

TARGET CORP
Form 10-Q
August 24, 2016
2016DLPFINQFILING

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 July 30, 2016

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, 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

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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 August 18, 2016 were 574,864,718.

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TARGET CORPORATION

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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		Six Months Ended	
	July 30,	August 1,	July 30,	August 1,
	2016	2015	2016	2015
Sales	\$ 16,169	\$ 17,427	\$ 32,364	\$ 34,546
Cost of sales	11,102	12,051	22,286	23,962
Gross margin	5,067	5,376	10,078	10,584
Selling, general and administrative expenses	3,249	3,495	6,402	7,009
Depreciation and amortization	570	551	1,116	1,090
Earnings from continuing operations before interest expense and income taxes	1,248	1,330	2,560	2,485
Net interest expense	307	148	722	305
Earnings from continuing operations before income taxes	941	1,182	1,838	2,180
Provision for income taxes	316	409	599	756
Net earnings from continuing operations	625	773	1,239	1,424
Discontinued operations, net of tax	55	(20)	73	(36)
Net earnings	\$ 680	\$ 753	\$ 1,312	\$ 1,388
Basic earnings / (loss) per share				
Continuing operations	\$ 1.07	\$ 1.21	\$ 2.10	\$ 2.23
Discontinued operations	0.09	(0.03)	0.12	(0.06)
Net earnings per share	\$ 1.17	\$ 1.18	\$ 2.22	\$ 2.17
Diluted earnings / (loss) per share				
Continuing operations	\$ 1.07	\$ 1.21	\$ 2.08	\$ 2.21
Discontinued operations	0.09	(0.03)	0.12	(0.06)
Net earnings per share	\$ 1.16	\$ 1.18	\$ 2.20	\$ 2.16
Weighted average common shares outstanding				
Basic	582.2	635.8	590.3	638.3
Dilutive impact of share-based awards	4.6	5.2	5.0	5.4
Diluted	586.8	641.0	595.3	643.7
Antidilutive shares	0.2	—	0.1	—
Dividends declared per share	\$ 0.60	\$ 0.56	\$ 1.16	\$ 1.08

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

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income

(millions) (unaudited)	Three Months Ended		Six Months Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
Net earnings	\$ 680	\$ 753	\$1,312	\$ 1,388
Other comprehensive income, net of tax				
Pension and other benefit liabilities, net of taxes of \$3, \$5, \$8 and \$76	5	8	12	117
Currency translation adjustment and cash flow hedges, net of taxes of \$0, \$1, \$1 and \$1	—	—	5	1
Other comprehensive income	5	8	17	118
Comprehensive income	\$ 685	\$ 761	\$1,329	\$ 1,506

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Financial Position

(millions)	July 30, 2016 (unaudited)	January 30, 2016	August 1, 2015 (unaudited)
Assets			
Cash and cash equivalents, including short term investments of \$303, \$3,008 and \$1,985	\$ 1,480	\$ 4,046	\$ 2,742
Inventory	8,631	8,601	8,261
Current assets of discontinued operations	83	322	133
Other current assets	1,309	1,161	2,104
Total current assets	11,503	14,130	13,240
Property and equipment			
Land	6,111	6,125	6,120
Buildings and improvements	27,315	27,059	26,726
Fixtures and equipment	5,282	5,347	5,145
Computer hardware and software	2,504	2,617	2,550
Construction-in-progress	232	315	494
Accumulated depreciation	(16,510)	(16,246)	(15,452)
Property and equipment, net	24,934	25,217	25,583
Noncurrent assets of discontinued operations	17	75	420
Other noncurrent assets	834	840	950
Total assets	\$ 37,288	\$ 40,262	\$ 40,193
Liabilities and shareholders' investment			
Accounts payable	\$ 6,811	\$ 7,418	\$ 6,944
Accrued and other current liabilities	3,544	4,236	3,768
Current portion of long-term debt and other borrowings	647	815	841
Current liabilities of discontinued operations	1	153	60
Total current liabilities	11,003	12,622	11,613
Long-term debt and other borrowings	12,063	11,945	11,817
Deferred income taxes	754	823	1,192
Noncurrent liabilities of discontinued operations	19	18	276
Other noncurrent liabilities	1,872	1,897	1,353
Total noncurrent liabilities	14,708	14,683	14,638
Shareholders' investment			
Common stock	48	50	53
Additional paid-in capital	5,562	5,348	5,271
Retained earnings	6,579	8,188	9,099
Accumulated other comprehensive loss			
Pension and other benefit liabilities	(576)	(588)	(444)
Currency translation adjustment and cash flow hedges	(36)	(41)	(37)
Total shareholders' investment	11,577	12,957	13,942
Total liabilities and shareholders' investment	\$ 37,288	\$ 40,262	\$ 40,193

Common Stock Authorized 6,000,000,000 shares, \$.0833 par value; 574,801,225, 602,226,517 and 630,446,029 shares issued and outstanding at July 30, 2016, January 30, 2016 and August 1, 2015, respectively.

Preferred Stock Authorized 5,000,000 shares, \$.01 par value; no shares were issued or outstanding at July 30, 2016, January 30, 2016 or August 1, 2015.

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

(millions) (unaudited)	Six Months Ended	
	July 30, 2016	August 1, 2015
Operating activities		
Net earnings	\$1,312	\$ 1,388
Earnings / (losses) from discontinued operations, net of tax	73	(36)
Net earnings from continuing operations	1,239	1,424
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation and amortization	1,116	1,090
Share-based compensation expense	67	54
Deferred income taxes	(79)	(45)
Loss on debt extinguishment	422	—
Noncash (gains) / losses and other, net	(14)	26
Changes in operating accounts		
Inventory	(29)	18
Other assets	140	156
Accounts payable and accrued liabilities	(1,466)	(683)
Cash provided by operating activities—continuing operations	1,396	2,040
Cash provided by operating activities—discontinued operations	92	