

TARGET CORP  
Form 10-Q  
May 22, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2017

Commission File Number 1-6049

**TARGET CORPORATION**

(Exact name of registrant as specified in its charter)

|                                            |                |
|--------------------------------------------|----------------|
| Minnesota                                  | 41-0215170     |
|                                            | (I.R.S.        |
| (State or other jurisdiction of            | Employer       |
| incorporation or organization)             | Identification |
|                                            | No.)           |
| 1000 Nicollet Mall, Minneapolis, Minnesota | 55403          |
| (Address of principal executive offices)   | (Zip Code)     |

Registrant's telephone number, including area code: 612/304-6073

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

|                                           |                                  |                                |
|-------------------------------------------|----------------------------------|--------------------------------|
| Large                                     | Accelerated                      | Non-accelerated                |
| accelerated                               |                                  |                                |
| filer <input checked="" type="checkbox"/> | filer <input type="checkbox"/>   | filer <input type="checkbox"/> |
| Smaller                                   | Emerging growth                  |                                |
| reporting                                 | company <input type="checkbox"/> |                                |
| company <input type="checkbox"/>          |                                  |                                |

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒

Indicate the number of shares outstanding of each of registrant's classes of common stock, as of the latest practicable date. Total shares of common stock, par value \$0.0833, outstanding at May 16, 2017 were 551,708,283.

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TARGET CORPORATION

TABLE OF CONTENTS

|                      |                                                                                              |           |
|----------------------|----------------------------------------------------------------------------------------------|-----------|
| <u>PART I</u>        | <u>FINANCIAL INFORMATION</u>                                                                 |           |
| <u>Item 1.</u>       | <u>Financial Statements</u> (unaudited)                                                      |           |
|                      | <u>Consolidated Statements of Operations</u>                                                 | <u>1</u>  |
|                      | <u>Consolidated Statements of Comprehensive Income</u>                                       | <u>2</u>  |
|                      | <u>Consolidated Statements of Financial Position</u>                                         | <u>3</u>  |
|                      | <u>Consolidated Statements of Cash Flows</u>                                                 | <u>4</u>  |
|                      | <u>Consolidated Statements of Shareholders' Investment</u>                                   | <u>5</u>  |
|                      | <u>Notes to Consolidated Financial Statements</u>                                            | <u>6</u>  |
| <u>Item 2.</u>       | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>10</u> |
| <u>Item 3.</u>       | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>18</u> |
| <u>Item 4.</u>       | <u>Controls and Procedures</u>                                                               | <u>18</u> |
| <u>PART II</u>       | <u>OTHER INFORMATION</u>                                                                     |           |
| <u>Item 1.</u>       | <u>Legal Proceedings</u>                                                                     | <u>19</u> |
| <u>Item 1A.</u>      | <u>Risk Factors</u>                                                                          | <u>19</u> |
| <u>Item 2.</u>       | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>19</u> |
| <u>Item 3.</u>       | <u>Defaults Upon Senior Securities</u>                                                       | <u>19</u> |
| <u>Item 4.</u>       | <u>Mine Safety Disclosures</u>                                                               | <u>19</u> |
| <u>Item 5.</u>       | <u>Other Information</u>                                                                     | <u>19</u> |
| <u>Item 6.</u>       | <u>Exhibits</u>                                                                              | <u>20</u> |
| <u>Signature</u>     |                                                                                              | <u>21</u> |
| <u>Exhibit Index</u> |                                                                                              | <u>22</u> |

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## Consolidated Statements of Operations

| (millions, except per share data) (unaudited)                                | Three Months Ended |                   |
|------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                              | April 29,<br>2017  | April 30,<br>2016 |
| Sales                                                                        | \$ 16,017          | \$ 16,196         |
| Cost of sales                                                                | 11,134             | 11,185            |
| Gross margin                                                                 | 4,883              | 5,011             |
| Selling, general and administrative expenses                                 | 3,132              | 3,153             |
| Depreciation and amortization                                                | 573                | 546               |
| Earnings from continuing operations before interest expense and income taxes | 1,178              | 1,312             |
| Net interest expense                                                         | 144                | 415               |
| Earnings from continuing operations before income taxes                      | 1,034              | 897               |
| Provision for income taxes                                                   | 357                | 283               |
| Net earnings from continuing operations                                      | 677                | 614               |
| Discontinued operations, net of tax                                          | 4                  | 18                |
| Net earnings                                                                 | \$ 681             | \$ 632            |
| Basic earnings per share                                                     |                    |                   |
| Continuing operations                                                        | \$ 1.23            | \$ 1.03           |
| Discontinued operations                                                      | 0.01               | 0.03              |
| Net earnings per share                                                       | \$ 1.23            | \$ 1.06           |
| Diluted earnings per share                                                   |                    |                   |
| Continuing operations                                                        | \$ 1.22            | \$ 1.02           |
| Discontinued operations                                                      | 0.01               | 0.03              |
| Net earnings per share                                                       | \$ 1.23            | \$ 1.05           |
| Weighted average common shares outstanding                                   |                    |                   |
| Basic                                                                        | 552.4              | 598.3             |
| Dilutive impact of share-based awards                                        | 2.8                | 5.5               |
| Diluted                                                                      | 555.2              | 603.8             |
| Antidilutive shares                                                          | 3.0                | —                 |
| Dividends declared per share                                                 | \$ 0.60            | \$ 0.56           |

Note: Per share amounts may not foot due to rounding.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

| (millions) (unaudited)                                                            | Three Months Ended |                   |
|-----------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                                   | April 29,<br>2017  | April 30,<br>2016 |
| Net earnings                                                                      | \$ 681             | \$ 632            |
| Other comprehensive income                                                        |                    |                   |
| Pension and other benefit liabilities, net of taxes of \$5 and \$5                | 7                  | 7                 |
| Currency translation adjustment and cash flow hedges, net of taxes of \$1 and \$1 | 5                  | 5                 |
| Other comprehensive income                                                        | 12                 | 12                |
| Comprehensive income                                                              | \$ 693             | \$ 644            |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Financial Position

| (millions) (unaudited)                                                                      | April 29,<br>2017 | January 28,<br>2017 | April 30,<br>2016 |
|---------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Assets                                                                                      |                   |                     |                   |
| Cash and cash equivalents, including short term investments of \$1,135, \$1,110 and \$2,931 | \$2,680           | \$ 2,512            | \$4,036           |
| Inventory                                                                                   | 7,986             | 8,309               | 8,459             |
| Assets of discontinued operations                                                           | 26                | 69                  | 354               |
| Other current assets                                                                        | 1,047             | 1,100               | 1,099             |
| Total current assets                                                                        | 11,739            | 11,990              | 13,948            |
| Property and equipment                                                                      |                   |                     |                   |
| Land                                                                                        | 6,105             | 6,106               | 6,120             |
| Buildings and improvements                                                                  | 27,740            | 27,611              | 27,198            |
| Fixtures and equipment                                                                      | 5,177             | 5,503               | 5,112             |
| Computer hardware and software                                                              | 2,546             | 2,651               | 2,437             |
| Construction-in-progress                                                                    | 379               | 200                 | 242               |
| Accumulated depreciation                                                                    | (17,265 )         | (17,413 )           | (16,060 )         |
| Property and equipment, net                                                                 | 24,682            | 24,658              | 25,049            |
| Noncurrent assets of discontinued operations                                                | 10                | 12                  | 81                |
| Other noncurrent assets                                                                     | 787               | 771                 | 830               |
| Total assets                                                                                | \$37,218          | \$ 37,431           | \$39,908          |
| Liabilities and shareholders' investment                                                    |                   |                     |                   |
| Accounts payable                                                                            | \$6,537           | \$ 7,252            | \$6,391           |
| Accrued and other current liabilities                                                       | 4,137             | 3,737               | 3,833             |
| Current portion of long-term debt and other borrowings                                      | 1,717             | 1,718               | 1,627             |
| Liabilities of discontinued operations                                                      | 1                 | 1                   | 168               |
| Total current liabilities                                                                   | 12,392            | 12,708              | 12,019            |
| Long-term debt and other borrowings                                                         | 11,086            | 11,031              | 12,596            |
| Deferred income taxes                                                                       | 869               | 861                 | 841               |
| Noncurrent liabilities of discontinued operations                                           | 18                | 18                  | 18                |
| Other noncurrent liabilities                                                                | 1,832             | 1,860               | 1,889             |
| Total noncurrent liabilities                                                                | 13,805            | 13,770              | 15,344            |
| Shareholders' investment                                                                    |                   |                     |                   |
| Common stock                                                                                | 46                | 46                  | 49                |
| Additional paid-in capital                                                                  | 5,674             | 5,661               | 5,520             |
| Retained earnings                                                                           | 5,927             | 5,884               | 7,593             |
| Accumulated other comprehensive loss                                                        | (626 )            | (638 )              | (617 )            |
| Total shareholders' investment                                                              | 11,021            | 10,953              | 12,545            |
| Total liabilities and shareholders' investment                                              | \$37,218          | \$ 37,431           | \$39,908          |

Common Stock Authorized 6,000,000,000 shares, \$.0833 par value; 551,657,501, 556,156,228 and 593,583,619 shares issued and outstanding at April 29, 2017, January 28, 2017 and April 30, 2016, respectively.

Preferred Stock Authorized 5,000,000 shares, \$.01 par value; no shares were issued or outstanding at April 29, 2017, January 28, 2017 or April 30, 2016.

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Statements of Cash Flows

| (millions) (unaudited)                                                         | Three Months<br>Ended |                |
|--------------------------------------------------------------------------------|-----------------------|----------------|
|                                                                                | April 29, 2017        | April 30, 2016 |
| Operating activities                                                           |                       |                |
| Net earnings                                                                   | \$681                 | \$632          |
| Earnings from discontinued operations, net of tax                              | 4                     | 18             |
| Net earnings from continuing operations                                        | 677                   | 614            |
| Adjustments to reconcile net earnings to cash provided by operations           |                       |                |
| Depreciation and amortization                                                  | 573                   | 546            |
| Share-based compensation expense                                               | 16                    | 35             |
| Deferred income taxes                                                          | 3                     | 12             |
| Loss on debt extinguishment                                                    | —                     | 261            |
| Noncash (gains) / losses and other, net                                        | (28)                  | (29)           |
| Changes in operating accounts                                                  |                       |                |
| Inventory                                                                      | 323                   | 142            |
| Other assets                                                                   | 22                    | 99             |
| Accounts payable                                                               | (715)                 | (1,024)        |
| Accrued and other liabilities                                                  | 384                   | (403)          |
| Cash provided by operating activities—continuing operations                    | 1,255                 | 253            |
| Cash provided by / (required for) operating activities—discontinued operations | 48                    | (6)            |
| Cash provided by operations                                                    | 1,303                 | 247            |
| Investing activities                                                           |                       |                |
| Expenditures for property and equipment                                        | (486)                 | (285)          |
| Proceeds from disposal of property and equipment                               | 13                    | 3              |
| Other investments                                                              | (9)                   | 3              |
| Cash required for investing activities                                         | (482)                 | (279)          |
| Financing activities                                                           |                       |                |
| Additions to long-term debt                                                    | —                     | 1,979          |
| Reductions of long-term debt                                                   | (8)                   | (863)          |
| Dividends paid                                                                 | (332)                 | (336)          |
| Repurchase of stock                                                            | (317)                 | (898)          |
| Stock option exercises                                                         | 4                     | 140            |
| Cash (required for) / provided by financing activities                         | (653)                 | 22             |
| Net increase / (decrease) in cash and cash equivalents                         | 168                   | (10)           |
| Cash and cash equivalents at beginning of period                               | 2,512                 | 4,046          |
| Cash and cash equivalents at end of period                                     | \$2,680               | \$4,036        |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Investment

|                            | Common | Stock | Additional |          | Accumulated     |            |
|----------------------------|--------|-------|------------|----------|-----------------|------------|
| (millions) (unaudited)     | Stock  | Par   | Paid-in    | Retained | Other           | Total      |
|                            | Shares | Value | Capital    | Earnings | (Loss) / Income |            |
| January 30, 2016           | 602.2  | \$ 50 | \$ 5,348   | \$ 8,188 | \$ (629         | ) \$12,957 |
| Net earnings               | —      | —     | —          | 2,737    | —               | 2,737      |
| Other comprehensive loss   | —      | —     | —          | —        | (9              | ) (9 )     |
| Dividends declared         | —      | —     | —          | (1,359   | ) —             | (1,359 )   |
| Repurchase of stock        | (50.9  | ) (4  | ) —        | (3,682   | ) —             | (3,686 )   |
| Stock options and awards   | 4.9    | —     | 313        | —        | —               | 313        |
| January 28, 2017           | 556.2  | \$ 46 | \$ 5,661   | \$ 5,884 | \$ (638         | ) \$10,953 |
| Net earnings               | —      | —     | —          | 681      | —               | 681        |
| Other comprehensive income | —      | —     | —          | —        | 12              | 12         |
| Dividends declared         | —      | —     | —          | (333     | ) —             | (333 )     |
| Repurchase of stock        | (4.9   | ) —   | —          | (305     | ) —             | (305 )     |
| Stock options and awards   | 0.4    | —     | 13         | —        | —               | 13         |
| April 29, 2017             | 551.7  | \$ 46 | \$ 5,674   | \$ 5,927 | \$ (626         | ) \$11,021 |

See accompanying Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements (unaudited)

## 1. Accounting Policies

These financial statements should be read in conjunction with the financial statement disclosures in our 2016 Form 10-K. We use the same accounting policies in preparing quarterly and annual financial statements. All adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature. Certain prior-year amounts have been reclassified to conform to the current year presentation. Unless otherwise noted, amounts presented within the Notes to Consolidated Financial Statements refer to our continuing operations.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings, and cash flows are not necessarily indicative of the results that may be expected for the full year.

## 2. Revenues

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). We plan to adopt the standard in the first quarter of fiscal 2018 using the full retrospective approach. We do not expect the standard to materially affect our consolidated net earnings, financial position, or cash flows.

We are evaluating the impact the standard has on our determination of whether we act as principal or agent in certain vendor arrangements where the purchase and sale of inventory is virtually simultaneous. We currently record revenue and related costs gross, with approximately 3 percent of consolidated sales made under such arrangements. Due to the varying terms of these arrangements, the presentation required under the standard will depend on contract-specific terms and, in some instances, may result in net presentation of these amounts. Any change to net presentation would not impact gross margin or earnings. We are also evaluating the presentation of certain ancillary income streams, including credit card profit sharing income.

## 3. Fair Value Measurements

Fair value measurements are reported in one of three levels reflecting the valuation techniques used to determine fair value.

| Fair Value Measurements - Recurring Basis |                  | Fair Value at  |                  |                |
|-------------------------------------------|------------------|----------------|------------------|----------------|
| (millions)                                | Pricing Category | April 29, 2017 | January 28, 2017 | April 30, 2016 |
| Assets                                    |                  |                |                  |                |
| Cash and cash equivalents                 |                  |                |                  |                |
| Short-term investments                    | Level 1          | \$1,135        | \$ 1,110         | \$ 2,931       |
| Other current assets                      |                  |                |                  |                |
| Prepaid forward contracts                 | Level 1          | 37             | 26               | 35             |
| Beneficial interest asset                 | Level 3          | 9              | 12               | 16             |
| Interest rate swaps <sup>(a)</sup>        | Level 2          | —              | 1                | 5              |
| Other noncurrent assets                   |                  |                |                  |                |
| Interest rate swaps <sup>(a)</sup>        | Level 2          | 4              | 4                | 26             |
| Beneficial interest asset                 | Level 3          | —              | —                | 9              |
| Liabilities                               |                  |                |                  |                |

Other current liabilities

|                                    |         |   |   |   |
|------------------------------------|---------|---|---|---|
| Interest rate swaps <sup>(a)</sup> | Level 2 | — | — | 3 |
|------------------------------------|---------|---|---|---|

<sup>(a)</sup> See Note 5 for additional information on interest rate swaps.

6

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| Significant Financial Instruments not Measured at Fair Value <sup>(a)</sup> | April 29, 2017  | January 28, 2017 | April 30, 2016  |
|-----------------------------------------------------------------------------|-----------------|------------------|-----------------|
| (millions)                                                                  | Carrying Amount | Fair Value       | Carrying Amount |
| Debt <sup>(b)</sup>                                                         | \$11,717        | \$12,610         | \$11,715        |
|                                                                             | \$12,545        | \$13,280         | \$14,974        |

<sup>(a)</sup> The carrying amounts of certain other current assets, accounts payable, and certain accrued and other current liabilities approximate fair value due to their short-term nature.

<sup>(b)</sup> The carrying amount and estimated fair value of debt exclude unamortized swap valuation adjustments and capital lease obligations.

#### 4. Notes Payable and Long-Term Debt

We obtain short-term financing from time to time under our commercial paper program, a form of notes payable. No balances were outstanding at any time during the three months ended April 29, 2017 and April 30, 2016.

In April 2016, we issued unsecured fixed rate debt of \$1 billion at 2.5% that matures in April 2026 and \$1 billion at 3.625% that matures in April 2046. During the three months ended April 30, 2016, we used cash on hand and proceeds from these issuances to repurchase \$565 million of debt before its maturity at a market value of \$820 million. We recognized a loss on early retirement of approximately \$261 million, which was recorded in net interest expense in our Consolidated Statements of Operations.

In May 2016, we used cash on hand and proceeds from the April issuances to repurchase an additional \$824 million of debt before its maturity at a market value of \$981 million. We recognized an additional loss on early retirement of approximately \$160 million in the second quarter of 2016. The \$824 million of debt repurchased during the second quarter of 2016 was classified as current in our Consolidated Statements of Financial Position at April 30, 2016.

In May 2017, we used cash on hand to repay \$598 million of debt at its maturity.

#### 5. Derivative Financial Instruments

Our derivative instruments primarily consist of interest rate swaps, which we use to mitigate interest rate risk. As a result of our use of derivative instruments, we have counterparty credit exposure to large global financial institutions. We monitor this concentration of counterparty credit risk on an ongoing basis. See Note 3 for a description of the fair value measurement of our derivative instruments and their classification on the Consolidated Statements of Financial Position.

As of April 29, 2017 and April 30, 2016, interest rate swaps with notional amounts totaling \$1,000 million and \$1,250 million, respectively, were designated fair value hedges. No ineffectiveness was recognized during the three months ended April 29, 2017 or April 30, 2016.

As of April 29, 2017, one interest rate swap with a notional amount of \$250 million was not designated a fair value hedge because it was de-designated concurrent with the repurchase of debt during the first half of 2016. As of April 30, 2016, two interest rate swaps, each with a notional amount of \$500 million, were not designated fair value hedges. These two interest rate swaps had largely offsetting terms and matured during the second quarter of 2016.

During the three months ended April 29, 2017 and April 30, 2016, we recorded income of \$4 million and \$8 million, respectively, within net interest expense on our Consolidated Statements of Operations related to periodic payments, valuation adjustments, and amortization of gains or losses on our interest rate swaps.

#### 6. Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

We must adopt the standard no later than the first quarter of 2019, which begins on February 3, 2019. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements.

We plan to adopt the standard in the first quarter of 2018. We expect to elect the package of practical expedients, including the use of hindsight to determine the lease term. While lease classification will remain unchanged, hindsight may result in different accounting lease terms for certain leases and affect the timing of related depreciation, interest, and rent expense. We do not expect to apply the recognition requirements to short-term leases and will recognize those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term.

While we are continuing to assess the standard, we anticipate this standard will have a material impact on our Consolidated Statements of Financial Position, but will not materially affect our consolidated net earnings. We believe the addition of retail-store and office-space operating leases to our balance sheet will represent the most significant change. We also expect a reduction to the amount of finance lease assets and liabilities on our Consolidated Statements of Financial Position, primarily due to our use of hindsight to reduce certain lease terms.

We do not believe the new standard will have a notable impact on our liquidity. The standard will have no impact on our debt-covenant compliance under our current agreements.

## 7. Share Repurchase

|                                   | Three Months<br>Ended |                   |
|-----------------------------------|-----------------------|-------------------|
| (millions, except per share data) | April 29,<br>2017     | April 30,<br>2016 |
| Total number of shares purchased  | 4.9                   | 11.4              |
| Average price paid per share      | \$61.68               | \$ 78.37          |
| Total investment                  | \$305                 | \$ 893            |

## 8. Pension Benefits

We provide pension plan benefits to certain eligible team members.

| Net Pension Benefits Expense       | Three Months<br>Ended |                   |
|------------------------------------|-----------------------|-------------------|
| (millions)                         | April 29,<br>2017     | April 30,<br>2016 |
| Service cost                       | \$ 21                 | \$ 21             |
| Interest cost                      | 34                    | 34                |
| Expected return on assets          | (61 )                 | (64 )             |
| Amortization of losses             | 15                    | 12                |
| Amortization of prior service cost | (3 )                  | (3 )              |
| Settlement charges                 | —                     | —                 |
| Total                              | \$ 6                  | \$ —              |

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715), which requires employers to disaggregate and present separately the current service cost component from the other components of net benefit cost within the Consolidated Statement of Operations. We plan to adopt the standard in the first quarter of fiscal 2018. We are evaluating the presentation of the other components of net benefit cost.



## 9. Accumulated Other Comprehensive (Loss) / Income

| (millions)                                          | Cash Flow<br>Hedges | Currency<br>Translation<br>Adjustment | Pension and<br>Other<br>Benefits | Total   |
|-----------------------------------------------------|---------------------|---------------------------------------|----------------------------------|---------|
| January 28, 2017                                    | \$ (16 )            | \$ (21 )                              | \$ (601 )                        | \$(638) |
| Other comprehensive income before reclassifications | —                   | 4                                     | —                                | 4       |
| Amounts reclassified from AOCI                      | 1                   | (a) —                                 | 7                                | (b) 8   |
| April 29, 2017                                      | \$ (15 )            | \$ (17 )                              | \$ (594 )                        | \$(626) |

(a) Represents gains and losses on cash flow hedges, net of \$1 million of taxes.

(b) Represents amortization of pension and other benefit liabilities, net of \$5 million of taxes.

## 10. Segment Reporting

Our segment measure of profit (segment earnings before interest expense and income taxes) is used by management to evaluate performance and make operating decisions. We operate as a single segment that includes all of our continuing operations, which are designed to enable guests to purchase products seamlessly in stores or through our digital channels.

| Business Segment Results                                                     | Three Months<br>Ended |                |
|------------------------------------------------------------------------------|-----------------------|----------------|
| (millions)                                                                   | April 29, 2017        | April 30, 2016 |
| Sales                                                                        | \$16,017              | \$16,196       |
| Cost of sales                                                                | 11,134                | 11,185         |
| Gross margin                                                                 | 4,883                 | 5,011          |
| Selling, general, and administrative expenses (b)                            | 3,132                 | 3,142          |
| Depreciation and amortization                                                | 573                   | 546            |
| Segment earnings before interest expense and income taxes                    | 1,178                 | 1,323          |
| Pharmacy Transaction-related costs (a)(b)                                    | —                     | (11 )          |
| Earnings from continuing operations before interest expense and income taxes | 1,178                 | 1,312          |
| Net interest expense                                                         | 144                   | 415            |
| Earnings from continuing operations before income taxes                      | \$1,034               | \$897          |

Note: Amounts may not foot due to rounding.

(a) For the three months ended April 30, 2016, represents items related to the December 2015 sale of our former pharmacy and clinic businesses to CVS (Pharmacy Transaction).

(b) The sum of segment SG&A expenses and Pharmacy Transaction-related costs equal consolidated SG&A expenses.

| Reconciliation of Segment Assets to Total Assets | April 29, 2017 | January 28, 2017 | April 30, 2016 |
|--------------------------------------------------|----------------|------------------|----------------|
| (millions)                                       |                |                  |                |
| Segment assets                                   | \$37,182       | \$37,350         | \$39,457       |
| Assets of discontinued operations                | 36             | 81               | 435            |
| Unallocated assets (a)                           | —              | —                | 16             |
| Total assets                                     | \$37,218       | \$37,431         | \$39,908       |

(a) Represents the insurance receivable related to the 2013 data breach.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Executive Summary

First quarter 2017 includes the following notable items:

- GAAP earnings per share from continuing operations were \$1.22.
- Adjusted earnings per share from continuing operations were \$1.21.
- Comparable sales decreased (1.3) percent, driven by small declines in both traffic and average transaction amount.
- Comparable digital channel sales increased 22 percent.
- We returned \$637 million to shareholders in the first quarter through dividends and share repurchase.

Sales were \$16,017 million for the three months ended April 29, 2017, a decrease of \$179 million or 1.1 percent from the same period in the prior year. Operating cash flow provided by continuing operations was \$1,255 million and \$253 million for the three months ended April 29, 2017 and April 30, 2016, respectively. The operating cash flow increase is due to the payment of approximately \$500 million of taxes during the first quarter of 2016, primarily related to the December 2015 sale of our pharmacy and clinic businesses (Pharmacy Transaction), a smaller decrease in accounts payable in the first quarter of 2017 compared to the first quarter of 2016 related to timing, and a larger first quarter 2017 inventory reduction.

| Earnings Per Share from Continuing Operations | Three Months Ended |                   | Change |   |
|-----------------------------------------------|--------------------|-------------------|--------|---|
|                                               | April 29,<br>2017  | April 30,<br>2016 |        |   |
| GAAP diluted earnings per share               | \$ 1.22            | \$ 1.02           | 20.0   | % |
| Adjustments                                   | (0.01 )            | 0.27              |        |   |
| Adjusted diluted earnings per share           | \$ 1.21            | \$ 1.29           | (6.1 ) | % |

Note: Amounts may not foot due to rounding. Adjusted diluted earnings per share from continuing operations (Adjusted EPS), a non-GAAP metric, excludes the impact of certain items not related to our routine retail operations. Management believes that Adjusted EPS is meaningful to provide period-to-period comparisons of our operating results. A reconciliation of non-GAAP financial measures to GAAP measures is provided on page 14.

We report after-tax return on invested capital (ROIC) from continuing operations because we believe ROIC provides a meaningful measure of the effectiveness of our capital allocation over time. For the trailing twelve months ended April 29, 2017, ROIC was 14.2 percent, compared with 16.0 percent for the trailing twelve months ended April 30, 2016. Excluding the net gain on the Pharmacy Transaction, ROIC was 14.0 percent for the trailing twelve months ended April 30, 2016. A reconciliation of ROIC is provided on page 15.

## Analysis of Results of Operations

## Segment Results

| (dollars in millions)        | Three Months Ended |                   |        | Percent<br>Change |
|------------------------------|--------------------|-------------------|--------|-------------------|
|                              | April 29,<br>2017  | April 30,<br>2016 |        |                   |
| Sales                        | \$ 16,017          | \$ 16,196         | (1.1 ) | %                 |
| Cost of sales                | 11,134             | 11,185            | (0.5 ) |                   |
| Gross margin                 | 4,883              | 5,011             | (2.5 ) |                   |
| SG&A expenses <sup>(a)</sup> | 3,132              | 3,142             | (0.3 ) |                   |
| EBITDA                       | 1,751              | 1,869             | (6.3 ) |                   |

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|                               |          |          |          |
|-------------------------------|----------|----------|----------|
| Depreciation and amortization | 573      | 546      | 5.0      |
| EBIT                          | \$ 1,178 | \$ 1,323 | (11.0 )% |

Note: See Note 10 of our Financial Statements for a reconciliation of our segment results to earnings before income taxes.

<sup>(a)</sup> For the three months ended April 29, 2017 and April 30, 2016, SG&A includes \$171 million and \$158 million, respectively, of net profit-sharing income under our credit card program agreement.

| Rate Analysis                              | Three Months Ended |   |                   |   |
|--------------------------------------------|--------------------|---|-------------------|---|
|                                            | April 29,<br>2017  |   | April 30,<br>2016 |   |
| Gross margin rate                          | 30.5               | % | 30.9              | % |
| SG&A expense rate                          | 19.6               |   | 19.4              |   |
| EBITDA margin rate                         | 10.9               |   | 11.5              |   |
| Depreciation and amortization expense rate | 3.6                |   | 3.4               |   |
| EBIT margin rate                           | 7.4                |   | 8.2               |   |

Note: Rate analysis metrics are computed by dividing the applicable amount by sales.

## Sales

Sales include all merchandise sales, net of expected returns, and gift card breakage. Digital channel sales include all sales initiated through mobile applications and our conventional websites. Digital channel sales may be fulfilled through our distribution centers, our vendors, or our stores.

| Sales by Channel | Three Months Ended |   |                   |   |
|------------------|--------------------|---|-------------------|---|
|                  | April 29,<br>2017  |   | April 30,<br>2016 |   |
| Stores           | 95.7               | % | 96.5              | % |
| Digital          | 4.3                |   | 3.5               |   |
| Total            | 100                | % | 100               | % |

| Sales by Product Category        | Three Months Ended |   |                   |   |
|----------------------------------|--------------------|---|-------------------|---|
|                                  | April 29,<br>2017  |   | April 30,<br>2016 |   |
| Food, beverage, and pet supplies | 24                 | % | 24                | % |
| Household essentials             | 23                 |   | 23                |   |
| Apparel and accessories          | 21                 |   | 21                |   |
| Home furnishings and décor       | 17                 |   | 17                |   |
| Hardlines                        | 15                 |   | 15                |   |
| Total                            | 100                | % | 100               | % |

Comparable sales is a measure that highlights the performance of our stores and digital channels by measuring the change in sales for a period over the comparable, prior-year period of equivalent length. Comparable sales include all sales, except sales from stores open less than 13 months, digital acquisitions we have owned less than 13 months, stores that have been closed, and digital acquisitions that we no longer operate. Comparable sales measures vary across the retail industry. As a result, our comparable sales calculation is not necessarily comparable to similarly titled measures reported by other companies.

| Comparable Sales                      | Three Months Ended |    |                   |   |
|---------------------------------------|--------------------|----|-------------------|---|
|                                       | April 29,<br>2017  |    | April 30,<br>2016 |   |
| Comparable sales change               | (1.3               | )% | 1.2               | % |
| Drivers of change in comparable sales |                    |    |                   |   |
| Number of transactions                | (0.8               | )  | 0.3               |   |
| Average transaction amount            | (0.6               | )  | 0.9               |   |

Note: Amounts may not foot due to rounding.



| Contribution to Comparable Sales Change                 | Three Months Ended |    |                   |   |
|---------------------------------------------------------|--------------------|----|-------------------|---|
|                                                         | April 29,<br>2017  |    | April 30,<br>2016 |   |
| Stores channel comparable sales change                  | (2.2               | )% | 0.6               | % |
| Digital channel contribution to comparable sales change | 0.8                |    | 0.6               |   |
| Total comparable sales change                           | (1.3               | )% | 1.2               | % |

Note: Amounts may not foot due to rounding.

The collective interaction of a broad array of macroeconomic, competitive, and consumer behavioral factors, as well as sales mix, and transfer of sales to new stores makes further analysis of sales metrics infeasible.

We monitor the percentage of sales that are paid for using REDcards (REDcard Penetration) because our internal analysis has indicated that a meaningful portion of the incremental purchases on REDcards are also incremental sales for Target. Guests receive a 5 percent discount on virtually all purchases when they use a REDcard at Target.

| REDcard Penetration       | Three Months Ended |   |                   |   |
|---------------------------|--------------------|---|-------------------|---|
|                           | April 29,<br>2017  |   | April 30,<br>2016 |   |
| Target Debit Card         | 13.5               | % | 13.0              | % |
| Target Credit Cards       | 11.0               |   | 10.4              |   |
| Total REDcard Penetration | 24.5               | % | 23.4              | % |

Note: Amounts may not foot due to rounding.

#### Gross Margin Rate

For the three months ended April 29, 2017, our gross margin rate was 30.5 percent compared with 30.9 percent in the comparable period last year. Virtually all of the decrease was due to increased shipping and digital fulfillment costs.

## Selling, General, and Administrative Expense Rate

For the three months ended April 29, 2017, our SG&A expense rate was 19.6 percent compared to 19.4 percent in the comparable period last year. The increase was primarily due to higher incentive compensation and timing of marketing campaigns, partially offset by cost savings driven by efficiency in our technology operations.

## Store Data

| Change in Number of Stores | Three Months Ended |                |
|----------------------------|--------------------|----------------|
|                            | April 29, 2017     | April 30, 2016 |
| Beginning store count      | 1,802              | 1,792          |
| Opened                     | 5                  | 1              |
| Closed                     | —                  | —              |
| Ending store count         | 1,807              | 1,793          |

| Number of Stores and Retail Square Feet | Number of Stores |                  |                | Retail Square Feet <sup>(a)</sup> |                  |                |
|-----------------------------------------|------------------|------------------|----------------|-----------------------------------|------------------|----------------|
|                                         | April 29, 2017   | January 28, 2017 | April 30, 2016 | April 29, 2017                    | January 28, 2017 | April 30, 2016 |
| 170,000 or more sq. ft.                 | 276              | 276              | 278            | 49,328                            | 49,328           | 49,688         |
| 50,000 to 169,999 sq. ft.               | 1,505            | 1,504            | 1,505          | 189,746                           | 189,620          | 189,677        |
| 49,999 or less sq. ft.                  | 26               | 22               | 10             | 709                               | 554              | 211            |
| Total                                   | 1,807            | 1,802            | 1,793          | 239,783                           | 239,502          | 239,576        |

<sup>(a)</sup> In thousands, reflects total square feet, less office, distribution center, and vacant space.

## Other Performance Factors

## Other Selling, General, and Administrative Expenses

We recorded \$11 million of selling, general, and administrative expenses outside of the segment during the three months ended April 30, 2016 because they were discretely managed. Additional information about these expenses is provided within Note 10 to the Consolidated Financial Statements included in Item 1 (the Financial Statements).

## Net Interest Expense

Net interest expense from continuing operations was \$144 million for the three months ended April 29, 2017, compared to \$415 million for the three months ended April 30, 2016. Net interest expense for the three months ended April 30, 2016 included a loss on early retirement of debt of \$261 million.

## Provision for Income Taxes

Our effective income tax rate from continuing operations for the three months ended April 29, 2017 was 34.5 percent compared with 31.6 percent for the three months ended April 30, 2016. The increase was primarily due to the recognition of \$17 million of excess tax benefits related to share-based payments for the three months ended April 30, 2016, and the net tax effect of our global sourcing operations.

## Reconciliation of Non-GAAP Financial Measures to GAAP Measures

To provide additional transparency, we have disclosed non-GAAP adjusted diluted earnings per share from continuing operations (Adjusted EPS). This metric excludes certain items presented below. We believe this information is useful in providing period-to-period comparisons of the results of our continuing operations. This measure is not in accordance with, or an alternative for, generally accepted accounting principles in the United States (GAAP). The most comparable GAAP measure is diluted earnings per share from continuing operations. Adjusted EPS should not be considered in isolation or as a substitution for analysis of our results as reported under GAAP. Other companies may calculate Adjusted EPS differently than we do, limiting the usefulness of the measure for comparisons with other companies.

|                                                                | Three Months Ended   |                         |                      |                      |
|----------------------------------------------------------------|----------------------|-------------------------|----------------------|----------------------|
|                                                                | April 29, 2017       |                         | April 30, 2016       |                      |
| (millions, except per share data)                              | Net<br>Profit<br>Tax | Per<br>Share<br>Amounts | Net<br>Profit<br>Tax | Per Share<br>Amounts |
| GAAP diluted earnings per share from continuing operations     |                      | \$ 1.22                 |                      | \$ 1.02              |
| Adjustments                                                    |                      |                         |                      |                      |
| Loss on early retirement of debt                               | \$—                  | \$ —                    | \$261                | \$159                |
| Pharmacy Transaction-related costs                             | —                    | —                       | 11                   | 7                    |
| Resolution of income tax matters                               | —(7 )                | (0.01 )                 | —                    | (2 )                 |
| Adjusted diluted earnings per share from continuing operations |                      | \$ 1.21                 |                      | \$ 1.29              |

Note: Amounts may not foot due to rounding.

We have also disclosed after-tax return on invested capital from continuing operations (ROIC), which is a ratio based on GAAP information, with the exception of adjustments made to capitalize operating leases. Operating leases are capitalized as part of the ROIC calculation to control for differences in capital structure between us and our competitors. We believe this metric provides a meaningful measure of the effectiveness of our capital allocation over time. Other companies may calculate ROIC differently than we do, limiting the usefulness of the measure for comparisons with other companies.

After-Tax Return  
on Invested  
Capital

Trailing Twelve  
Months

(dollars  
in millions)  
April 29, 2017  
April 30, 2016

Earnings  
from  
continuing  
operations  
before  
interest  
expense  
and  
income  
taxes  
+

Operating  
lease  
interest  
(a)(b)

Adjusted  
earnings  
from  
continuing  
operations  
before  
interest  
expense  
and  
income  
taxes  
-

Income  
taxes  
(c)

Operating  
profit

\$4,835 \$ 5,688

\$4,907 5,770

\$1,638 1,840

\$3,269 \$ 3,930

after  
taxes

| Denominator<br>(dollars in millions)                         | April 29, April 30, May 2,<br>2017 2016 2015 |           |           |
|--------------------------------------------------------------|----------------------------------------------|-----------|-----------|
| Current portion of long-term debt and other borrowings       | \$ 1,717                                     | \$ 1,627  | \$ 112    |
| + Noncurrent portion of long-term debt                       | 11,086                                       | 12,596    | 12,585    |
| + Shareholders' equity                                       | 11,021                                       | 12,545    | 14,174    |
| + Capitalized operating lease obligations <sup>(b)(d)</sup>  | 1,210                                        | 1,367     | 1,495     |
| - Cash and cash equivalents                                  | 2,680                                        | 4,036     | 2,768     |
| - Net assets of discontinued operations                      | 17                                           | 249       | 335       |
| Invested capital                                             | \$ 22,337                                    | \$ 23,850 | \$ 25,263 |
| Average invested capital <sup>(e)</sup>                      | \$ 23,093                                    | \$ 24,556 |           |
| After-tax<br>return on<br>invested<br>capital <sup>(f)</sup> | 14.2 %                                       | 16.0 %    |           |

<sup>(a)</sup> Represents the add-back to operating income to reflect the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as capital leases, using eight times our trailing twelve months rent expense and an estimated interest rate of six percent.

<sup>(b)</sup> See the following Reconciliation of Capitalized Operating Leases table for the adjustments to our GAAP total rent expense to obtain the hypothetical capitalization of operating leases and related operating lease interest.

<sup>(c)</sup> Calculated using the effective tax rate for continuing operations, which was 33.4 percent and 31.9 percent for the trailing twelve months ended April 29, 2017 and April 30, 2016, respectively. For the trailing twelve months ended April 29, 2017 and April 30, 2016, includes tax effect of \$1,614 million and \$1,814 million, respectively, related to EBIT and \$24 million and \$26 million, respectively, related to operating lease interest.

<sup>(d)</sup> Calculated as eight times our trailing twelve months rent expense.

<sup>(e)</sup> Average based on the invested capital at the end of the current period and the invested capital at the end of the comparable prior period.

<sup>(f)</sup> Excluding the net gain on the Pharmacy Transaction, ROIC was 14.0 percent for the trailing twelve months ended April 30, 2016.

Capitalized operating lease obligations and operating lease interest are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The most comparable GAAP measure is total rent expense. Capitalized operating lease obligations and operating lease interest should not be considered in isolation or as a substitution for analysis of our results as reported under GAAP.

## Reconciliation

of  
Trailing Twelve  
Capitalized  
Months  
Operating

Leases

(dollars in  
April 29, April 30, May 2,  
2017 2016 2015  
millions)

Total

\$ 151 \$ 171 \$ 187

expense

Capitalized

operating

lease

obligations

(to 2010 1,367 1,495

rent

expense

x

8)

Operating

lease

interest

(capitalized

operating 72 n/a

lease

obligations

x

6%)

## Analysis of Financial Condition

### Liquidity and Capital Resources

Our cash and cash equivalents balance was \$2,680 million at April 29, 2017, compared with \$4,036 million for the same period in 2016, primarily reflecting timing as debt issuance proceeds from the first quarter of 2016 were not fully used for early retirement of long-term debt until the second quarter of 2016. Our investment policy is designed to preserve principal and liquidity of our short-term investments. This policy allows investments in large money market funds or in highly rated direct short-term instruments that mature in 60 days or less. We also place certain dollar limits on our investments in individual funds or instruments.

### Capital Allocation

We follow a disciplined and balanced approach to capital allocation, based on the following priorities, ranked in order of importance: first, we fully invest in opportunities to grow our business profitably, create sustainable long-term value, and maintain our current operations and assets; second, we maintain a competitive quarterly dividend and seek to grow it annually; and finally, we return excess cash to shareholders by repurchasing shares within the limits of our credit rating goals.

## Cash Flows

Operating cash flow provided by continuing operations was \$1,255 million for the three months ended April 29, 2017, compared with \$253 million for the same period in 2016. The increase is primarily due to the payment of approximately \$500 million of taxes during the first quarter of 2016 related to the Pharmacy Transaction, a smaller decrease in accounts payable in the first quarter of 2017 compared to the first quarter of 2016 related to timing, and a larger first quarter 2017 inventory reduction. These cash flows, combined with our prior year-end cash position, allowed us to invest in the business, pay dividends, and repurchase shares under our share repurchase program.

## Share Repurchases

During the three months ended April 29, 2017 and April 30, 2016, we returned \$305 million and \$893 million, respectively, to shareholders through share repurchase. In first quarter 2017, repurchases were primarily made under a pre-existing trading plan implemented in 2016. See Part II, Item 2 of this Quarterly Report on Form 10-Q and Note 7 to the Financial Statements for more information.

## Dividends

We paid dividends totaling \$332 million (\$0.60 per share) for the three months ended April 29, 2017, and \$336 million (\$0.56 per share) for the three months ended April 30, 2016, a per share increase of 7.1 percent. We declared dividends totaling \$333 million (\$0.60 per share) in first quarter 2017, a per share increase of 7.1 percent over the \$335 million (\$0.56 per share) of declared dividends during the first quarter of 2016. We have paid dividends every quarter since our 1967 initial public offering, and it is our intent to continue to do so in the future.

## Short-term and Long-term Financing

Our financing strategy is to ensure liquidity and access to capital markets, to maintain a balanced spectrum of debt maturities, and to manage our net exposure to floating interest rate volatility. Within these parameters, we seek to minimize our borrowing costs. Our ability to access the long-term debt and commercial paper markets has provided us with ample sources of liquidity. Our continued access to these markets depends on multiple factors, including the condition of debt capital markets, our operating performance, and maintaining strong credit ratings. As of April 29, 2017 our credit ratings were as follows:

| Credit Ratings       | Moody's | Standard and Poor's | Fitch |
|----------------------|---------|---------------------|-------|
| Long-term debt       | A2      | A                   | A-    |
| Commercial paper P-1 |         | A-1                 | F2    |

If our credit ratings were lowered, our ability to access the debt markets, our cost of funds, and other terms for new debt issuances could be adversely impacted. Each of the credit rating agencies reviews its rating periodically and there is no guarantee our current credit ratings will remain the same as described above.

We have additional liquidity through a committed \$2.5 billion revolving credit facility obtained through a group of banks in October 2016, which expires in October 2021. This unsecured revolving credit facility replaced a \$2.25 billion unsecured revolving credit facility that was scheduled to expire in October 2018. No balances were outstanding under either credit facility at any time during 2017 or 2016.

Most of our long-term debt obligations contain covenants related to secured debt levels. In addition to a secured debt level covenant, our credit facility also contains a debt leverage covenant. We are, and expect to remain, in compliance with these covenants. Additionally, at April 29, 2017, no notes or debentures contained provisions requiring acceleration of payment upon a credit rating downgrade, except that certain outstanding notes allow the note holders to put the notes to us if within a matter of months of each other we experience both (i) a change in control; and (ii) our long-term debt ratings are either reduced and the resulting rating is noninvestment grade, or our long-term debt ratings are placed on watch for possible reduction and those ratings are subsequently reduced and the resulting rating is noninvestment grade.

We believe our sources of liquidity will continue to be adequate to maintain operations, finance anticipated expansion and strategic initiatives, fund debt maturities, pay dividends, and execute purchases under our share repurchase program for the foreseeable future. We continue to anticipate ample access to commercial paper and long-term financing.

## Contractual Obligations and Commitments

As of the date of this report, there were no material changes to our contractual obligations and commitments outside the ordinary course of business since January 28, 2017 as reported in our 2016 Form 10-K.

## New Accounting Pronouncements

Refer to Note 2, Note 6, and Note 8 of the Financial Statements for a description of new accounting pronouncements related to revenues, leases, and pension benefits, respectively. We do not expect any other recently issued accounting pronouncements will have a material effect on our financial statements.

## Forward-Looking Statements

This report contains forward-looking statements, which are based on our current assumptions and expectations. These statements are typically accompanied by the words “expect,” “may,” “could,” “believe,” “would,” “might,” “anticipates,” or words of similar import. The principal forward-looking statements in this report include: our financial performance, statements regarding the adequacy of and costs associated with our sources of liquidity, the funding of debt maturities, the continued execution of our share repurchase program, our expected capital expenditures, the expected compliance with debt covenants, the expected impact of new accounting pronouncements, our intentions regarding future dividends, the expected return on plan assets, and the expected outcome of, and adequacy of our reserves for, claims and litigation.

All such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, as amended. Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. The most important factors which could cause our

actual results to differ from our forward-looking statements are set forth on our description of risk factors in Item 1A of our Form 10-K for the fiscal year ended January 28, 2017, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our Form 10-K for the fiscal year ended January 28, 2017.

### Item 4. Controls and Procedures

#### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the first quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the Securities and Exchange Commission (SEC) under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

The following update to a previously reported governmental enforcement proceeding relating to environmental matters is being reported pursuant to instruction 5(C) of Item 103 of Regulation S-K because it involves potential monetary sanctions in excess of \$100,000:

On February 27, 2015, the California Attorney General sent us a letter alleging, based on a series of compliance checks, that we have not achieved compliance with California's environmental laws and the provisions of the injunction that was part of a settlement reached in 2011. No formal legal action has been commenced, but in April 2017 the California Attorney General's Office and certain California District Attorneys' Offices made an initial settlement demand including monetary and injunctive relief. The relief being sought is not material to our financial statements.

## Item 1A. Risk Factors

There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 20, 2016, our Board of Directors authorized a new \$5 billion share repurchase program. We began repurchasing shares under this new authorization during the fourth quarter of 2016. There is no stated expiration for the share repurchase program. Under the program, we have repurchased 8.7 million shares of common stock through April 29, 2017, at an average price of \$65.36, for a total investment of \$0.6 billion. The table below presents information with respect to Target common stock purchases made during the three months ended April 29, 2017, by Target or any "affiliated purchaser" of Target, as defined in Rule 10b-18(a)(3) under the Exchange Act.

| Period                                         | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Programs |
|------------------------------------------------|----------------------------------|------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| January 29, 2017 through February 25, 2017     |                                  |                              |                                                                         |                                                                                    |
| Open market and privately negotiated purchases | 3,556,242                        | \$ 64.02                     | 3,556,242                                                               | \$ 4,507,907,625                                                                   |
| February 26, 2017 through April 1, 2017        |                                  |                              |                                                                         |                                                                                    |
| Open market and privately negotiated purchases | 1,392,382                        | 55.72                        | 1,392,382                                                               | 4,430,328,641                                                                      |
| April 2, 2017 through April 29, 2017           |                                  |                              |                                                                         |                                                                                    |
| Open market and privately negotiated purchases | —                                | —                            | —                                                                       | 4,430,328,641                                                                      |
| Total                                          | 4,948,624                        | \$ 61.68                     | 4,948,624                                                               | \$ 4,430,328,641                                                                   |

## Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- (3)A Amended and Restated Articles of Incorporation (as amended through June 9, 2010)<sup>(1)</sup>
- (3)B Bylaws (as amended through November 11, 2015)<sup>(2)</sup>
- (12) Statements of Computations of Ratios of Earnings to Fixed Charges
- (10)JJ Form of Price-Vested Stock Option Agreement
- (31)A Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (31)B Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (32)A Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (32)B Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

<sup>(1)</sup> Incorporated by reference to Exhibit (3)A to the Registrant's Form 8-K Report filed June 10, 2010.

<sup>(2)</sup> Incorporated by reference to Exhibit (3)A to the Registrant's Form 8-K Report filed November 12, 2015.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TARGET CORPORATION

Dated: May 22, 2017 By: /s/ Cathy R. Smith  
Cathy R. Smith  
Executive Vice President and  
Chief Financial Officer  
(Duly Authorized Officer and  
Principal Financial Officer)

/s/ Robert M. Harrison  
Robert M. Harrison  
Senior Vice President, Chief Accounting Officer  
and Controller

EXHIBIT INDEX

| Exhibit | Description                                                                                                                                          | Manner of Filing          |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| (3)A    | Amended and Restated Articles of Incorporation (as amended through June 9, 2010)                                                                     | Incorporated by Reference |
| (3)B    | Bylaws (as amended through November 11, 2015)                                                                                                        | Incorporated by Reference |
| (12)    | Statements of Computations of Ratios of Earnings to Fixed Charges                                                                                    | Filed Electronically      |
| (10)JJ  | Form of Price-Vested Stock Option Agreement                                                                                                          | Filed Electronically      |
| (31)A   | Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                               | Filed Electronically      |
| (31)B   | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                               | Filed Electronically      |
| (32)A   | Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed Electronically      |
| (32)B   | Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed Electronically      |
| 101.INS | XBRL Instance Document                                                                                                                               | Filed Electronically      |
| 101.SCH | XBRL Taxonomy Extension Schema                                                                                                                       | Filed Electronically      |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase                                                                                                         | Filed Electronically      |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase                                                                                                          | Filed Electronically      |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase                                                                                                               | Filed Electronically      |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase                                                                                                        | Filed Electronically      |