh is everything.
Delivered 7 days a week.
We dig Organic.

CVS pharmacy



Adjusted EPS

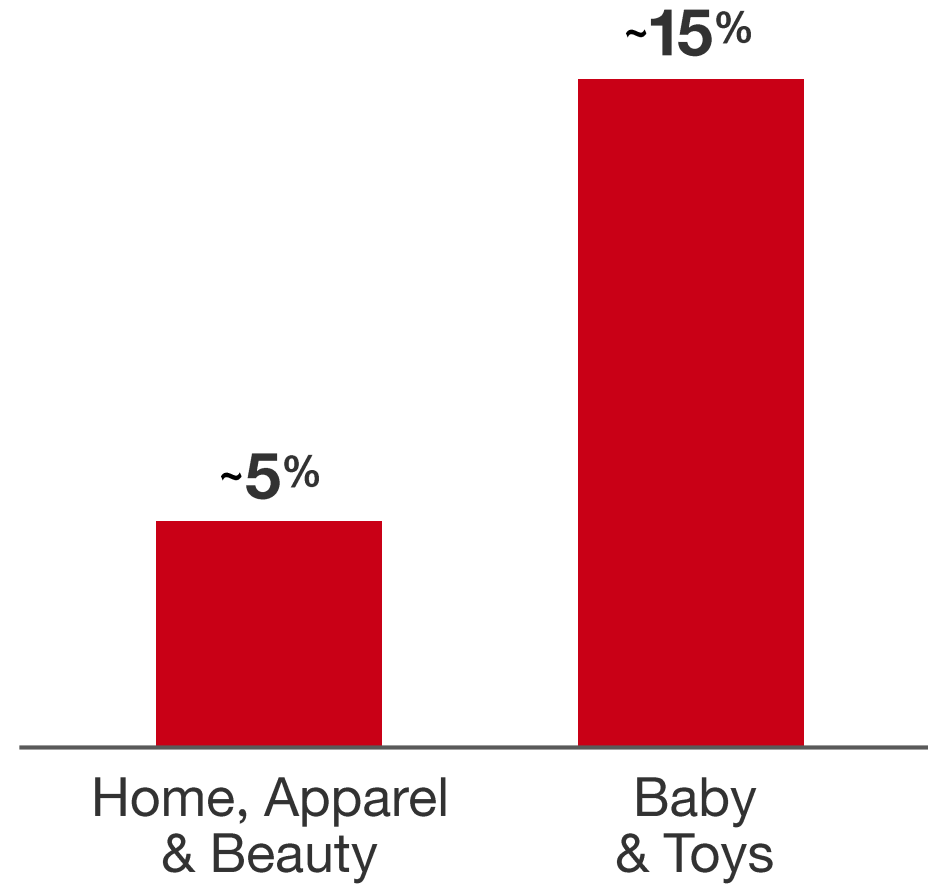


Comparable GAAP EPS and reconciliations of GAAP to Adjusted EPS can be found in the "Summary Financials" section of our investor relations website.

2018 Business Performance

- Gross margin rate down ~40 basis points
 - Merchandise mix

Full-Year Comp Sales Growth



2018 Business Performance

- Gross margin rate down ~40 basis points
 - Merchandise mix
 - Pricing/promotions and digital fulfillment



2018 Business Performance

- Gross margin rate down ~40 basis points
- SG&A expense rate up ~10 basis points
 - Investments in hours and training
 - Wage growth
 - Expense discipline
 - Sales leverage

2018 Business Performance

- Gross margin rate down ~40 basis points
- SG&A expense rate up ~10 basis points
- D&A rate down ~10 basis points

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- Interest expense down ~\$200 million

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- Interest expense down ~\$200 million
- Lower federal tax rate

2018 Business Performance

- Gross margin rate down ~40 basis points
- SG&A expense rate up ~10 basis points
- D&A rate down ~10 basis points
- Interest expense down ~\$200 million
- Lower federal tax rate
- Lower share count

Invest in the Business

Support the Dividend

Return Excess Cash

Capital Deployment

Nearly
\$13B
of cash generated
in 2017 and 2018



\$6B CAPEX
\$2.7B Dividends
\$3.2B Share repurchase
>\$500M Acquisitions
~\$1B Long-term net debt reduction
\$900M Inventory investment in 2018





Smartly™

48 SPOONS

Smartly™

48 SPOONS

Smartly™

48 Forks
→ No Dishes
Tonight.

Smartly™

only at 

120 Forks,
Spoons & Knives
→ No Dishes
Tonight.

Smartly™

DIAMOND
1.59

230 Paper Napkins
→ Finger Food
Friendly.

Smartly.

230 PAPER NAPKINS - EACH 145 SQ IN (935 cm²)
29.5 cm

450 Paper Napkins
→ Finger Food
Friendly.

Smartly.

450 ONE-PLY NAPKINS - EACH 145 SQ IN (935 cm²)
12.5 IN x 11.6 IN (31.7 cm x 29.5 cm)

450 Paper Napkins
→ Finger Food
Friendly.

Smartly.

450 Paper Napkins
→ Finger Food
Friendly.

Smartly.

450 Paper Napkins
→ Finger Food
Friendly.

Smartly.

450 Paper Napkins
→ Finger Food
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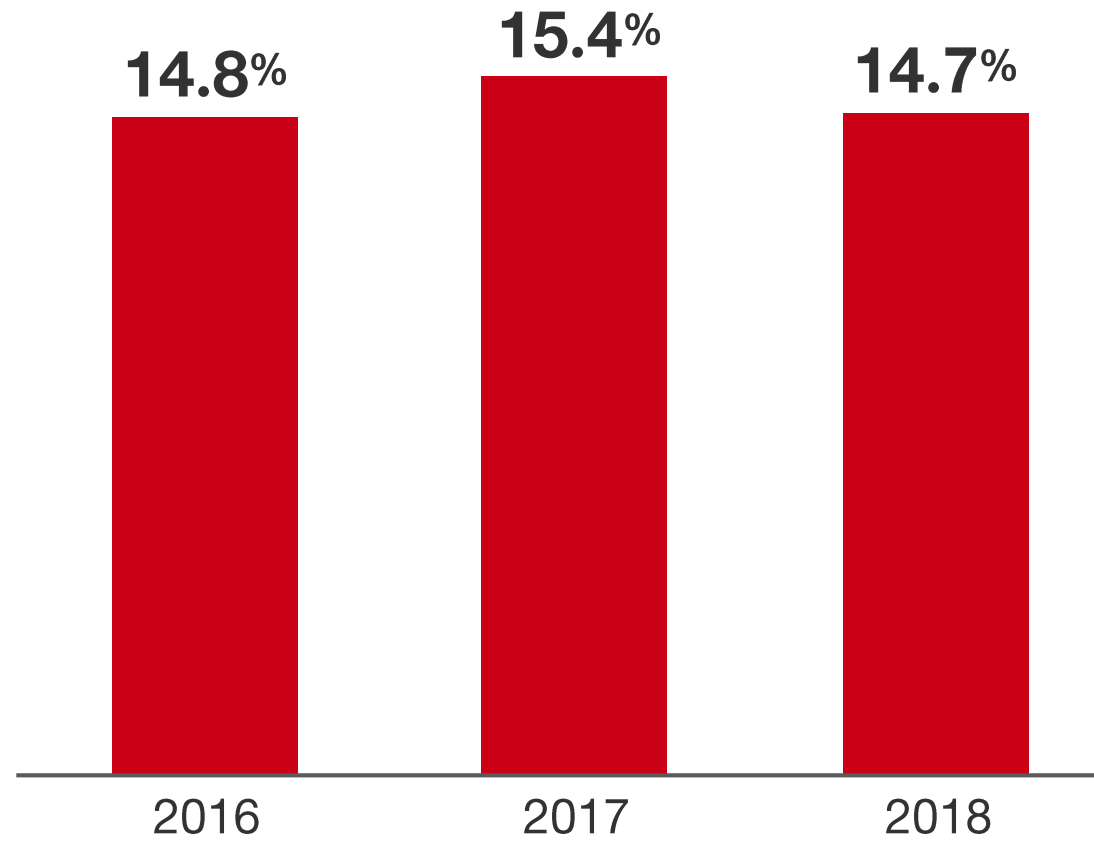
Smartly.

50 Plus
→ No
Dishes
Tonight.

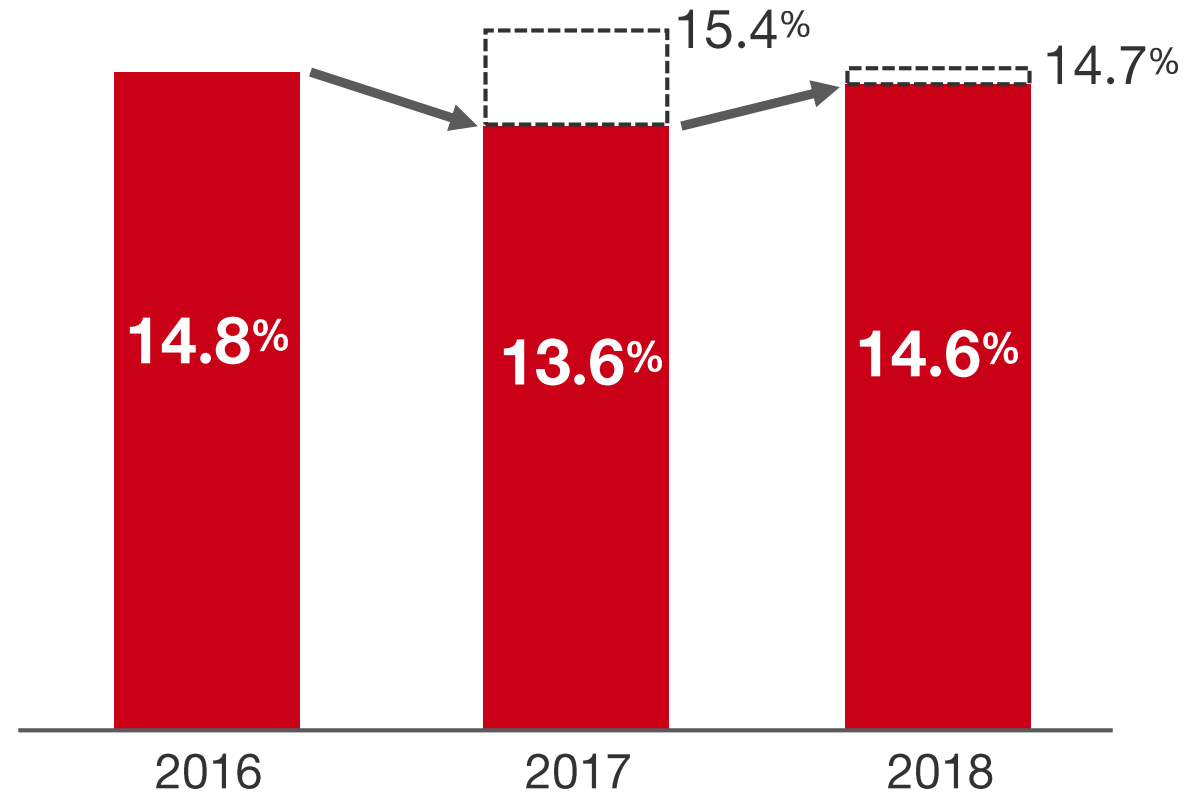
50 Plus
→ No
Dishes
Tonight.

3.19

After-Tax ROIC



After-Tax ROIC



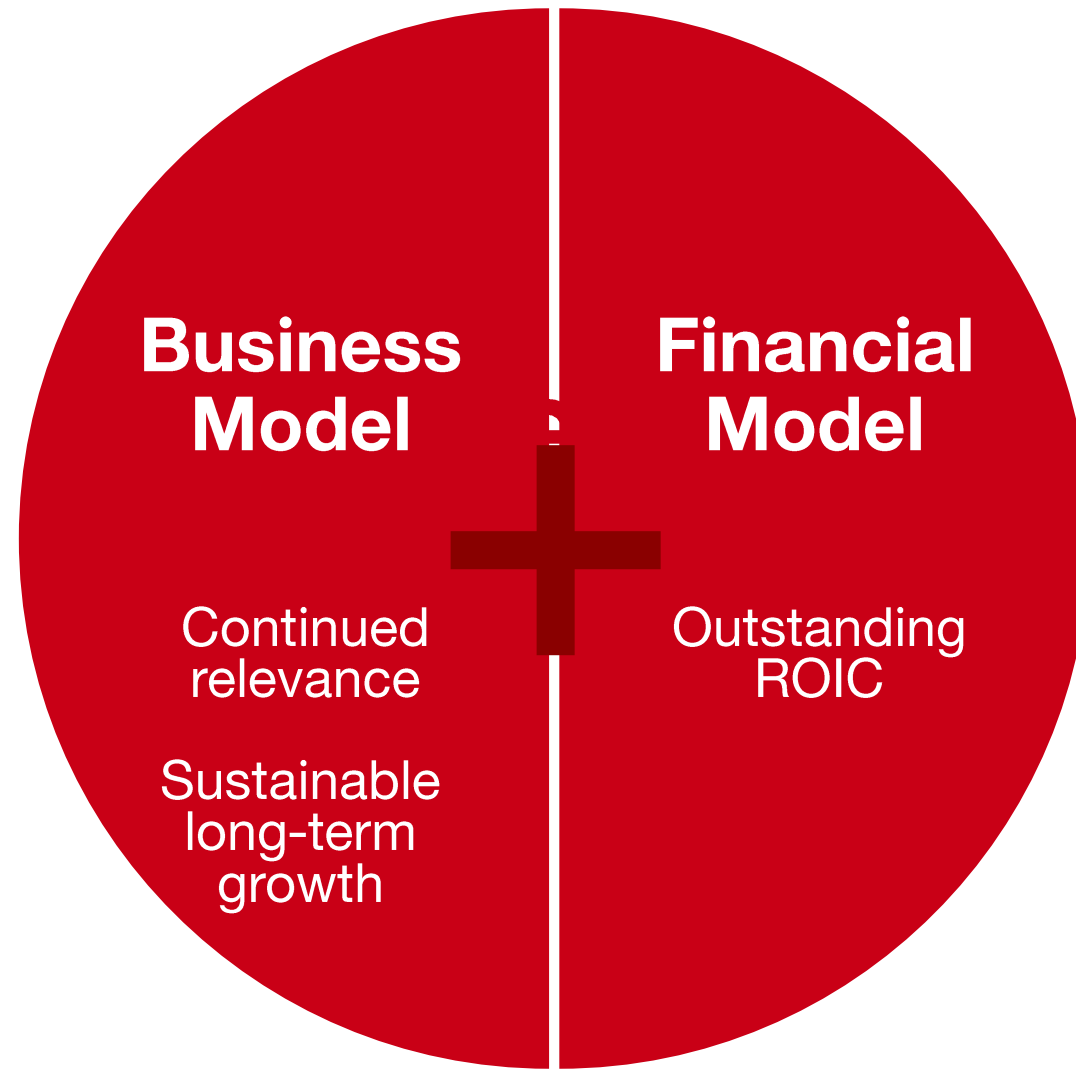
without discrete
tax benefits



as reported

\$1.2B in profitable sales

53rd week in 2017



Topline Growth Potential

- At least as fast as the addressable market (Nominal GDP)
 - Low-single digits or better in a typical year
 - Faster growth from unique opportunities

FOX BUSINESS

NEWS MARKETS PERSONAL FINANCE SMALL BUSINESS TECHNOLOGY FEATURES TV

Retail Apocalypse: These big retailers closing stores, filing for bankruptcy

By **Thomas Barrabi** | Published February 15, 2019 | Retail | FOX Business



Payless to close all remaining stores: Report
FOX Business' Susan Li reports on discount retailer Payless shoes who is expected to file for bankruptcy.


Forbes

Billionaires Innovation Leadership Money Consumer Industry Lifestyle Featured BrandVoice Lists

EDITOR'S PICK | 13,132 views | Dec 21, 2018, 08:00am

At Lord & Taylor's NYC Store—Closing Sale, A Sobering Lesson For Retailers

Andria Chang Senior Contributor @andriachang
Retail
I cover retail, from fashion to grocery, and its dance with technology



Lord & Taylor andria chang

BUSINESS INSIDER

TECH FINANCE POLITICS STRATEGY LIFE ALL PRIME INTELLIGENCE

Retail defaults are at an all-time high — here are all the bankruptcies and liquidations that happened in 2018

Hayley Peterson Dec 31, 2018, 9:57 AM



16 US retailers have already filed for bankruptcy or announced liquidations. AP/Charles Krupa

Forbes

Billionaires Innovation Leadership Money Consumer Industry Lifestyle Featured BrandVoice Lists

157,121 views | Jan 14, 2018, 06:07am

9 Fashion Retailers On Life Support

Pamela N. Danziger Contributor @pamdan
Retail
I study the world's most powerful consumers — The American Affluent




Closed store sign PHOTO BY TIM MOSSHOLDER ON UNSPLASH

FORTUNE

HOME SUBSCRIBE

RETAIL • BANKRUPTCY

See the 94 Winn-Dixie and Bi-Lo Stores That Are Closing



A customer walks past pre-packed vegetables at a grocery store. Photo by Chris Ratzliff—Bloomberg via Getty Images

These 9 retailers are closing nearly 1,000 stores in 2017

Mike Timmermann | Wednesday, February 8th 2017

Home / Shopping & Retail / These 9 retailers are closing nearly 1,000 stores in 2017



Image Credit: Dreamstime.com

Invest in stores



5.5%

operating income margin rate in 2018

Operating Income Margin Rate

Tailwinds

- Strong sales mix
- Cost-of-goods savings
- Lower unit fulfillment costs
- Labor savings
- Expense discipline
- Leverage from strong topline

Headwinds

- Digital growth
- Wage increases

~300
remodels a year
in 2019/2020



D&A Leverage
~10 bps per year

Relative stability in gross margin and SG&A

Operating Income Leverage
~10 bps per year

Long-Term Effective Tax Rate
23% to 24%

Capital Deployment Expectations

- Maintain CAPEX at ~\$3.5 billion in 2019 and 2020
- Low-single digit growth in dividend per share
- Return excess cash within the limits of our middle-A credit ratings

Adjusted EPS

\$5.15



\$5.45



Adjusted EPS

\$5.15



\$5.39

\$5.45



2018 Adjusted EPS

Variances from 2018 Expectations

- Higher sales (Toys and Baby market share)
- Lower gross margin rate
- Lower D&A expense

Strong Growth

Market Share Gains

EPS Goals

We have a lot more to do



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