

Thanks, John, and good morning, everyone.

Today, we are sharing second quarter results that are by virtually any measure exceptional. But I want to say at the outset that what's most extraordinary of all is the environment in which we generated those results. The incredible resilience of our team, the way they've risen first to the pandemic, then the social trauma touched off in May, here in Minneapolis. It's unlike anything I have seen or I'm likely to see again in my career. And I say in all humility that it's been a huge privilege to work alongside this team in this moment.

The results we reported this morning are truly unprecedented. On the top-line, we delivered second quarter comparable sales growth of 24.3%, the strongest we've ever reported. Equally remarkable, on the bottom-line, we generated adjusted EPS of \$3.38, a new record high and strong enough to offset the significant profit headwind, we faced in the first quarter. These results are a testament to our team and their passion for our guest and the increasing trust our guests are placing in our brand.

Our performance also reflects the meaningful investments we made in recent years, building a business model that is durable enough to perform in any environment. Incorporating flexibility, in both our merchandise assortment and the fulfillment options we offer to our guests, while articulating a unified purpose to help all families discover the joy of everyday life.

In our last earnings call, we described how our business and operations adapted quickly and seamlessly to rapid changes in consumer behavior. As our guests reacted to the implications of the emerging pandemic, we encountered multiple abrupt changes in shopping patterns throughout the first quarter both across categories and channels.

Here at the end of that quarter, we returned to growth in our store sales and once again saw our growth in categories like apparel. This improves sense of balance in both channel and category mix continued through the second quarter. And we didn't see the dramatic swings we experienced in the first quarter.

In terms of channel mix, we saw a very healthy growth across the board with store [registering] [ph] comparable sales growing 10.9% and digital comp sales up nearly 200%. It's worth pausing to acknowledge that at just under 11%, this store only comp stack ups as of the best in our history. And yes, it happened at a time, when American consumers are adopting digital shopping like never before.

In addition, as I mentioned in previous calls, channel numbers don't tell the whole story because they don't measure the benefit of our work to position our stores and hubs at the center of our digital fulfillment.

When you look beneath the surface of the reported numbers, you find that our stores actually drove more than 90% of our second quarter growth. Given that they enabled more than three quarters of our digital sales and an even higher percentage of our digital growth. Store base fulfillment is uniquely suited to our business model because of the way it fits within our overall strategy. In particular, it aligns with our merchandising approach, which is based on curation, both in our stores and online assortments.

As a result, the majority of our digital demand is driven by items that are already available in our stores, which positions us to efficiently rely on those locations to fulfill the demand. Among our store enabled digital fulfillment options, we continue to see the most rapid growth in our same day offerings, in-store pick up, drive up and shipped. These services offer speed, reliability, convenience and value to our guests. Their digital capabilities enhanced by human interaction, even though they're contactless. This explains why they generate some of the highest levels of satisfaction of anything we provide, together our same day services, saw more than 270% comp growth in the second quarter, outpacing overall digital growth. Among these services, we saw the fastest growth in drive up, which grew an astonishing 734%.

We also saw incredible growth in Target sales fulfilled by shipped, which were up more than 350%. However, even though we have offered pickup in all of our locations for more than five years, in-store pickup sales increased more than 60% in the quarter.

Across all five of our core merchandising categories, we delivered very strong share gains in the quarter driven by the acceleration in our discretionary businesses, combined with continued strength in our frequency categories.

We mentioned in the first quarter that we'd already gained years worth of market share in the quarter alone. Rather than slowing down, our share gains accelerated in the second quarter and we gained double the dollars compared with the first quarter bringing our year-to-date share gains to more than \$5 billion.

Among our discretionary categories, we saw the most dramatic comp acceleration in apparel, which moved from a 20% decline in the first quarter to double-digit growth in the second quarter. Hardlines generated the strongest comp overall, at more than 40%. This was the result of an even

stronger increase in electronics of more than 70% as guests continue to focus on office equipment, home electronics and gaming. Not surprisingly, our guests heightened focus on staying at home was also evident in our home category. We saw more than 30% growth, with particular strength in decor, domestics and kitchenware. Beauty also saw a healthy acceleration, doubling its first quarter growth rate to more than 20% in the second quarter.

Our less discretionary food and beverage and essential categories each saw second quarter comp sales growth of about 20%. For both categories, this was slightly slower than we saw in the first quarter, which is marked by dramatic stock up shopping as the pandemic emerged. At a time when every retailer is facing increased uncertainty and unforeseen challenges, we have chosen to continue investing in our business, and particularly in our team. [Following hundreds of millions of dollars] in team investments in the first quarter in June, we announced that, beginning July 5, we would permanently raise our starting wage for U.S. team members to \$15 per hour.

Additionally, we announced a one-time bonus of \$200 to our frontline store and distribution center hourly workers in recognition of their efforts throughout this extraordinary year.

We also announced free access to virtual doctor visits for all team members through the end of the year, regardless of whether they currently subscribe to a Target healthcare plan. And we announced additional extensions of our 30-day paid leave for vulnerable team members and free backup care for family members.

As I've mentioned before, the return on these team investments may be hard to quantify in a spreadsheet, but I am confident that they have been among the most important investments we've made over the last few years.

In late May into June, our team had to navigate the challenges presented by the killing of George Floyd and the civil unrest that it sparked nationwide. While we all experienced the heartbreak caused by the murder itself, our initial focus was on the safety of our team. As a result in areas affected by unrest, we closed locations or reduced operating hours affecting hundreds of our stores across the country. Most of these stores were able to safely resume normal operations in a matter of a few days, but a handful of locations sustained more significant damage. Although two of those stores have already reopened and we're hoping to have those locations reopened by the end of the year.

Through it all, I'm happy and grateful to say that none of our team experienced physical harm through the unrest. But beyond physical safety, our team is passionately demanding equity and justice for our black colleagues and guests. We are united in that passion and committed to supporting our team, while playing an active role in addressing the persistent racial injustices that have sparked protests around the world. Beyond our teams volunteer efforts across the country we have dedicated \$10 million, half from corporate giving and half of our foundation towards Twin City rapid response needs, local rebuilding efforts, and national social justice initiatives.

We've also formed a committee called Reach consisting of senior leaders who have come together based on their experience and expertise. Together, they represent a broad enterprise view and their work is focused on advancing racial equity for our black team members and guests across all areas of targets business. To deliver the most impact across our business Reach is aligned around four key areas of focus; team, guests, communities and civic engagement and public policy. With their help, we're putting our influence to work in our hometown, and in the country, bringing together our team, our neighbors, other businesses, and community partners to determine actions and resources that will move us towards a more inclusive, equitable and just society.

Now, let's turn to our plans for the third quarter and beyond. Our research tells us that guests still want to celebrate seasons and holidays, even as they acknowledge the things will be different in this new environment. To help our guests adapt to these changes, we're building flexibility into our merchandising and operations, to allow our guests to celebrate the season in new ways. Knowing that many parents across the country are still facing uncertainty about whether their children will be attending school in person or virtually, we'll be featuring our back-to-school assortment for an extended period this year, allowing parents to delay shopping until they have more certainty on their school district plans.

In back-to-college markets, we'll be moving in-store shopping events outside into our parking lots and highlighting contactless options like drive up. Across the chain, we will be promoting a wallet feature within the Target app as a fast, contactless alternative to paying with a physical card. And for Halloween, we'll continue to feature costumes in the core to celebrate the season. But we'll be adjusting our candy merchandising in anticipation of a reduction in [indiscernible] reading this year.

In addition, we'll be giving away surprise school bags to our drive up guests in October, featuring surprises along with tips and suggestions for celebrating the season. Also, this fall, we will roll out at the third and final

phase of our Good and Gather assortment adding more than 600 items to bring the total number of items to nearly 2000.

Good and Gather brand is clearly resonating with our guests and delivering on our food and beverage vision to enhance the Target experience by making it easy for families to discover the joy of food. We launched this new flagship brand less than a year ago and it has already generated more than \$1 billion in sales. With momentum from this new brand, our own brand food and beverage business has been growing more than 30% so far this year, significantly outpacing the market and growing market share.

Beyond Good and Gather, we continue to benefit from an unmatched portfolio of owned and exclusive brands that spans our entire assortment. Together these brands whose sales have outgrown national brands so far this year, obligates quality and style and an unmatched value, while enhancing Target's differentiation and delivering attractive gross margin rates.

In June, we launched Casaluna, a collection of more than 700 quality bedding and bath items featuring elevated natural and sustainable materials like linen, hemp, silk, cashmere all at an amazing value. And of course, it was only in January that we launched our new activewear brand, All in Motion, and the timing couldn't have been better. All in Motion was designed with a commitment to quality, sustainability and inclusivity at incredible Target prices as guests across the country have moved to working from home, they've embraced the quality, comfort and value provided by this new brand, driving sales well beyond our original expectations.

Also, this quarter Target Circle will be celebrating its one year anniversary of its national rollout. At more than 75 million members Circle has exceeded our expectations in its first year. To celebrate, we'll be highlighting Circle in our marketing with a focus on driving acquisition and engagement in advance of the fourth quarter shopping season.

And finally, as we look ahead to the fourth quarter, we're focusing first time guests and team member safety, developing plans, reduce crowds and spread out demand throughout the season. Specifically, we'll be spreading our best price holiday offers over a longer timeframe.

Beginning in October, so guests can shop safely and conveniently, without worrying about missing out on deals that usually come only late in the season. We've also announced that we'll be closing stores in Thanksgiving, sending a clear signal to guests that they won't need to stand in line in crowded stores to get a great deal.

In addition, we'll be making thousands of additional items available via same day services this holiday season, including more gifts, essentials, and everything in between. In addition, as John will describe in more detail, we'll offer fresh and frozen grocery items via order pickup and drive up at more than 1500 Target stores this fall.

As I said in the beginning, I'm incredibly proud of our team and the performance they've delivered on behalf of our guests. As we focus on transforming our business over the last few years, we began with a focus on our guests and how we get better serve them by leveraging our strengths. We emerge from that effort with a durable business model, differentiated from our competitors and designed to perform in a variety of environments.

When we contemplated the range of environments we might face, I don't think anyone could claim that they knew what we'd be facing today. Yet in the face of unprecedented changes in the environment, our business is doing what it's designed to do. It's delivering convenience, reliability, safety and value, driving increased engagement and trust from our guests. It's supporting and rewarding our team, the best team in retail. It's playing a positive role in the communities where we live and work. It's generating strong, sustainable business results in the support of our shareholders. And it's accomplishing these results by relying on our stores when many others are walking away from their physical locations.

As we look ahead, we're prepared to navigate through a host of potential challenges, including the ongoing threat from the Coronavirus and economic headwinds resulting from high levels of unemployment. Yet, as we said in our last call, we have never been more confident in our differentiated strategy and our long-term potential. Throughout this crisis, we have deepened our relationship with American consumers and introduced millions of them to our digital fulfillment services. As a result, we've seen unprecedented growth in market share a trend that we expect to continue.

With a strong business and deep financial strength, we feel well prepared to weather any near term economic headwinds and continue to serve and delight our guests. Our team is ready and eager to seize the opportunity in front of us.

Now, I'll turn the call over to John, who will provide an update on operations and our plans going forward. John?

John Mulligan

Thanks, Brian.

If the overall theme of our first quarter was unexpected change and rapid adjustment in the second quarter, it was an increasing sense of normalcy. I will quickly say things today are far from the old normal. In fact, hardly anything feels the same today as it did six months ago. And while second quarter trends were much less volatile than the first quarter, the team still had to navigate through a great deal of variability, something they've done exceptionally well throughout this crisis. But at this point, the team has gained significant experience with dual routines, all centered around safety and we've returned to many of the routines we paused during the first quarter.

Now that our new cleaning routines are fully established, they are operating successfully in a run state condition. We continually hear from our guests that safety is even more important than ever and they appreciate that cleanliness and safety are visible priorities for our team across every aspect of what we do.

In late April, we began accepting in-store returns again, following a five week pause. Soon after, in May, we began a phased reopening of the Starbucks locations in our stores. As the quarter progressed, many other activities resumed, including a steady reintroduction of the weekly added select markets and a assumption of a more normal cadence for handling clearance promotions and merchandise transitions.

In our Super Target locations, we initiated a contactless form of sampling in June, along with a phased in-plan to resume deli and bakery production. Across the chain, we reintroduced product samples into our pickup and drive up bags and began moving stores back to their pre-pandemic levels.

After opening three new store locations in March, we took a pause in our new store projects as uncertainty from the pandemic emerged. Since then, we've been ramping up our new store construction activity and we are now on track to open up to 27 more stores this year. Nine of these new locations are slated to open this month, with another 16 to 18 expected in October. We continue to be pleased with the performance of our new small format stores and our pipeline is expected to support 35 to 40 of these new locations annually in future years.

Perhaps the most vivid example of our progress is the fact that we've resumed our plans to add fresh, refrigerated and frozen items to our pickup and drive up services. Going into the year we have planned to rollout this capability to half or more of our stores this year. However, in March given the severe swings we are seeing in store traffic and the onslaught of new routines, we are asking our store teams to perform, we paused on this rollout to provide our team more time to focus on safely serving our guests.

At a time of our first quarter call in May, we had already resumed the rollout. And since then we have made more progress than we had originally planned for the full year. In fact, we are already offering an extended food assortment for drive up and pickup in more than 1500 of our stores far exceeding our original goal. By this holiday season, we expect to have this capability in nearly 1600 stores.

In addition, we've added adult beverages to our pickup and drive up assortments in more than 300 stores in selected markets. And we'll continue the rollout of both perishable items and adult beverages to additional locations next year.

Our teams and systems are successfully handling the additional complexity that comes with these expanded assortments and our guests are happy as well. They're telling us they appreciate the ability to receive these items without shopping our sales floor, providing them a contactless option when that is their preference. Following the introduction of an expanded assortment in markets, we see a steady increase in usage week after week as more guests learn about it. Our guests tell us they're eager for us to make even more items available. We'll be exploring further assortment enhancements over the remainder of the year and beyond.

Beyond assortment we continue to implement process enhancements to our digital fulfillment services, driving both efficiency and speed for our guests. This quarter, we introduced improvements to the Target app, allowing guests to toggle their fulfillment choice between pick up and drive up orders up until the point that guests arrives at the store. This option provides additional flexibility for the guests to update their fulfillment option as their plans change.

Given the explosion in demand we've seen this year, we've been adding additional drive up spots and locations across the country. This additional capacity was contemplated in our original plan, but with recent growth, we are adding these extra spots earlier than originally anticipated. The process is straightforward as we add 2 to 12 additional spots depending on store specific needs, repainting the parking stalls and using additional temporary signing to highlight the change.

For our shipment store capability, we continue to roll out process improvements for processing orders and packing boxes, increasing efficiency and reducing waste. And we've also enhanced prioritization algorithms to ensure that the orders with the most time sensitive items, including COVID sensitive categories are prioritized earliest for packing and shipping.

While digital orders inherently involve more handling and more cost compared with conventional store transactions, we've been realizing meaningful improvements in average fulfillment cost per unit, reducing the impact of digital growth on our operating margin rate. These efficiencies are driven by multiple factors. First, as we continue to roll out new tools and processes, we have been seeing increased efficiency across each of our digital fulfillment options.

Second, we are benefiting from favorable mix within digital fulfillment as our same day options continue to grow faster than overall digital growth average unit costs go down because these options are much less costly compared with shipping to home.

Third, we're seeing meaningful leverage on digital fulfillment, given the unusually high growth rates we've seen this year. Some of this leverage is more subtle than conventional fixed cost leverage. For example, as stores drive up order volume increases, more and more of the time, our team is able to pick multiple orders together, gaining efficiency in the pick process. In addition, we realize a similar benefit in the parking lot, where our teams are increasingly delivering multiple orders at a time, reducing the cost per order of that delivery trip to the parking lot.

And finally, as we've seen meaningful trip consolidation this year, we realized that benefit as fixed order costs are spread across more items. Aggregating all of these benefits, our second quarter average unit costs for digital fulfillment, was approximately 30% lower than a year ago. This provided a significant offset to the cost pressure we would otherwise be seeing from our unusually high rate of digital sales growth.

But while we'll always focus on driving efficiency and reducing costs, we embrace digital transactions because they drive guest engagement which ultimately benefits every part of our business. Our most recent data indicates that a multi-channel guest spends 4x as much as a store-only guests, and 10x as much as a digital only guests.

Our research also continues to validate that after a guest tries drive up for the first time, we see a nearly 30% increase in their overall spending, including an increase in our conventional store shopping. It's particularly notable that this increase in store shopping is occurring despite the unusual environment in which consumers are minimizing time spent in public places. However, the data certainly provides some additional context for the unprecedented growth of more than 10% in conventional store sales we reported this quarter.

As we gain new digital guests in unprecedented numbers, we are also seeing higher engagement from these guests than we've seen in the past. Specifically among our new digital guests in the first quarter, we've seen nearly double the rate of repeat purchases within seven days compared with a year ago. And the rate of repeat purchases in the intervening 90 days has been fully doubled what we measured a year ago. Given that we've added 10 million new digital guests in the first half of the year, we feel good about our prospects for building on their elevated level of engagement over time.

Now, I want to spend a minute talking about our current inventory levels and in stock performance. While we made a lot of progress in the second quarter, we are still facing challenges across multiple parts of our assortment, driven by a couple of distinct factors. First, in many of our frequency categories, our vendors continue to face capacity constraints as they work to accommodate unexpectedly high demand across the U.S. While these vendors continue to ramp up production and we have been successful in negotiating higher allocations for many of them, demand in our stores continues to outpace supply as a result on-shelf availability in many of these categories continues to look sparse. Even as our allocation quantities are increasing. We will continue to work with our vendor partners to make more progress in the back half of the year.

Second, regarding import categories, we successfully increased receipts throughout the second quarter, but as Brian outlined earlier, we also have seen a meaningful acceleration the pace of sales in these categories. Based on our current plans, we expect that our import inventory will reach last year's levels by the end of the third quarter, and should expand well beyond last year's levels in the fourth quarter. And finally, I want to address the nagging questions we continue to hear regarding our capacity and ability to further scale our store based fulfillment model. I have addressed this question multiple times in prior earnings calls. And I would think that our recent results would dispel these worries. But we clearly haven't convinced everyone yet. So we'll continue to provide facts to support our modeling.

Here are some fun facts from the first half of this year. Of our six plus billion dollars in comparable sales growth so far this year, conventional store sales have grown nearly \$2 billion, while digital sales have expanded more than \$4 billion. Our year-to-date digital sales of nearly \$7 billion have already eclipsed our full year digital sales in 2019, even though the peak holiday shopping season is still ahead of us.

Of this year's digital growth, sales on order shipped from stores have grown more than \$1.6 billion. Sales from our pickup and drive up services have also grown more than \$1.6 billion so far this year, with drive up accounting for well over \$1 billion of that growth. And of course, much of this year's

growth has been unplanned, being in our systems and store teams have had to adjust quickly in real-time.

So again, we hope these facts hope you put your capacity concerns at ease, but if not, we'll continue to address them in the future. With that, before I end my remarks, I want to pause and thank our team for the resilience, dedication and flexibility during a tumultuous year. It has been incredibly gratifying to watch how our team has adapted to unprecedented change, serving consumers in record numbers while staying laser focused on what matters most, the safety of our guests, and our fellow team members. While we all can't wait for the day when we can look at this pandemic in the rearview mirror, the reality is that it's not likely to end soon. In the meantime, we are committed to supporting each other and building on the foundation we've created over the last several years, allowing us to emerge from these tough times as an even stronger company with a deeper relationship with American consumers.

I'll turn the call over to Michael, who will provide more detail on our second quarter financial results and our priorities going forward. Michael?

Michael Fiddelke

Thanks, John, and good morning everyone.

While aspects of our second quarter performance could hardly have looked any more different than the first quarter. Many of the themes we covered three months ago remain true today. Guests are consolidating trips and increasingly turning to Target as the flexibility of our assortment and fulfillment options make us a convenient one stop shop. We're continuing to invest hundreds of millions of dollars in pay and benefits for our team and new measures to enhance safety and cleanliness in our stores.

We're seeing unprecedented market share gains across our multi-category assortment and in virtually every week and we're focused on financial strength and flexibility as we look ahead, given continued volatility and uncertainty in this environment.

As Brian mentioned, our second quarter comp sales growth of 24.3% is the highest we've ever reported. Total sales grew 24.8%, reflecting half a point of benefit from new and non-mature stores. Among the drivers of our comp growth, comparable traffic grew 4.6% while average basket grew 18.8% reflecting trip consolidation in both our stores and digital channels. Across those channels store originated comp sales grew 10.9% meaning stores growth alone matched our total comp sales growth in the first quarter. On top of those store sales, digitally originated comp sales grew 195% contributing another 13.4 percentage points to our total comp growth.

Within digital, we continue to see the fastest growth in our same day services in-store pickup, drive up and shift which together grew 273% over last year. As John mentioned these services have much lower unit costs compared with the orders we shipped to our guests, helping us to control costs even as our digital sales continue to explode.

Our second quarter gross margin rate of 30.9% was about 30 basis points higher than last year. Among the tailwinds to gross margin, we saw about 180 basis points of rates benefit from core merchandising strategies, which played out most prominently in lower markdown rates compared with last year. In addition, we saw about 50 basis points of benefit from the change in the sales return reserve estimate that we held at the beginning of the quarter. Among the headwinds, digital fulfillment and supply chain costs accounted for a rate headwind of about 130 basis points, while category mix drove about 70 basis points of pressure.

On the SG&A line, second quarter results included \$400 million of investments in team member paying benefits and measures to protect the health and safety of our guests and team. However, these investments were more than offset by the leverage benefit of exceptionally strong sales growth. And as John mentioned earlier, the benefits of this leverage extended well beyond strictly fixed costs, leading to an astounding reduction in our SG&A expense rate of about 180 basis points in the quarter.

On the depreciation and amortization line, we also saw healthy leverage on a small reduction in dollars driving about 60 basis points of rate favorability compared with last year. Altogether, our second quarter operating margin rate of 10% was about 280 basis points higher than a year ago. This performance was well outside anything I have seen in my 15 years at this company and certainly beyond anything we would have anticipated going into the quarter.

However, these results follow the first quarter profit decline that was also well outside of anything I've ever seen or would have anticipated. As such, it's useful to look at the two quarters together and see how things have played out so far this year. On very strong comp sales growth of nearly 18% in the first half of 2020, our operating margin rate is about 30 basis points lower than last year, reflecting meaningful pressure on the gross margin line, mostly offset by rate improvements on both the SG&A and D&A expense lines. This performance translates to very healthy operating income dollar growth of 12.6% for the first half of the year, which is a testament to the durability of our model in a very unusual environment.

On the bottom-line, our business generated second quarter adjusted EPS of \$3.38 and GAAP EPS of \$3.35, both up more than 80% compared to last

year. Year-to-date both of these measures have seen increases in the upper teens stronger than we anticipated as we entered the year.

Turning now to cash flow and capital deployment many of the themes we outlined in our last earnings call remain the same today.

Regarding cash flow, we saw strong second quarter performance on top of a strong first quarter. As a result, through the first half of the year, we've generated cash from operations of about \$5.1 billion, which is \$2.3 billion higher than last year. The largest driver of this favorability is our inventory leverage, which was well above 100% at the end of the quarter. A portion of this leverage is the natural benefit of rapid sales growth, which increases inventory turnover and enhances payables leverage.

However, as I mentioned last quarter, this benefit is exaggerated by our inventory position, which continues to be leaner than we want it to be. Specifically, at the end of the second quarter, our inventory position was 3% lower than a year ago, compared with a year-to-date sales increase of more than 18%.

Put another way, at the end of the quarter, we'd have preferred to have less cash and more inventory to support the frequency and import categories John highlighted earlier and we have plans in place to invest in that stronger inventory position in the back half of the year, which will unwind a portion of the favorability you've seen in the front half.

Turning to capital deployment, our priorities remain the same as they have been for decades. We first invest fully in our business and projects that meet our strategic and financial criteria. Second, we support the dividend and build on our nearly 50 year history of annual increases. And finally, we return any excess cash beyond these first two uses through share repurchases within the limits of our middle A credit ratings.

Regarding CapEx, we invested \$660 million in the second quarter, bringing our year-to-date total to just over \$1.4 billion, slightly higher than last year. As John mentioned earlier, following a brief pause in the first quarter, we are back in the business of building and opening new stores and we're on track to open nearly 30 new locations this year, just short of our original plan. However, given the dynamics of remodel projects, we're maintaining our revised plan to complete about 130 remodels this year, well below last year and our original plan. As a result we are expecting 2020 CapEx and the \$2.5 billion to \$3 billion range down from our original plan of about \$3.5 billion for the year.

Turning to dividends, we paid a total of \$330 million in the second quarter, up from \$328 million a year ago. And in June, our Board of Directors

approved a 3% increase in the quarterly dividend, keeping us on track to deliver our 49th consecutive year of annual dividend increases. We didn't invest any cash in share repurchases in the second quarter, following our first quarter announcement that we were suspending repurchases in the current environment.

Today, if you look casually at our current cash position and second quarter results, you might wonder if we were ready to resume share repurchase activity and the answer to that question is not yet. While second quarter profitability was unexpectedly strong. It was only 90 days ago that we reported a quarterly profit decline of more than 60% highlighting how volatile the environment has been and may continue to be.

Moreover, as we look ahead, there are many potential challenges on the horizon, including uncertainty surrounding COVID-19 economic headwinds from historically high unemployment, uncertainty surrounding government stimulus and a contentious November election. So, while we have very strong confidence in our long-term prospects, our ability to continue to expand market share and grow profitably over time, we believe it's the prudent long-term decision to preserve liquidity in the current environment, giving us the flexibility to safely navigate through any near term headwinds.

So finally, I will close this section with a quick comment on our after tax ROIC, which grew to 17.2% this quarter, up from 15.2% a year ago. Even though we report this metric on a trailing 12-month basis, it has been unusually volatile this year, given the dramatic changes in performance we've seen, specifically at the end of the first quarter this metric was nearly four percentage points lower than today at 13.4%, driven by the steep profit decline we faced in the first quarter. So while this metric may continue to move around during this period of heightened volatility, we will remain focused on making the right long-term investments in our business, allowing us to deliver higher after tax returns over time.

Now, I want to turn briefly to our outlook and consistent with last quarter, I won't be providing any precise guidance. However, I want to reinforce what I was just saying earlier, which is that we are moving through a period of unusually high uncertainty and volatility. And while John was correct that we felt a much stronger sense of normalcy in the second quarter, volatility continued to be elevated, specifically within the second quarter May was by far the strongest month with a 33% comp, followed by June at 21%, in July at about 20%. And so far in August, due largely to softer sales in our back-to-school categories month to-date comp sales have been running in the low double digits.

Now, let me be clear, a double-digit increase is still quite strong in the context of history. But a 20 percentage points spread between our May and August today comps is an incredibly wide swing within a few months, highlighting the difficulty of forecasting our business right now. So given that our Q1 performance was not a good predictor of our second quarter results, our Q2 results should not be viewed as a predictor of our performance going forward. And given that we can't eliminate uncertainty in the environment, we continue to place a premium on flexibility in our plants this will allow us to quickly pivot when we see changes in our business, as you've seen us do successfully multiple times this year.

So now, I want to conclude my remarks in the same way I did 90 days ago by saying that a single quarter's financial results are not the basis for our long-term confidence. That confidence springs from the fact that we continue to focus on investing for the long-term because Target's long-term prospects have never been brighter. We have a durable business model with flexibility in both our merchandising assortment and the fulfillment options we offer. We're building on an already deep relationship with our guests, as they trust us like never before to conveniently and safely fulfill their wants and needs. And with a strong balance sheet and robust cash flow, we have the capacity to navigate any near-term challenges and play offence, just like we have over the last few years.

But most importantly, we have an amazing team across our stores, headquarters, distribution facilities and offices around the world. We have all rallied around a common purpose to serve our guests, serve our communities, fight for racial equity and to support each other. All of us who work here know how special the team is. So I want to thank our entire team for all they are doing in this exceptional time. And for making Target special, truly a company like no other.

Now I'll turn it over to Brian for some final remarks.

Brian Cornell

Thanks, Michael. Before we move to your questions, I want to pause and thank everyone on the call today for listening in and for your continued engagement in our business. For those of you who've been on these calls for a while, I think you'd agree it's been quite a journey.

In fact, when you look back at our release and remarks from the second quarter, five years ago, you can quickly see how far we've come. In the second quarter of 2015, we recorded healthy growth in our earnings per share with both GAAP and adjusted EPS expanding to just over \$1.20 or then \$2 lower than the quarter we just reported.

Digital sales grew 30% and accounted for just under 3% of our total sales compared with just over 70% this year. Five years ago, after tax ROIC expanded to four percentage points to 13.3%, nearly four percentage points lower than the 17.2% we just reported.

Among the priorities we covered in this call five years ago, becoming a leader in digital. Having just introduced our shift from store capability, defining our category roles and reasserting our authority in style categories, like apparel and home and ramping up our task to small format stores in dense urban areas.

Also in the quarter five years ago, we sold our pharmacy business to CVS and announced the John Mulligan will become the company's first Chief Operating Officer with a goal of modernizing our supply chain and operations.

As in every upper journey, our progress over the last five years has not been a straight line. Along the way, we reached some plateaus and sometimes even lost some altitude before resuming the climb. That's why it's sometimes helpful to look back over a longer distance to get a true picture of the progress.

But unlike the ascent of a mountain, our journey will not end up with a climb back down. Success will be defined by further growth with a constant eye on what consumers want and need to meet those ever changing needs we'll need to continue to reinvent ourselves changing our operations along the way.

Yet some things will sustain over the longer term, like our culture, values and our team's commitment to one another. These strengths has defined this great company for decades, and our commitment to maintaining them has never been stronger.

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 the question-and-answer session. [Operator Instructions] Our first question is from Karen Short with Barclays. You may go ahead.

Karen Short

Congratulations on a great quarter. I don't want to take away from the success of the quarter because it obviously was outstanding, but I do want to focus on gross margin. Because I know while it's impossible to predict what things will look like on the top-line, I think we probably have a pretty good handle on SG&A in terms of how that will look obviously, depending on sales, but gross margin kind of in the back half seems to be a little more of a wild card. So wondering if you could talk about that a little bit and I think in the context, that 180 basis points in rate benefits from lower markdowns, because presumably you had marked down things, you pre-marked down in 1Q and you're benefiting from that in 2Q. So we really have to look at the back half without that 180 basis points. And then I had one other quick follow up.

Brian Cornell

Michael, why don't you start?

Michael Fiddelke

Sure, Karen. And maybe I'll start by saying I empathize with those of you on this call trying to extract trends from our Q1 and Q2 margin rates, you can see the underlying volatility of the business if you pick apart those trends in Q1 and Q2.

To focus for a second on where we've been, I actually think it's useful to zoom out and look at the year-to-date trends. If you unpack margin on a year-to-date basis, we've got just over a point of pressure from the accelerated growth in digital and supply chain investments and just over a point of pressure in category mix. And you've got a wide variety of movement across the markdown -- some of the markdowns we took in Q1 with [indiscernible] slower and then the benefit of more sales at reg price in Q2 and an example of that Karen is really you think about how the sell through we're getting given our strong sales, we're taking a lot less product to clearance at the end of the season than we would typically. And so that's an example of one of those drivers of favorability that contributes to the 180 basis points, a good news in Q2.

Those will be the key levers as we look ahead going forward but like we said before predicting them is an exercise in imprecision at this point.

Karen Short

Okay. That's helpful and then you gave us obviously a lot of color on your digital and fulfillment capabilities. But I was wondering if you could just give a little more color on the new 10 million customers that you've gained,

anything you could point to on demographics, behavior, ticket type of behavior and relative to your more regular customers.

Brian Cornell

John, anything else you want to add?

John Mulligan

Yes. Karen, I'd say the great thing is, is that from a behavior perspective, they behave just like the rest of our guests. When we convert someone to a drive up order historically, we've seen them become more engaged with Target, see 30% more sales. That's exactly what we see with this 10%. Probably more encouraging from our perspective is that from a repeat purchase perspective, we've seen that increase seven day repeat purchases are higher than we've seen, historically, 90-day repeat purchases on digital are higher than we have seen historically. So it appears that at least to start with, they're much more engaged with us. And we know that the deeper they get engaged, the more they use our services that the more they will be engaged and the more they will use our services.

So from our perspective, very encouraging results as those guests have come on to target.com.

Brian Cornell

And Karen, the only thing I would add is, we continue to see the most valuable and profitable guests to Target is the guest that uses all of our channels. And we continue to see stickiness as store guest discovers drive up or discovers the benefits of ship and also digital guests are now coming into our stores because the investments we've made and the trust we're building. So we'll continue to report more about those new guests in the quarters to come. But certainly we're very excited about what that means to our future.

Operator

Thank you. The next question is from Edward Kelly with Wells Fargo. You may go ahead.

Edward Kelly

Hi, good morning, guys. I was just curious on the August comp, obviously impressive results, quarter-to-date, given stimulus rolling off back-to-school, I was hoping that you provide a little bit of category color in terms of what you're seeing in August? And then as it relates to back to school, I guess,

what are your thoughts on how the season is going to end up, I mean, obviously, we're getting off to a late start in a lot of areas. Just curious as to what you think the impact to the comp will end up being this quarter.

Brian Cornell

I commented earlier today that our August comps are off to a very solid start with low to mid teen growth at this point in the month, and it's been broad based. So we're continuing to see the kind of performance we saw in the second quarter, continue into Q3, strength in food and essentials, continued strength in electronics, continued strength in home. And certainly we've seen some adjustments in categories that are very school related as consumers look for greater certainty around when they're going to start the back-to-school season. But I think again, the most important indicator right now as I look at our August performance, is the consistent market share growth that we're seeing across our entire portfolio. And each and every week as we look at IRI and MTD performance, we continue to see a lot of green boxes and continue to pick up market share across the board and across our entire multi-category portfolio.

Obviously, we're all looking at back-to-school and back-to-college trends and each and every day there's new information. As we sit here today and I think the number is something close to 56 million students in the K-12 brackets that are waiting to go back-to-school. And as of this week, it looks like well over 60% will start school remotely. And we'll look for more information. We don't know if those students will be welcomed back into a classroom in September or October. Many may wait actually until January. So we've made the decision to be flexible. And we'll extend the season and extend our assortment because we know at some point in time those students will need backpacks and uniforms. They're going to need school supplies. So we're going to make sure that we continue to flex and I think it's been the hallmark of our performance throughout the first two quarters of this year. Our ability to stay agile, stay flexible, meet the needs of the new environment and we'll continue to take that approach with back-to-school season and with the back-to-college environment as well.

Edward Kelly

And then, maybe just a follow up quickly, had some comments around holiday and sort of stretching out holiday, maybe just a little bit more color on what you're looking to do there. Do you think shopping patterns, consumer wise and traffic will actually follow that, which is still a bit more color in terms of how you're thinking about holiday at this point?

Brian Cornell

Ed, we do think it's going to be a longer holiday shopping season. We're certainly preparing to start earlier than ever before. In the October period, we're going to make some big changes. We announced recently that we'll be closed on Thanksgiving. And we certainly expect it's going to be a different rhythm to the shopping season. Obviously, we're going to put a big premium on ease and convenience delivering great value, but will emphasize safety. And we'll also make sure that our guests knows that those top items and that great value is going to be available throughout the season. And give them the option of shopping obviously in a well managed, safe Target store or taking advantage of our same day fulfillment options to give them the certainty that they can get those great gifts, those great items whenever they want.

So we think it's going to be a extended holiday shopping season. We think it plays well to our multi-category portfolio and the flexibility of our stores and our convenient same day offering. So we'll prepare for a very different holiday season. We'll have to stay nimble, we'll have to adjust. But again, I think the team has demonstrated the flexibility and the adaptability to this new environment. And we expect to continue to build market share and delight our guests throughout the holiday season.

Operator

Thank you. The next question is from Paul Trussell with Deutsche Bank. You may go ahead.

Paul Trussell

On your omni-channel business, first, just curious of the cadence of the channel mix, just interested in seeing if there was an acceleration of [Technical Difficulty] as the quarter progressed, economies reopened. And then second is, obviously the same day services are quite robust. I'm just curious, what are some of the learnings that you have over the last few months as it relates to order pick up, drive up and ship? And how are these businesses therefore evolving and improving from these learnings?

Brian Cornell

So, Paul, when I start and I'll go back to our comments during our first quarter call, we certainly saw literally starting in the middle of April, a resurgence of traffic to our stores, and that certainly continued in the second quarter. So I commented earlier today when I was speaking with CNBC that despite the tremendous top-line growth at 24.3% and digital growing at almost 200% during the quarter. The real star of our performance was the performance we saw in stores, where our store comps were up 10.9% despite an environment where we've seen unprecedented digital shopping.

So we certainly saw that guest returning to store throughout the second quarter. And that was consistent from May into June and July. And we continue to see guests shop our stores and I think the investments we've made in safety, the investments we've made in our team, the investments we've been making for years and years putting capital into remodeling our stores and a great shopping environment. That's certainly connecting with the guests during the pandemic.

So we continue to see very strong store traffic. We saw excellent traffic overall during the quarter up almost 5% and John can comment on similar learnings from our same day fulfillment. I will tell you, I think the biggest learning is just how adaptable and flexible our teams have been and how quickly they've responded to a surge in something like drive up that grew over 700% during the quarter alone.

John Mulligan

Paul, I think Brian hit right on probably the core learning is the ability of our team to be incredibly agile and we went in a matter of weeks from normal digital sales to volumes that exceeded Q4 last year, for many weeks in a row. So the ability of our teams to do that very quickly were typically planning for Q4 takes us several months, we have a detailed plan, but the team's understood what we were doing, how they needed to execute. The tools that the store teams have built to help them execute proved very scalable and very efficient. And so our ability to do that was outstanding.

The other side of that, I would say again, to point to how well the teams executed while taking care of the guests in the store, as Brian pointed out, our NPS scores remained very, very high the entire time. Drive up growing over 700% and still having an NPS score in excess of 80 is just outstanding work by our teams.

I think the last thing that it kind of changed our thoughts on, the thing we've worried about, not only worried being -- not quite the right word, but thought about a lot is the stores are busy are in Q4 serving guests in-store. And so how do we continue to balance that with our fulfillment and what we've seen over the past three months is, that's not a problem as long as we give them the right tools, staff the stores appropriately, we can take care of running a 10 comp in the stores and running 20 comp on digital both of those together. And so we feel really good about the model we built in the team and built over the past several years. And I think that's probably the biggest learning over the past three months.

Brian Cornell

I'd add only one other detail and I think it's a tribute to John's leadership and the quality of the store and supply chain teams. In Q1, we noted that we had turned off our plans to expand, pick up and drive up to include fresh and frozen food and beverage products. We've turned that back on. And the team recognized that that was very important to our guests, it was going to continue to be important as we went in the second half of the year. And despite the unprecedented same day growth and the demand we've seen for drive up and pick up, the team has put that back on the roadmap. And we're now expanding that across the country. And to me, that just points to the further upside opportunity we have with our same day services. So again, a big tribute to the team, the leadership they provided to recognize that that was going to be important to our guests and as opposed to waiting until 2021. We're going to get that back on our roadmap and begin to stand up those capabilities in the second half of the year. And I think that's going to be just one more aspect that will be appreciated by our guests when they shop Target in the third and fourth quarter.

Operator

Thank you. The next question is from Matt McClintock with Raymond James. You may go ahead.

Matt McClintock

May I also say congrats to the broader Target team outstanding execution this quarter, honestly, all year. So my question actually is for you, I want to take the supply chain from a different angle. You did talk that you're in discussions with vendors right now, you mentioned that some categories have had some out of stocks probably because they're just longer lead time categories. I'm not really sure.

But I want to -- given the massive volatility in your sales, as Michael talked about, how are your thoughts changing or evolving towards demand forecasting? And how are you thinking about just sourcing in general from those vendors that that maybe have long lead times and manufacturing themselves? Thanks.

John Mulligan

Well, it's a good question. And, I would start in a place where demand forecasting is difficult right now. Both for us and we import a lot of our goods, as you know, directly and from -- for our vendors who have long lead times as well. I think the thing we're working on with them is, we would call it joint business planning, just being sure we're both aligned, and that we've built flexibility and agility into what we want to do. There are ways you can set up sourcing strategies, we do this where we get an initial set order, and

then we have very quick ways we can chase into demand through other avenues if we need to.

So and then the same is true domestically, for our vendors that are continuing to build capacities, who have us on allocation, having conversations with them about what we see in demand and what demand we're leaving on the table because we perhaps don't have the inventory we need. So to me, this is mostly about conversations and then agility and being flexible when we see the data coming in because it is moving rapidly. And we know when we write -- we talk about it, we write down a forecast the only thing we know is that it is wrong. And so how we adjust to that as we see the data coming in is the most important thing.

Brian Cornell

And I only add, if we had Christina or Jill or Steph on the call right now, they would talk to you about the changes we've made in assortment. And in many cases, skill optimization, learning how to do more with less. And we've partnered closely with some of our key vendors to make sure that we're focused on getting the top selling items into our store and into our system. And we made some adjustments in a few rationalization along the way. So I think out of the pandemic, I think we've learned that we can do a lot more with your SKUs in certain categories. We've got to focus on the most important items that are in demand with our guests. So we're continuing to learn along the way and I think will become even more efficient going forward.

Operator

Thank you. The next question is from Oliver Chen with Cowen. You may go ahead.

Oliver Chen

Hi, congratulations. Regarding the assortment, it's all the performing so excellently, what do you see as opportunities ahead in the assortment? What are you most focused on in terms of areas, we'll see further innovation. And would also just love your take on target circle the next step in that program as well as your thoughts around the marketplace model and on the ecommerce platform?

Brian Cornell

Already got quite a few questions in the queue. And I'll start and I will certainly let Michael and John also jump in. So I think as we think about our strategy from an assortment standpoint, I'll go back to something we've

talked about for years now. We're at our best when we're a curator, and balancing a curated assortment of our own brands, and great national brands. And I think you'll continue to see that focus from Target going forward. And as I think about the work and the great work that our merchants have done, it all comes down to being great curators and they've done that both with our in-store and our online assortment. I think that is a huge point of difference for us. It's served us well. It allows us to meet the growing demand in the digital channel. Because those items that we're fulfilling same day are largely coming out of our core store assortment.

So you'll see us focused on being great curators, as we think about something like Target Plus, we're also taking a very different approach. We're inviting people in. It's an invitation only platform. And we want to make sure that even in that environment, we're constantly curating, making sure we're delivering the right extension for our assortment and for our guests. So we'll continue to take a very different path focused on curation in this environment both with our physical assortment and digital assortment. And we think that's a hallmark of what makes Target such a unique company. And it really complements our multi-category assortment.

However, on the Target Circle front we notice that we now have over 75 million members in Target Circle. And obviously going forward, it's another opportunity for us to deepen our relationship with the guests to make sure we're even more relevant in their lives and that we continue to enhance the trust that I think we've gained throughout the pandemic. So we're very excited about the opportunity. And I think about the 10 million new digital guests that we've invited in over the last few months, 75 million and growing Target Circle members. It's just one more way for us to continue to meet the needs and delight the guests who shop Target each and every week.

Operator, we now have time for one last question today.

Operator

Thank you. Our last question is from Michael Lasser with UBS. You may go ahead.

Michael Lasser

Who would you attribute all the slowdown that you've seen in August to the back-to-school categories? Or would any of it be attributed to some of the enhanced unemployment benefits going away as well? And the question really gets at the heart of once we get past that back-to-school season, shouldn't you see your sales accelerate? Then I have a follow up? Thank you.

Brian Cornell

Like, obviously, we're watching it carefully and know a lot of conversation around the impact of stimulus, what this means going forward. And we certainly hope there's a second round of stimulus for small businesses and American consumers. But as we look at our trends right now, I think it's largely adjustments in some of the back-to-school categories, but we continue to see strength across our portfolio. We continue to see strength in our stores and our digital channel. We continue to grow market share and see momentum within our business. So we'll watch it carefully, obviously as Michael and John have stated several times, it's a very challenging environment for us to provide guidance. We've got the pandemic in front of us. We've got uncertainty about back-to-school, back-to-college, the state of the economy. We do have an election coming up in November. So lots of different dynamics that we have to try to sort through. And we're putting a premium on being really responsive and really flexible but it's just hard for us to provide an outlook beyond a couple of weeks at a time.

Michael Lasser

My follow up question is that you've provided a lot of helpful statistics about how the average unit cost to fulfill an online order is now 30% below last year, because the digital growth is so strong, that that led to 130 basis points or gross margin pressure. So if we assume that some of the incremental sales that you're generating right now recede when consumers go back to travelling and eating out. And yet consumers have really gravitated to these digital fulfillment options like in-store pick up and drive up and those stick around in that physical penetration remains where it is, should we think that this gross margin pressure of about 100, 130 basis points sticks? Or do you have offsets on the horizon that can reduce that pressure?

John Mulligan

I can take that one, Michael. I think that well, we don't know exactly what those numbers will look like for the back half of the year. So I'm not going to attempt to predict those. I think what you see in the first half of the year is the durability of the model overall. And as you've heard us say many times that growth in digital is way bigger to us than just the sales or profit on that one digital transaction because it deepens our relationship with the guests. And that pays off in spending in aggregate. And I think as you can see, evidence of the how that flows through the durability of the model even in the first half of this year, I missed all the volatility, if you would have told me before this year, that digital would be up over almost 200% on the year, and that we would have had a point or more of pressure in gross margin

from category mix. But that our operating income rate would be within 30 basis points of the year prior, I'd have taken that outcome in a heartbeat. And so I think that just shows how, if you zoom out from the specifics of just one digital transaction, you get a sense of the durability of the model in total.

Brian Cornell

Michael, I will just finish up and perhaps wrap up the call. Well, I think all of us on the call and I know our entire Target team is looking forward to the day when the pandemic behind us, when we're spending time with family and friends, we're travelling again kids are back in school.

One of the things that I think will stick around for us is a consumer who's going to continue to consolidate their purchases, is going to appreciate value, is going to look for a safe shopping environment. And we know digital is going to be critically important and I think what's going to stick around for us is the growth we've seen in market share, the relationship we built with the consumer during the pandemic and the growing trust that we've formed with the guests who shops or stores or shops with us online each and every day.

So we're excited about the future. And I think, sitting here with Michael and John, we've never felt better about the prospects for the company. And we've certainly advanced our digital maturity by several years. I think we've really matured our overall operating capabilities during the pandemic. And I think that's going to provide returns for us for years and years to come.