



TARGET

TARGET

FINANCIAL RESULTS
(1/31/15)*

SALES:

\$72.62 billion (+1.9%)

SAME-STORE SALES: +3.8%

NET INCOME:

\$2.45 billion (-9.1%)**

NET MARGIN: 3%

OPERATIONS

HEADQUARTERS:

Minneapolis

FISCAL YEAR-END STORE
COUNT:1,790 (includes 249
SuperTargets, 8 City Targets
and 1 Target Express)PRIOR YEAR-END STORE
COUNT:1,793 (includes 251
SuperTargets and 8 City
Targets)

BANNERS:

Target, SuperTarget, City
Target, Target Express

RANK

6 in sales

* All results stated here are from continuing operations, with the company's Canadian segment now accounted for as a discontinued operation.

**Earnings from continuing operations for the most recent year reflect the following after-tax items: a \$173 million loss on early debt retirement; \$94 million in data breach-related costs, net of insurance receivable; \$32 million for the reduction of beneficial interest assets; \$18 million in other charges, all partially offset by a \$35 million benefit from the resolution of income tax matters. Earnings from continuing operations for the prior year included the following after-tax items: a \$270 million loss on early debt retirement, a \$61 million charge for the reduction of beneficial interest assets, \$40 million in other charges, and \$11 million in net pretax data breach-related costs, all partially offset by a \$247 million gain associated with the credit card receivables transaction and a \$16 million credit from the resolution of income tax matters. Including a \$4.09 billion in losses from discontinued operations, the company had a net loss of \$1.64 billion in the most recent year. This compares with net income of \$1.97 billion a year ago, which included \$723 million in losses from discontinued operations.

Canadian Foray
Comes to End

MINNEAPOLIS — Target this year ended its first move outside the United States.

The discounter last month completed its inventory liquidation in Canada and closed the last of its 133 stores in the country. Also shuttered were Target Canada's three distribution centers and its Mississauga, Ontario, headquarters.

Target launched its move into Canada with high hopes in 2011, when it acquired the leases of 189 stores operated by Hudson Bay Co.'s Zellers discount store division. Since Walmart's move into Canada in 1994, Zellers had attempted to occupy the "upscale discounting" niche that Target has successfully occupied in the United States; the idea that Target would succeed where Zellers had failed seemed like a natural, particularly since many Canadian consumers were already familiar with Target stores through cross-border shopping in the United States.

Target did not rush into the market. Instead it set up a buying and distribution infrastructure, remodeling the acquired stores and not opening them until 2013.

The Canadian division struggled with out-of-stocks, however, as well as consumers' perceptions that Target's prices in Canada were higher than in U.S. stores. After determining there would be no Canadian profits before 2021, Target pulled the plug.

Cornell Puts His Stamp on Target

MINNEAPOLIS — After a disastrous 2013 that included big losses for its fledgling Canadian division and a costly data breach during the holiday shopping season, 2014 was a year of recovery and rebuilding at Target Corp.

Leading the turnaround effort is Brian Cornell, who took over as chief executive officer in August.

Recently Cornell unveiled a strategy that focuses on five key priorities:

- Embracing omnichannel retailing. Target has discovered that its omnichannel customers are its most valuable. Target guests who shop both in stores and online shop with the retailer about three times more often than store-only customers, generating triple the sales and two and a half times the margin dollars.

- Concentrating on the signature categories — style, baby, kids and wellness — that Target shoppers care most about.

- Tailoring assortments to local needs and tastes and personalizing the online shopping experience for Target guests.

- Focusing on urban store formats. Of the 15 new stores Target plans to open this year, more than half will be smaller outlets designed for city shoppers. Eight TargetExpress stores are slated to open by year-end, along with one new CityTarget store.

- Cutting costs. The investments required for Target's various turnaround initiatives are significant, and to pay for them the company plans to reduce expenses by \$2 billion over the next two years. As part of that effort, Target laid off 1,700 people in March

at its headquarters in downtown Minneapolis. The cuts, amounting to about 13% of its corporate staff, was its largest downsizing ever. The company said another 1,400 open jobs will go unfilled.

"As we focus our resources on making progress in these key priorities, we expect to accelerate top-line growth by driving traffic to our existing stores by elevating signature categories, enhancing

'We are seeing early momentum in our efforts'

our guests' digital engagement with Target, becoming more localized and personalized, and ensuring we provide a great in-store experience," Cornell told analysts. "We want to ensure our guests can shop on demand by enhancing our mobile and supply chain capabilities, leading to growth in our digital sales, and by thoughtfully growing our store base, particularly these urban formats, like CityTarget and TargetExpress, to further elevate the overall Target brand."

Target under Cornell has shown it can be decisive. The company has pulled the plug on its Canadian operations, and it has made big changes to its management team.

In December Cornell established two "centers of excellence" with Target's executive ranks. Casey Carl, who had been Target's president of omnichannel, was named to the newly

created post of chief strategy and innovation officer. Carl oversees the new center of excellence in data, analytics and business intelligence. Target also created a guest center of excellence devoted to better understanding how customers connect to the retailer. Jeff Jones, Target's chief marketing officer, was appointed to head that effort.

In February Target named former Tesco executive Mike McNamara as the company's new chief information officer. He succeeded Bob DeRodes, who had been brought in last year to remake Target's information technology department in the wake of the company's 2013 data breach.

Target is also sticking with the parts of its strategy that are working, including differentiating its merchandise offerings via exclusive partnerships with big name designers. The retailer recently generated significant buzz with its limited-edition Lilly Pulitzer collection, although there was also some frustration among shoppers unable to get their hands on the merchandise.

On the whole, Target appears to be on the rebound, with fourth quarter results that surpassed Wall Street's expectations.

"We're seeing early momentum in our efforts to transform Target," Cornell said, "and our team is entering the new fiscal year with a singular focus on continuing to differentiate our merchandise assortment and shopping experience while controlling costs by reducing complexity and simplifying the way we work."

Dament Tapped to Oversee Repositioning of Food Business

MINNEAPOLIS — Last month Target hired grocery and consumer packaged goods veteran Anne Dament as senior vice president of merchandising.

Her mission: to lead the strategic repositioning of Target's food business and make it more like the retailer's apparel and home fashion businesses.

"Our guests tell us they expect Target to inspire them with

differentiated food offerings like we do in other areas," said Target chairman and chief executive officer Brian Cornell. "We have an opportunity to make food more reflective of our brand, elevate the shopping experience and make Target a food destination for our guests."

Target had previously announced a plan to remake its grocery business over the next

year to year and a half. The strategy will include an emphasis on six key categories: better-for-you snacks; coffee and tea; premium sauces and oils; specialty candy; wine and craft beer; and yogurt and granola. It will also expand its assortment of natural, organic, locally grown and gluten-free products.

"My first job was in a local grocery store, and I've had a passion

for food ever since," Dament says. "Joining the team at Target gives me an opportunity to bring my professional experience and love of food to the organization just as their transformation is getting under way."

Dament started her career as a buyer at Supervalu. She then held a number of positions at Safeway, ultimately serving as group vice president of

perishables strategy. In that post she is credited with introducing new assortments and merchandising initiatives, including meal solutions and grab-and-go options.

Dament has also held positions with ConAgra Foods subsidiary Grist Mill Co. and Otis Spunkmeyer. And she most recently served as vice president of services at PetSmart.