Thanks, John, and good morning, everyone. Before I move to our third quarter results, I want to acknowledge our team. In an incredibly challenging environment, they have stayed focused on our guests, looked out for each other and built on the purpose and a clear set of priorities we've had in place for several years, making Target an even more relevant and responsive company for the millions of families we serve every week.

The pandemic has presented new challenges for all of us, and our team has successfully navigated every one of them. They've stayed laser-focused on safety, agility and reliability as they seamlessly adapted to abrupt changes in guest needs and shopping patterns. They've handled supply constraints in essential categories while chasing inventory in long lead time categories that are experiencing explosive growth. They've been calming presence and a friendly face to our guests, who are craving normalcy at a time when hardly anything feels that way.

And our team members have passionately played an active positive role in our communities during an incredibly turbulent year. With a deepening level of trust our guests are placing in our team and our brand, we continue to see very strong business results. Third quarter sales grew nearly $4 billion over last year, bringing our year-to-date growth to more than $10 billion. This unprecedented growth, both in the quarter and the year, has been driven by meaningful share gains across every one of our core categories as guests increasingly rely on Target to reliably and safely serve their wants and needs.

Based on the cost leverage driven by steeply higher sales, our business continues to deliver impressive bottom line performance despite the outside investments we have been making in our team, safety and digital fulfillment. Our third quarter adjusted EPS of $2.79 established another record high for company and was up more than 100% from last year. Third quarter comparable sales increased 20.7%, reflecting a 4.5% traffic growth, combined with an increase in average ticket of more than 15%.

Since the pandemic began in March, we've experienced a meaningful acceleration in basket growth, both in stores and online as guests have consolidated their shopping into much larger trips. Across channels, our store comps grew nearly 10%, while our digital comp sales grew 155%, contributing nearly 11 percentage points to the Company comp.

Within digital, we continue to see the strongest growth in our same-day services, Pick Up, Drive Up and Shipt, which together grew more than 200% in the quarter. These services are fast, convenient, reliable and contactless, which explains why they continue to generate very high levels of guest satisfaction. All our financial reporting counts these same-day orders as digital, these services are entirely enabled by our stores. Specifically, same-day orders are fulfilled by our store teams, along with Shipt shoppers, who rely on store inventory and systems to deliver to the front of our stores, our parking lots or guest front doors within a couple of hours receiving an order.

Beyond same-day services, well over half of our packages we ship to guest homes are also fulfilled from our stores, providing speed to our guests while reducing shipping costs on our P&L. Altogether, between same-day services and packages shipped to our guests, about 75% of our third quarter digital sales were fulfilled by our stores. And of course, if you add that on to our conventional store sales of more than $18 billion, you can see that more than 95% of our total third quarter sales were fulfilled by our stores.

This storage as hub model is the foundational element of our strategic plan we announced at the beginning of 2017, just over three years ago. Our performance for the first three quarters of 2020, which includes digital sales growth of nearly $6.5 billion and a store sales increase of more than $3.5 billion is the direct result of our store as hub strategy, combined with the tireless work of our team to bring it to life.

In terms of the cadence of our business throughout the quarter, we began with mid-teen comp growth in August. This reflected a slow start to the back-to-school season as many school districts across the country began their year in distance learning mode. However, sales trends in back-to-school, back-to-college and our overall business strengthened in September, driving comp growth in the mid-20% range for the month overall. In October, comp growth settled back to approximately 20%, consistent with our comp growth for the full quarter.

Across our core merchandise categories, third quarter growth was strongest in Hardlines, which saw comp growth in the mid-30% range. Within Hardlines, result was strongest in electronics, which grew more than 50%, driven by particular strength in computer software, video games, portal electronic and office equipment. Within our style categories, results were strongest in home. We saw comp growth in the mid-20% range, with the strongest growth in decor and kitchen.

Comp sales in apparel grew by nearly 10%, led by results in intimates and sleepwear as well as men's apparel. Consistent with the second quarter, both our Essentials and Beauty and Food and Beverage categories saw third quarter comp growth in the high teens. In Essentials and Beauty, we saw strength across the entire portfolio with the strongest results in paper and pet. Similarly, in Food and Beverage, we saw broad-based growth with a particular strength in adult beverages and dry grocery.

Following our announcement of the second quarter, this was the first full quarter in which our starting wage was $15 or higher across the country, up from $13 a year ago. The attainment of this milestone was the culmination of a commitment we first announced in the fall of 2017 when our starting wage across the country was $10. Our team has always been a key differentiator for our stores and our brand. And this $15 commitment was intended to attract, reward and retain top talent for what has long been the best team in retail.

Beyond our longer-term goal to raise Target's starting wage, this year, we've also focused on recognizing our team's outside efforts during these extraordinary times. Specifically, we have awarded four separate recognition bonuses so far in 2020. Most recently, in October, we awarded $200 to each of our frontline team members in support of our plan to invest more than $1 billion in our team for the year.

As we build our plans for the fourth quarter, our team focused first on flexibility and agility, knowing how volatile and unpredictable the external environment continues to be. We focused on leveraging Target's strengths, including the emotional connection between our brands and our guests and the convenience and speed of our stores and sub model. We're focused on listening to our guests to understand what they're experiencing, and they've told us that safety is one of their top concern.

So on top of our goal to be the easiest place to shop, we're committed to being the safest place to shop as well. In support of that goal, we've implemented a number of technology improvements to make shopping at Target more contact-free. These include an enhancement to our self-service lanes, which means guests no longer need to use the hand scanner to pay with their wallet function in our app.

We made changes to Drive Up that eliminate the need for a team member to scan a guest phone when they deliver an order. We've rolled out a new capability on target.com, allowing guests to check in, in advance to see whether we're currently metering in their store and allow them to reserve a spot in line before leaving home. In addition, we have altered our promotional cadence to avoid events that typically cause crowd. And we announced that we'll be closed on Thanksgiving and open at the regular time on Black Friday.

Rather than concentrating holiday deals around Thanksgiving and Black Friday, we've spread our Black Friday offers throughout the entire month of November, with weekly promotions spread across different categories throughout the month. And in the spirit of transparency and trust, we've assured our guests that if they see any of our Black Friday items for a lower price later in this season, we'll happily make up the difference through our extended price match policy.

To minimize lines, we've added more than 1,000 mobile checkout devices across the chain, allowing our team members to help guests check out anywhere in the store. We've also added thousands of gift items eligible for same-day fulfillment. And we're entering the holiday season with more than double the number of Drive Up parking spaces compared with a year ago.

In addition, we've added refrigerated and frozen items to our Pick Up and Drive Up assortment more than 1,600 locations across the country, making this the first holiday season in which guests from coast-to-coast can use these convenience services to pick up everything they need for a holiday meal.

We're also continuing to expand the number of our merchandise categories available through our Shipt service, most recently adding kids and adult apparel. This change provides a new contactless option for guest to shop these categories and have them delivered to their front doors in as little as an hour.

While many things will be different this year, our guests have told us that they still want to celebrate the holidays, and we know they'll be looking to Target for some holiday magic. That's why we're so excited about our recently announced partnership with FAO Schwarz. New for this holiday season, Target and FAO Schwarz have collaborated on an exclusive 70-piece toy collection with many items priced under $20.

This collection will be available at Target stores nationwide, on target.com and the flagship FAO Schwarz store in New York City. Beyond this unique election, this holiday, we created our biggest ever list of pop toys, including more than 600 exclusive items, which will feature at an incredible value all-season long.

In decor, we're focused on bringing target's brand promise to life by offering value and quality, with hundreds of ornaments priced at $3, $5 and $10. On target.com, more and more of our guests are shopping for decor using see it in your space technology, which makes our digital shopping experience more inspiring than ever. This feature allows guests to visualize what Christmas trees will look like in their homes as they prepare to decorate for the holiday.

Guests who utilize this 3D rendering feature are two times more likely to purchase the tree compared with an average digital guest. In speaking with our guests, we know that finding the right gift can be a source of stress during the holiday. So this year, to make it easier than ever for our guests to share the joy, we've expanded our gifting assortment, including items for even the toughest individual on their list.

With many items priced at $15 or less, we are offering incredible value, making it easier to celebrate the season with family and friends. And while the holiday season is top-of-mind right now, we shouldn't forget that the fourth quarter also includes a full month and for the holiday. We're planning to kick off the new year on a positive note with a focus on wellness and nutrition, new exclusive Beauty and the introduction of seamless t-shirt, fleece and performance bottoms to celebrate the 1-year anniversary of our new activewear brand, All in Motion.

And speaking of Beauty, we couldn't be more excited about our new long-term strategic partnership with Ulta Beauty, which we announced last week. Because it embodies book style and frequency, the Beauty category is ideally suited to our strategy, and it's one of our strongest growing categories over the last few years. This new partnership will help us build on that success, providing our guests access to dozens of new beauty brands nationwide with elevated service and presentation in select store locations. We plan to open the first 100 Ulta Beauty shop-in-shops later in 2021 with a potential to open 100 more in the years beyond.

So now before I close, I want to provide a brief update on our plans for Target's 2021 Financial Community Meeting. While no one can accurately predict the future of the coronavirus and the impact of potential vaccines, we have designed a host this meeting virtually in 2021. We made this decision out of an abundance of caution in keeping with our focus on the safety of our team and our investors. We look forward to hosting it again in person beginning in 2022.

So, now as I get ready to turn the call over to John, I want to come back where I started and acknowledge our amazing team. When I arrived at Target a little more than six years ago, I already knew that Target is an academy company, a place that ranks and develops a level of talent as the envy of other companies. That was already true before I arrived, and I couldn't be more proud of the team and investments we've made in recent years, investments intended to cement Target's position as an inclusive home for top talent.

What I didn't appreciate until I became and immersed with this team is the warmth of the culture and the team's sincere desire for Target to play a positive role in the world. This desire often shows through in our marketing and our assortment, and you can certainly see it in our stores. But for those of us who have the privilege of working with every part of this team, we see it every day behind the scenes even when no one else is looking. So I'll close with a simple thank you to this team for your passion to make Target a welcoming place for all families and a great place to work for everyone on the team.

With that, I'll turn the call over to John for an update on our operations and plans for the holiday season. John?

John Mulligan

Thanks, Brian. When you pull back and consider what's happened in our business this year, it's clear that a couple of defining themes have emerged. The first is flexibility. You've seen that play out in our merchandising assortment, enabling us to satisfy our guests' rapidly chasing wants and needs throughout the year. You've also seen it play out in our operations as our stores as hubs model allowed our team to pivot seamlessly when guests move their shopping between stores and our digital channels. This flexibility will continue to serve us well in the fourth quarter and beyond, given that we continue to face an elevated level of uncertainty across multiple aspects of our business.

Our third quarter results continue to demonstrate the power of our same-day services to deliver speed and convenience for our guests while driving an impressive amount of the Company's growth. In the third quarter, our same-day services grew well over 200% compared with last year, adding more than $1 billion of incremental sales. Nearly $700 million of this growth was from our Drive Up service alone, which increased more than 500% compared with last year. Amazingly, this growth was not at the expense of in-store pickup, which increased more than 50%.

And while Shipt remains the smallest of our same-day services, it continues to grow rapidly as Target sales on Shipt increased nearly 280% in the quarter, accounting for more than $200 million of incremental sales. I want to pause and give a shout out to our team at Shipt and congratulate them on an incredible year of growth and expansion, which has included a doubling of their shopper base.

Altogether, our third quarter digital sales grew more than $2 billion compared with last year. For perspective, $2 billion is more than our company's total digital sales for the entire year in 2014. Somehow, I think I should pause for a second and let that sink in. But instead, maybe I'll pile on by making the same point a different way and point out that between the first three quarters of 2014 and the same period this year, the compound annual growth rate of our digital sales was 45% over that 6-year period.

Another area in which we've seen amazing flexibility is in the management of our inventory as we've adapted to huge swings in the pace of sales among individual categories and work to support overall growth that's been well above the expectation. As I mentioned last quarter, while we continue to make progress, we've seen some persistent inventory shortfalls for a couple of distinct reasons. First, in several of our long lead categories, like electronics, home and apparel, our team has been playing catch up given that we experienced an unexpected sharp and sustained explosion demand for these categories.

The team has done a great job of chasing and expediting inventory to support these categories, which enable the unusually strong comps that Brian outlined earlier. Even more encouraging, we ended the third quarter in a much better position than where we started, and we expect to see additional recovery in the fourth quarter. The other driver of inventory shortfalls in 2020 is related to industry dynamics as the producers of cleaning and paper products have been working to ramp up production in the face of a dramatically higher demand across all of U.S. retail.

Happily, we're also making progress in these categories, but we're not yet back to pre-COVID levels as supply improved during the quarter, and we expect to make continued progress in the fourth quarter. Overall, our progress is reflected in the aggregate numbers. Specifically, we started the third quarter with inventory down about 3% compared with a year ago and ended more than 11% higher than a year ago, after a quarter in which our sales grew more than 20%. This is a remarkable progress and puts us in a much better position as we move into the fourth quarter.

I also want to highlight the flexibility of our properties team. We just opened 18 new stores in October. For the year, our team successfully opened 30 new stores, of which 29 were small formats, making 2020 the biggest year of small format openings ever. In any year, setting records would be notable. But in a year in which COVID caused us to delay our new store construction, it's been amazing to watch how quickly our team was able to restart such a large number of projects and successfully bring them to completion in advance of the holiday season.

Beyond flexibility, another key theme this year is capacity as we consider the physical resources we'll need to support our business over time. As Brian mentioned, we've already grown our sales by more than $10 billion through the first three quarters of 2020. And again, for context, that $10 billion of incremental sales is more than our total sales growth between 2011 and 2019, an 8-year period. You might well have wondered whether compressing eight years of growth into less than a year was impossible. But clearly, the capacity was there.

And while capacity is a function of replenishment as well as fulfillment, the question we hear most often is whether we'll continue to have enough capacity for our digital fulfillment. And in that regard, the primary factor is our strategic decision to place our stores as the center of fulfillment. By relying on the same asset to fulfill both our conventional and digital sales, the key to fulfillment capacity is the store asset itself and the speed with which we can move inventory through it. You might refer to that as our ability to increase turnover. But sometimes you'll hear engineers like Michael and me, refer to that metric as throughput, just to sound smart.

As we said in the past, sales per foot is a useful proxy for throughput. So let's consider how that has progressed so far this year. As a baseline, for the full year in 2019, average sales per foot at Target are about $320. And so far this year, that metric has grown about 19% compared with last year. So just as a thought exercise, if you assumed we were going to grow our sales productivity at a same pace for the full year, we'd end 2020 at about $380 per foot. Now I need to pause to quickly reinforce. I'm using a hypothetical 19% number. I'm not providing guidance for the quarter. I'm just giving us something to anchor on.

So the critical question is after growing sales per foot from the lower end of the $300 range into the upper 300s, do we have any more capacity in our stores? The answer is certainly yes. Last year, in our second quarter call, I mentioned that our top quartile stores averaged well over $400 a foot back in 2018, and that number has grown to nearly $500 since then. If we can average nearly $500 a foot on nearly 500 of our most productive stores, I think it's clear we have capacity to grow the chain average well beyond where it is today. And that capacity would be there, even if we kept doing what we're doing today.

But of course, we continue to find ways to improve throughput. And one of our newest options is to deploy sortation centers in markets where delivery density is high. To better assess this concept, we recently opened our first sortation center here in Minneapolis, which will allow our teams to test, learn and assess its ultimate potential before determining whether to roll out the concept further. The business case for our sortation center is straightforward by moving sorting and staging prospects out of the stores. It frees up backroom space, enabling additional throughput.

Stores can simply focus on packing the orders, which are then transferred multiple times per day to the sortation center, where they can be sorted and staged at a larger scale, driving per unit efficiencies and potentially reducing the number of split shipments. In addition, we can reduce per unit shipping cost by deploying technology from Grand Junction, which helps us to allocate packages across different providers and applying recently acquired technology from Deliv to help us to optimize sortation and injection into those provider networks.

But unit efficiencies are only part of the potential benefit. While these centers require some capital investment, they are designed to increase both throughput and capital efficiency of our existing network, which should reduce the need for us to invest capital in upstream fulfillment centers. Net-net, our expectation is that investing in sortation centers will be a more capital-efficient way to add capacity, and we'll be assessing that potential through the test.

Before I move on from this topic, I should quickly acknowledge, there are a number of other important considerations regarding capacity. Beyond overall capacity, within each store, we need to ensure we have allocated appropriate space to fulfill both our conventional store sales and our entire suite of store fulfilled digital sales. There are a number of ways we account for this in our plan.

First, we continue to find ways to optimize space within our stores, including options to free up front and space to accommodate growth and Pick Up and Drive Up and backroom space to accommodate peak demand for our ship-from-store capability. We're planning for this expanded capacity in our new stores and remodels, and we developed robust processes across the rest of the chain to free up space outside of a full remodel. Second, within each market, we route the bulk of our ship-from-store orders to lower volume stores, allowing the highest volume stores to devote most of their capacity to conventional sales.

And third, we've developed tools and processes to create temporary peak capacity in both the frontend and the back room, which allows us to handle the fourth quarter surge both same-day and ship-from-store volume without building a permanent solution that we wouldn't need for the rest of the year. We've already deployed this additional temporary capacity across the chain in advance of this year's holiday peak, which we expect will be far larger than anything we've seen in the past.

The other consideration in planning for future capacity is our upstream supply chain, which handles the bulk of the product we receive from vendors and then relative to the stores across the country. Even going into this year, we told you that we would need to be adding to our upstream capacity to accommodate future volume. And with this year's unprecedented growth, upstream capacity has become an even more important aspect of our plan.

So, as I've said before, I hope these metrics and our demonstrated ability to grow well beyond expectations this year can help to address any of your concerns that we're going to run out of capacity. But in the meantime, I want to cover our plans for the fourth quarter peak. The team is in place and ready, and while stores will be busy, both our promotions and operational plans are designed to minimize crowding to allow our guests to shop safely.

Digital penetration always peaks in the fourth quarter. And this year, our store central fulfillment model is well positioned to handle an unprecedented amount of digital volume. And while all of our digital options will likely see huge volume, we're really excited about our capacity to satisfy guest demand through our same-day services. We're ending the fourth quarter with double the number of C pace compared with a year ago. And as Brian mentioned, we've made technology changes to make it completely contactless.

We're also entering the fourth quarter with more than 1,600 stores able to fulfill fresh, refrigerated and frozen items through our Pick Up and Drive Up services, making shopping for holiday dinners incredibly easy. Among guests who have been shopping this enhanced assortment using Drive Up, we've seen half of the orders picked up within two hours and two-thirds within four hours, demonstrating how guests are using this service to conveniently serve an urgent need.

And finally, as we plan for seasonal hiring this year, we prioritized additional hours of our existing team members first and then added seasonal health to provide the necessary capacity. In training our teams to ensure we could accommodate peak digital fulfillment needs, we rolled out a plan to ensure that at least 50% of each store's team is cross-trained and able to support fulfillment this year.

So like Brian, I want to close with a simple and sincere thank you to the entire team. While peak is still ahead of us, you've already made this a year to remember, and I can't wait to see what we can do together to deliver for our guests throughout this holiday season.

With that, I'll turn the call over to Michael, who'll provide more detail on our third quarter financial performance and provide his initial thoughts as we plan for next year. Michael?

Michael Fiddelke

Thanks, John. Similar to each of our everyday lives since the onset of the coronavirus, hardly anything in our P&L has felt the same as before. But a few factors are most important in understanding our business results so far this year.

First off, for the headwinds, of which there have been several, including merchandising mix, digital fulfillment costs and an avalanche of first quarter apparel markdown. In addition, we've invested nearly $1 billion in additional pay and benefits for our team, along with safety measures to protect both our team and our guests. Yet in the face of those pressures, our business has delivered outstanding profit.

And while there are various places on the P&L where you can see the favorability, they all tie back to the $10 billion of incremental sales that John mentioned earlier. On the expense line, this growth has resulted in an extraordinary amount of leverage, which has more than offset the pressure from additional costs. In addition, this year's unusually strong growth has resulted in exceptionally low markdown rate, as I'll discuss in more detail in a few minutes.

When you pull back from the detail, it's clear that our business has been able to deliver both incredible top line growth and strong bottom line results. This is a hallmark of the durable model we've been building over the last few years. Our third quarter comparable sales increase of 20.7% reflects the continued pattern of trip consolidation by our guests as our average transaction size grew by more than 15% on top of very healthy traffic growth of 4.5%. Total sales grew 21.3%, about 60 basis points faster due to sales in new and non-mature stores.

On the gross margin line, we recorded a rate increase of about 80 basis points in the third quarter, driven by the net impact of three separate factors. The first is the benefit of our merchandising efforts, which contributed well over two percentage points to our gross margin rate in the quarter. While there are many individual factors within this larger bucket, the most notable is on the markdown line, as we saw exceptionally low promotional and clearance markdown rate.

On the promotional markdown line, we've seen a year-over-year benefit since the pandemic began. And the reason is simple. When unit volume in commodity categories is so high that production is struggling to keep up with demand, it makes sense to stick with our low everyday prices and reduce the number of stock-up and other volume driving promotions, which would only increase the number of out-of-stocks faced by our guests.

On the clearance markdown line, we've seen even more favorability, and the reason is somewhat different. As demand for our non-commodity categories has stayed persistently higher than expected, we've sold a higher-than-average mix of our units at regular price with fewer than expected units sold on clearance discounts at the end of the season. Even more notable, favorability on the clearance line has been the primary driver of our overall markdown favorability on a year-to-date basis, despite the exceptionally high apparel markdowns we recorded in the first quarter.

Offsetting the benefit of our merchandising efforts, there were two distinct headwinds to gross margin in the third quarter. The first was from digital fulfillment and supply chain costs, which drove about 110 basis points of pressure, driven by rapid growth, digital fulfillment, along with incremental team member pay, benefits and safety costs for our supply chain team members. The other gross margin headwind came from category sales mix, which was worth about 60 basis points of pressure as lower-margin categories grew faster than higher-margin categories during the quarter.

On the SG&A expense line we recorded about 180 basis points of favorability in the third quarter. As I mentioned earlier, the favorability on this line reflects exceptionally strong cost leverage due to sales growth of more than 20%. This benefit was so strong. It was able to offset about $300 million of incremental investments in team member pay and benefit, along with safety measures to protect our team and our guest.

On the D&A line, dollars were down about 6% from a year ago, worth about 70 basis points of rate improvement as we continue to annualize higher levels of accelerated depreciation on last year's larger remodel program. Altogether, the business delivered an exceptionally high operating margin rate of 8.5%, more than three percentage points higher than last year. On a dollar basis, operating income grew more than $900 million, or more than 90% compared with last year.

On the interest expense line, we recognized the $512 million loss on debt extinguishment related to a debt tender offer we executed in October. In light of our higher profitability, income taxes grew by about $90 million compared with last year. On the bottom line, despite the loss on debt extinguishment, which was equivalent to $0.75 of pressure, third quarter GAAP EPS from continuing operations established a new record high of $2.01, representing an increase of 46% compared with $1.37 last year. Adjusted EPS, which excluded the debt extinguishment loss and a couple of other small factors in both years, also established a new record high of $2.79, more than 100% higher than $1.36 last year.

Our business continues to generate very strong cash flow. Specifically, through the first two quarters of the year, our operations have delivered just over $7 billion of cash, which is nearly $3 billion more than a year ago. Obviously, our profit performance is an important factor in this increase, but we also continue to benefit from unusually high payables leverage, which is running well over 100%. Consistent with my comments last quarter, and despite the inventory growth John mentioned earlier, we would have chosen to have less cash at the end of the quarter and more inventory if that option had been available.

In light of the continued strength of our cash generation and resulting cash position on our balance sheet, our treasury team recently elected to take a couple of actions. The first was the execution of a debt tender offer in activewear, in which we invested $2.3 billion of cash to retire $1.8 billion of high coupon long-term debt. This transaction created significant economic value, and it will significantly reduce future interest costs. In addition, it allowed us to deploy the bulk of the extra cash we added in the first quarter when, like many other well-capitalized companies, we chose to take on additional liquidity insurance at a time of extreme uncertainty following the onset of the pandemic.

The other decision was made earlier this month when we terminated a supplementary 364-day credit facility, which was also added during the period of extremely high uncertainty during the first quarter. Beyond those actions, we also announced today that we have lifted the share repurchase suspension that we initially announced in the first quarter. We don't intend to engage in any repurchases before the end of the holiday season. But under appropriate conditions, we would look to reinitiate repurchases in 2021. As a reminder, we currently have $4.5 billion of remaining capacity under the repurchase program approved by our Board of Directors in September of 2019.

As always, the timing and quantity of repurchase activity will be governed by our decades-long capital deployment goals. We first look to fully invest in projects that meet our strategic and financial criteria. Second, we support our dividend and look to build on our nearly 50-year record of annual increases in our dividend per share. And finally, we deploy any excess cash beyond the first two uses to repurchase our shares within the limits of our middle A credit ratings. These capital priorities have served us well for decades and have played a critical role in supporting both strong operations and a strong balance sheet over time.

In terms of capital deployment, we made capital investments of about $600 million in the third quarter, bringing our total for the year to just over $2 billion. We continue to expect full year CapEx in the $2.5 billion to $3 billion range, below our original expectation of about $3.5 billion, driven primarily by the reduction in remodel activity following the onset of COVID-19. We paid dividends of $340 million in the third quarter, reflecting a 3% increase in the dividend per share, partially offset by a decline in share count. And of course, we didn't repurchase any shares in the third quarter in light of the suspension I mentioned earlier.

Turning now to our after-tax return on invested capital. Our business delivered an extraordinarily high 19.9% in the trailing 12 months through the third quarter, up nearly five percentage points from 15% a year ago. While our longer-term plans have focused on delivering higher after-tax ROIC over time, the acceleration over the last two quarters has been well beyond anything we would have expected. And given that our inventories have been consistently lower than we'd prefer, we gladly would have traded some cash for more inventory over the last two quarters even though that would have driven this metric somewhat lower.

So now before I close, I want to comment a little bit about our outlook. While we stopped driving financial guidance back in the first quarter, I want to outline a number of important considerations as we move into the holiday season and the fourth quarter overall. The first is the continued headwinds facing the consumer and the economy. In light of uncertainty around the path of the pandemic and continued elevated levels of unemployment.

Offsetting this pressure, beginning with the onset of the pandemic, there has been a significant change in the mix of consumer spending as a meaningful portion has shifted away from travel in multiple forms of out-of-home entertainment and into many of the categories we sell. We also continue to benefit from trip consolidation as consumers have increasingly relied on our stores and digital services to satisfy a wide variety of their wants and needs in a single trip.

Beyond these macro trends, there are a number of more specific considerations as we enter the holiday. The first is the expected change in the category mix of our fourth quarter business as typically both our Electronics and toy categories generate half their annual sales in the fourth quarter. Given that both of these categories have seen dramatically stronger sales since the pandemic began, it's more difficult than usual to predict how the pattern will play out in the fourth quarter.

Similarly, the digital mix of our sales, an important factor in our overall profitability, typically reaches a seasonal peak in the fourth quarter. This year, it's difficult to predict how high our digital mix will become given that we've already seen dramatically higher levels of digital penetration all year. So the natural question is, once you quantify all the potential headwinds and tailwinds you've just outlined, what's your fourth quarter forecast?

Well, I think that's a great question. The reality is that none of us can accurately predict to the future as all of us are facing a much higher level of uncertainty compared with a normal year. That's the reason why we've suspended financial guidance, but that doesn't mean we can't affect the outcome. As I've mentioned before, we continue to prioritize flexibility as we plan our business and focus on agility in our operations. That way, when the unexpected happens, our team can respond quickly and effectively as you've seen so far this year.

Looking ahead to next year, the crystal ball doesn't get any clearer. Not only is it uncertain when the coronavirus will be fully behind us, it's also unclear how the consumer will behave in a post-COVID world. That creates uncertainty about the path of multiple categories as you consider how the mix of consumer spending will evolve and what the competitive landscape will look like. In adapting to that new world, we'll need to understand what that will mean for our business and how the financial metrics that have been dramatically changed this year will settle down over time.

And today, while we can't answer these questions any more accurately than you can, it's clear that flexibility and agility will continue to be vitally important. So while specific metrics will continue to be difficult to predict, we continue to have a high degree of confidence in our business and our ability to outperform. That's because based on the hard work of our team over the last few years, we now have a business model that's demonstrated its ability to deliver market share growth and profitability across a range of environments that's been far wider than any of us would have expected.

And importantly, in a time where virtually nothing has stayed consistent, the one reliable through line across weeks and product categories has been consistent share gains throughout the year. In addition, we've seen a massive increase in guest engagement this year as they ventured into new categories and service as a target. And as I mentioned in our first quarter call, we've long known that engagement with guests at a time when their habits are changing is an incredibly important factor in deepening long-term loyalty.

It's the reason we prioritize the back-to-college season when many consumers are moving away from home for the first time. It's also the reason we're there for young couples when they get married and when they have children because our relationship with young families has long been a foundational aspect of our strategy. But most importantly, our team is a huge reason why we're confident in our future. We've long told you that we have the best team in retail, and this year's experience has demonstrated why we feel that way.

Throughout the year, our team has stayed optimistic, they've taken care of each other, they've offered friendly service to guests our and they've successfully overcome a host of unforeseen challenges. The longer I've been at Target, the more I've seen how our team is Target's secret sauce, and I want to express my sincere gratitude to all of them for everything they've accomplished so far this year.

With that, I'll turn it back over to Brian for some final thoughts. Brian?

Brian Cornell

Thank you. I want to reinforce Michael's commentary on our connection to families, which is so fundamental to our strategy. It's right at the center of our corporate purpose to help all families discover the joy of everyday life. As we enter the holiday season at the end of a truly remarkable year, we're humbled and gratified at the number of families who have turned to Target to help them stay connected this year. We've helped them to find everything they need for a birthday party, including the decor, the food, the presents and a card.

We created registries for couples getting married and for parents excited to celebrate the birth of a new child. We've helped our guests to stay connected from a distance with a new mobile phone or tablet. And we've helped them enjoy the additional time they're spending at home, whether that was new decor, office equipment, toys, video games or even activewear now that it's become work appropriate in a world in which all meetings are virtual.

Even though the holidays will be different this year, we know our guests still want to discover the joy and connect with those closest to them. So our team is focused on helping to make that happen while providing helpful and friendly service in a safe environment during the busiest time of the year.

So with that, we'll move to Q&A. John, Michael and I will be happy to take your questions.

Question-and-Answer Session

Operator

Thank you. We will now begin our question-and-answer session. [Operator Instructions] And our first question comes from Chris Horvers from JP Morgan. Your line is now open.

Chris Horvers

So I have a near-term question and a long-term question, starting with the near term. I guess curious what your thoughts are on how this holiday plays out. What's the mood of the consumers that you've seen as you head into holiday? You've had some events already that could probably test where you're seeing strength and where you're not seeing strength. So how are you thinking about -- what's the outlook here for the holiday and the timing and so forth?

Brian Cornell

Well, Chris, it's Brian. Why don't I start out give everyone a sense for how we're viewing the holiday season. And we've spent a lot of time talking to guests throughout the year. And as it pertains to the holiday, they're clearly telling us that they want to celebrate this holiday season, but they know it's going to be very different. Smaller gatherings, those trips that we used to take will be postponed, but we certainly expect that the guests that we serve is going to look for ways to find that a little bit of joy during the holiday season. They've reacted very positively to our new promotional plan to start early and actually make those deals available throughout the holiday season.

We've heard very positive responses to closing on Thanksgiving and really minimizing those big traffic-driving occasions that we've seen in the past. So, we expect this to be a season that's going to be very different, unlike any other we've ever seen. But we expect that guests will decorate their home, and there'll be gifts under the tree, and they'll find special ways to celebrate the holiday season. And alternative, Target and our multi-category portfolio and our suite of fulfillment services has a way to make that happen.

Chris Horvers

Understood. And then on the long term, so you've seen the likes of Levi's, Disney shop-in-shops, Ulta last week. Today, WWD has an article that [Gernel] is coming to Target. It's clear the level of fashion is on the rise at Target. There are plenty of well-known brands that sell into likes of Pennies and Kohl's and Macy's that now seem like a natural fit from Under Armour, Chaps, CK. Is this an active strategy that you are pursuing on the Apparel side? What's been the dialogue there? And is there any pushback that you've heard from these types of brands?

Brian Cornell

First, to be really clear, and our focus will always be on curation and making sure we balance the right mix of our own brand and select national brand partners, and that will be an approach we'll take for years to come. So we're very excited about some of our new partnerships and working now with Levi's, and next year, in 2021, welcoming Ulta Beauty to our stores and to target.com. But we'll always be curators and find the right mix for our guests between our own brands and iconic national brands.

Operator

And our next question comes from Stephanie Wissink from Jefferies. Your line is now open.

Stephanie Wissink

I have a follow-up question to Chris' question just on brand expansion, but I'm curious if we can look through the lens of your guest profile, any insights into new to file guests where they might be coming from and how those baskets may look relative to your historic average guest?

Brian Cornell

Stephanie, we've talked about the number of new guests that have turned to Target during the pandemic. As John and Mike and I referred to in our opening comments, we're seeing a guest shop multiple categories, take advantage of our vast multi-category portfolio. Some days, they're shopping our stores. Some days, they're taking advantage of our same-day fulfillment services and we expect that to continue.

So the guests that are shopping our stores right now are taking advantage of the multiple categories that we sell. They are shopping in apparel and home. They're coming into Hardlines and Food and Beverage. They're taking advantage of our Beauty offerings as well as Household Essentials. And again, some days, we see them taking advantage of the investments we've made to create a safe shopping experience in store. And other days, they're taking advantage of the ease and convenience of our same-day fulfillment services.

Operator

And our next question comes from Edward Kelly from Wells Fargo. Your line is now open.

Edward Kelly

Your gross margin performance this quarter was excellent, obviously. But can you provide a bit more color just on the markdown situation? So of the 200 basis points that you mentioned, was that all markdowns? How much of that was just less promos versus clearance? And then how do we think about Q4 as it relates to these line items? It's obviously pretty hard for us to predict at this point. I'm sure for you as well. But any color there I think would be helpful.

Michael Fiddelke

Sure. I can take that one. When you think about the drivers in Q3, the north of 200 basis points of good news from a bucket of levers within merchandising, the single biggest of those for certain was markdown efficiency. And we've seen continued efficiency on the promo markdown line throughout the year. And then clearance and so much of that is a function of our sales, our higher-than-expected sales in some of the seasonal categories.

As you guys well know, a big part of our recipe for assortment in stores is bringing seasonal relevance and newness. In Q3, we changed over a lot of the store heading into the fall. And we had sold through a greater degree of that assortment this year than we typically see, and that provided some real tailwind on the margin line in Q3.

When it comes to Q4, as said, Q4 is always its own animal. So, we build Q4 bottom-up with a clean sheet of paper, and that's the way we've done it this year with admittedly a few more uncertainties in that equation than we might have typically. But we feel really good about, importantly, how our inventory is positioned heading into the holiday season.

We expect and feel good about our prospects for the quarter looking forward and the strength of the multi-category assortment and the strength of our fulfillment options and the ease and convenience that we'll be able to bring the guests should bode well for the fourth quarter as well.

Brian Cornell

Yes. It's Brian. I'd only add and really recognize the great work our merchants’ teams have done throughout the pandemic and certainly in the third quarter, making sure that we quickly adjust the assortment to make sure it's relevant for the guests in today's environment. And I think you'll expect to see that in the fourth quarter as well. But our merchants have worked very closely with our key vendor partners to make sure we're making the adjustments and we've got the relevant items in our stores and online that guests are looking for today. And that's certainly been a big part of our success throughout 2020.

Operator

[Operator Instructions] Our next question comes from Edward Yruma from KeyBanc Capital Markets. Your line is now open.

Edward Yruma

You guys have been very successful operating and opening stores in some of these more densely populated urban areas. I wonder if you could give us some sense to how they performed, maybe as some folks have left these cities. And I guess the flip side of it, if real estate becomes more accessible, is this a strategy you could continue to lean into longer term?

Brian Cornell

John, you want to talk about small formats in 2020 and some of the outlook that we have for 2021?

John Mulligan

Sure. Hi Ed. Yes, we remain really bullish on the small-format stores and the opportunity in front of us there. We have many different types of trade areas that we have opened in small formats in over the years. And by and large, they are all performing well. There's a couple that I would say are probably not quite where we'd like to be given the year. One is college campuses. Those stores that are heavily dependent on just students have lagged the Company a little bit.

And the other one is really around employment centers, not really around dense urban neighborhoods. Dense urban neighborhoods have continued to perform very, very well. Employment centers where people have been working for home, those have also lagged a little bit the rest of the chain. But as we look forward, we continue to see great opportunities across all the different trade areas. We believe college campuses. We're very bullish on those for the future.

And so, you'll continue to see us look to open small formats in many of the same areas that we've opened them in historically. And you'll see us begin to accelerate a little bit next year, potentially 30 to 35, perhaps over time, get to 40 stores a year as we continue to think about opening those smaller stores to address trade areas where guests are seeking the Target experience, but today can't get that store experience. So like I said, we remain very bullish on that whole concept.

Operator

And our next question comes from Karen Short from Barclays. Your line is now open.

Karen Short

So, I'm just wondering, with respect to a short-term question and then longer term, you gave a lot of color in terms of the things that you're doing near term and also for January, to the extent that January closed down. But I guess I'm wondering how you're thinking about December from the perspective of there's been so much pull-forward of shopping. Do you think there's some risks from a December perspective that December kind of fizzles a little bit? And how are you planning for that? And then I just had one other bigger picture.

Brian Cornell

Karen, why don't I start? I think as we've looked at the holiday season, we expected the guests to start shopping earlier, but continue to shop throughout the holiday season right up to Christmas Eve. So, we think it's going to be a prolonged shopping season. I think we're going to see very different shopping patterns. We don't expect to see those big spikes during Black Friday and all weekend. I think it's going to be spread across the holiday season. And we think December is going to be a very important gifting season for our guests.

So, we're watching it carefully. And again, we'll put a premium on flexibility and agility as we work through the months of November and December. But all indications, as we've talked to the consumer and talk with the guests is, they're going to look to celebrate the holiday season, they're going to be focused on gifting and celebrating with their family and close friends. And we expect them to be in our stores and shopping online right till the very end of the holiday season.

Karen Short

Okay. And then my second question is just for -- as we look to 2021, obviously, there are some tough comparisons on the top line and maybe some tougher comparisons on the promotional from a lack of promotions this year. How are you thinking about the environment in 2021 as some retailers have to lap some of the tough comparisons? Or is it a function of the fact that there are many retailers that really can't be promotional because they don't have the balance sheet and capability to do that?

Brian Cornell

Karen, right now, we're very focused on the first half of 2021. And this is going to be a familiar theme, really taking some of the lessons learned from 2020, putting a premium on flexibility and agility. Because as Michael and I have both said, we, unfortunately, don't have that crystal ball as we look to the future. We're all looking for greater certainty. But we know we're going to go into the first half of 2021 facing the continued pandemic, waiting for vaccines, looking for greater clarity around the condition of the economy and unemployment. And I think we're going to just have to make sure that we remain flexible and provide the assortment and the services and the safety that the guest is looking for from Target.

We certainly expect certain trends will continue. We think guests will continue to consolidate the number of locations where they shop. We think our multi-category portfolio will continue to be very important as we serve the needs of families. We think ease and convenience, combined with safety, will continue to be important. And we'll continue to deliver great value. So Michael talked about our continued focus on market share and the market share opportunities that are in front of us. And I think we'll be very focused on continuing to build off of the market share gains that we achieved in 2020 and further share opportunities in 2021.

Operator

And our next question comes from Paul Lejuez from Citi. Your line is now open.

Paul Lejuez

A couple of quick ones. Just -- I'm curious if you can quantify the percent of your sales increase that's being driven by new customers versus existing customers. Curious about the store comp, if you could talk traffic versus ticket. And then, Brian, you mentioned, I think the top quartile of your stores are doing $500 a foot. Curious if you looked at that top quartile, let's say, as of 2019 versus the bottom quartile, how are each of those performing this year in 2020?

Brian Cornell

Yes. Why don't I start, and then I'll ask for both John and Michael to provide a perspective? But I'll start with the recognition that on an average week, we see well over 30 million guests shopping our stores. And as you've seen in our third quarter results, we've seen traffic continue to grow at a rate of 4.5%, basket expand over 15%, and certainly, there are a mix of new guests to Target.

But the Target guests and the families that shop us each and every week are visiting us more frequently. They're certainly shopping more categories. And that's creating greater trips either to our stores or to our fulfillment channels and they're shopping a wider array of categories to take advantage of our multi-category portfolio. So we're seeing both growth with our existing guests and new guests to Target and to target.com. Mike, can you give perspective on top-tier versus lower-tier store performance?

Michael Fiddelke

Yes. I'll take that really quickly. As you'd imagine, given just the magnitude of the number of stores, those tiers tend to move in unison. So we talked about the top tier being up, the bottom tier move the same amount. And any individual store will have its own story. But in quartile, they tend to move pretty consistently.

Brian Cornell

I think the only thing I'd add is we look at our performance, our comps by geography each and every week. And we're seeing very consistent results literally across the 3. From both coasts and the heartland of America and in the southern market, really consistent comp and growth performance, so certainly, it's not one or two markets that are driving it. It's not our top-tier stores versus some of our lower-volume stores. We're seeing a consistent lift across the entire fleet of stores and obviously, very strong growth in our digital channels.

Operator

And our next question comes from Paul Trussell from Deutsche Bank. Your line is now open.

Paul Trussell

Very strong quarter. The question I'm not going to ask is to John, on whether there's enough capacity for the holiday season. I think the point is very well made there. But I do want to ask about -- I do want to ask about the evolution of the same-day services. And just curious on what you're learning, given the robust growth, how you're improving efficiency, your ability to add additional items of merchandise in categories to be included in those services?

John Mulligan

Yes. Well, first, thank you, god bless you for not asking about capacity. I would tell you, our store teams and the Shipt team continue to execute our same-day services at a very, very high level. And I think you hit on one of the things we've been very focused on this year, which is really assortment expansion. For Drive Up and for Pick Up, that has meant adding frozen, refrigerated and fresh foods. We are on a trajectory when we started the year to add it to about 300 stores.

We obviously paused in the early spring. And then as things started to open up, really proud of the way our store teams responded and decided we could execute that across our properties team, supply chain and stores to get that in close to 1,600 of our stores today. And so that's available. And that's been a huge win for our guests. We see the unit increases, the number of units in the basket increase as guests start shopping that. It was the number one guest to satisfier.

If I can come and get diapers in a couple of other things, why can't I get a gallon of milk and some eggs, and so now we're able to fulfill that. Right along with that, in OPU and Drive Up, with Order Pick Up and Drive Up, we've added adult beverage, another key category for us where, again, it just tops off the basket. So, a real guest satisfier, and we'll continue to work to add other categories at Shipt. The opportunity there was to get more of our discretionary categories available for our guests as they use our same-day service.

And so as Brian mentioned earlier in the call, we added children's and adult apparel to that right here before the holiday. We think that will do very well. So the teams continue to execute, continue to build efficiencies into what we're doing. But importantly, I think the most important thing is they continue to ask the guests what it is they want and what we can fulfill for them, and you'll see us continue to work toward that. And that will guide really how we continue to improve those services.

Brian Cornell

Operator, we have time for perhaps one more quick question.

Operator

Thank you. Our final question comes from Robby Ohmes from Bank of America. Your line is now open.

Robby Ohmes

First, Brian and team, I just want to say congrats on the execution of your strategy. It's been plain remarkable. My question, I'm sorry, I'm going to ask two. Brian, you mentioned Shipt. I was wondering if you could give us a little more on Shipt and profitability and maybe growth outside of Target, maybe a little more color on what Shipt is becoming. And then the second, maybe a shorter question, just a Target Plus, your marketplace. Anything changing with your strategy there that you can share with us, given your momentum online?

Brian Cornell

John, you want to start with Shipt, and then we'll wrap up with Target Plus.

John Mulligan

Yes. We continue to be really, really pleased with the performance Shipt and the execution of the team. As we said, Shipt at Target has grown 280% this quarter, $200 million of incremental sales. And it's a key part of what we're going to do here in the fourth quarter, we think you see us throughout the fourth quarter really lean into our same-day service and Order Pick Up, Drive Up and Shipt as a way -- our way to fulfill our guest needs, and Shipt will be a big part of that.

I think beyond that, Shipt continues to experience very strong growth. They continue to add retailers that are over 100 national and regional retailers. They added Bed Bath & Beyond this quarter in addition to a few others. They've doubled the number of shoppers since the spring and are planning to add another 100,000 shoppers here for the fourth quarter. So, we continue to see really strong growth, and we're very pleased with Shipt's performance overall.

Brian Cornell

And Robby, on Target Plus, our approach continues to be the same. We're very selectively curating some vendor partners. I think we're up about 175 right now. We probably have now close to 400,000 SKUs available through Target Plus, but we'll continue to make sure we curate very carefully and complement our store and online assortment.