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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 28, 2000

Commission file number 1-6049

Target Corporation

(Exact name of registrant as specified in its charter)

Minnesota	41-0215170
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
777 Nicollet Mall Minneapolis, Minnesota	55402-2055
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(612) 370-6948

N/A

(Former name, former address and former fiscal year, if changed since last report.)

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 and (2) has been subject to such filing requirements for the past 90 days.

The number of shares outstanding of common stock as of October 28, 2000 was 895,717,170.

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TARGET CORPORATION

Exhibit Index

PART I. FINANCIAL INFORMATION

CONSOLIDATED RESULTS OF OPERATIONS **TARGET CORPORATION**

(Millions, except per share data)	Three Months Ended		Nine Months Ended		Twelve Months Ended	
(Unaudited)	**October 28, 2000**	October 30, 1999	**October 28, 2000**	October 30, 1999	**October 28, 2000**	October 30, 1999
Sales	**$ 8,444**	$ 7,806	**$ 24,180**	$ 22,408	**$ 34,984**	$ 32,343
Net credit revenues	**138**	121	**399**	364	**525**	484
Total revenues	**8,582**	7,927	**24,579**	22,772	**35,509**	32,827
Cost of sales	**5,860**	5,365	**16,656**	15,409	**24,276**	22,419
Selling, general and administrative expense	**2,024**	1,855	**5,768**	5,355	**7,903**	7,395
Depreciation and amortization	**239**	213	**693**	631	**916**	834
Interest expense	**108**	102	**304**	294	**403**	391
Earnings before income taxes and extraordinary charges	**351**	392	**1,158**	1,083	**2,011**	1,788
Provision for income taxes	**135**	151	**446**	420	**777**	678
Net earnings before extraordinary charges	**216**	241	**712**	663	**1,234**	1,110
Extraordinary charges from debt extinguishment, net of tax	**1**	9	**—**	13	**28**	37
Net earnings	**$ 215**	$ 232	**$ 712**	$ 650	**$ 1,206**	$ 1,073
Earnings before extraordinary charges	**$ .24**	$ .27	**$ .79**	$ .73	**$ 1.36**	$ 1.24
Extraordinary charges	**—**	(.01)	**—**	(.01)	**(.03)**	(.04)
Basic earnings per share	**$ .24**	$ .26	**$ .79**	$ .72	**$ 1.33**	$ 1.20
Earnings before extraordinary charges	**$ .24**	$ .26	**$ .78**	$ .71	**$ 1.34**	$ 1.18
Extraordinary charges	**—**	(.01)	**—**	(.01)	**(.03)**	(.04)
Diluted earnings per share	**$ .24**	$ .25	**$ .78**	$ .70	**$ 1.31**	$ 1.14
Dividends declared per common share	**$ .055**	$ .050	**$ .155**	$ .150	**$ .205**	$ .195
Weighted average common shares outstanding:						
Basic	**900.4**	878.6	**905.8**	881.9	**900.6**	882.0
Diluted	**907.8**	927.4	**914.7**	933.1	**917.6**	934.2

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION **TARGET CORPORATION**

(Millions)	**October 28, 2000**	January 29, 2000*	October 30, 1999
	(Unaudited)		(Unaudited)
Assets			
Cash and cash equivalents	**$ 370**	$ 220	$ 246
Retained securitized receivables	**1,708**	1,837	1,479
Inventory	**5,219**	3,798	4,757
Other	**626**	628	622
Total current assets	**7,923**	6,483	7,104
Property and equipment	**15,204**	13,824	13,641
Accumulated depreciation	**(4,247)**	(3,925)	(3,875)
Property and equipment, net	**10,957**	9,899	9,766
Other	**745**	761	752

Total assets	**$**	**19,625**	$	17,143	$	17,622
Liabilities and shareholders' investment						
Accounts payable	**$**	**3,974**	$	3,514	$	3,394
Current portion of long-term debt and notes payable		**2,276**		498		1,015
Other		**1,627**		1,838		1,561
Total current liabilities		**7,877**		5,850		5,970
Long-term debt		**4,846**		4,521		5,263
Deferred income taxes and other		**956**		910		884
Convertible preferred stock, net		**—**		—		3
Shareholders' investment		**5,946**		5,862		5,502
Total liabilities and shareholders' investment	**$**	**19,625**	$	17,143	$	17,622
Common shares outstanding		**895.7**		911.7		876.4

*

The January 29, 2000 Consolidated Statement of Financial Position is condensed from the audited financial statement.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS **TARGET CORPORATION**

(Millions)	Nine Months Ended			
(Unaudited)		**October 28, 2000**		October 30, 1999
Operating activities				
Net earnings	**$**	**712**	$	663
Reconciliation to cash flow:				
Depreciation and amortization		**693**		631
Deferred tax provision		**44**		76
Other non-cash items affecting earnings		**135**		88
Changes in operating accounts providing/(requiring) cash:				
Retained securitized receivables		**129**		177
Inventory		**(1,421)**		(1,282)
Other current assets		**(57)**		(56)
Other assets		**10**		(73)
Accounts payable		**460**		244
Accrued liabilities		**(66)**		(51)
Income taxes payable		**(150)**		(27)
Cash flow provided by operations		**489**		390
Investing activities				
Expenditures for property and equipment		**(1,770)**		(1,443)
Proceeds from disposals of property and equipment		**36**		40
Cash flow required by investing activities		**(1,734)**		(1,403)
Net financing requirements		**(1,245)**		(1,013)
Financing activities				
Increase in notes payable, net		**1,520**		1,578
Additions to long-term debt		**1,100**		285
Reductions of long-term debt		**(537)**		(312)
Dividends paid		**(141)**		(146)
Repurchase of stock		**(567)**		(435)
Other		**20**		34
Cash flow provided by financing activities		**1,395**		1,004
Net increase/(decrease) in cash and cash equivalents		**150**		(9)
Cash and cash equivalents at beginning of period		**220**		255

Cash and cash equivalents at end of period	**$ 370**	$ 246

Amounts in this statement are presented on a cash basis and therefore may differ from those shown elsewhere in this 10-Q report.

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TARGET CORPORATION

Accounting Policies

The accompanying consolidated financial statements should be read in conjunction with the financial statement disclosures contained in our 1999 Annual Shareholders' Report throughout pages 24-37. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In the opinion of management, all adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature.

Due to the seasonal nature of the retail industry, quarterly earnings are not necessarily indicative of the results that may be expected for the full fiscal year.

Per Share Data

On July 19, 2000, we distributed to shareholders of record as of June 30, 2000, one additional share of common stock for each share owned, resulting in a two-for-one common share split. All earnings per share, dividends per share and common shares outstanding reflect this share split.

References to earnings per share relate to diluted earnings per share.

	Basic EPS						Diluted EPS					
	Three Months Ended		Nine Months Ended		Twelve Months Ended		Three Months Ended		Nine Months Ended		Twelve Months Ended	
	Oct 28, 2000	Oct 30, 1999	**Oct 28, 2000**	Oct 30, 1999	**Oct 28, 2000**	Oct 30, 1999	**Oct 28, 2000**	Oct 30, 1999	**Oct 28, 2000**	Oct 30, 1999	**Oct 28, 2000**	Oct 30, 1999
Net earnings*	**$ 216**	$ 241	**$ 712**	$ 663	**$ 1,234**	$ 1,110	**$ 216**	$ 241	**$ 712**	$ 663	**$ 1,234**	$ 1,110
Less: ESOP net earnings adjustment	**—**	(5)	**—**	(14)	**(4)**	(18)	**—**	(1)	**—**	(3)	**(1)**	(4)
Adjusted net earnings*	**$ 216**	$ 236	**$ 712**	$ 649	**$ 1,230**	$ 1,092	**$ 216**	$ 240	**$ 712**	$ 660	**$ 1,233**	$ 1,106
Weighted average common shares outstanding	**900.4**	878.6	**905.8**	881.9	**900.6**	882.0	**900.4**	878.6	**905.8**	881.9	**900.6**	882.0
Performance shares	**—**	—	**—**	—	**—**	—	**—**	—	**—**	.2	**—**	.5
Stock options	**—**	—	**—**	—	**—**	—	**6.9**	10.1	**8.6**	11.6	**9.5**	11.8
Put options	**—**	—	**—**	—	**—**	—	**.5**	—	**.3**	—	**.2**	—
Assumed conversion of ESOP Preferred shares	**—**	—	**—**	—	**—**	—	**—**	38.7	**—**	39.4	**7.3**	39.9
Total common equivalent shares outstanding	**900.4**	878.6	**905.8**	881.9	**900.6**	882.0	**907.8**	927.4	**914.7**	933.1	**917.6**	934.2
Earnings per share*	**$ .24**	$ .27	**$ .79**	$ .73	**$ 1.36**	$ 1.24	**$ .24**	$ .26	**$ .78**	$ .71	**$ 1.34**	$ 1.18

* Before extraordinary charges

Share Repurchase Program

In March 2000, our Board of Directors authorized the repurchase of $1 billion of our common stock, in addition to the $1 billion authorized in January 1999. Repurchases are made primarily in open market transactions, subject to market conditions. Our program also includes the sale of put options that entitle the holder to sell shares of our common stock to us, on a specified date and at a specified price, if the holder exercises the option.

In the third quarter and first nine months of 2000, we repurchased 8.5 and 20.4 million shares of our common stock at a total cost of $219 million ($25.59 per share) and $574 million ($28.09 per share), respectively, net of the premiums from exercised and expired put options. The $9.1 and $22.8 million of premiums received from the sale of put options on 3.2 and 7.7 million shares during the third quarter and first nine months of 2000, respectively, were recorded in retained earnings. The put options on 5.0 million shares outstanding at the end of third quarter entitle their holders to sell shares of our common stock to us at prices ranging from $24.63 to $35.19 per share on specific dates in November 2000 through April 2001.

Since the inception of our share repurchase program, we have repurchased a total of 39.2 million shares of our common stock at a total cost of $1,161 million ($29.62 per share), net of the premium from exercised and expired put options.

Long-term Debt

Extinguishment

During the third quarter and year to date, we repurchased $11 and $29 million, respectively, of long-term debt both at a weighted average interest rate of approximately 10.0 percent. Also during the third quarter and year to date, $71 and $371 million, respectively, of puttable long-term debt was extinguished. These transactions resulted in a $1 million charge in the third quarter (less than $.01 per share) and had no impact on year to date results.

Issuance

During the third quarter we issued $600 million of long-term debt, bearing interest at 7.50 percent, due August 2010. During the first quarter we issued $500 million of long-term debt, bearing interest at 7.50 percent, due February 2005. Subsequent to third quarter 2000, we issued $200 million of additional notes bearing interest at a floating rate initially set at 6.82 percent, maturing in December 2002. Proceeds from these issuances were used for general corporate purposes.

Segment Disclosures (Millions)

Revenues by segment were as follows:

	Three Months Ended			Nine Months Ended		
	Oct 28, 2000	Oct 30, 1999	% Change	**Oct 28, 2000**	Oct 30, 1999	% Change
Target	**$ 6,721**	$ 6,083	10.5%	**$ 19,377**	$ 17,517	10.6%
Mervyn's	**1,005**	965	4.1	**2,836**	2,826	0.3
Department Stores	**739**	757	(2.4)	**2,067**	2,139	(3.4)
Other	**117**	122	(3.2)	**299**	290	3.3
Total	**$ 8,582**	$ 7,927	8.3%	**$ 24,579**	$ 22,772	7.9%

Pre-tax segment profit and the reconciliation to pre-tax earnings were as follows:

	Three Months Ended			Nine Months Ended		
	Oct 28, 2000	Oct 30, 1999	% Change	**Oct 28, 2000**	Oct 30, 1999	% Change
Target	**$ 386**	$ 411	(6.1)%	**$ 1,331**	$ 1,211	10.0%
Mervyn's	**60**	46	29.5	**161**	136	17.7
Department Stores	**47**	79	(41.5)	**111**	176	(37.1)
Total pre-tax segment profit	**493**	536	(8.3)	**1,603**	1,523	5.2
Securitization adjustment (interest equivalent)	**(13)**	(12)		**(37)**	(36)	
Interest expense	**(108)**	(102)		**(304)**	(294)	
Other	**(21)**	(30)		**(104)**	(110)	
Earnings before income taxes and extraordinary items	**$ 351**	$ 392	(10.6)%	**$ 1,158**	$ 1,083	6.9%

Analysis of Operations

Third quarter 2000 net earnings before extraordinary items were $216 million, or $.24 per share, compared with $241 million, or $.26 per share, for the same period last year. Net earnings before extraordinary charges for the first nine months of 2000 were $712 million, or $.78 per share, compared with $663 million, or $.71 per share, for the first nine months of 1999. The extraordinary items relate to the early extinguishment of debt and were a $1 million charge (less than $.01 per share), net of tax, in the third quarter of 2000, compared with a $9 million charge ($.01 per share), net of tax, and a $13 million charge ($.01 per share), net of tax, in the third quarter and first nine months of 1999.

Revenues and Comparable-Store Sales

Total revenues for the quarter increased 8.3 percent to $8,582 million compared with $7,927 million for the same period a year ago. Total comparable-store sales (sales from stores open longer than one year) increased 2.9 percent. Our revenue growth in the third quarter reflected Target's comparable-store sales growth and new store expansion.

Year-over-year changes in comparable-store sales by business segment were as follows:

	Three Months Percentage Change	Nine Months Percentage Change
Target	3.5%	3.8%
Mervyn's	3.9	0.5
Department Stores	(3.0)	(4.2)
Total	2.9%	2.6%

Gross Margin Rate

In the third quarter, our gross margin rate was unfavorable to last year, principally due to higher markdowns at both Target and Department Stores.

Operating Expense Rate

Our operating expense rate was also unfavorable, reflecting lack of sales leverage.

Pre-tax Segment Profit

Our third quarter pre-tax segment profit decreased 8 percent to $493 million compared with $536 million for the same period a year ago. Pre-tax segment profit in the first nine months of 2000 increased 5 percent to $1,603 million compared with $1,523 million for the same period a year ago. Pre-tax segment profit is earnings before LIFO, securitization effects, interest, other expense, and unusual items. In third quarter 2000 Target's pre-tax profit decreased 6 percent primarily due to the exceptional strength of last year's financial results during the same period, combined with the more difficult retail sales environment. Mervyn's pre-tax profit increased 30 percent, while the Department Stores' pre-tax profit decreased 42 percent.

Other Performance Factors

Our proprietary credit programs strategically support our core retail operations and are an integral component of each business segment. Therefore, credit contribution is reflected in each business segment's pre-tax profit. Net of all expenses, including bad debt expense, pre-tax contribution from our credit

operations for the third quarter increased over the prior year, principally due to continued growth of the Target Guest Card and improving trends in delinquencies and writeoffs.

Our Consolidated Results of Operations include reductions of finance charge revenue and bad debt expense related to sold securitized receivables. For analytical purposes, the amounts that represent payments to holders of our sold securitized receivables are included in our pre-tax earnings reconciliation in the Notes to Consolidated Financial Statements as "interest equivalent". The total of interest expense and interest equivalent was $121 million and $341 million in the third quarter and first nine months of 2000, representing a $7 million and $11 million increase, respectively, from last year. For the quarter and year to date, the increase was due to higher average funded balances.

The last-in, first-out (LIFO) provision, included in cost of retail sales, was zero for both third quarter 2000 and 1999. The cumulative LIFO provision was $53 million at October 28, 2000 and January 29, 2000, and $60 million at October 30, 1999.

The estimated annual effective income tax rate was 38.5 percent in the third quarter and first nine months of 2000, compared to 38.8 percent for the same periods last year.

Derivatives

From time to time we use interest rate swaps to hedge our exposure to interest rate risk. The fair value of the swaps is not reflected in the financial statements and any gain or loss recognized upon early termination is amortized over the life of the related debt obligation. The fair value of existing swaps is immaterial.

Financial Accounting Standards Board Statement (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138, is required to be adopted for fiscal years beginning after June 15, 2000. We have analyzed the impact of SFAS No. 133 on our existing and currently anticipated activities and do not believe the adoption of this new statement will have a material effect on our earnings or financial position.

Analysis of Financial Condition

Our financial condition remains strong. We continue to fund the growth in our business through a combination of internally generated funds, debt and sold securitized receivables.

Retained securitized receivables increased $229 million, or 15 percent, over last year reflecting continued growth of the Target Guest Card. Inventory increased $462 million, or 10 percent, over last year due to new store growth at Target and earlier receipt of seasonal product. The inventory growth was more than fully funded by a $580 million, or 17 percent, increase in accounts payable.

Capital expenditures for the first nine months of 2000 were $1,770 million, compared with $1,443 million for the same period a year ago. Investment in Target accounted for 88 percent of current year capital expenditures.

Our share repurchase program is described in the Notes to Consolidated Financial Statements. The reduction in shares outstanding and incremental interest expense related to the share repurchase program had an insignificant impact on earnings per share.

Store Data

During the quarter, we opened a total of 40 new Target stores, including four relocations. At October 28, 2000, our number of stores and retail square feet were as follows:

	Number of Stores			Retail Square Feet*		
	Oct 28, 2000	Jan 29, 2000	Oct 30, 1999	**Oct 28, 2000**	Jan 29, 2000	Oct 30, 1999
Target	**978**	912	914	**112,332**	102,945	102,859
Mervyn's	**267**	267	267	**21,628**	21,635	21,661
Department Stores	**64**	64	64	**14,175**	14,060	14,058
Total	**1,309**	1,243	1,245	**148,135**	138,640	138,578

*

In thousands, reflects total square feet, less office, warehouse and vacant space

Outlook for Fiscal Year 2000

In addition to gross margin changes within each segment, we expect our gross margin rate to decline slightly in the fourth quarter compared with fourth quarter last year, due to the business mix impact of growth at Target, our lowest gross margin rate division. Similarly, in addition to changes within each segment, we expect our operating expense rate to improve slightly compared with last year, as Target, our lowest expense rate division, continues to represent an increasing percentage of our overall business mix. We expect our growth in earnings per share (before extraordinary charges) in the fourth quarter and for the total year to be consistent with, or slightly better than, the 10% we have delivered year to date. We currently anticipate no extraordinary charges in the fourth quarter, although we do repurchase long-term debt from time to time in transactions which give rise to such charges (see "Long-term Debt").

Fourth quarter and total year results will include the effect of an additional week this year. This week is not expected to have a meaningful impact on earnings because the additional segment profit from sales will be essentially offset by additional interest expense.

We remain confident in our ability to deliver average annual earnings per share growth of 15 percent over time despite our outlook for lower double-digit growth in 2000.

Forward-Looking Statements

The preceding Management's Discussion and Analysis contains forward-looking statements regarding our performance, liquidity and the adequacy of our capital resources. Those statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. We caution that the forward-looking statements are qualified by the risks and challenges posed by increased competition, shifting consumer demand, changing consumer credit markets, changing capital markets and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, investing in new business strategies, achieving our growth objectives, and other risks and uncertainties. As a result, while we believe that there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. You are encouraged to review Exhibit (99)C attached to our Form 10-K Report for the year ended January 29, 2000, which contains additional important factors that may cause actual results to differ materially from those predicted in the forward-looking statements.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(2). Not applicable

(4). Instruments defining the rights of security holders, including indentures. Registrant agrees to furnish the Commission on request copies of instruments with respect to long-term debt.

(10) Not applicable

(11). Not applicable

(12). Statements re Computations of Ratios

(15). Not applicable

(18). Not applicable

(19). Not applicable

(22). Not applicable

(23). Not applicable

(24). Not applicable

(27). Financial Data Schedule

b) Reports on Form 8-K:

Form 8-K filed August 10, 2000, furnishing the form of the Indenture related to a public offering of $600,000,000 of 7.50% Notes due August 15, 2010.

Form 8-K filed August 31, 2000, providing the News Release relating to August sales results.

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: December 6, 2000

By: /s/ Douglas A. Scovanner

Douglas A. Scovanner
Executive Vice President, Finance,
Chief Financial Officer
and Chief Accounting Officer

Exhibit Index

(12). Statements re Computations of Ratios

(27). Financial Data Schedule

QuickLinks

TARGET CORPORATION
Computations of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Fixed Charges and Preferred Stock Dividends for the Nine Months Ended October 28, 2000 and October 30, 1999 and for the Five Years Ended January 29, 2000
(Millions of Dollars)

	Nine Months Ended		Fiscal Year Ended				
	Oct 28, 2000	Oct 30, 1999	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998	Feb. 1, 1997	Feb. 3, 1996
Ratio of Earnings to Fixed Charges:							
Earnings:							
Consolidated net earnings before extraordinary charges	**$ 712**	$ 663	$ 1,185	$ 962	$ 802	$ 474	$ 311
Income taxes	**446**	420	751	594	524	309	190
Total earnings before extraordinary charges	**1,158**	1,083	1,936	1,556	1,326	783	501
Fixed charges:							
Interest expense	**336**	309	415	421	437	464	461
Interest portion of rental expense	**51**	51	69	63	59	59	59
Total fixed charges	**387**	360	484	484	496	523	520
Less:							
Capitalized interest	**(22)**	(13)	(16)	(16)	(16)	(16)	(14)
Fixed charges in earnings	**365**	347	468	468	480	507	506
Earnings available for fixed charges	**$ 1,523**	$ 1,430	$ 2,404	$ 2,024	$ 1,806	$ 1,290	$ 1,007
Ratio of earnings before extraordinary charges to fixed charges	**3.93**	3.98	4.96	4.18	3.65	2.46	1.94
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends:							
Total fixed charges, as above	**$ 387**	$ 360	$ 484	$ 484	$ 496	$ 523	$ 520
Dividends on preferred stock (pre-tax basis)	**—**	22	29	32	35	37	37
Total fixed charges and preferred stock dividends	**387**	382	513	516	531	560	557
Earnings available for fixed charges and preferred stock dividends	**$ 1,523**	$ 1,430	$ 2,404	$ 2,024	$ 1,806	$ 1,290	$ 1,007
Ratio of earnings before extraordinary charges to fixed charges and preferred stock dividends	**3.93**	3.74	4.69	3.92	3.40	2.30	1.81

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TARGET CORPORATION'S FORM 10Q FOR THE THIRD QUARTER ENDED OCTOBER 28, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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OCT-28-2000
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