

TARGET CORP
Form 10-Q
May 28, 2015

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 May 2, 2015

Commission File Number 1-6049

TARGET CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

1000 Nicollet Mall, Minneapolis, Minnesota

(Address of principal executive offices)

41-0215170

(I.R.S. Employer
Identification No.)

55403

(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, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 22, 2015 were 638,491,711.

TARGET CORPORATION

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<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>14</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>22</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>22</u>
<u>PART II</u>	<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>24</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>24</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>24</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>24</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>24</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>25</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>25</u>
<u>Signature</u>		<u>26</u>
<u>Exhibit Index</u>		<u>27</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Operations

(millions, except per share data) (unaudited)	Three Months Ended		
	May 2, 2015	May 3, 2014	
Sales	\$17,119	\$16,657	
Cost of sales	11,911	11,748	
Selling, general and administrative expenses	3,514	3,376	
Depreciation and amortization	540	511	
Earnings from continuing operations before interest expense and income taxes	1,154	1,022	
Net interest expense	155	152	
Earnings from continuing operations before income taxes	999	870	
Provision for income taxes	348	299	
Net earnings from continuing operations	651	571	
Discontinued operations, net of tax	(16) (153)
Net earnings	\$635	\$418	
Basic earnings per share			
Continuing operations	\$1.02	\$0.90	
Discontinued operations	(0.03) (0.24)
Net earnings per share	\$0.99	\$0.66	
Diluted earnings per share			
Continuing operations	\$1.01	\$0.89	
Discontinued operations	(0.03) (0.24)
Net earnings per share	\$0.98	\$0.66	
Weighted average common shares outstanding			
Basic	640.9	633.3	
Dilutive impact of share-based awards	5.5	4.9	
Diluted	646.4	638.2	
Antidilutive shares	—	5.3	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(millions) (unaudited)	Three Months Ended	
	May 2, 2015	May 3, 2014
Net earnings	\$635	\$418
Other comprehensive income, net of tax		
Pension and other benefit liabilities, net of taxes of \$71 and \$4	109	7
Currency translation adjustment and cash flow hedges, net of taxes of \$0 and \$1	—	62
Other comprehensive income	109	69
Comprehensive income	\$744	\$487

See accompanying Notes to Consolidated Financial Statements.

2

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Consolidated Statements of Financial Position

(millions)	May 2, 2015 (unaudited)	January 31, 2015	May 3, 2014 (unaudited)
Assets			
Cash and cash equivalents, including short term investments of \$2,073, \$1,520 and \$3	\$2,768	\$2,210	\$677
Inventory	8,610	8,790	7,905
Assets of discontinued operations	148	1,333	718
Other current assets	1,672	1,754	1,723
Total current assets	13,198	14,087	11,023
Property and equipment			
Land	6,135	6,127	6,146
Buildings and improvements	26,636	26,614	25,991
Fixtures and equipment	5,011	5,346	4,909
Computer hardware and software	2,395	2,553	2,138
Construction-in-progress	576	424	906
Accumulated depreciation	(14,975)	(15,106)	(13,756)
Property and equipment, net	25,778	25,958	26,334
Noncurrent assets of discontinued operations	458	442	5,605
Other noncurrent assets	1,012	917	1,080
Total assets	\$40,446	\$41,404	\$44,042
Liabilities and shareholders' investment			
Accounts payable	\$6,799	\$7,759	\$6,519
Accrued and other current liabilities	3,673	3,783	3,626
Current portion of long-term debt and other borrowings	112	91	1,466
Liabilities of discontinued operations	64	103	429
Total current liabilities	10,648	11,736	12,040
Long-term debt and other borrowings	12,654	12,705	11,391
Deferred income taxes	1,359	1,321	1,300
Noncurrent liabilities of discontinued operations	207	193	1,321
Other noncurrent liabilities	1,404	1,452	1,504
Total noncurrent liabilities	15,624	15,671	15,516
Shareholders' investment			
Common stock	53	53	53
Additional paid-in capital	5,170	4,899	4,512
Retained earnings	9,441	9,644	12,743
Accumulated other comprehensive loss			
Pension and other benefit liabilities	(452)	(561)	(415)
Currency translation adjustment and cash flow hedges	(38)	(38)	(407)
Total shareholders' investment	14,174	13,997	16,486
Total liabilities and shareholders' investment	\$40,446	\$41,404	\$44,042

Common Stock Authorized 6,000,000,000 shares, \$.0833 par value; 638,408,643, 640,213,987 and 633,613,396 shares issued and outstanding at May 2, 2015, January 31, 2015 and May 3, 2014, respectively.

Preferred Stock Authorized 5,000,000 shares, \$.01 par value; no shares were issued or outstanding at May 2, 2015, January 31, 2015 or May 3, 2014.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(millions) (unaudited)	Three Months Ended	
	May 2, 2015	May 3, 2014
Operating activities		
Net earnings	\$635	\$418
Losses from discontinued operations, net of tax	(16	) (153
Net earnings from continuing operations	651	571
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation and amortization	540	511
Share-based compensation expense	26	20
Deferred income taxes	18	(37
Noncash (gains)/losses and other, net	(70	) (13
Changes in operating accounts:		
Inventory	180	372
Other assets	138	127
Accounts payable and accrued liabilities	(766	) (736
Cash provided by operating activities—continuing operations	717	815
Cash provided by/ (required for) operating activities—discontinued operations	834	(295
Cash provided by operations	1,551	520
Investing activities		
Expenditures for property and equipment	(352	) (471
Proceeds from disposal of property and equipment	6	5
Other investments	21	18
Cash required for investing activities—continuing operations	(325	) (448
Cash provided by/ (required for) investing activities—discontinued operations	19	(90
Cash required for investing activities	(306	) (538
Financing activities		
Change in commercial paper, net	—	306
Reductions of long-term debt	(14	) (31
Dividends paid	(333	) (272
Repurchase of stock	(477) —
Prepayment of accelerated share repurchase	(120) —
Stock option exercises and related tax benefit	257	26
Cash (required for)/ provided by financing activities	(687	) 29
Effect of exchange rate changes on cash and cash equivalents	—	9
Net increase in cash and cash equivalents	558	20
Cash and cash equivalents at beginning of period ^(a)	2,210	695
Cash and cash equivalents at end of period ^(b)	\$2,768	\$715

^(a) Includes cash of our discontinued operations of \$25 million for the three months ended May 3, 2014.

^(b) Includes cash of our discontinued operations of \$37 million for the three months ended May 3, 2014.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Investment

	Common	Stock	Additional		Accumulated	
(millions, except per share data)	Stock	Par	Paid-in	Retained	Other	Total
	Shares	Value	Capital	Earnings	Income/(Loss)	
February 1, 2014	632.9	\$53	\$4,470	\$12,599	\$(891)	) \$16,231
Net earnings	—	—	—	(1,636)	—	(1,636)
Other comprehensive income	—	—	—	—	292	292
Dividends declared	—	—	—	—	—	—