

TARGET CORP  
Form 10-Q  
May 29, 2018

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 5, 2018

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 filer             | Accelerated filer        | Non-accelerated filer    |
| <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> |
| Smaller reporting company           | Emerging growth company  |                          |
| <input checked="" type="checkbox"/> | <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 23, 2018 were 533,134,856.

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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 |  |
|---|--------------------|--|
|   | May 5,<br>2018     | April 29,<br>2017<br>As<br>Adjusted<br>(a) |
| Sales   | \$ 16,556          | \$ 15,995                                  |
| Other revenue   | 225                | 228  |
| Total revenue   | 16,781             | 16,223                                     |
| Cost of sales   | 11,625             | 11,199                                     |
| Selling, general and administrative expenses  | 3,545              | 3,353                                      |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) | 570                | 516  |
| Operating income  | 1,041              | 1,155                                      |
| Net interest expense  | 121                | 140  |
| Net other (income) / expense  | (7                 | ) (15                                      |
| Earnings from continuing operations before income taxes                             | 927                | 1,030                                      |
| Provision for income taxes  | 210                | 355  |
| Net earnings from continuing operations   | 717                | 675  |
| Discontinued operations, net of tax   | 1                  | 3  |
| Net earnings  | \$ 718             | \$ 678                                     |
| Basic earnings per share  |                    |  |
| Continuing operations   | \$ 1.34            | \$ 1.22                                    |
| Discontinued operations   | —                  | 0.01                                       |
| Net earnings per share  | \$ 1.34            | \$ 1.23                                    |
| Diluted earnings per share  |                    |  |
| Continuing operations   | \$ 1.33            | \$ 1.21                                    |
| Discontinued operations   | —                  | 0.01                                       |
| Net earnings per share  | \$ 1.33            | \$ 1.22                                    |
| Weighted average common shares outstanding  |                    |  |
| Basic   | 536.9              | 552.4                                      |
| Dilutive impact of share-based awards   | 4.1                | 2.8  |
| Diluted   | 541.0              | 555.2                                      |
| Antidilutive shares   | 2.2                | 3.0  |
| Dividends declared per share  | \$ 0.62            | \$ 0.60                                    |

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

See accompanying Notes to Consolidated Financial Statements.

(a) Refer to Note 2 regarding the adoption of new accounting standards for revenue recognition, leases, and pensions, including impacts on previously reported results.



## Consolidated Statements of Comprehensive Income

| (millions) (unaudited)  | Three Months Ended |  |
|---|--------------------|--|
|   | May 5,<br>2018     | April 29,<br>2017<br>As<br>Adjusted<br>(a) |
| Net earnings  | \$ 718             | \$ 678                                     |
| Other comprehensive income  |                    |  |
| Pension, net of taxes of \$5 and \$5  | 13                 | 7  |
| Currency translation adjustment and cash flow hedges, net of tax (benefit) / provision of \$(1) and \$1 | (3                 | ) 5  |
| Other comprehensive income  | 10                 | 12   |
| Comprehensive income  | \$ 728             | \$ 690                                     |

See accompanying Notes to Consolidated Financial Statements.

(a) Refer to Note 2 regarding the adoption of new accounting standards for revenue recognition, leases, and pensions, including impacts on previously reported results.

## Consolidated Statements of Financial Position

| (millions) (unaudited)                                 | May 5,<br>2018 | February<br>3,<br>2018<br>As<br>Adjusted<br>(a) | April<br>29,<br>2017<br>As<br>Adjusted<br>(a) |
|--|----------------|---|---|
| <b>Assets</b>  |                |   |   |
| Cash and cash equivalents                              | \$ 1,060       | \$ 2,643  | \$ 2,680                                      |
| Inventory  | 8,652          | 8,597   | 7,920   |
| Other current assets                                   | 1,164          | 1,300   | 1,116   |
| Total current assets                                   | 10,876         | 12,540  | 11,716  |
| <b>Property and equipment</b>                          |                |   |   |
| Land   | 6,090          | 6,095   | 6,105   |
| Buildings and improvements                             | 28,363         | 28,131  | 27,320  |
| Fixtures and equipment                                 | 5,135          | 5,623   | 5,177   |
| Computer hardware and software                         | 2,511          | 2,645   | 2,546   |
| Construction-in-progress                               | 639            | 440   | 379   |
| Accumulated depreciation                               | (17,971 )      | (18,398 )                                       | (17,285 )                                     |
| Property and equipment, net                            | 24,767         | 24,536  | 24,242  |
| Operating lease assets                                 | 1,958          | 1,884   | 1,879   |
| Other noncurrent assets                                | 1,328          | 1,343   | 723   |
| Total assets   | \$ 38,929      | \$ 40,303                                       | \$ 38,560                                     |
| <b>Liabilities and shareholders' investment</b>        |                |   |   |
| Accounts payable                                       | \$ 8,131       | \$ 8,677  | \$ 6,537                                      |
| Accrued and other current liabilities                  | 3,630          | 4,094   | 3,973   |
| Current portion of long-term debt and other borrowings | 283            | 281   | 1,729   |
| Total current liabilities                              | 12,044         | 13,052  | 12,239  |
| Long-term debt and other borrowings                    | 11,107         | 11,117  | 10,916  |
| Noncurrent operating lease liabilities                 | 2,007          | 1,924   | 1,923   |
| Deferred income taxes                                  | 744            | 693   | 843   |
| Other noncurrent liabilities                           | 1,869          | 1,866   | 1,660   |
| Total noncurrent liabilities                           | 15,727         | 15,600  | 15,342  |
| <b>Shareholders' investment</b>                        |                |   |   |
| Common stock   | 44             | 45  | 46  |
| Additional paid-in capital                             | 5,664          | 5,858   | 5,674   |
| Retained earnings                                      | 6,187          | 6,495   | 5,885   |
| Accumulated other comprehensive loss                   | (737 )         | (747 )  | (626 )  |
| Total shareholders' investment                         | 11,158         | 11,651  | 10,979  |
| Total liabilities and shareholders' investment         | \$ 38,929      | \$ 40,303                                       | \$ 38,560                                     |

Common Stock Authorized 6,000,000,000 shares, \$.0833 par value; 532,916,612, 541,681,670 and 551,657,501 shares issued and outstanding at May 5, 2018, February 3, 2018 and April 29, 2017, respectively.

Preferred Stock Authorized 5,000,000 shares, \$.01 par value; no shares were issued or outstanding during any period presented.

See accompanying Notes to Consolidated Financial Statements.

(a)

Refer to Note 2 regarding the adoption of new accounting standards for revenue recognition, leases, and pensions, including impacts on previously reported results.



## Consolidated Statements of Cash Flows

| (millions) (unaudited)   | Three Months<br>Ended |   |
|--|-----------------------|---|
|  | May 5,<br>2018        | April<br>29,<br>2017<br>As<br>Adjusted<br>(a) |
| Operating activities   |                       |   |
| Net earnings   | \$718                 | \$ 678  |
| Earnings from discontinued operations, net of tax                    | 1                     | 3   |
| Net earnings from continuing operations                              | 717                   | 675   |
| Adjustments to reconcile net earnings to cash provided by operations |                       |   |
| Depreciation and amortization  | 631                   | 581   |
| Share-based compensation expense                                     | 42                    | 16  |
| Deferred income taxes  | 48                    | 2   |
| Noncash losses / (gains) and other, net                              | 40                    | (19 )   |
| Changes in operating accounts  |                       |   |
| Inventory  | (55 )                 | 323   |
| Other assets   | 26                    | 22  |
| Accounts payable   | (604 )                | (715 )  |
| Accrued and other liabilities  | (333 )                | 372   |
| Cash provided by operating activities—continuing operations          | 512                   | 1,257   |
| Cash provided by operating activities—discontinued operations        | 2                     | 48  |
| Cash provided by operations  | 514                   | 1,305   |
| Investing activities   |                       |   |
| Expenditures for property and equipment                              | (827 )                | (486 )  |
| Proceeds from disposal of property and equipment                     | 4                     | 13  |
| Other investments  | 5                     | (9 )  |
| Cash required for investing activities                               | (818 )                | (482 )  |
| Financing activities   |                       |   |
| Reductions of long-term debt   | (12 )                 | (10 )   |
| Dividends paid   | (334 )                | (332 )  |
| Repurchase of stock  | (524 )                | (317 )  |
| Accelerated share repurchase pending final settlement                | (425 )                | —   |
| Stock option exercises   | 16                    | 4   |
| Cash required for financing activities                               | (1,279 )              | (655 )  |
| Net (decrease) / increase in cash and cash equivalents               | (1,583 )              | 168   |
| Cash and cash equivalents at beginning of period                     | 2,643                 | 2,512   |
| Cash and cash equivalents at end of period                           | \$1,060               | \$ 2,680                                      |

See accompanying Notes to Consolidated Financial Statements.

(a) Refer to Note 2 regarding the adoption of new accounting standards for revenue recognition, leases, and pensions, including impacts on previously reported results.



## Consolidated Statements of Shareholders' Investment

| (millions) (unaudited)                                | Common | Stock | Additional | Retained | Accumulated     | Total      |
|---|--------|-------|------------|----------|-----------------|------------|
|   | Stock  | Par   | Paid-in    |          | Other           |            |
|   | Shares | Value | Capital    | Earnings | (Loss) / Income |            |
| January 28, 2017                                      | 556.2  | \$ 46 | \$ 5,661   | \$ 5,846 | \$ (638         | ) \$10,915 |
| As Adjusted <sup>(a)</sup>                            |        |       |            |          |                 |            |
| Net earnings  | —      | —     | —          | 2,914    | —               | 2,914      |
| Other comprehensive income                            | —      | —     | —          | —        | 8               | 8          |
| Dividends declared                                    | —      | —     | —          | (1,356   | ) —             | (1,356 )   |
| Repurchase of stock                                   | (17.6  | ) (1  | ) —        | (1,026   | ) —             | (1,027 )   |
| Stock options and awards                              | 3.1    | —     | 197        | —        | —               | 197        |
| Reclassification of tax effects to retained earnings  | —      | —     | —          | 117      | (117            | ) —        |
| February 3, 2018                                      | 541.7  | \$ 45 | \$ 5,858   | \$ 6,495 | \$ (747         | ) \$11,651 |
| As Adjusted <sup>(a)</sup>                            |        |       |            |          |                 |            |
| Net earnings  | —      | —     | —          | 718      | —               | 718        |
| Other comprehensive income                            | —      | —     | —          | —        | 10              | 10         |
| Dividends declared                                    | —      | —     | —          | (333     | ) —             | (333 )     |
| Repurchase of stock                                   | (6.9   | ) (1  | ) —        | (493     | ) —             | (494 )     |
| Accelerated share repurchase pending final settlement | (2.9   | ) —   | (225       | ) (200   | ) —             | (425 )     |
| Stock options and awards                              | 1.0    | —     | 31         | —        | —               | 31         |
| May 5, 2018   | 532.9  | \$ 44 | \$ 5,664   | \$ 6,187 | \$ (737         | ) \$11,158 |

See accompanying Notes to Consolidated Financial Statements.

<sup>(a)</sup> Refer to Note 2 regarding the adoption of new accounting standards for revenue recognition, leases, and pensions, including impacts on previously reported results.

Notes to Consolidated Financial Statements (unaudited)

1. Accounting Policies

These unaudited condensed consolidated financial statements are prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) applicable to interim financial statements. While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the financial statement disclosures in our 2017 Form 10-K.

We use the same accounting policies in preparing quarterly and annual financial statements. Certain prior-year amounts have been reclassified to conform to the current year presentation. Note 2 provides information about our adoption of new accounting standards for revenue recognition, leases, and pensions. Unless otherwise noted, amounts presented within the Notes to Consolidated Financial Statements refer to our continuing operations.

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. Virtually all of our revenues are generated in the United States. The vast majority of our long-lived assets are located within the United States.

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. Accounting Standards Adopted

Revenue Recognition

We adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), as of February 4, 2018, using the full retrospective approach. The new standard did not materially affect our consolidated net earnings, financial position, or cash flows. The new standard resulted in minor changes to the timing of recognition of revenues for certain promotional gift card programs.

For the three months ended April 29, 2017, we reclassified \$171 million of profit-sharing income under our credit card program agreement to Other Revenue from Selling, General and Administrative Expenses (SG&A). In addition, we reclassified certain advertising, rental, and other miscellaneous revenues, none of which was individually significant, from Sales and SG&A to Other Revenues.

Leases

We adopted ASU No. 2016-02, Leases (Topic 842), as of February 4, 2018, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at adoption and in comparative periods that approximates the results of a full retrospective approach. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements. In addition, we elected the hindsight practical expedient to determine the lease term for existing leases. Our election of the hindsight practical expedient resulted in the shortening of lease terms for certain existing leases and the useful lives of corresponding leasehold improvements. In our application of hindsight, we evaluated the performance of the

leased stores and the associated markets in relation to our overall real estate strategies, which resulted in the determination that most renewal options would not be reasonably certain in determining the expected lease term.

Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately \$1.3 billion and \$1.4 billion, respectively, as of February 4, 2018. The difference between the additional lease assets and lease liabilities, net of the deferred tax impact, was recorded as an adjustment to retained earnings. The standard did not materially impact our consolidated net earnings and had no impact on cash flows.

## Pensions

In the first quarter of 2018, we adopted ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715) using the full retrospective approach. The new standard 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. For the three months ended April 29, 2017, we reclassified \$(15) million of non-service cost components of net benefit cost to Net Other (Income) / Expense from SG&A on our Consolidated Statements of Operations.

## Effect of Accounting Standards Adoption on Consolidated Statement of Operations

| (millions, except per share data) (unaudited)                                       | Three Months   | Effect of the Adoption of                       |                                 |                             | Three Months                              |
|---|--|---|---------------------------------|-----------------------------|---|
|   | Ended<br>April 29,<br>2017<br>As<br>Previously<br>Reported | ASC<br>Topic<br>606<br>(Revenue<br>Recognition) | ASC<br>Topic<br>842<br>(Leases) | ASU<br>2017-07<br>(Pension) | Ended<br>April 29,<br>2017<br>As Adjusted |
| Sales   | \$ 16,017  | \$ (22) <sup>(a)</sup>                          | \$ —                            | \$ —                        | \$ 15,995                                 |
| Other revenue   | —  | 228 <sup>(a)</sup>                              | —                               | —                           | 228                                       |
| Total revenue   | 16,017   | 206   | —                               | —                           | 16,223                                    |
| Cost of sales   | 11,199   | —   | —                               | —                           | 11,199                                    |
| Selling, general and administrative expenses  | 3,132  | 206 <sup>(a)</sup>                              | —                               | 15 <sup>(c)</sup>           | 3,353                                     |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) | 508  | —   | 8 <sup>(b)</sup>                | —                           | 516                                       |
| Operating income  | 1,178  | —   | (8)                             | (15)                        | 1,155                                     |
| Net interest expense  | 144  | —   | (3)                             | — <sup>(b)</sup>            | 140                                       |
| Net other (income) / expense  | —  | —   | —                               | (15) <sup>(c)</sup>         | (15)                                      |
| Earnings from continuing operations before income taxes                             | 1,034  | —   | (5)                             | —                           | 1,030                                     |
| Provision for income taxes  | 357  | —   | (2)                             | —                           | 355                                       |
| Net earnings from continuing operations   | 677  | —   | (3)                             | —                           | 675                                       |
| Discontinued operations, net of tax   | 4  | —   | —                               | —                           | 3   |
| Net earnings  | \$ 681   | \$ —  | \$ (3)                          | \$ —                        | \$ 678                                    |
| Basic earnings per share  |  |   |                                 |                             |   |
| Continuing operations   | \$ 1.23  |   |                                 |                             | \$ 1.22                                   |
| Discontinued operations   | 0.01   |   |                                 |                             | 0.01                                      |
| Net earnings per share  | \$ 1.23  |   |                                 |                             | \$ 1.23                                   |
| Diluted earnings per share  |  |   |                                 |                             |   |
| Continuing operations   | \$ 1.22  |   |                                 |                             | \$ 1.21                                   |
| Discontinued operations   | 0.01   |   |                                 |                             | 0.01                                      |
| Net earnings per share  | \$ 1.23  |   |                                 |                             | \$ 1.22                                   |

Note: Per share amounts may not foot due to rounding. The sum of "As Previously Reported" amounts and effects of the adoption of the new standards may not equal "As Adjusted" amounts due to rounding.

For the three months ended April 29, 2017, we reclassified \$171 million of profit-sharing income under our credit card program agreement to Other Revenue from SG&A. In addition, we reclassified certain advertising, rental, and other miscellaneous revenues, none of which was individually significant, from Sales and SG&A to Other Revenues.

<sup>(b)</sup> Relates to lease-term changes under the hindsight practical expedient.

<sup>(c)</sup> Relates to non-service cost components reclassified to Net Other (Income) / Expense from SG&A.

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## Effect of Accounting Standards Adoption on Consolidated Statement of Financial Position

| (millions) (unaudited)                                 | February 3,<br>2018<br>As<br>Previously<br>Reported | Effect of the<br>Adoption of                    |                                 | February<br>3,<br>2018<br>As<br>Adjusted |
|--|---|---|---------------------------------|--|
|  |   | ASC<br>Topic<br>606<br>(Revenue<br>Recognition) | ASC<br>Topic<br>842<br>(Leases) |  |
| <b>Assets</b>  |   |   |                                 |  |
| Cash and cash equivalents                              | \$ 2,643  | \$—   | \$—                             | \$ 2,643                                 |
| Inventory  | 8,657   | (60) <sup>(a)</sup>                             | —                               | 8,597                                    |
| Other current assets                                   | 1,264   | 60 <sup>(a)</sup>                               | (24) <sup>(b)</sup>             | 1,300                                    |
| Total current assets                                   | 12,564  | —   | (24)                            | 12,540                                   |
| <b>Property and equipment</b>                          |   |   |                                 |  |
| Land   | 6,095   | —   | —                               | 6,095                                    |
| Buildings and improvements                             | 28,396  | —   | (265) <sup>(c)</sup>            | 28,131                                   |
| Fixtures and equipment                                 | 5,623   | —   | —                               | 5,623                                    |
| Computer hardware and software                         | 2,645   | —   | —                               | 2,645                                    |
| Construction-in-progress                               | 440   | —   | —                               | 440                                      |
| Accumulated depreciation                               | (18,181)  | —   | (217) <sup>(c)</sup>            | (18,398)                                 |
| Property and equipment, net                            | 25,018  | —   | (482)                           | 24,536                                   |
| Operating lease assets                                 | —   | —   | 1,884 <sup>(d)</sup>            | 1,884                                    |
| Other noncurrent assets                                | 1,417   | —   | (74) <sup>(e)</sup>             | 1,343                                    |
| Total assets   | \$ 38,999   | \$—   | \$ 1,304                        | \$ 40,303                                |
| <b>Liabilities and shareholders' investment</b>        |   |   |                                 |  |
| Accounts payable                                       | \$ 8,677  | \$—   | \$—                             | \$ 8,677                                 |
| Accrued and other current liabilities                  | 4,254   | (14) <sup>(k)</sup>                             | (146) <sup>(f)</sup>            | 4,094                                    |
| Current portion of long-term debt and other borrowings | 270   | —   | 11 <sup>(g)</sup>               | 281                                      |
| Total current liabilities                              | 13,201  | (14)  | (135)                           | 13,052                                   |
| Long-term debt and other borrowings                    | 11,317  | —   | (200) <sup>(g)</sup>            | 11,117                                   |
| Noncurrent operating lease liabilities                 | —   | —   | 1,924 <sup>(h)</sup>            | 1,924                                    |
| Deferred income taxes                                  | 713   | 4   | (24)                            | 693                                      |
| Other noncurrent liabilities                           | 2,059   | —   | (192) <sup>(i)</sup>            | 1,866                                    |
| Total noncurrent liabilities                           | 14,089  | 4   | 1,508                           | 15,600                                   |
| <b>Shareholders' investment</b>                        |   |   |                                 |  |
| Common stock   | 45  | —   | —                               | 45                                       |
| Additional paid-in capital                             | 5,858   | —   | —                               | 5,858                                    |
| Retained earnings                                      | 6,553   | 10 <sup>(k)</sup>                               | (69) <sup>(j)</sup>             | 6,495                                    |
| Accumulated other comprehensive loss                   | (747)   | —   | —                               | (747)                                    |
| Total shareholders' investment                         | 11,709  | 10  | (69)                            | 11,651                                   |
| Total liabilities and shareholders' investment         | \$ 38,999   | \$—   | \$ 1,304                        | \$ 40,303                                |

Note: The sum of "As Previously Reported" amounts and effects of the adoption of the new standards may not equal "As Adjusted" amounts due to rounding. Footnote explanations are provided on page 9.



## Effect of Accounting Standards Adoption on Consolidated Statement of Financial Position

| (millions) (unaudited)                                 | April 29,<br>2017<br>As<br>Previously<br>Reported | Effect of the<br>Adoption of                    |                                 | April 29,<br>2017<br>As<br>Adjusted |
|--|---|---|---------------------------------|-------------------------------------|
|  |   | ASC<br>Topic<br>606<br>(Revenue<br>Recognition) | ASC<br>Topic<br>842<br>(Leases) |                                     |
| <b>Assets</b>  |   |   |                                 |                                     |
| Cash and cash equivalents                              | \$ 2,680  | \$—   | \$—                             | \$ 2,680                            |
| Inventory  | 7,986   | (65) <sup>(a)</sup>                             | —                               | 7,920                               |
| Other current assets                                   | 1,073   | 65 <sup>(a)</sup>                               | (23) <sup>(b)</sup>             | 1,116                               |
| Total current assets                                   | 11,739  | —   | (23)                            | 11,716                              |
| <b>Property and equipment</b>                          |   |   |                                 |                                     |
| Land   | 6,105   | —   | —                               | 6,105                               |
| Buildings and improvements                             | 27,740  | —   | (420) <sup>(c)</sup>            | 27,320                              |
| Fixtures and equipment                                 | 5,177   | —   | —                               | 5,177                               |
| Computer hardware and software                         | 2,546   | —   | —                               | 2,546                               |
| Construction-in-progress                               | 379   | —   | —                               | 379                                 |
| Accumulated depreciation                               | (17,265)  | —   | (20) <sup>(c)</sup>             | (17,285)                            |
| Property and equipment, net                            | 24,682  | —   | (440)                           | 24,242                              |
| Operating lease assets                                 | —   | —   | 1,879 <sup>(d)</sup>            | 1,879                               |
| Other noncurrent assets                                | 797   | —   | (75) <sup>(e)</sup>             | 723                                 |
| Total assets   | \$ 37,218   | \$—   | \$ 1,341                        | \$ 38,560                           |
| <b>Liabilities and shareholders' investment</b>        |   |   |                                 |                                     |
| Accounts payable                                       | \$ 6,537  | \$—   | \$—                             | \$ 6,537                            |
| Accrued and other current liabilities                  | 4,137   | (14) <sup>(k)</sup>                             | (151) <sup>(f)</sup>            | 3,973                               |
| Current portion of long-term debt and other borrowings | 1,718   | —   | 11 <sup>(g)</sup>               | 1,729                               |
| Total current liabilities                              | 12,392  | (14)  | (140)                           | 12,239                              |
| Long-term debt and other borrowings                    | 11,086  | —   | (170) <sup>(g)</sup>            | 10,916                              |
| Noncurrent operating lease liabilities                 | —   | —   | 1,923 <sup>(h)</sup>            | 1,923                               |
| Deferred income taxes                                  | 869   | 6   | (32)                            | 843                                 |
| Other noncurrent liabilities                           | 1,850   | —   | (190) <sup>(i)</sup>            | 1,660                               |
| Total noncurrent liabilities                           | 13,805  | 6   | 1,531                           | 15,342                              |
| <b>Shareholders' investment</b>                        |   |   |                                 |                                     |
| Common stock   | 46  | —   | —                               | 46                                  |
| Additional paid-in capital                             | 5,674   | —   | —                               | 5,674                               |
| Retained earnings                                      | 5,927   | 8 <sup>(k)</sup>                                | (50) <sup>(j)</sup>             | 5,885                               |
| Accumulated other comprehensive loss                   | (626)   | —   | —                               | (626)                               |
| Total shareholders' investment                         | 11,021  | 8   | (50)                            | 10,979                              |
| Total liabilities and shareholders' investment         | \$ 37,218   | \$—   | \$ 1,341                        | \$ 38,560                           |

Note: The sum of "As Previously Reported" amounts and effects of the adoption of the new standards may not equal "As Adjusted" amounts due to rounding.

(a) Represents estimated merchandise returns, which were reclassified from Inventory to Other Current Assets.

(b) Represents prepaid rent reclassified to Operating Lease Assets.

(c) Represents impact of changes in finance lease terms and related leasehold improvements (net of accumulated depreciation) under the hindsight practical expedient and derecognition of approximately \$135 million of

non-Target owned properties that were consolidated under previously existing build-to-suit accounting rules.

- (d) Represents capitalization of operating lease assets and reclassification of leasehold acquisition costs, straight-line rent accrual, and tenant incentives.
- (e) Represents reclassification of leasehold acquisition costs to Operating Lease Assets.
- (f) Represents reclassification of straight-line rent accrual to Operating Lease Assets, partially offset by recognition of the current portion of operating lease liabilities.
- (g) Represents the impact of changes in financing lease terms for certain leases due to the election of the hindsight practical expedient.
- (h) Represents recognition of operating lease liabilities.

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- Represents derecognition of approximately \$135 million of liabilities related to non-Target owned properties that
- (i) were consolidated under previously existing build-to-suit accounting rules and reclassification of tenant incentives to Operating Lease Assets.
  - (j) Represents the retained earnings impact of lease-term changes due to the use of hindsight, primarily from the shortening of lease terms for certain existing leases and useful lives of corresponding leasehold improvements.
  - (k) Primarily represents the impact of a change in timing of revenue recognition for certain promotional gift card programs.

### 3. Revenues

General merchandise sales represent the vast majority of our revenues. We also earn revenues from a variety of other sources, most notably credit card profit sharing income from our arrangement with TD Bank Group (TD).

During the first quarter of 2018, we reclassified certain income streams, including credit card profit sharing income, to Other Revenue on our Consolidated Statements of Operations and conformed prior periods. Note 2 provides additional information.

| Revenues<br>(millions)          | Three Months Ended |                   |
|---------------------------------|--------------------|-------------------|
|                                 | May 5,<br>2018     | April 29,<br>2017 |
| Beauty and household essentials | \$ 4,227           | \$ 4,051          |
| Food and beverage               | 3,587              | 3,452             |
| Apparel and accessories         | 3,503              | 3,413             |
| Home furnishings and décor      | 2,903              | 2,747             |
| Hardlines                       | 2,313              | 2,310             |
| Other                           | 23                 | 22                |
| Sales                           | 16,556             | 15,995            |
| Credit card profit sharing      | 167                | 171               |
| Other                           | 58                 | 57                |
| Other revenue                   | 225                | 228               |
| Total revenue                   | \$ 16,781          | \$ 16,223         |

Merchandise sales – We record almost all retail store revenues at the point of sale. Digital channel originated sales may include shipping revenue and are recorded upon delivery to the guest or upon guest pickup in store. Total revenues do not include sales tax because we are a pass-through conduit for collecting and remitting sales taxes. Generally, guests may return national brand merchandise within 90 days of purchase and owned and exclusive brands within one year of purchase. Sales are recognized net of expected returns, which we estimate using historical return patterns and our expectation of future returns. As of May 5, 2018, February 3, 2018, and April 29, 2017, the accrual for estimated returns was \$119 million, \$110 million, and \$122 million, respectively. We have not historically had material adjustments to our returns estimates.

Under certain vendor arrangements the purchase and sale of inventory is virtually simultaneous. We record revenue and related costs gross for the vast majority of these arrangements, with approximately 5% of consolidated sales made under such arrangements. We concluded that we are the principal in these transactions for a number of reasons, most notably because we 1) control the overall economics of the transactions, including setting the sales price and realizing the majority of cash flows from the sale, 2) control the relationship with the customer, and 3) are responsible for fulfilling the promise to provide goods to the customer.

Revenue from Target gift card sales is recognized upon gift card redemption, which is typically within one year of issuance. Our gift cards do not expire. Based on historical redemption rates, a small and relatively stable percentage of gift cards will never be redeemed, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual gift card redemptions.

| (millions)          | February 3, 2018 | Gift Cards Issued During Current Period But Not Redeemed<br>(a) | Revenue Recognized From Beginning Liability |             |
|---------------------|------------------|---|---|-------------|
|                     |                  |   | May 5, 2018                                 | May 5, 2018 |
| Gift card liability | \$ 709           | \$ 205  | \$ (281                                     | ) \$ 633    |

(a) Net of estimated breakage.

Guests receive a 5 percent discount on virtually all purchases and receive free shipping at Target.com when they use their Target-branded credit or debit card (REDcards). The 5 percent discount is included as a sales reduction in our Consolidated Statements of Operations and was \$214 million and \$209 million for the three months ended May 5, 2018 and April 29, 2017, respectively.

Credit card profit sharing – We receive payments under a credit card program agreement with TD. Under the agreement, we receive a percentage of the profits generated by the Target Credit Card and Target MasterCard receivables in exchange for performing account servicing and primary marketing functions. TD underwrites, funds, and owns Target Credit Card and Target MasterCard receivables, controls risk management policies, and oversees regulatory compliance.

#### 4. 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<br>(millions) | Pricing Category | Fair Value at |                  |                |
|---|------------------|---------------|------------------|----------------|
|   |                  | May 5, 2018   | February 3, 2018 | April 29, 2017 |
| <b>Assets</b>   |                  |               |                  |                |
| Cash and Cash Equivalents                               |                  |               |                  |                |
| Short-term investments                                  | Level 1          | \$ 311        | \$ 1,906         | \$ 2,002       |
| Other Current Assets                                    |                  |               |                  |                |
| Prepaid forward contracts                               | Level 1          | 21            | 23               | 37             |
| Other Noncurrent Assets                                 |                  |               |                  |                |
| Interest rate swaps (a)                                 | Level 2          | —             | —                | 4              |
| <b>Liabilities</b>                                      |                  |               |                  |                |
| Other Noncurrent Liabilities                            |                  |               |                  |                |
| Interest rate swaps (a)                                 | Level 2          | 10            | 6                | —              |

(a) See Note 7 for additional information on interest rate swaps.

| Significant Financial Instruments not Measured at Fair Value (a) | May 5, 2018     | February 3, 2018 | April 29, 2017  |
|--|-----------------|------------------|-----------------|
| (millions)   | Carrying Amount | Carrying Amount  | Carrying Amount |
| Debt (b)   | \$ 10,442       | \$ 10,782        | \$ 10,440       |
|  | \$ 11,155       | \$ 11,717        | \$ 12,610       |

(a) 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.

- (b) The carrying amount and estimated fair value of debt exclude unamortized swap valuation adjustments and lease liabilities.

#### 5. Cash and Cash Equivalents

Cash equivalents at May 5, 2018 include \$311 million of highly liquid investments with an original maturity of three months or less from the time of purchase. Cash equivalents also include amounts due from third-party financial institutions for credit and debit card transactions, which typically settle in five days or less.

## 6. 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. For the three months ended May 5, 2018, the maximum amount outstanding was \$658 million and the average daily amount outstanding was \$127 million at a weighted average annual interest rate of 1.8 percent. At May 5, 2018, no balances were outstanding. No balances were outstanding at any time during the three months ended April 29, 2017.

## 7. 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 4 for a description of the fair value measurement of our derivative instruments and their classification on the Consolidated Statements of Financial Position.

In March 2018, we entered into an interest rate swap with a notional amount of \$250 million, under which we pay a variable rate and receive a fixed rate. We designated this swap as a fair value hedge. With the addition of this swap, as of May 5, 2018, three interest rate swaps with notional amounts totaling \$1,250 million were designated as fair value hedges. As of April 29, 2017, two interest rate swaps with notional amounts totaling \$1,000 million were designated as fair value hedges. No ineffectiveness was recognized during the three months ended May 5, 2018 or April 29, 2017.

We recorded income of less than \$1 million and \$4 million during the three months ended May 5, 2018 and April 29, 2017, 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.

## 8. Leases

We lease certain retail stores, warehouses, distribution centers, office space, land, and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. For leases beginning in 2018 and later, we account for lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) separately from the nonlease components (e.g., common-area maintenance costs).

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 50 years or more. The exercise of lease renewal options is at our sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain of our lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We rent or sublease certain real estate to third parties. Our sublease portfolio consists mainly of operating leases with CVS Pharmacy Inc. for space within our stores.

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| Leases<br>(millions)<br>Assets | Classification   | May 5,<br>2018 | February 3,<br>2018 | April 29,<br>2017 |
|--------------------------------|--|----------------|---------------------|-------------------|
| Operating lease assets         | Operating Lease Assets   | \$ 1,958       | \$ 1,884            | \$ 1,879          |
| Finance lease assets           | Buildings and Improvements, net of Accumulated Depreciation <sup>(a)</sup> | 826            | 836                 | 803               |
| Total leased assets            |  | \$ 2,784       | \$ 2,720            | \$ 2,682          |
| Liabilities<br>Current         |  |                |                     |                   |
| Operating                      | Accrued and Other Current Liabilities                                      | \$ 150         | \$ 147              | \$ 126            |
| Finance                        | Current Portion of Long-term Debt and Other Borrowings                     | 81             | 80                  | 44                |
| Noncurrent                     |  |                |                     |                   |
| Operating                      | Noncurrent Operating Lease Liabilities                                     | 2,007          | 1,924               | 1,923             |
| Finance                        | Long-term Debt and Other Borrowings  | 876            | 885                 | 877               |
| Total lease liabilities        |  | \$ 3,114       | \$ 3,036            | \$ 2,970          |

<sup>(a)</sup> Finance lease assets are recorded net of accumulated amortization of \$332 million, \$317 million, and \$269 million as of May 5, 2018, February 3, 2018, and April 29, 2017, respectively.

| Lease Cost<br>(millions)            | Classification                               | Three<br>Months<br>Ended<br>May<br>5,<br>2018 | April<br>29,<br>2017 |
|-------------------------------------|--|---|----------------------|
| Operating lease cost <sup>(a)</sup> | SG&A Expenses                                | \$60  | \$53                 |
| Finance lease cost                  |  |   |                      |
| Amortization of leased assets       | Depreciation and Amortization <sup>(b)</sup> | 17  | 15                   |
| Interest on lease liabilities       | Net Interest Expense                         | 11  | 10                   |
| Sublease income <sup>(c)</sup>      | Other Revenue                                | (2)   | (2)                  |
| Net lease cost                      |  | \$86  | \$76                 |

<sup>(a)</sup> Includes short-term leases and variable lease costs, which are immaterial.

<sup>(b)</sup> Supply chain-related amounts are included in Cost of Sales.

<sup>(c)</sup> Sublease income excludes rental income from owned properties of \$12 million for the three months ended May 5, 2018 and April 29, 2017, which is included in Other Revenue.

| Maturity of Lease Liabilities<br>(millions) | Operating<br>Leases <sup>(a)</sup> | Finance<br>Leases <sup>(b)</sup> | Total |
|---|------------------------------------|----------------------------------|-------|
| 2018  | \$ 174                             | \$ 99                            | \$273 |
| 2019  | 230                                | 91                               | 321   |
| 2020  | 220                                | 88                               | 308   |



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|   |          |          |          |
|---|----------|----------|----------|
| 2021  | 212      | 88       | 300      |
| 2022  | 208      | 88       | 296      |
| After 2022  | 1,880    | 920      | 2,800    |
| Total lease payments                              | \$ 2,924 | \$ 1,374 | \$ 4,298 |
| Less: Interest <sup>(c)</sup>                     | 767      | 417      |          |
| Present value of lease liabilities <sup>(d)</sup> | \$ 2,157 | \$ 957   |          |

Note: For leases commencing prior to 2018, minimum lease payments excludes payments to landlords for real estate taxes and common area maintenance.

Operating lease payments include \$798 million related to options to extend lease terms that are reasonably certain <sup>(a)</sup> of being exercised and exclude \$264 million of legally binding minimum lease payments for leases signed but not yet commenced.

Finance lease payments include \$122 million related to options to extend lease terms that are reasonably certain of <sup>(b)</sup> being exercised and exclude \$236 million of legally binding minimum lease payments for leases signed but not yet commenced.

<sup>(c)</sup> Calculated using the interest rate for each lease.

<sup>(d)</sup> Includes the current portion of \$150 million for operating leases and \$81 million for finance leases.

| Lease Term and Discount Rate                  | May 5,<br>2018 | February 3,<br>2018 | April 29,<br>2017 |   |
|---|----------------|---------------------|-------------------|---|
| Weighted-average remaining lease term (years) |                |                     |                   |   |
| Operating leases                              | 14.9           | 15.2                | 15.9              |   |
| Finance leases                                | 15.2           | 15.4                | 15.4              |   |
| Weighted-average discount rate                |                |                     |                   |   |
| Operating leases                              | 3.89           | %3.88               | %3.90             | % |
| Finance leases                                | 4.67           | %4.64               | %4.63             | % |

| Other Information<br>(millions)  | Three Months Ended |                   |
|--|--------------------|-------------------|
|  | May 5,<br>2018     | April 29,<br>2017 |
| Cash paid for amounts included in the measurement of lease liabilities |                    |                   |
| Operating cash flows from operating leases                             | \$ 49              | \$ 47             |
| Operating cash flows from finance leases                               | 11                 | 10                |
| Financing cash flows from finance leases                               | 12                 | 10                |
| Leased assets obtained in exchange for new finance lease liabilities   | 5                  | 63                |
| Leased assets obtained in exchange for new operating lease liabilities | 113                | 103               |

## 9. Income Taxes

|                                   | Three Months<br>Ended |                                     |
|-----------------------------------|-----------------------|-------------------------------------|
| (dollars in millions)             | May 5,<br>2018        | April 29,<br>2017<br>As<br>Adjusted |
| Income tax expense                | \$210                 | \$ 355                              |
| Effective tax rate <sup>(a)</sup> | 22.6 %                | 34.5 %                              |

For the three months ended May 5, 2018, our income tax rate decreased by 11.9% compared with the three months <sup>(a)</sup> ended April 29, 2017 primarily due to the lower federal corporate tax rate enacted by the Tax Cuts and Jobs Act (the Tax Act), partially offset by certain other provisions, none of which was individually significant.

In 2017, we recorded provisional amounts for certain income tax effects of the Tax Act for which the accounting under ASC Topic 740 was incomplete but a reasonable estimate could be determined. During the three months ended May 5, 2018, we made no adjustments to previously-recorded provisional amounts related to the Tax Act. Additional work is necessary for a more detailed analysis of (1) certain deferred tax assets and liabilities, including 2017 accelerated depreciation deductions, and (2) historical foreign earnings and outside book/tax basis differences. We do not expect subsequent adjustments to be material, but any such adjustments related to these amounts will be recorded to tax expense in the quarter of 2018 in which we complete the analysis.

Beginning with the quarter ending May 5, 2018, we are subject to a new tax on global intangible low-taxed income that is imposed on foreign earnings. We have made an accounting election to record this tax as a period cost and thus have not adjusted any of the deferred tax assets or liabilities of our foreign subsidiaries for the new tax. Impacts of this new tax were immaterial and are included in our provision for income taxes for the three months ended May 5, 2018.



## 10. Share Repurchase

| (millions, except per share data) | Three Months<br>Ended |                   |
|-----------------------------------|-----------------------|-------------------|
|                                   | May 5,<br>2018        | April 29,<br>2017 |
| Total number of shares purchased  | 6.9                   | 4.9               |
| Average price paid per share      | \$71.24               | \$ 61.68          |
| Total investment                  | \$494                 | \$ 305            |

Note: Activity related to the April 2018 accelerated share repurchase (ASR) described below is omitted because the transaction was not fully settled as of May 5, 2018.

During April 2018, we entered into an ASR to repurchase \$225 to \$425 million of our common stock under the existing \$5 billion share repurchase program. Under the agreement, we paid \$425 million and received an initial delivery of 2.9 million shares, which were retired, resulting in a \$200 million reduction to Retained Earnings. As of May 5, 2018, \$225 million is included in the Consolidated Statement of Financial Position as a reduction to Additional Paid-in Capital.

## 11. Pension Benefits

We provide pension plan benefits to certain eligible team members.

| Net Pension Benefits Expense<br>(millions) | Three Months<br>Ended |                   |
|--|-----------------------|-------------------|
|  | May 5,<br>2018        | April 29,<br>2017 |
| Service cost                               | \$ 24                 | \$ 21             |
| Interest cost                              | 37                    | 34                |
| Expected return on assets                  | (62 )                 | (61 )             |
| Amortization of losses                     | 21                    | 15                |
| Amortization of prior service cost         | (3 )                  | (3 )              |
| Total                                      | \$ 17                 | \$ 6              |

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

| (millions)  | Cash Flow<br>Hedges | Currency<br>Translation<br>Adjustment | Pension   | Total   |
|---|---------------------|---------------------------------------|-----------|---------|
| February 3, 2018                                    | \$ (14 )            | \$ (13 )                              | \$ (720 ) | \$(747) |
| Other comprehensive income before reclassifications | —                   | (3 )                                  | —         | (3 )    |
| Amounts reclassified from AOCI                      | —                   | —                                     | 13        | (a) 13  |
| May 5, 2018   | \$ (14 )            | \$ (16 )                              | \$ (707 ) | \$(737) |

(a) Represents pension amortization, net of \$5 million of taxes.

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

## Executive Summary

First quarter 2018 includes the following notable items:

- GAAP earnings per share from continuing operations were \$1.33.
- Adjusted earnings per share from continuing operations were \$1.32.
- Comparable sales increased 3.0 percent, driven by a 3.7 percent increase in traffic.
- Digital channel sales increased 28 percent.

As described in Note 2 to the Consolidated Financial Statements, certain prior-year amounts have been adjusted to reflect the impact of adopting Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), ASU No. 2016-02, Leases (Topic 842), and ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715) and adjusted throughout this document to conform to the current year presentation.

Sales were \$16,556 million for the three months ended May 5, 2018, an increase of \$561 million or 3.5 percent from the same period in the prior year. Operating cash flow provided by continuing operations was \$512 million for the three months ended May 5, 2018, a decrease of \$745 million, or 59 percent from \$1,257 million for the three months ended April 29, 2017. Refer to the Operating Cash Flows discussion within the Liquidity and Capital Resources section of MD&A on page 23 for additional information.

| Earnings Per Share from Continuing Operations | Three Months Ended |  | Change |   |
|---|--------------------|--|--------|---|
|   | May 5,<br>2018     | April 29,<br>2017<br>As<br>Adjusted<br>(a) |        |   |
| GAAP diluted earnings per share               | \$ 1.33            | \$ 1.21                                    | 9.1    | % |
| Adjustments                                   | (0.01 )            | (0.01 )                                    |        |   |
| Adjusted diluted earnings per share           | \$ 1.32            | \$ 1.20                                    | 9.4    | % |

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 21.

- (a) Lease standard adoption resulted in a \$0.01 reduction in both GAAP and Adjusted diluted earnings per share from continuing operations for the three months ended April 29, 2017.

For the trailing twelve months ended May 5, 2018, ROIC was 15.2 percent, compared with 13.8 percent for the trailing twelve months ended April 29, 2017. (Note, the adoption of the lease standard reduced ROIC by approximately 0.5 percentage points for all periods presented.) Excluding the discrete impacts of the Tax Cuts and Jobs Act (Tax Act), ROIC was 13.5 percent for the trailing twelve months ended May 5, 2018. A reconciliation of ROIC is provided on page 22.

## Analysis of Results of Operations

Beginning with the first quarter 2018, we no longer present segment EBIT and segment rate analysis within Management's Discussion and Analysis of Financial Condition and Results of Operations. Instead, we present an analysis of results of operating income. Prior period amounts conform to the current year presentation.

| (dollars in millions)   | Three Months Ended |                                     | Change |    |
|---|--------------------|-------------------------------------|--------|----|
|   | May 5,<br>2018     | April 29,<br>2017<br>As<br>Adjusted |        |    |
| Sales   | \$ 16,556          | \$ 15,995                           | 3.5    | %  |
| Other revenue <sup>(a)</sup>  | 225                | 228                                 | (1.2   | )  |
| Total revenue   | 16,781             | 16,223                              | 3.4    |    |
| Cost of sales   | 11,625             | 11,199                              | 3.8    |    |
| Selling, general and administrative expenses  | 3,545              | 3,353                               | 5.7    |    |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) | 570                | 516                                 | 10.5   |    |
| Operating income  | \$ 1,041           | \$ 1,155                            | (9.9   | )% |

<sup>(a)</sup> Other revenue includes \$167 million and \$171 million of profit-sharing income under our credit card program agreement for the three months ended May 5, 2018 and April 29, 2017, respectively.

## Rate Analysis

|   | Three Months Ended |                                  |  |   |
|---|--------------------|----------------------------------|--|---|
|   | May 5,<br>2018     | April 29,<br>2017<br>As Adjusted |  |   |
| Gross margin rate <sup>(a)</sup>  | 29.8               | % 30.0                           |  | % |
| SG&A expense rate <sup>(b)</sup>  | 21.1               | 20.7                             |  |   |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) expense rate <sup>(b)</sup> | 3.4                | 3.2                              |  |   |
| Operating income margin rate <sup>(b)</sup>   | 6.2                | 7.1                              |  |   |

<sup>(a)</sup> Calculated as gross margin (sales less cost of sales) divided by sales.

<sup>(b)</sup> Calculated by dividing the applicable amount by total revenue.

## Sales

Sales include all merchandise sales, net of expected returns, and gift card breakage. 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. Digital channel sales include all sales initiated through mobile applications and our websites. Digital channel sales may be fulfilled through our stores, our distribution centers, our vendors, or other delivery options, including store pick-up or drive-up and delivery via our wholly-owned subsidiary, Shipt.

The increase in sales during the three months ended May 5, 2018, is due to a comparable sales increase of 3.0 percent and the contribution from new stores.

| Comparable Sales                      | Three Months Ended |                   |    |
|---------------------------------------|--------------------|-------------------|----|
|                                       | May 5,<br>2018     | April 29,<br>2017 |    |
| Comparable sales change               | 3.0                | % (1.3            | )% |
| Drivers of change in comparable sales |                    |                   |    |
| Number of transactions                | 3.7                | (0.8              | )  |
| Average transaction amount            | (0.6 )             | (0.6              | )  |

Note: Amounts may not foot due to rounding.

| Contribution to Comparable Sales Change                 | Three Months Ended |                   |    |
|---|--------------------|-------------------|----|
|   | May 5,<br>2018     | April 29,<br>2017 |    |
| Stores channel comparable sales change                  | 1.9                | % (2.2            | )% |
| Digital channel contribution to comparable sales change | 1.1                | 0.8               |    |
| Total comparable sales change                           | 3.0                | % (1.3            | )% |

Note: Amounts may not foot due to rounding.

| Sales by Channel | Three Months Ended |                   |             |
|------------------|--------------------|-------------------|-------------|
|                  | May 5,<br>2018     | April 29,<br>2017 | As Adjusted |
| Stores           | 94.8               | % 95.8            | %           |
| Digital          | 5.2                | 4.2               |             |
| Total            | 100                | % 100             | %           |

Note 3 to the Consolidated Financial Statements provides sales by product category. 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 purchases 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 |                   |   |
|---------------------------|--------------------|-------------------|---|
|                           | May 5,<br>2018     | April 29,<br>2017 |   |
| Target Debit Card         | 13.5               | % 13.6            | % |
| Target Credit Cards       | 10.6               | 11.1              |   |
| Total REDcard Penetration | 24.1               | % 24.7            | % |

Note: Amounts may not foot due to rounding. In Q1 2018, we refined our calculation of REDcard penetration. The prior period amount has been updated to conform with the current period methodology, resulting in an increase of 0.2 percentage points to the Total REDcard Penetration at April 29, 2017.





#### Gross Margin Rate

For the three months ended May 5, 2018, our gross margin rate was 29.8 percent compared with 30.0 percent in the comparable period last year. The decrease was primarily due to increased digital fulfillment costs. Among other factors, our gross margin benefited from cost savings initiatives combined with the net impact of our efforts to improve pricing and promotions. These benefits were partially offset by the impact of our first quarter sales mix.

#### Selling, General, and Administrative Expense Rate

For the three months ended May 5, 2018, our SG&A expense rate was 21.1 percent compared to 20.7 percent in the comparable period last year. The increase was due to higher compensation, primarily driven by store wages, and other items, including increased investment in stores.

#### Depreciation and Amortization Expense Rate

For the three months ended May 5, 2018, our depreciation and amortization (exclusive of depreciation included in cost of sales) expense rate was 3.4 percent compared to 3.2 percent in the comparable period last year. The increase was primarily due to higher accelerated depreciation for planned store remodels and the impact of increased investments in store assets.

## Store Data

| Change in Number of Stores | Three Months Ended |                |
|----------------------------|--------------------|----------------|
|                            | May 5, 2018        | April 29, 2017 |
| Beginning store count      | 1,822              | 1,802          |
| Opened                     | 7                  | 5              |
| Closed                     | —                  | —              |
| Ending store count         | 1,829              | 1,807          |

| Number of Stores and Retail Square Feet | Number of Stores |                  |                | Retail Square Feet <sup>(a)</sup> |                  |                |
|---|------------------|------------------|----------------|-----------------------------------|------------------|----------------|
|   | May 5, 2018      | February 3, 2018 | April 29, 2017 | May 5, 2018                       | February 3, 2018 | April 29, 2017 |
| 170,000 or more sq. ft.                 | 274              | 274              | 276            | 48,951                            | 48,966           | 49,328         |
| 50,000 to 169,999 sq. ft.               | 1,502            | 1,500            | 1,505          | 189,258                           | 189,030          | 189,746        |
| 49,999 or less sq. ft.                  | 53               | 48               | 26             | 1,477                             | 1,359            | 709            |
| Total                                   | 1,829            | 1,822            | 1,807          | 239,686                           | 239,355          | 239,783        |

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

## Other Performance Factors

## Net Interest Expense

Net interest expense from continuing operations was \$121 million and \$140 million for the three months ended May 5, 2018 and April 29, 2017, respectively. The decrease is due to both a lower average net portfolio rate and lower average debt balances during the three months ended May 5, 2018 as compared with the prior year period.

## Provision for Income Taxes

Our effective income tax rate from continuing operations for the three months ended May 5, 2018 was 22.6 percent compared with 34.5 percent for the comparable period last year. The decrease was primarily due to the lower federal corporate tax rate enacted by the Tax Act.

## 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, limiting the usefulness of the measure for comparisons with other companies.

|  | Three Months Ended |                  |                |                  |
|--|--------------------|------------------|----------------|------------------|
|  | May 5, 2018        |                  | April 29, 2017 |                  |
|  | Net                | Per              | Net            | Per              |
|  | Pretax             | Share            | Pretax         | Share            |
|  | Tax                | Amounts          | Tax            | Amounts          |
| (millions, except per share data)                              |                    |                  |                |                  |
| GAAP diluted earnings per share from continuing operations     |                    | \$ 1.33          |                | \$ 1.21          |
| Adjustments  |                    |                  |                |                  |
| Income tax matters <sup>(b)</sup>                              | \$—                | \$(5) \$ (0.01 ) | \$—            | \$(7) \$ (0.01 ) |
| Adjusted diluted earnings per share from continuing operations |                    | \$ 1.32          |                | \$ 1.20          |

Note: Amounts may not foot due to rounding.

Lease standard adoption resulted in a \$0.01 reduction in both GAAP and Adjusted diluted earnings per share from <sup>(a)</sup> continuing operations for the three months ended April 29, 2017. Refer to Note 2 to the Consolidated Financial Statements.

<sup>(b)</sup> Represents income from income tax matters not related to current period operations.

Consolidated earnings from continuing operations before interest expense and income taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are non-GAAP financial measures which we believe provide meaningful information about our operational efficiency compared to our competitors by excluding the impact of differences in tax jurisdictions and structures, debt levels, and for EBITDA, capital investment. These measures are not in accordance with, or an alternative for, GAAP. The most comparable GAAP measure is net earnings from continuing operations. Consolidated EBIT and EBITDA should not be considered in isolation or as a substitution for analysis of our results as reported under GAAP. Other companies may calculate consolidated EBIT and EBITDA differently, limiting the usefulness of the measure for comparisons with other companies.

| EBIT and EBITDA                                      | Three Months Ended |                |         |
|--|--------------------|----------------|---------|
|  | May 5, 2018        | April 29, 2017 | Change  |
| (millions) (unaudited)                               |                    | As Adjusted    |         |
| Net earnings from continuing operations              | \$ 717             | \$ 675         | 6.3 %   |
| + Provision for income taxes                         | 210                | 355            | (41.0)  |
| + Net interest expense                               | 121                | 140            | (13.4)  |
| EBIT <sup>(a)</sup>                                  | \$ 1,048           | \$ 1,170       | (10.4)% |
| + Total depreciation and amortization <sup>(b)</sup> | 631                | 581            | 8.6     |
| EBITDA <sup>(a)</sup>                                | \$ 1,679           | \$ 1,751       | (4.1 )% |

<sup>(a)</sup> Adoption of the new accounting standards resulted in an \$8 million decrease in EBIT for the three months ended April 29, 2017, with no impact on EBITDA.

<sup>(b)</sup> Represents total depreciation and amortization, including amounts classified within Depreciation and Amortization and within Cost of Sales on our Consolidated Statements of Operations.



We have also disclosed after-tax ROIC, which is a ratio based on GAAP information. We believe this metric is useful in assessing the effectiveness of our capital allocation over time. Other companies may calculate ROIC differently, limiting the usefulness of the measure for comparisons with other companies.

After-Tax Return on  
Invested Capital

Trailing Twelve  
Months

Numerator April 29,  
May 5, 2017  
(dollars in  
2018  
in millions)  
(a) As  
Adjusted

Operating  
income \$4,110 \$ 4,723

+

Net  
other  
income 51 93

/

(expense)

EBIT 4,161 4,816

+

Operating  
lease  
interest 80 75  
(b)

Adjusted  
EBIT \$4,741 \$ 4,891

-

Income taxes (d) 692 1,633  
(c)

Net  
operating  
profit \$3,749 \$ 3,258  
after  
taxes

| Denominator<br>(dollars in millions)                   | May 5,<br>2018 | April 29,<br>2017<br>As<br>Adjusted | April 30,<br>2016<br>As<br>Adjusted |
|--|----------------|-------------------------------------|-------------------------------------|
| Current portion of long-term debt and other borrowings | \$283          | \$ 1,729                            | \$ 1,634                            |
| + Noncurrent portion of long-term debt                 | 11,107         | 10,916                              | 12,431                              |
| + Shareholders' equity                                 | 11,158         | 10,979                              | 12,506                              |
| + Operating lease liabilities (e)                      | 2,157          | 2,049                               | 1,902                               |

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|  |      |   |     |          |           |           |
|--|------|---|-----|----------|-----------|-----------|
| - Cash and cash equivalents  |      |   |     | 1,060    | 2,680     | 4,036     |
| - Net assets of discontinued operations <sup>(f)</sup>                                 |      |   |     | —        | 17        | 249       |
| Invested capital   |      |   |     | \$23,645 | \$ 22,976 | \$ 24,188 |
| Average invested capital <sup>(g)</sup>  |      |   |     | \$23,310 | \$ 23,582 |           |
| After-tax return<br>on invested<br>capital <sup>(h)</sup>                              | 15.2 | % | (d) | 13.8     | %         |           |
| After-tax return<br>on invested<br>capital excluding<br>discrete impacts<br>of Tax Act | 13.5 | % | (d) |          |           |           |

<sup>(a)</sup> Consisted of 53 weeks.

Represents the add-back to operating income driven by the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as finance leases. Calculated using the discount

<sup>(b)</sup> rate for each lease and recorded as a component of rent expense within SG&A. Operating lease interest is added back to Operating Income in the ROIC calculation to control for differences in capital structure between us and our competitors.

<sup>(c)</sup> Calculated using the effective tax rates for continuing operations, which were 16.3 percent and 33.4 percent for the trailing twelve months ended May 5, 2018, and April 29, 2017, respectively. For the twelve months ended May 5, 2018, and April 29, 2017, includes tax effect of \$679 million and \$1,608 million, respectively, related to EBIT and \$13 million and \$25 million, respectively, related to operating lease interest.

<sup>(d)</sup> The effective tax rate for the trailing twelve months ended May 5, 2018, includes discrete tax benefits of \$343 million related to the Tax Act, and the impact of the new lower U.S. corporate income tax rate.

<sup>(e)</sup> Total short-term and long-term operating lease liabilities included within Accrued and Other Current Liabilities and Noncurrent Operating Lease Liabilities on the Consolidated Statements of Financial Position.

<sup>(f)</sup> Included in Other Assets and Liabilities on the Consolidated Statements of Financial Position.

<sup>(g)</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>(h)</sup> Adoption of the new lease standard reduced ROIC by approximately 0.5 percentage points for all periods presented.

## Analysis of Financial Condition

### Liquidity and Capital Resources

Our cash and cash equivalents balance was \$1,060 million at May 5, 2018, compared with \$2,680 million for the same period in 2017. 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 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 profitably grow our business, 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 any excess cash to shareholders by repurchasing shares within the limits of our credit rating goals.

### Operating Cash Flows

Operating cash flow provided by continuing operations was \$512 million for the three months ended May 5, 2018, compared with \$1,257 million for the same period in 2017. The operating cash flow decrease is due to an increase in inventory during the three months ended May 5, 2018 compared to a decrease during the same period last year, the amount of incentive compensation paid during the current year, and the timing of income tax payments.

### Inventory

Inventory was \$8,652 million as of May 5, 2018, compared with \$8,597 million and \$7,920 million at February 3, 2018, and April 29, 2017, respectively. Inventory increased to support current and expected sales. In addition, inventory levels in certain seasonal categories were impacted by timing of receipts and sales in seasonal categories.

### Dividends

We paid dividends totaling \$334 million (\$0.62 per share) for the three months ended May 5, 2018, and \$332 million (\$0.60 per share) for the three months ended April 29, 2017, a per share increase of 3.3 percent. We declared dividends totaling \$333 million (\$0.62 per share) in first quarter 2018, a per share increase of 3.3 percent over the \$333 million (\$0.60 per share) of declared dividends during the first quarter of 2017. 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.

### Share Repurchases

During the three months ended May 5, 2018 and April 29, 2017, we returned \$494 million and \$305 million, respectively, to shareholders through share repurchase. For the three months ended May 5, 2018, these amounts exclude the ASR transaction described in Note 10 because the transaction was not fully settled. See Part II, Item 2 of this Quarterly Report on Form 10-Q and Note 10 to the Consolidated Financial Statements for more information.

### 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 May 5, 2018 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, which expires in October 2022. No balances were outstanding at any time during 2018 or 2017.

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, as of May 5, 2018, 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 credit ratings are either reduced and the resulting rating is noninvestment grade, or our long-term credit 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, other than changes related to adoption of the new lease accounting standard as described in Note 2 to the Consolidated Financial Statements, there were no material changes to our contractual obligations and commitments outside the ordinary course of business since February 3, 2018 as reported in our 2017 Form 10-K.

#### New Accounting Pronouncements

Refer to Note 2 to the Consolidated Financial Statements for a description of accounting standards adopted related to revenue recognition, leases, and pensions. 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 similar words. 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 and new lease commitments, the impact of changes in the expected effective income tax rate on net income, including those resulting from the Tax Act, the expected compliance with debt covenants, the expected impact of new accounting pronouncements, our intentions regarding future dividends, the expected return on plan assets, the expected outcome of, and adequacy of our reserves for, claims, litigation and the resolution of tax matters, the expected impact of changes in information technology systems, and changes in our assumptions and expectations.

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 February 3, 2018, 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 February 3, 2018.

#### Item 4. Controls and Procedures

##### Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, the following changes to our information technology systems materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- We are in the process of a broad migration of many mainframe-based systems and middleware products to a modern platform, including systems supporting inventory and supply chain-related transactions.
- We have continued to expand our implementation of enterprise resource planning software from SAP AG, including the Q1 2018 implementation of modules supporting our accounting for sales transactions and leases.

During the most recently completed fiscal quarter, no other changes in our internal control over financial reporting 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 proceeding is being reported pursuant to Item 103 of Regulation S-K:

On March 19, 2018, the United States District Court for the District of Minnesota (the Court) denied the plaintiff's motion to alter or amend the final judgment dismissing the federal securities law class actions, which relate to certain prior disclosures by Target about its expansion of retail operations into Canada (the Federal Securities Law Class Actions). The Federal Securities Law Class Actions were previously described in Target's annual report on Form 10-K for the fiscal year ended February 3, 2018. On April 18, 2018, the plaintiffs appealed the Court's dismissal. That appeal has not yet been heard or decided. Target intends to continue to vigorously defend the Federal Securities Law Class Actions.

## 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 February 3, 2018.

## 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 28.3 million shares of common stock through May 5, 2018, at an average price of \$63.15, for a total investment of \$1.8 billion, excluding the April 2018 ASR because the transaction was not fully settled as of May 5, 2018. The table below presents information with respect to Target common stock purchases made during the three months ended May 5, 2018, 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 |
|--|----------------------------------|------------------------------|---|--|
| February 4, 2018 through March 3, 2018         |                                  |                              |   |  |
| February 2018 ASR                              | 3,000,000                        | \$ 72.03                     | 3,000,000   | \$ 3,309,702,895   |
| March 4, 2018 through April 7, 2018            |                                  |                              |   |  |
| Open market and privately negotiated purchases | 2,330,856                        | 70.04                        | 2,330,856   | 3,146,438,310  |
| February 2018 ASR                              | 1,436,996                        | 72.03                        | 1,436,996   | 3,226,829,527  |
| April 8, 2018 through May 5, 2018              |                                  |                              |   |  |
| Open market and privately negotiated purchases | 164,640                          | 66.97                        | 164,640   | 3,215,804,372  |
| April 2018 ASR <sup>(a)</sup>                  | 2,900,000                        | TBD                          | 2,900,000   | 2,790,804,372  |
| Total  | 9,832,492                        | TBD                          | 9,832,492   | \$ 2,790,804,372   |

<sup>(a)</sup> Refer to Note 10 of the Consolidated Financial Statements for further details about the ASR contract.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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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
- (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

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

(2) 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 29, 2018 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