

Target has sizable R&D organization totaling 127 FTEs and ~50 contractors; recent hiring strategies have increased the amount of both remote and offshore resources

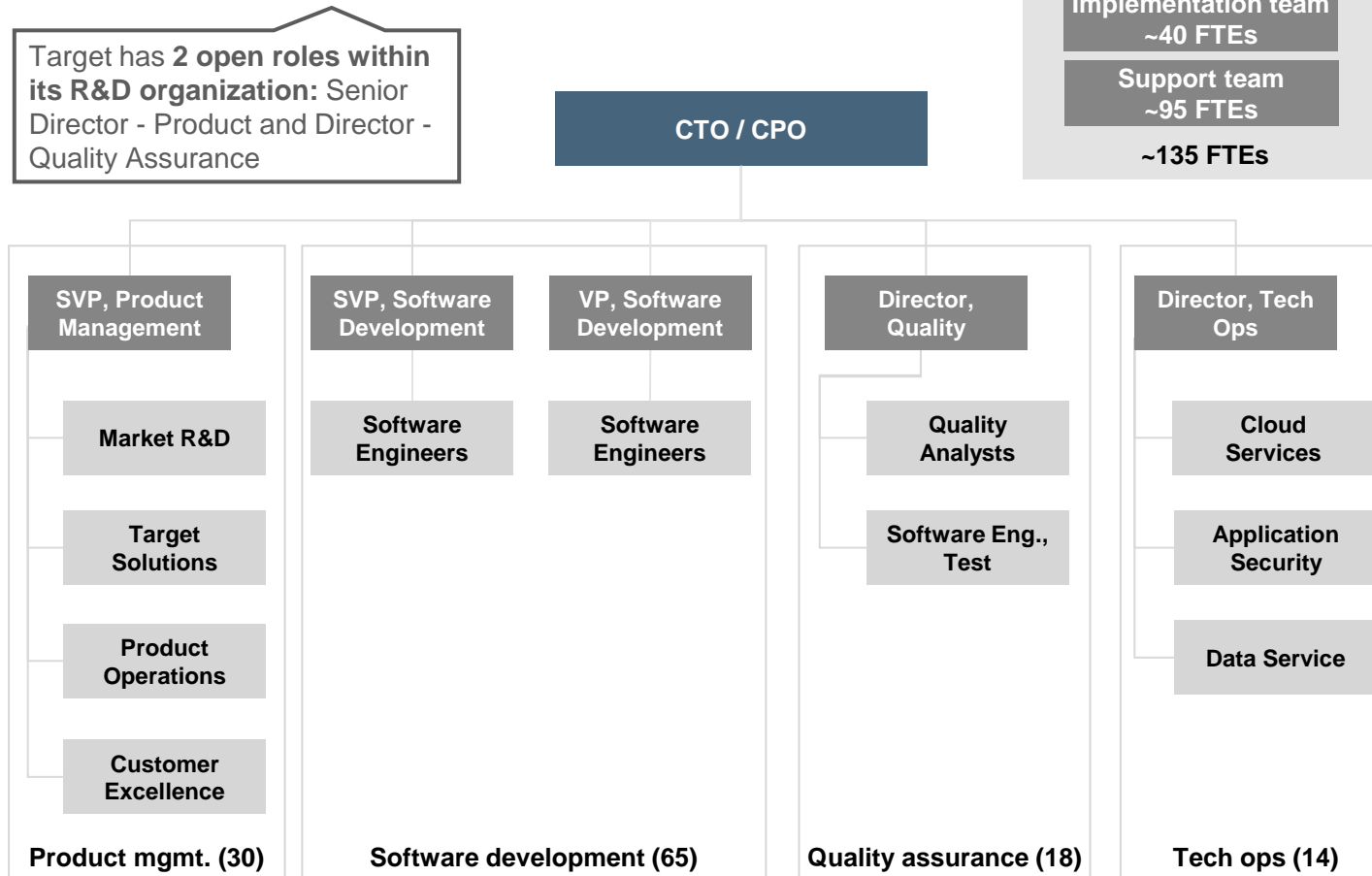
R & D TEAM AND PROCESS

ORGANIZATION CHART

/ PRELIMINARY

Target R&D organization

Total R&D resources: 127 FTEs (and ~50 offshore FTEs)



Note: CTO- Chief Technology Officer, CPO- Chief Product Officer
Source: Target VDD deck; Target disclosure; Bain analysis

Key takeaways

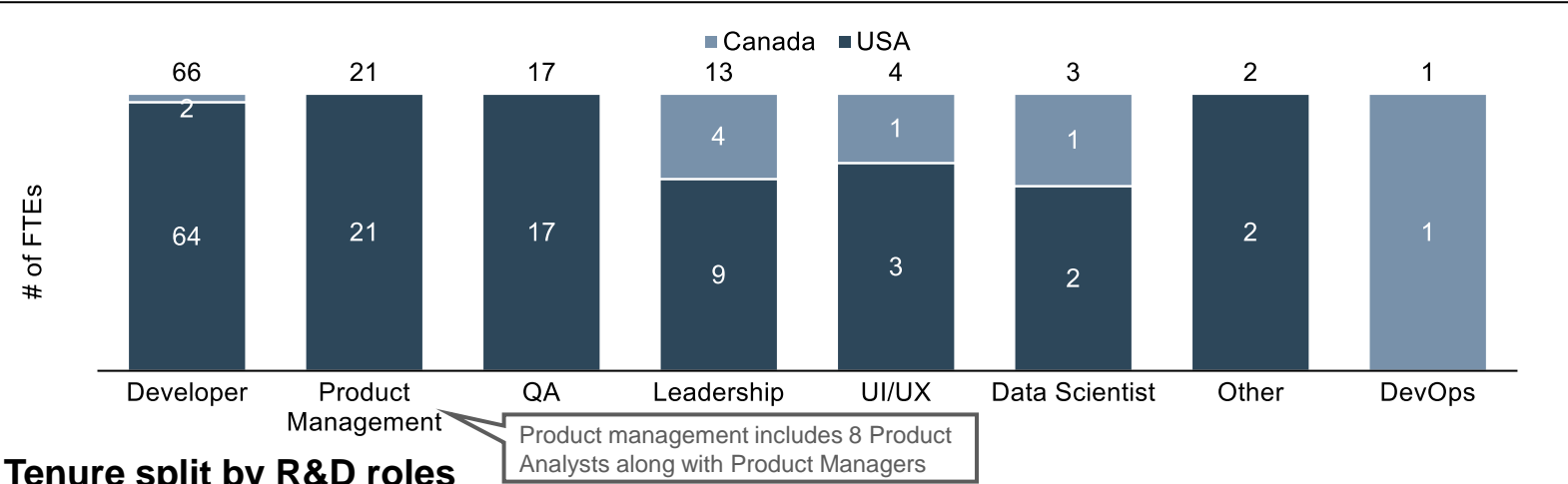
- Target's technology organization **consists of cross-functional teams, comprised of product engineering and QA**, which report to the CPTO
- Target is **primarily based in the US**, with nine resources located in Canada. While **most resources are in-house**, **Target outsources** certain functions, particularly software engineering and QA
- In recent years, Target has **invested in scaling its organization** by expanding the **offshore FTE** count and increased utilization of **remote employees**. The R&D organization consists of **~40% remote and offshore FTEs** with the remaining 60% in-person/hybrid in Tampa, FL
 - Within the past 2 years, Target has hired remote FTEs from the US and Canada. Greater adoption of remote workers allows Target to access more experienced talent
- The company has **~135 resources dedicated to the Support and Implementation teams**, primarily consisting of Product Support Specialists, Project Managers/Specialists, and Implementation Specialists
 - The **Implementation team** is responsible for customer migrations

*"The people that work there now, they have an **outstanding understanding of what their market is**, what their **solution is**, and who their **clients** are. So, you have people there that are **deeply expert in those areas**. They are **really dedicated**, you'll see a lot of **long tenure** in the people that are on staff there. And so, the knowledge is there."*

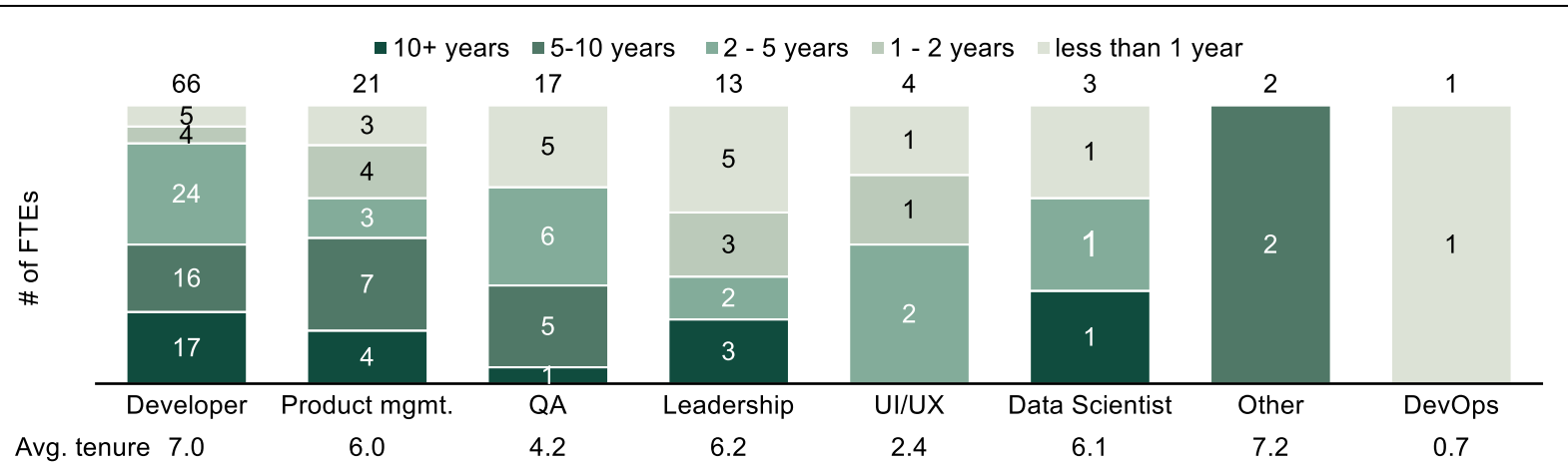
Former Executive #4, Target

Internal team: A majority of Target's R&D organization is based in the US (93%), with recent hiring in Canada (~7% of headcount)

Geography split by R&D roles



Tenure split by R&D roles



Key takeaways

- As expected, majority of Target's total R&D headcount is dedicated to **Engineering** (~52%), **Product** (~16%), and **QA** roles (~14%)
- Most of the R&D FTEs are in the US, with a **growing presence in Canada** (~7% of R&D FTEs) due to **recent hiring**, including **4 leadership roles**
- Target's R&D team has an **average tenure of 6.2 years**. ~44% of the team has been in the company for more than 5 years
- Six out of the thirteen current R&D leaders** (4 Directors, 1 SVP - Product Management, and the CTPO) **were hired within the past 14 months**
- Target's tech team has a **balanced Developer to QA ratio** whereas Developer to PM / Leadership ratios are slightly low (Target has more PMs/ leadership than expected)
 - Developers include **7 Team Managers** and **3 Senior Managers**

	Dev. to QA	Dev. to PM ¹	Dev. to Leadership ²
Overall	3.9	5.1	5.1
US	3.8	4.9	7.1
Canada	-	-	0.5

Note: 1) Ratio based on PMs (excludes Product Analysts) 2) Leadership includes C suite, Directors and VPs; Others include two Application Support Analysts
Source: Target disclosure; Bain analysis

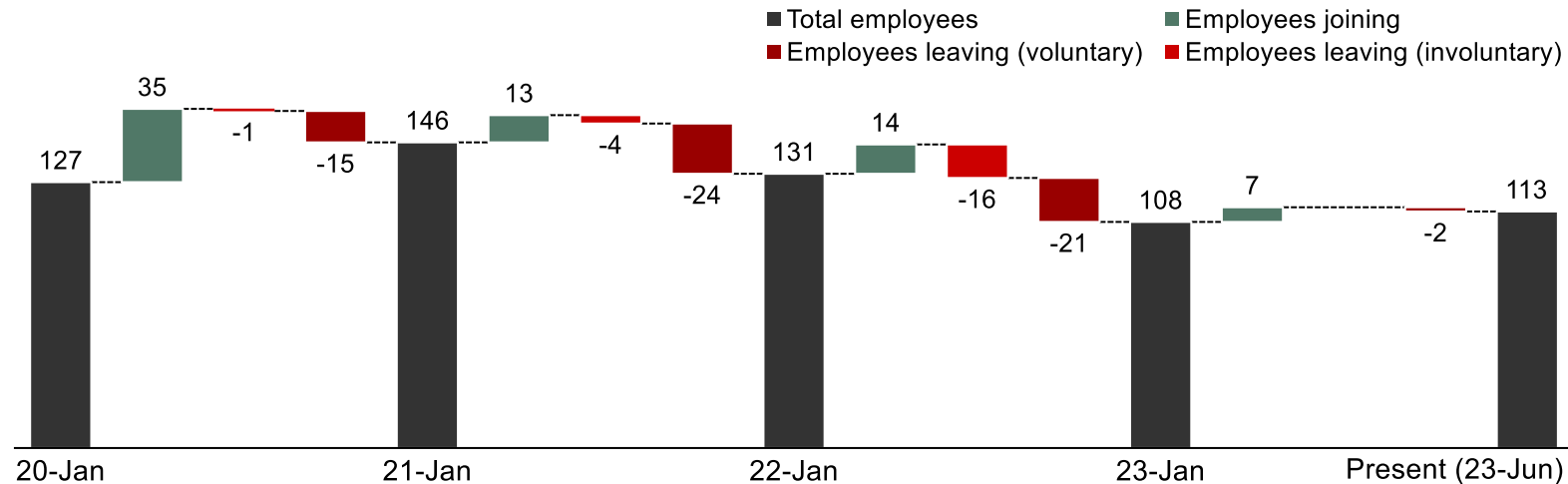
During 2020-2022 Target experienced high R&D organization attrition, indicating potential loss of domain expertise; attrition stabilized in 2023

R & D TEAM AND PROCESS

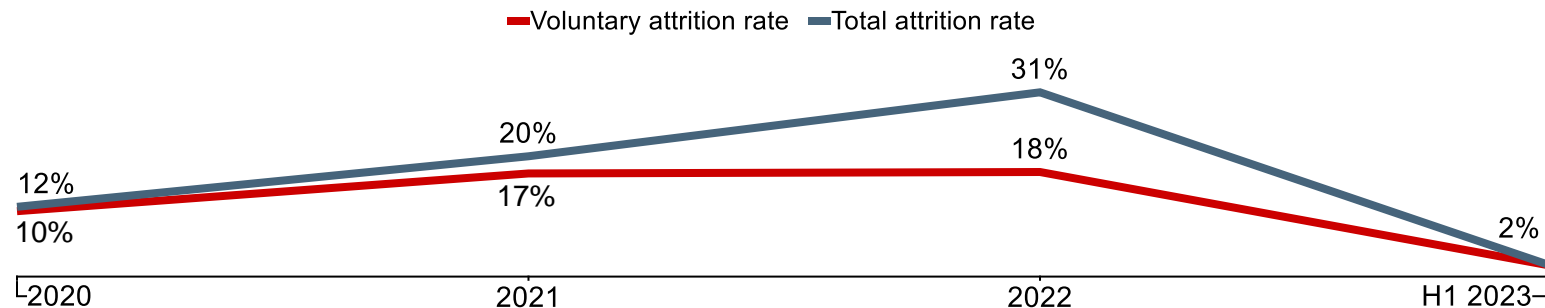
ATTRITION ANALYSIS

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Target's R&D team attrition 2020 – present (July 2023)¹



Attrition rate 2020 – present



Note: 1) TechOps FTEs are not considered in this analysis given Target does not label them as R&D FTEs in census documents
Source: Management disclosure, Bain analysis

Key takeaways

- **Attrition greatly increased year over year** with total attrition Targeting a peak rate of 31% in 2022
 - High attrition raises concerns of loss of institutional knowledge
- Management addressed attrition in conversations with the Bain team and noted that there were **no noticeable inefficiencies or reduction in institutional knowledge**
- There was a **jump in involuntary attrition in 2022** with 13 software engineering roles removed
- Attrition was primarily from **product management** (18) and **engineering** (53) roles
- **Attrition appears to have stabilized** given an attrition rate of 2% for H1 2023

"They brought in their own people and micromanaged things. A lot of the other senior people didn't like the micromanaging from what they tell me, so they left and then [PE firm] put in a CEO they knew, and that CEO brought in some of their people. A lot of the more senior people beneath them mostly self-selected to leave."

Former Executive #3, Target