

TARGET CORP
Form 10-Q
November 21, 2012

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 October 27, 2012

Commission File Number 1-6049

TARGET CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of

41-0215170
(I.R.S. Employer

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incorporation or organization)
1000 Nicollet Mall, Minneapolis, Minnesota
(Address of principal executive offices)

Identification No.)
55403
(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

Indicate the number of shares outstanding of each of registrant's classes of common stock, as of the latest practicable date. Total shares of common stock, par value \$0.0833, outstanding at November 16, 2012 were 650,794,426.

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		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Sales	\$ 16,601	\$ 16,054	\$ 49,589	\$ 47,529
Credit card revenues	328	348	986	1,048
Total revenues	16,929	16,402	50,575	48,577
Cost of sales	11,569	11,165	34,406	32,874
Selling, general and administrative expenses	3,704	3,525	10,686	10,230
Credit card expenses	106	109	333	283
Depreciation and amortization	542	546	1,603	1,568
Gain on receivables held for sale	(156)		(156)	
Earnings before interest expense and income taxes	1,164	1,057	3,703	3,622
Net interest expense	192	200	558	574
Earnings before income taxes	972	857	3,145	3,048
Provision for income taxes	335	302	1,107	1,100
Net earnings	\$ 637	\$ 555	\$ 2,038	\$ 1,948
Basic earnings per share	\$ 0.97	\$ 0.82	\$ 3.09	\$ 2.85
Diluted earnings per share	\$ 0.96	\$ 0.82	\$ 3.06	\$ 2.84
Weighted average common shares outstanding				
Basic	654.8	673.2	659.3	682.2
Diluted	662.2	678.3	665.8	686.9

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(millions) (unaudited)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net earnings	\$ 637	\$ 555	\$ 2,038	\$ 1,948
Other comprehensive income/(loss), net of tax				
Pension and other benefit liabilities, net of taxes of \$9, \$6, \$28 and \$16	15	9	43	25
Currency translation adjustment and cash flow hedges, net of taxes of \$7, \$15, \$7 and \$4	11	(24)	12	(7)
Other comprehensive income/(loss)	26	(15)	55	18
Comprehensive income	\$ 663	\$ 540	\$ 2,093	\$ 1,966

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Financial Position

(millions)	October 27, 2012 (unaudited)	January 28, 2012	October 29, 2011 (unaudited)
Assets			
Cash and cash equivalents, including short-term investments of \$800, \$194 and \$66	\$ 1,469	\$ 794	\$ 821
Credit card receivables, held for sale	5,647		
Credit card receivables, net of allowance of \$0, \$430 and \$431		5,927	5,713
Inventory	9,533	7,918	9,890
Other current assets	1,846	1,810	1,948
Total current assets	18,495	16,449	18,372
Property and equipment			
Land	6,188	6,122	6,069
Buildings and improvements	27,800	26,837	26,850
Fixtures and equipment	5,280	5,141	5,153
Computer hardware and software	2,418	2,468	2,457
Construction-in-progress	1,365	963	546
Accumulated depreciation	(12,982)	(12,382)	(12,035)
Property and equipment, net	30,069	29,149	29,040
Other noncurrent assets	1,015	1,032	1,035
Total assets	\$ 49,579	\$ 46,630	\$ 48,447
Liabilities and shareholders' investment			
Accounts payable	\$ 8,050	\$ 6,857	\$ 8,053
Accrued and other current liabilities	3,631	3,644	3,273
Unsecured debt and other borrowings	2,528	3,036	2,313
Nonrecourse debt collateralized by credit card receivables	1,500	750	500
Total current liabilities	15,709	14,287	14,139
Unsecured debt and other borrowings	14,526	13,447	12,897
Nonrecourse debt collateralized by credit card receivables		250	3,259
Deferred income taxes	1,279	1,191	1,199
Other noncurrent liabilities	1,713	1,634	1,689
Total noncurrent liabilities	17,518	16,522	19,044
Shareholders' investment			
Common stock	55	56	56
Additional paid-in capital	3,854	3,487	3,431
Retained earnings	13,069	12,959	12,340
Accumulated other comprehensive loss			
Pension and other benefit liabilities	(581)	(624)	(516)
Currency translation adjustment and cash flow hedges	(45)	(57)	(47)
Total shareholders' investment	16,352	15,821	15,264
Total liabilities and shareholders' investment	\$ 49,579	\$ 46,630	\$ 48,447
Common shares outstanding	654.5	669.3	671.4

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(millions) (unaudited)	Nine Months Ended	
	October 27, 2012	October 29, 2011
Operating activities		
Net earnings	\$ 2,038	\$ 1,948
Reconciliation to cash flow		
Depreciation and amortization	1,603	1,568
Share-based compensation expense	74	61
Deferred income taxes	73	397
Bad debt expense	141	67
Gain on receivables held for sale	(156)	
Non-cash (gains)/losses and other, net	(15)	76
Changes in operating accounts:		
Accounts receivable originated at Target	97	120
Inventory	(1,615)	(2,294)
Other current assets	(98)	(131)
Other noncurrent assets		49
Accounts payable	1,193	1,428
Accrued and other current liabilities	(109)	(360)
Other noncurrent liabilities	122	46
Cash flow provided by operations	3,348	2,975
Investing activities		
Expenditures for property and equipment	(2,338)	