

TARGET CORP
Form 10-K
March 14, 2014

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

FORM 10-K
(Mark One)

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

For the fiscal year ended February 1, 2014
OR

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

For the transition period from _____ to _____
Commission file number 1-6049

TARGET CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	41-0215170
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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	
Securities Registered Pursuant To Section 12(B) Of The Act:	

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.0833 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 checkmark whether the registrant has submitted electronically and posted on its corporate website, 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 ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒ x

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

Non-accelerated filer ☐ o

Large accelerated filer ☒ x Accelerated filer ☐ o (Do not check if a smaller reporting Smaller reporting company ☐ o
company)

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

Aggregate market value of the voting stock held by non-affiliates of the registrant on August 3, 2013 was 45,036,171,526, based on the closing price of \$71.50 per share of Common Stock as reported on the New York Stock Exchange Composite Index.

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 March 10, 2014 were 633,174,692.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Target's Proxy Statement to be filed on or about April 28, 2014 are incorporated into Part III.
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PART I

Item 1. Business

General

Target Corporation (Target, the Corporation or the Company) was incorporated in Minnesota in 1902. We offer our customers, referred to as "guests," both everyday essentials and fashionable, differentiated merchandise at discounted prices. Our ability to deliver a preferred shopping experience to our guests is supported by our strong supply chain and technology infrastructure, a devotion to innovation that is ingrained in our organization and culture, and our disciplined approach to managing our business and investing in future growth.

We operate as two reportable segments: U.S. and Canadian. Our U.S. Segment includes all of our U.S. retail operations, which are designed to enable guests to purchase products seamlessly in stores, online or through mobile devices. The U.S. Segment also includes our credit card servicing activities and certain centralized operating and corporate activities not allocated to our Canadian Segment. Our Canadian Segment includes all of our Canadian retail operations, including 124 stores opened during 2013. We currently do not have a digital sales channel within our Canadian Segment.

Prior to the first quarter of 2013, we operated a U.S. Credit Card Segment that offered credit to qualified guests through our branded credit cards: the Target Credit Card and the Target Visa Credit Card. In the first quarter of 2013, we sold our U.S. consumer credit card portfolio, and TD Bank Group (TD) now underwrites, funds and owns Target Credit Card and Target Visa consumer receivables in the U.S. We perform account servicing and primary marketing functions and earn a substantial portion of the profits generated by the portfolio. Following the sale of our U.S. consumer credit card portfolio to TD, we combined our historical U.S. Retail Segment and U.S. Credit Card Segment into one U.S. Segment. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 6 of the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, for more information on the credit card receivables transaction and segment change.

Data Breach

During the fourth quarter of 2013, we experienced a data breach in which an intruder stole certain payment card and other guest information from our network (the Data Breach). For further information about the Data Breach, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Financial Highlights

For information about our fiscal years, see Item 8, Financial Statements and Supplemental Data - Note 1, Summary of Accounting Policies, of this Annual Report on Form 10-K.

For information on key financial highlights and segment financial information, see the items referenced in Item 6, Selected Financial Data, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplemental Data — Note 28, Segment Reporting, of this Annual Report on Form 10-K.

Seasonality

A larger share of annual revenues and earnings traditionally occurs in the fourth quarter because it includes the peak sales period from Thanksgiving to the end of December.

Merchandise

We sell a wide assortment of general merchandise and food. Our general merchandise and CityTarget stores offer an edited food assortment, including perishables, dry grocery, dairy and frozen items, while our SuperTarget stores offer a full line of food items comparable to traditional supermarkets. Our digital channels include a wide assortment of general merchandise, including many items found in our stores and a complementary assortment, such as extended sizes and colors, that are only sold online.

A significant portion of our sales is from national brand merchandise. Approximately one-third of 2013 sales related to our owned and exclusive brands, including but not limited to the following:

Owned Brands

Archer Farms®	Gilligan & O'Malley®	Sutton & Dodge®
Simply Balanced™	Market Pantry®	Threshold™
Boots & Barkley®	Merona®	up & up®
CHEFS®	Room Essentials®	Wine Cube®
Circo®	Smith & Hawken®	Xhilaration®
Embark®	Spritz™	

Exclusive Brands

Assets® by Sarah Blakely	Genuine Kids from OshKosh®	Nate Berkus for Target®
C9 by Champion®	Giada De Laurentiis™ for Target®	Nick & Nora®
Carlton®	Harajuku Mini for Target®	Shaun White
Chefmate®	Just One You made by Carter's	Simply Shabby Chic®
Cherokee®	Kid Made Modern®	Sonia Kashuk®
Converse® One Star®	Kitchen Essentials® from Calphalon®	Thomas O'Brien®
dENiZEN™ from Levi's®	Liz Lange® for Target	
Fieldcrest®	Mossimo Supply Company®	

We also sell merchandise through periodic exclusive design and creative partnerships, and also generate revenue from in-store amenities such as Target Café, Target Clinic, Target Pharmacy and Target Photo, and leased or licensed departments such as Target Optical, Pizza Hut, Portrait Studio and Starbucks.

Distribution

The vast majority of merchandise is distributed to our stores through our network of 40 distribution centers, 37 in the United States and 3 in Canada. General merchandise is shipped to and from our distribution centers by common carriers. Certain food items and other merchandise is shipped directly to our stores in the U.S. and Canada by vendors or third party distributors.

Employees

At February 1, 2014, we employed approximately 366,000 full-time, part-time and seasonal employees, referred to as "team members." During our peak sales period from Thanksgiving to the end of December, our employment levels peaked at approximately 416,000 team members. We offer a broad range of company-paid benefits to our team members. Eligibility for, and the level of, these benefits varies, depending on team members' full-time or part-time status, compensation level, date of hire and/or length of service. These company-paid benefits include a pension plan, 401(k) plan, medical and dental plans, a retiree medical plan, disability insurance, paid vacation, tuition reimbursement, various team member assistance programs, life insurance and merchandise discounts. We believe our team member relations are good.

Working Capital

Our working capital needs are greater in the months leading up to our peak sales period from Thanksgiving to the end of December, which we typically finance with cash flow provided by operations and short-term borrowings. Additional details are provided in the Liquidity and Capital Resources section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Effective inventory management is key to our ongoing success. We use various techniques including demand forecasting and planning and various forms of replenishment management. We achieve effective inventory management by being in-stock in core product offerings, maintaining positive vendor relationships, and carefully planning inventory levels for seasonal and apparel items to minimize markdowns.

Competition

We compete with traditional and off-price general merchandise retailers, apparel retailers, internet retailers, wholesale clubs, category specific retailers, drug stores, supermarkets and other forms of retail commerce. Our ability to positively differentiate ourselves from other retailers and provide a compelling value proposition largely determine our competitive position within the retail industry.

Intellectual Property

Our brand image is a critical element of our business strategy. Our principal trademarks, including Target, SuperTarget and our "Bullseye Design," have been registered with the U.S. Patent and Trademark Office. We also seek to obtain and preserve intellectual property protection for our owned brands.

Geographic Information

The vast majority of our revenues are generated within the United States. During 2013, a modest percentage of our revenues were generated in Canada. The vast majority of our long-lived assets are located within the United States and Canada.

Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge at www.Target.com/Investors as soon as reasonably practicable after we file such material with, or furnish it to, the U.S. Securities and Exchange Commission (SEC). Our Corporate Governance Guidelines, Business Conduct Guide, Corporate Responsibility Report and the position descriptions for our Board of Directors and Board committees are also available free of charge in print upon request or at www.Target.com/Investors.

Item 1A. Risk Factors

Our business is subject to many risks. Set forth below are the most significant risks that we face.

If we are unable to positively differentiate ourselves from other retailers, our results of operations could be adversely affected.

The retail business is highly competitive. In the past we have been able to compete successfully by differentiating our guests' shopping experience by creating an attractive value proposition through a careful combination of price, merchandise assortment, convenience, guest service, loyalty programs and marketing efforts. Our ability to create a personalized guest experience through the collection and use of guest data is increasingly important to our ability to differentiate from other retailers. Guest perceptions regarding the cleanliness and safety of our stores, the functionality and reliability of our digital channels, our in-stock levels and other factors also affect our ability to compete. No single competitive factor is dominant, and actions by our competitors on any of these factors could have an adverse effect on our sales, gross margins and expenses.

We sell many products under our owned and exclusive brands. These brands are an important part of our business because they differentiate us from other retailers, generally carry higher margins than equivalent national brand products and represent a significant portion of our overall sales. If one or more of these brands experiences a loss of consumer acceptance or confidence, our sales and gross margins could be adversely affected.

The continuing migration and evolution of retailing to online and mobile channels has increased our challenges in differentiating ourselves from other retailers. In particular, consumers are able to quickly and conveniently comparison shop with digital tools, which can lead to decisions based solely on price. We work with our vendors to offer unique and distinctive merchandise, and encourage our guests to shop with confidence with our price match policy. Failure to effectively execute in these efforts, actions by our competitors in response to these efforts or failures of our vendors to manage their own channels and content could hurt our ability to differentiate ourselves from other retailers and, as a result, have an adverse effect on sales, gross margins and expenses.

Our continued success is substantially dependent on positive perceptions of Target which, if eroded, could adversely affect our business and our relationships with our guests and team members.

We believe that one of the reasons our guests prefer to shop at Target and our team members choose Target as a place of employment is the reputation we have built over many years for serving our four primary constituencies: guests, team members, the communities in which we operate, and shareholders. To be successful in the future, we must continue to preserve, grow and leverage the value of Target's reputation. Reputational value is based in large part on perceptions. While reputations may take decades to build, any negative incidents can quickly erode trust and confidence, particularly if they result in adverse mainstream and social media publicity, governmental investigations or litigation. Those types of incidents could have an adverse impact on perceptions and lead to tangible adverse effects on our business, including consumer boycotts, lost sales, loss of new store development opportunities, or team member retention and recruiting difficulties. For example, we experienced weaker than expected U.S. Segment sales following the announcement of the Data Breach and are unable to determine whether there will be a long-term impact to our relationship with our guests and whether we will need to engage in significant promotional or other activities to regain their trust.

If we are unable to successfully develop and maintain a relevant and reliable multichannel experience for our guests, our sales, results of operations and reputation could be adversely affected.

Our business has evolved from an in-store experience to interaction with guests across multiple channels (in-store, online, mobile and social media, among others). Our guests are using computers, tablets, mobile phones and other devices to shop in our stores and online and provide feedback and public commentary about all aspects of our business. We currently provide full and mobile versions of our website (Target.com), applications for mobile phones and tablets and interact with our guests through social media. Multichannel retailing is rapidly evolving and we must keep pace with changing guest expectations and new developments and technology investments by our competitors. If we are unable to attract and retain team members or contract with third parties having the specialized skills needed to support our multichannel efforts, implement improvements to our guest facing technology in a timely manner, or provide a convenient and consistent experience for our guests regardless of the ultimate sales channel, our ability to

compete and our results of operations could be adversely affected. In addition, if Target.com and our other guest facing technology systems do not appeal to our guests or reliably function as designed, we may experience a loss of guest

confidence, lost sales or be exposed to fraudulent purchases, which, if significant, could adversely affect our reputation and results of operations.

If we fail to anticipate and respond quickly to changing consumer preferences, our sales, gross margins and profitability could suffer.

A substantial part of our business is dependent on our ability to make trend right decisions and effectively manage our inventory in a broad range of merchandise categories, including apparel, home décor, seasonal offerings, food and other merchandise. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions, and personalize our offerings to our guests may result in lost sales, spoilage and increased inventory markdowns, which would lead to a deterioration in our results of operations by hurting our sales, gross margins and profitability.

Our earnings are highly susceptible to the state of macroeconomic conditions and consumer confidence in the United States.

Most of our stores and all of our digital sales are in the United States, making our results highly dependent on U.S. consumer confidence and the health of the U.S. economy. In addition, a significant portion of our total sales is derived from stores located in five states: California, Texas, Florida, Minnesota and Illinois, resulting in further dependence on local economic conditions in these states. Deterioration in macroeconomic conditions or consumer confidence could negatively affect our business in many ways, including slowing sales growth or reduction in overall sales, and reducing gross margins. These same considerations impact the success of our credit card program. Even though we no longer own a consumer credit card receivables portfolio, we share in the economic performance of the credit card program with TD. Deterioration in macroeconomic conditions could adversely affect the volume of new credit accounts, the amount of credit card program balances and the ability of credit card holders to pay their balances. These conditions could result in us receiving lower profit sharing payments.

We rely on a large, global and changing workforce of Target team members, contractors and temporary staffing. If we do not effectively manage our workforce and the concentration of work in certain global locations, our labor costs and results of operations could be adversely affected.

With approximately 366,000 team members, our workforce costs represent our largest operating expense, and our business is dependent on our ability to attract, train and retain the appropriate mix of qualified team members, contractors and temporary staffing. Many team members are in entry-level or part-time positions with historically high turnover rates. Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, prevailing wage rates, collective bargaining efforts, health care and other benefit costs and changing demographics. If we are unable to attract and retain adequate numbers and an appropriate mix of qualified team members, contractors and temporary staffing, our operations, guest service levels and support functions could suffer. Those factors, together with increasing wage and benefit costs, could adversely affect our results of operations. As of March 14, 2014, none of our team members were working under collective bargaining agreements. We are periodically subject to labor organizing efforts. If we become subject to one or more collective bargaining agreements in the future, it could adversely affect our labor costs and how we operate our business.

We have a concentration of support functions located in India where there has been greater political, financial, environmental and health instability than the United States. An extended disruption of our operations in India could adversely affect certain operations supporting stability and maintenance of our digital channels and information technology development.

If our capital investments in technology, new stores and remodeling existing stores do not achieve appropriate returns, our competitive position, financial condition and results of operations may be adversely affected.

Our business is becoming increasingly reliant on technology investments and the returns on these investments are less predictable than building new stores and remodeling existing stores. We are currently making, and will continue to make, significant technology investments to support our multichannel efforts, implement improvements to our guest facing technology and transform our information processes and computer systems to more efficiently run our business and remain competitive and relevant to our guests. These technology initiatives might not provide the anticipated benefits or may provide them on a delayed schedule or at a higher cost. We must monitor and choose the right investments and implement them at the right pace. Targeting the wrong opportunities, failing to make the best

investments, or making an investment commitment significantly above or below our needs could result in the loss of our competitive position and adversely impact our financial condition or results of operations.

In addition, our growth also depends, in part, on our ability to build new stores and remodel existing stores in a manner that achieves appropriate returns on our capital investment. We compete with other retailers and businesses for suitable locations for our stores. Many of our expected new store sites are located in fully developed markets, which are generally more time-consuming and expensive undertakings than expansion into undeveloped suburban and ex-urban markets.

Interruptions in our supply chain or increased commodity prices and supply chain costs could adversely affect our gross margins, expenses and results of operations.

We are dependent on our vendors to supply merchandise in a timely and efficient manner. If a vendor fails to deliver on its commitments, whether due to financial difficulties or other reasons, we could experience merchandise out-of-stocks that could lead to lost sales. In addition, a large portion of our merchandise is sourced, directly or indirectly, from outside the United States, with China as our single largest source. Political or financial instability, trade restrictions, the outbreak of pandemics, labor unrest, transport capacity and costs, port security, weather conditions, natural disasters or other events that could slow port activities and affect foreign trade are beyond our control and could disrupt our supply of merchandise and/or adversely affect our results of operations. In addition, changes in the costs of procuring commodities used in our merchandise or the costs related to our supply chain, including vendor costs, labor, fuel, tariffs, currency exchange rates and supply chain transparency initiatives, could have an adverse effect on gross margins, expenses and results of operations.

Failure to address product safety concerns could adversely affect our sales and results of operations.

If our merchandise offerings, including food, drug and children's products, do not meet applicable safety standards or our guests' expectations regarding safety, we could experience lost sales and increased costs and be exposed to legal and reputational risk. All of our vendors must comply with applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety standards. Events that give rise to actual, potential or perceived product safety concerns, including food or drug contamination, could expose us to government enforcement action or private litigation and result in costly product recalls and other liabilities. In addition, negative guest perceptions regarding the safety of the products we sell could cause our guests to seek alternative sources for their needs, resulting in lost sales. In those circumstances, it may be difficult and costly for us to regain the confidence of our guests.

The data breach we experienced in 2013 has resulted in government inquiries and private litigation, and if our efforts to protect the security of information about our guests and team members are unsuccessful, future issues may result in additional costly government enforcement actions and private litigation and our sales and reputation could suffer.

The nature of our business involves the receipt and storage of information about our guests and team members. We have a program in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our team members, contractors and temporary staff. Until the fourth quarter of 2013, all incidents we experienced were insignificant. The Data Breach we experienced was significant and went undetected for several weeks. We experienced weaker than expected U.S. Segment sales immediately following the announcement of the Data Breach, and we are currently facing more than 80 civil lawsuits filed on behalf of guests, payment card issuing banks and shareholders. In addition, state and federal agencies, including State Attorneys General, the Federal Trade Commission and the SEC, are investigating events related to the Data Breach, including how it occurred, its consequences and our responses. Those claims and investigations may have an adverse effect on how we operate our business and our results of operations.

If we experience additional significant data security breaches or fail to detect and appropriately respond to significant data security breaches, we could be exposed to additional government enforcement actions and private litigation. In

addition, our guests could further lose confidence in our ability to protect their information, which could cause them to discontinue using our REDcards or pharmacy services, or stop shopping with us altogether.

Our failure to comply with federal, state, local and international laws, or changes in these laws could increase our costs, reduce our margins and lower our sales.

Our business is subject to a wide array of laws and regulations in the United States, Canada and other countries in which we operate. Significant workforce-related legislative changes could increase our expenses and adversely affect our operations. Examples of possible workforce-related legislative changes include changes to an employer's obligation to recognize collective bargaining units, the process by which collective bargaining agreements are negotiated or imposed, minimum wage requirements, and health care mandates. In addition, changes in the regulatory environment affecting Medicare reimbursements, privacy and information security, product safety, supply chain transparency, or environmental protection, among others, could cause our expenses to increase without an ability to pass through any increased expenses through higher prices. For example, we are currently facing government inquiries related to the Data Breach that may result in the imposition of fines or other penalties. In addition, any legislative or regulatory changes adopted in reaction to the recent retail-industry data breaches could increase or accelerate our compliance costs. Also, our pharmacy and clinic operations are governed by various regulations, and a significant change in, or our noncompliance with, these regulations could have a material adverse effect on our compliance costs and results of operations. In addition, if we fail to comply with other applicable laws and regulations, including wage and hour laws, the Foreign Corrupt Practices Act and local anti-bribery laws, we could be subject to legal risk, including government enforcement action and class action civil litigation, which could adversely affect our results of operations by increasing our costs, reducing our margins and lowering our sales.

Weather conditions where our stores are located may impact consumer shopping patterns, which alone or together with natural disasters, particularly in areas where our sales are concentrated, could adversely affect our results of operations.

Uncharacteristic or significant weather conditions can affect consumer shopping patterns, particularly in apparel and seasonal items, which could lead to lost sales or greater than expected markdowns and adversely affect our short-term results of operations. In addition, our three largest states by total sales are California, Texas and Florida, areas where natural disasters are more prevalent. Natural disasters in those states or in other areas where our sales are concentrated could result in significant physical damage to or closure of one or more of our stores or distribution centers, and cause delays in the distribution of merchandise from our vendors to our distribution centers and stores, which could adversely affect our results of operations by increasing our costs and lowering our sales.

Changes in our effective income tax rate could adversely affect our net income.

A number of factors influence our effective income tax rate, including changes in tax law, tax treaties, interpretation of existing laws, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our net income. In addition, our operations outside of the United States may cause greater volatility in our effective tax rate.

If we are unable to access the capital markets or obtain bank credit, our financial position, liquidity and results of operations could suffer.

We are dependent on a stable, liquid and well-functioning financial system to fund our operations and capital investments. In particular, we have historically relied on the public debt markets to fund portions of our capital investments and the commercial paper market and bank credit facilities to fund seasonal needs for working capital. Our continued access to these markets depends on multiple factors including the condition of debt capital markets, our operating performance and maintaining strong debt ratings. If rating agencies lower our credit ratings, it could adversely impact our ability to access the debt markets, our cost of funds and other terms for new debt issuances. Each of the credit rating agencies reviews its rating periodically, and there is no guarantee our current credit rating will remain the same. In addition, we use a variety of derivative products to manage our exposure to market risk, principally interest rate and equity price fluctuations. Disruptions or turmoil in the financial markets could reduce our ability to meet our capital requirements or fund our working capital needs, and lead to losses on derivative positions resulting from counterparty failures, which could adversely affect our financial position and results of operations.

A significant disruption in our computer systems and our inability to adequately maintain and update those systems could adversely affect our operations and our ability to maintain guest confidence.

We rely extensively on our computer systems to manage inventory, process guest transactions, manage guest data, communicate with our vendors and other third parties, service REDcard accounts and summarize and analyze results, and on continued and unimpeded access to the internet to use our computer systems. Our systems are subject to

damage or interruption from power outages, telecommunications failures, computer viruses and malicious attacks, security breaches and catastrophic events. If our systems are damaged or fail to function properly, we may incur substantial repair or replacement costs, experience data loss and impediments to our ability to manage inventories or process guest transactions, and encounter lost guest confidence, which could adversely affect our results of operations. The Data Breach we experienced negatively impacted our ability to timely handle customer inquiries, and we experienced weaker than expected U.S. Segment sales following the announcement of the Data Breach.

We continually make significant technology investments that will help maintain and update our existing computer systems. Implementing significant system changes increases the risk of computer system disruption. Additionally, the potential problems and interruptions associated with implementing technology initiatives could disrupt or reduce our operational efficiency, and could impact the guest experience and guest confidence.

If we do not positively differentiate the Target experience and appeal to our new Canadian guests, our financial results could be adversely affected.

In fiscal 2013 we opened 124 Target stores in Canada, which was our first retail store expansion outside of the United States. Our initial sales and operating results in Canada have not met our initial expectations. Improving our sales in Canada is contingent on our ability to deploy new marketing programs that positively differentiate us from other retailers in Canada, and achieve market acceptance by Canadian guests. In addition, our sales and operating results in Canada are dependent on our ability to manage our inventory to offer the expected assortment of merchandise to our Canadian guests while avoiding overstock situations, and general macroeconomic conditions in Canada. If we do not effectively execute our marketing program and manage our inventory in Canada, our financial results could be adversely affected.

A disruption in relationships with third parties who provide us services in connection with certain aspects of our business could adversely affect our operations.

We rely on third parties to support a variety of business functions, including our Canadian supply chain, portions of our technology development and systems, our multichannel platforms and distribution network operations, credit and debit card transaction processing, and extensions of credit for our 5% REDcard Rewards loyalty program. If we are unable to contract with third parties having the specialized skills needed to support those strategies or integrate their products and services with our business, or if those third parties fail to meet our performance standards and expectations, including with respect to data security, our reputation, sales and results of operations could be adversely affected. In addition, we could face increased costs associated with finding replacement providers or hiring new team members to provide these services in-house.

We experienced a significant data security breach in the fourth quarter of fiscal 2013 and are not yet able to determine the full extent of its impact and the impact of government investigations and private litigation on our results of operations, which could be material.

The Data Breach we experienced involved the theft of certain payment card and guest information through unauthorized access to our network. Our investigation of the matter is ongoing, and it is possible that we will identify additional information that was accessed or stolen, which could materially worsen the losses and reputational damage we have experienced. For example, when the intrusion was initially identified, we thought the information stolen was limited to payment card information, but later discovered that other guest information was also stolen.

We are currently subject to a number of governmental investigations and private litigation and other claims relating to the Data Breach, and in the future we may be subject to additional investigations and claims of this sort. These investigations and claims could have a material adverse impact on our results of operations or profitability. Our financial liability arising from such investigations and claims will depend on many factors, one of which is whether, at the time of the Data Breach, the portion of our network that handles payment card data was in compliance with applicable payment card industry standards. While that portion of our network was determined to be compliant by an independent third-party assessor in the fall of 2013, we expect the forensic investigator working on behalf of the payment card networks to claim that we were not in compliance. Another factor is whether, and if so to what extent, any fraud losses or other expenses experienced by cardholders, card issuers and/or the payment card networks on or with respect to the payment card accounts affected by the Data Breach can be properly attributed to the Data Breach and whether, and if so to what extent, it would in any event be our legal responsibility. In addition, the governmental

agencies investigating the Data Breach may seek to impose on us fines and/or other monetary relief and/or injunctive relief that could materially increase our data security costs, adversely impact how we operate our network and collect and use guest information, and put us at a competitive disadvantage with other retailers.

Finally, we believe that the greatest risk to our business arising out of the Data Breach is the negative impact on our reputation and loss of confidence of our guests, as well as the possibility of decreased participation in our REDcards Rewards loyalty program which our internal analysis has indicated drives meaningful incremental sales. We experienced weaker than expected U.S. Segment sales after the announcement of the Data Breach, but are unable to determine whether there will be a long-term impact to our relationship with our guests or whether we will need to engage in significant promotional or other activities to regain their trust, which could have a material adverse impact on our results of operations or profitability.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

U.S. Stores at February 1, 2014	Stores	Retail Sq. Ft. (in thousands)		Stores	Retail Sq. Ft. (in thousands)
Alabama	22	3,150	Montana	7	780
Alaska	3	504	Nebraska	14	2,006
Arizona	47	6,264	Nevada	19	2,461
Arkansas	9	1,165	New Hampshire	9	1,148
California	262	34,718	New Jersey	43	5,701
Colorado	41	6,215	New Mexico	10	1,185
Connecticut	20	2,672	New York	69	9,437
Delaware	3	440	North Carolina	48	6,360
District of Columbia	1	179	North Dakota	4	554
Florida	123	17,345	Ohio	64	8,002
Georgia	54	7,398	Oklahoma	16	2,285
Hawaii	4	695	Oregon	19	2,280
Idaho	6	664	Pennsylvania	64	8,384
Illinois	91	12,514	Rhode Island	4	517
Indiana	33	4,377	South Carolina	19	2,359
Iowa	22	3,015	South Dakota	5	580
Kansas	19	2,577	Tennessee	32	4,114
Kentucky	14	1,660	Texas	149	20,976
Louisiana	16	2,246	Utah	13	1,953
Maine	5	630	Vermont	—	—
Maryland	38	4,938	Virginia	57	7,650
Massachusetts	36	4,734	Washington	36	4,194
Michigan	59	7,057	West Virginia	6	755
Minnesota	75	10,777	Wisconsin	39	4,773
Mississippi	6	743	Wyoming	2	187
Missouri	36	4,736			
			Total	1,793	240,054
Canadian Stores at February 1, 2014	Stores	Retail Sq. Ft. (in thousands)		Stores	Retail Sq. Ft. (in thousands)
Alberta	14	1,633	Nunavut	—	—
British Columbia	18	2,047	Ontario	50	5,772
Manitoba	4	457	Prince Edward Island	1	106
New Brunswick	3	320	Quebec	25	2,876
Newfoundland and Labrador	2	216	Saskatchewan	3	319
Northwest Territories	—	—	Yukon	—	—
Nova Scotia	4	443			
			Total	124	14,189

U.S. Stores and Distribution Centers at February 1, 2014	Stores	Distribution Centers ^(a)
Owned	1,535	31
Leased	91	6
Owned buildings on leased land	167	—
Total	1,793	37

^(a) The 37 distribution centers have a total of 50,111 thousand square feet.

Canadian Stores and Distribution Centers at February 1, 2014	Stores	Distribution Centers ^(a)
Owned	—	3
Leased	124	—
Total	124	3

^(a) The 3 distribution centers have a total of 3,963 thousand square feet.

We own our corporate headquarters buildings located in and around Minneapolis, Minnesota, and we lease and own additional office space in Minneapolis and elsewhere in the United States. We lease our Canadian headquarters in Mississauga, Ontario. Our international sourcing operations include 22 office locations in 14 countries, all of which are leased. We also lease office space in Bangalore, India, where we operate various support functions. Our properties are in good condition, well maintained, and suitable to carry on our business.

For additional information on our properties, see the Capital Expenditures section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 12 and 20 of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data.

Item 3. Legal Proceedings

No response is required under Item 103 of Regulation S-K, which requires disclosure of legal proceedings that are material, based on an analysis of the probability and magnitude of the outcome. For a description of other legal proceedings, including a discussion of litigation and government inquiries related to the Data Breach we experienced in the fourth quarter of fiscal 2013 in which certain payment card and guest information was stolen through unauthorized access to our network, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 17 of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data.

Item 4. Mine Safety Disclosures

Not applicable.

Item 4A. Executive Officers

Executive officers are elected by, and serve at the pleasure of, the Board of Directors. There is neither a family relationship between any of the officers named and any other executive officer or member of the Board of Directors, nor any arrangement or understanding pursuant to which any person was selected as an officer.

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Name	Title and Business Experience	Age
Timothy R. Baer	Executive Vice President, General Counsel and Corporate Secretary since March 2007. President, Target Canada since January 2011. Vice President, Merchandise Operations from February 2010 to January 2011. Divisional Merchandise Manager, Toys and Sporting Goods, from June 2008 to January 2010.	53
Anthony S. Fisher	Executive Vice President, Property Development since February 2005.	39
John D. Griffith	Executive Vice President and Chief Marketing Officer since April 2012. Partner and President of McKinney Ventures LLC from March 2006 to March 2012.	52
Jeffrey J. Jones II	Executive Vice President, Human Resources since March 2007.	46
Jodeen A. Kozlak	Executive Vice President and Chief Financial Officer since April 2012. Senior Vice President, Treasury, Accounting and Operations from February 2010 to April 2012. Vice President, Pay and Benefits from February 2007 to February 2010.	50
John J. Mulligan	Executive Vice President, Stores since January 2011. Senior Vice President, New Business Development from February 2010 to January 2011. Senior Vice President, Stores from February 2001 to February 2010.	48
Tina M. Schiel	Chairman of the Board, President and Chief Executive Officer since February 2009. President and Chief Executive Officer since May 2008. Director since January 2007. President since August 1999.	48
Gregg W. Steinhafel	Executive Vice President, Merchandising and Supply Chain since October 2012. Executive Vice President, Merchandising from May 2008 to September 2012.	59
Kathryn A. Tesija	President, Community Relations and Target Foundation since July 2008.	51
Laysha L. Ward		46

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the symbol "TGT." We are authorized to issue up to 6,000,000,000 shares of common stock, par value \$0.0833, and up to 5,000,000 shares of preferred stock, par value \$0.01. At March 10, 2014, there were 15,875 shareholders of record. Dividends declared per share and the high and low closing common stock price for each fiscal quarter during 2013 and 2012 are disclosed in Note 29 of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data.

In January 2012, our Board of Directors authorized the repurchase of \$5 billion of our common stock, with no stated expiration for the share repurchase program. We have repurchased 49.1 million shares of our common stock under this program for a total cash investment of \$3.1 billion (\$62.99 average price per share).

The table below presents Target common stock purchases made during the three months ended February 1, 2014 by Target, as defined in Rule 10b-18(a)(3) under the Exchange Act.

Period	Total Number of Shares Purchased ^{(a)(b)}	Average Price Paid per Share ^{(a)(b)}	Total Number of Shares Purchased as Part of the Current Program ^(a)	Dollar Value of Shares that May Yet Be Purchased Under the Program
November 3, 2013 through November 30, 2013	2,406	\$—	49,148,329	\$1,904,324,394
December 1, 2013 through January 4, 2014	18,310	—	49,148,329	1,904,324,394
January 5, 2014 through February 1, 2014	147,537	—	49,148,329	1,904,324,394
	168,253	\$—	49,148,329	\$1,904,324,394

The table above includes shares reacquired upon settlement of prepaid forward contracts. At February 1, 2014, we held asset positions in prepaid forward contracts for 1 million shares of our common stock, for a total cash ^(a) investment of \$63 million, or an average per share price of \$48.83. No shares were reacquired under such contracts during the fourth quarter. Refer to Notes 23 and 25 of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data for further details of these contracts.

The number of shares above includes shares of common stock reacquired from team members who tendered owned ^(b) shares to satisfy the tax withholding on equity awards as part of our long-term incentive plans or to satisfy the exercise price on stock option exercises. For the three months ended February 1, 2014, 168,253 shares were reacquired at an weighted average per share price of \$61.91 pursuant to our long-term incentive plan.

Comparison of Cumulative Five Year Total Return