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OVERVIEW:

Co. updated about its plan to discontinue Canadian operations.

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Matthew Fassler *Goldman Sachs - Analyst*

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to today's conference call with Target Corporation.

(Operator Instructions)

As a reminder, this conference is being recorded, Thursday, January 15, 2015.

I would now like to turn the conference over to Mr. John Hulbert, Vice President Investor Relations. These go ahead, sir.

John Hulbert - *Target Corporation - VP of IR*

Thanks. Good morning, everyone, and thank you for joining us on today's conference call. On the line with me today are Brian Cornell, Chairman and Chief Executive Officer; and John Mulligan, Chief Financial Officer.

This morning Brian will provide his insights into our difficult decision to exit the Canadian market. Then John will provide more detail on the financial implications of this decision and close with an update on recent trends in our US business and our improved fourth-quarter outlook for US financial results. Following their remarks, we'll open the phone line for a question-and-answer session.

As a reminder, we're joined on this webcast and conference call by investors and others who are listening to our comments via webcast. Following this conference call, John and I will be available throughout the day to answer any follow-up questions you may have.

Also as a reminder, any forward-looking statements that we make today are subject to risks and uncertainties, the most important of which are described in our SEC filings.

Finally, in these remarks we refer to adjusted earnings per share which is a non-GAAP financial measure. Information about GAAP EPS is included in this morning's press release which is posted on our investor relations website.

With that, I'll turn it over to Brian for his comments on today's announcement. Brian?

Brian Cornell - *Target Corporation - Chairman & CEO*

Thanks, John, and good morning to all of you. John Mulligan and I plan to share some brief prepared remarks and spend the majority of our time answering your questions.

As I mentioned in this morning's press release, the decisions we're announcing today were not made lightly. In my career, I have participated in multiple turnarounds and I came to Target expecting to find an appropriate path that would allow us to continue operating in Canada. I believed that with the appropriate changes to our operations, assortment and pricing we'd have Target Canada on a path to profitability within the next few years and my strong preference was to develop a plan to fulfill that vision.

I realized the solution would not be simple or easy. Since I knew from my time at Pepsi that Target's entry into Canada had been very challenging, and that we had disappointed the high expectations of our Canadian guests. However, in my time here at Target, I've developed a better understanding of just how deeply our entry disappointed Canadian shoppers.

So in addition to operational questions regarding our ability to be in stock with the right assortment at the right prices, I came to understand that we needed to see meaningful improvement in the sentiment of Canadian shoppers which would translate into traffic and sales. We knew the holiday shopping season would serve as a key barometer of our progress.

We had undertaken a massive effort to ensure that we enter the season with in stocks at an all-time high. And we have added approximately 15,000 more items to our assortment compared with a year ago. In addition, we had implemented changes to our pricing to ensure both regular and promotional prices were appropriate in the markets across the country, and we had a compelling Canadian holiday marketing campaign.

I want to pause here and thank the Target Canada team who worked tirelessly to make sure these changes were in place. I am very proud of what they accomplished.

But the harsh reality is that both sales and profits continued to fall short of our expectations is holiday season. And we have not realized the significant improvement in Canadian consumer sentiment that we believe is necessary. Put simply, we have not seen the step change in performance we told you we needed to see.

Our assessment of Canadian operations, which began before I arrived last August, has included the exploration of multiple alternative operating scenarios including closing our worst performing stores and shrinking our footprint to allow us to operate with fewer distribution centers. In assessing these scenarios, we acknowledge that if we are going to continue operating in Canada we would need to invest additional capital in our supply chain and technology to make further operational improvements and enable Target to sell online in Canada.

This is because, just like in the US, we do not believe we could become a successful Canadian retailer without being a leading omnichannel retailer. Bottom line, given these needed investments and a lack of step change in performance, we are unable to map out a scenario which would allow Target Canada to generate positive profits or cash flow until at least 2021.

So with the expectation of more than five years of continued operating losses and the need for additional capital investment, we were facing the decision to devote billions of dollars of additional resources for the Canadian segment without the realistic prospect of an appropriate return on those incremental investments. So while the situation is regrettable, we believe the decision we have announced today is appropriate as responsible stewards of this Corporation's capital.

As stated in today's release, we've taken steps to ensure a fair and orderly process and we're making efforts to balance the needs of our team, our business partners and our shareholders throughout the process. For instance, within our application for protection under the CCAA, we've asked the court to approve a voluntary contribution by Target Corporation to fund an employee trust that would provide nearly all Target Canada-based employees with a minimum 16 weeks of compensation including those who are not required for the full wind down period.

This is a very difficult day for all of us at Target, but the Board and our leadership team strongly believe that the decision we've announced today is in the best long-term interest of our business and our shareholders. This decision will allows to focus on our US business where we're in the early stages of an effort to improve performance.

Looking ahead, we have much more to accomplish. We need to modernize Target by building capabilities and innovating faster, driving traffic and sales will focus on improving our return on invested capital. I believe these efforts in the US will succeed over the next few years given our strong brand, loyal guests and outstanding leadership team.

With today's difficult decision behind us, we can move forward with focused priorities and the appropriate resources to build on the early momentum we're seeing in our US performance. With that, I'll turn it over to John who will cover in more detail on the financial implications of today's announcement along with an update on our fourth-quarter outlook for the US business. John?

John Mulligan - *Target Corporation - CFO*

Thanks, Brian. Before I turn to our updated outlook for the US, I'm going to walk through some higher level financial implications of today's announcements. We have also provided additional detail in today's 8-K filing.

First, let's start with the accounting considerations. With today's announcement, Target Corporation no longer has controlling financial interest in Target Canada. Meaning that effective today, Target Canada is deconsolidated from Target Corporation's financial statements.

Specifically in the fourth quarter, results of Canadian operations along with Target Corporation's exit costs will be reported in discontinued operations. In addition, beyond the fourth quarter, Target Canada results will not be reported anywhere in Target Corporation's financial statements and any costs incurred by Target Corporation related to this decision will be reported within discontinued operations.

Finally, beginning with our fourth-quarter 2014 financial results, Target Corporation will operate as a single segment that includes all US operations. Today's 8-K includes pro forma financial statements reflecting these changes.

In the fourth quarter with the decisions we're announcing today, we expect to recognize approximately $5.4 billion of pretax losses in continued -- in discontinued operations. Driven primarily by the write down of the Corporation's investment in Target Canada. Along with the costs associated with exit or disposal activities and quarter-to-date Canadian segment operating losses prior to today's filings.

While these estimates represent the vast majority of the total expected pretax exit cost for the Corporation, we currently expect some additional cost in 2015 in a range around $275 million pretax. However, it is very important to note that the vast majority of our exit costs are non-cash. The cash cost of exit for Target Corporation are expected to be in the range of $500 million to $600 million, the majority of which will occur in FY15.

For perspective, these exit cost are comparable to a single year of the Canada's operating cash needs given current performance. Also, importantly, we have sufficient resources to accommodate these cash costs given cash on hand and the ongoing cash generation of our US operations.

Over the past 18 months many of you have spoken with me about the outsized impact the Canadian segment has had on our capital structure and our ability to return cash to shareholders. As we mentioned in the release this morning, the exit from Canada is expected to increase Target's earnings in FY15 and our cash flow beginning in 2016.

So while our credit metrics are not yet in a position to allow us to resume share repurchase, this announcement moves our metrics in the right direction and will allow Target to resume share repurchase much more quickly than if we had continued to operate in Canada. I want to pause here and reiterate our commitment to maintaining our current investment grade credit ratings, meaning we will continue to manage the timing and magnitude of any future repurchase activity with a goal of maintaining those ratings.

Before we concluded, I want to provide a little more color on our outlook for fourth-quarter performance of our US business. As we outlined in our third-quarter conference call, we saw very strong results in November which continued through the Black Friday weekend.

Consistent with our holiday season experience for more than a decade, we saw a lull in traffic and sales for the first three weeks of December. After which we saw a strong surge in traffic and sales in the days leading up to and after Christmas.

Combined with the benefit of robust digital sales, which we now expect to exceed 40% for the quarter, we're expecting to report fourth-quarter US comparable sales growth of around 3%, driven primarily by traffic growth and better than our prior guidance of about 2%. With these incremental sales, we're seeing better-than-expected profits as well. And we're now expecting adjusted EPS reflecting results from continuing operations of $1.43 to $1.47 which is about $0.06 higher than our expectations for the US segment performance at the beginning of the quarter.

We began 2014 with the daunting task of working to help our US business recover from the devastating impact of the data breach. A little more than a year later, it's clear that our US business has fully healed from those dark days. But that is not enough and we're not yet where we need to be in the US. With today's decisions we can focus all of our resources to go beyond healing the US business and continue our work to make it stronger.

As Brian mentioned, we have great assets in the US including a strong brand, great stores, loyal guests and an outstanding team. Over the next several years, we will build capabilities on top of that foundation to enable Target to become a leading omnichannel retailer and fully recapture our merchandising authority in signature categories.

With that we'll conclude today's prepared remarks. Now Brian and I will be happy to respond to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Matt Nemer.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

First I wanted to start with, it may be very preliminary, but do you have any sense for whether there could be some value in the Canada leases and leasehold improvements following the shutdown if you have any kind of a range for what kind of value might be there and attributable to Target?

John Mulligan - *Target Corporation - CFO*

We do believe that there is value in those leases and we will -- Target Canada will be in a process led by Lazard in about probably three weeks time to talk to those individuals who might have interest in those leases. I think it's important that those leases have now become the assets of the Target Canada estate and the value that is derived from the sale of those leases as well as other assets such as the distribution centers in Canada will be used to fund liabilities that the estate is going to incur.

I think overall when you step back and look at the big picture, the important thing is for Target Corporation we believe all in when all is said and done, we will have spent $500 million to $600 million of cash to exit the Target Canada business.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

Okay and then secondly, your comments -- given your comments about the lull in December it would seem that the current comp trend is above the 3% that you indicated. Just wondering if you can provide any comment on January comp trend? Thank you.

Brian Cornell - *Target Corporation - Chairman & CEO*

Yes Matt, as John described, we saw a very strong start to the holiday season. We're very pleased with our performance during the important Black Friday weekend. As we've now seen for multiple years, there was a slowdown in the first part of December but we were very pleased with the growth in traffic and sales leading up to Christmas and right after the Christmas holiday. And we've seen continued strength in our performance as we go into January.

So as I mentioned, we still have much work ahead of us in the US, but we're very pleased with the momentum and the progress we're making and we're certainly pleased with the traffic growth that we saw in our stores and the acceleration of our online business during the holiday season.

John Mulligan - *Target Corporation - CFO*

The one thing I would add Matt that we've talked about here, we've seen very strong digital channel results and importantly we know we went to free shipping during the holiday season. Post the holiday season, we've gone back to our standard shipping offer which is free shipping above $50 and we've continued to see our digital sales accelerate. So we've been really pleased with the performance in our digital channels throughout the whole season.

Operator

Scott Mushkin.

Scott Mushkin - *Wolfe Research - Analyst*

It was a good decision, I know it's a tough one. I think you guys handled it in the press release really well and it's good to see. But I guess what I wanted to poke at a little bit as we go forward now that this decision has been made, how should we think of the growth rates in the US business, it seems like international we're refocusing on the US. Do think there's a lot of opportunity for you here to reinvigorate the growth in the US business?

Brian Cornell - *Target Corporation - Chairman & CEO*

Well Scott, that's certainly our principal focus and when we gather in March, on March 3, we'll take you and others through our plans to drive growth and accelerate our performance in the US. Now as I have mentioned multiple times now, as we think about our priorities and our strategies for the US, we think we've had a significant opportunity. And John mentioned what we've seen during the holidays to continue to accelerate our in-store performance, complement that with a great mobile and online experience and really make sure that we then meet the needs of the target guests in the US no matter where or when they shop.

So we'll continue to make sure we're building out our online business but providing our guests with a great in-store experience. And that's all about making sure we continue to increase traffic growth in our stores and accelerate the clicks online. So we're very focused on that. We think our prioritization of signature categories like apparel and home, baby and kids will allow us to continue to unlock growth as we meet the needs of our guests.

We're very excited about the work that we've started from a localization and personalization standpoint. We'll spend a lot more time in March talking about the progress and our plans there. And we're going to continue to accelerate the expansion of City Target, we've announced plans to move into Boston and to Brooklyn in 2015. And we'll continue to test and expand our Target Express format.

So we think we have plans in place that will allow us to continue to accelerate growth and improve our performance in the US. And we're also very focused on making sure that from a cost management standpoint we continue to look for areas of opportunity so that we can find the fuel to invest in growing our top line and increasing traffic to our stores and to our site.

Now I am very bullish about the future prospects for our business in the US, but we also recognize we've got a lot of work in front of us over the next two or three years and this difficult decision in Canada, Scott, allows us to focus all of our energy on strengthening and executing our plans in the US.

Scott Mushkin - *Wolfe Research - Analyst*

That's perfect, if I could follow up and then I'll yield, any thoughts on the food category? We had a report out talking about that and we think that's really important to the traffic. Clearly you come from that side Brian, maybe you want to give us any previews, should we think about hearing more about what you're going to do with food as we get to the Analyst Day?

Brian Cornell - *Target Corporation - Chairman & CEO*

Well Scott we also think it is a very important category, an important traffic driver for us. We're spending a lot of time right now reshaping our strategy for the food category, we'll talk about that in March. And really looking at ways to further differentiate our offering in the food category and meet the needs of our Target guest as they shop our entire box but as they shop our food categories. So more to come in March.

But we agree, it's a very important category and it clearly is very important to driving traffic and it's important to our guest. So in March we'll talk with the next steps to make sure that we do get our food category on track and leverage growth and traffic from the food categories.

Operator

Wayne Hood.

Wayne Hood - *BMO Capital Markets - Analyst*

I just wanted to ask, you talked about continuing to modernize Target over the next couple of years and John has talked about Brian prior to you being there that the US CapEx would approximate $2.3 billion. I'm wondering as you think that modernization and what you need, does that change the $2.3 billion or is it pretty steady state as you mix out the CapEx number?

Brian Cornell - *Target Corporation - Chairman & CEO*

Wayne, I would think about CapEx in a steady state fashion going forward. We think we have the appropriate amount of capital in our plans to modernize our proposition, to continue to build out our online capabilities, to build the capabilities we need for personalization and localization and to evolve and build those signature categories. So I think John and I would tell you steady state as you think about CapEx and we're going to make sure that as we go forward we're directing that CapEx to build the capabilities and resources that drive growth but also deliver the best return on that invested capital.

Wayne Hood - *BMO Capital Markets - Analyst*

Okay and then my last question relates to cost out opportunity. You've had some time now to see whether there might be opportunity over and above what they talked about prior to your arrival, so where are you coming out as further cost out above let's say the $900 million annualized that was talked about before you arrived?

Brian Cornell - *Target Corporation - Chairman & CEO*

Wayne, I'm going to ask for your patience on that front. It is something that we will address in great detail when we get together in March. We have been very focused on looking at cost savings opportunities, how to make sure that we built the agility in the organization that allows us to move at a faster pace and bring the right innovation to the business. And we'll come back and John and I will take you through a very detailed review of our plans to make sure that we're managing cost efficiently in the years to come.

Operator

Greg Melich.

Greg Melich - *Evercore ISI - Analyst*

A couple questions, John you mentioned an additional $275 million of costs that could be likely in 2015 on top of the charge, are those cash costs and what would those be? Is that -- help us understand that a little bit more.

John Mulligan - *Target Corporation - CFO*

Yes, it'll in general probably be a little bit of a mix next year. Some of it is things that are more expense as incurred, things like fees for advisors, et cetera, that will come and that won't be insignificant I would tell you.

But other things are there's -- as we go through the process, some of the expenses aren't [knowable] at this point in the process. There's potentially, and we've included it here to be on the side of conservatism, some potential additional impairments. We'll also update as we go through the process the liabilities we've recorded today. So we wanted to give you very much and all in view of everything that is potential out there. And we feel pretty good that we've done that.

Relative to the cash, I think the $500 million to $600 million that's why there's a range there but we feel good that is also absolutely and all in view of that we think the Corporations' cash exposure is as we move throughout the process. And we'll obviously update this as we go along.

Greg Melich - *Evercore ISI - Analyst*

Of course. And so I understand a little bit better on the balance sheet side and buyback and how the rating agencies are looking at it, you're current debt to EBITDA is what like 2.7 something like that, this -- when this is all done will you be under 2? And what do they want from you guys?

John Mulligan - *Target Corporation - CFO*

Yes, on the current rating or the current -- where we currently were was right around 2.7 as of last quarter. What we've talked to them about is being under 2 and this likely gets us into a place of 1.9 or so. And again we need to let the dust settle here a little bit. And I think that's important too, we want to ensure that we can provide a little bit more clarity that as we are thinking about the plan going forward here and the cash that the

Corporation will need to use to wind down Target Canada that we have a good line of sight to that and the plan is going to unfold exactly as we expected.

Greg Melich - *Evercore ISI - Analyst*

Great, and then one for Brian, that given how well the digital business seemed to do, the 40%, if I remember correctly last year that also did okay, was less impacted by the breach. So any updates in terms of what percentage of your business, how much of it was converted in the store and how that's trended into the new year would be helpful.

Brian Cornell - *Target Corporation - Chairman & CEO*

Greg, I think you pointed out we put good numbers on top of good numbers last year. So we certainly feel very good about the digital acceleration. And we also felt good about the fact that not only were we able to leverage our free shipping to accelerate growth, we leveraged our stores very effectively and I've talked earlier about the fact that we expanded our ship from store program during the holidays. That was a very important driver of our program, and we feel very good about how the ship from store will complement our overall online offering. And our guest took advantage of shopping online and picking up at store particularly as we got very close to the Christmas Eve period.

So all three of those levers are working quite well for us. And we see the opportunity to continue to build and further the relationship with the guest allowing them to shop in store and have a great experience, provide them the convenience of shopping online and picking up in store, and then sweating our assets and using our stores as flexible fulfillment centers and meeting the needs of our guests from our existing store base. So that's working well. It's still a very small part of our business but as we go forward, we think this is going to be a very important part of our overall growth program.

Greg Melich - *Evercore ISI - Analyst*

Is it fair to say that online could have been half the comp in the fourth quarter?

Brian Cornell - *Target Corporation - Chairman & CEO*

Not quite half the comp but it will have as we think about our 3% comp, it's going to have a meaningful impact on the overall growth. And right now, Greg, I would think about 1% of the comp coming from the acceleration of our online business. So an important contributor to our growth rates during the holiday period and as John mentioned continuing in January.

Operator

Matthew Fassler.

Matthew Fassler - *Goldman Sachs - Analyst*

My first question relates to thinking about the cadence of sales in the fourth quarter relative to the timing of the breach. I know that you'd indicated last year that your holiday had actually gone reasonably well until the reality of the breach surfaced and was made public. So I could ask it in terms of multi year stacks or in terms of how the acceleration of your business tracked that compares to a year ago, but what have you seen in terms of the cadence with or without thinking about the impact of the breach from a year ago?

John Mulligan - *Target Corporation - CFO*

Sure, hi, Matt. I think certainly as we got further into the breach and where we are now it becomes difficult to disaggregate what went on or what's driving the business. What I would tell you is the cleanest view we have is of November where it's -- we had a very strong November last your, we had a very healthy November this year. So I guess in simple words we comped the comp and felt really good about that.

And as Brian mentioned, we feel really good about where January is today and there was a lot going on last January. There was the breach, we had weather, but even as we look at what some of those potential impacts were last year, we feel good about the underlying strength of the business as it stands today. And importantly as we said, the digital business never really experienced an impact related to the breach and we've seen strong results in the digital business all season long and that continues into January.

Matthew Fassler - *Goldman Sachs - Analyst*

Thanks for that. And then a couple of brief of follow ups as we think about the financial implications to Target Inc. from the Canadian exit. First of all just to make sure I understand that you dealt with this in Greg's question, as we think about your leverage ratios now should we be using Target Inc. balance sheet and ignoring from an (inaudible) basis the impact of Canada just thinking about what you have for continuing ops?

John Mulligan - *Target Corporation - CFO*

That's right and the one thing I would remind because this has come up a few times today already, a reminder is that as those leases come off, there's $1.2 billion of debt that comes off our balance sheet with it and that's certainly in the pro forma statement, but that's an important piece not to miss.

Matthew Fassler - *Goldman Sachs - Analyst*

Got it. And then finally in terms of thinking about the cash cost to you, that $500 million, $600 million, that is the sum total of adjustments that we need to make to the cash balance as we look at the net debt number as we look out to the end of 2015.

John Mulligan - *Target Corporation - CFO*

Yes, I think that's right.

Operator

Peter Benedict.

Peter Benedict - *Robert W. Baird & Company, Inc. - Analyst*

Traffic and average ticket, sounds like the traffic was good here in the fourth quarter. Was average ticket up as you're seeing it and maybe talk about the difference in average ticket that you see when you get something online versus a transaction in the store. Thank you.

John Mulligan - *Target Corporation - CFO*

We'll give you the traffic and ticket stuff like we usually do when we release the results in February. But I can tell you we're pleased with traffic, traffic was the primary driver here of the comp for the quarter so we feel really good about that. And I'm sorry, Peter, what was the second half of your question?

Peter Benedict - *Robert W. Baird & Company, Inc. - Analyst*

On how does the average ticket profile differ online versus in stores, is it materially different?

John Mulligan - *Target Corporation - CFO*

Yes it is. It's roughly about two times the average ticket we see in the stores. Now I will tell you the ticket drifts down a little bit during the holidays online but it's still roughly double what we see in the rest of the store. So materially different, yes.

Peter Benedict - *Robert W. Baird & Company, Inc. - Analyst*

That's good, thank you. And then the last one be on the promotional tone in the quarter versus your expectation because clearly the comps were a little better than what you guys had, the profits were a little bit better, trying to understand, was that a gross margin dynamic or was it more on the expense side?

Brian Cornell - *Target Corporation - Chairman & CEO*

Peter, I think it was a very competitive holiday season. Now one of the things that we feel very good about and we'll talk much more about in February during the earnings call is the mix of our business during the holidays. And I think you're seeing that flow into the updated EPS guidance we provided today.

But we feel very good about the mix and the performance in categories like apparel and home and the strength that we showed throughout the holidays and into January in those very important signature categories. So an aggressive promotional period but we feel very good about the mix of our business, how we performed and that certainly translating into improved EPS for the quarter.

Operator

Robby Ohmes.

Robby Ohmes - *BofA Merrill Lynch - Analyst*

A quick question, Brian and John, could you comment on now that you pre announced the fourth quarter, I get to a US operating margin in the 7%-ish type range. Can you talk about what the barriers are to getting that up to more historical levels either for the fourth quarter and/or for the year? Thanks.

John Mulligan - *Target Corporation - CFO*

Sure, I'll start and clearly Brian will jump in. Our view of the EBIT margin rates probably for the US segment a little bit higher than 7%. I think there is work to do to continue to go back towards where we were historically. But one of these things again that we want to lay out for you guys in March is, what is the long-term earnings potential here as we think about there's a lot of puts and takes. The digital business growing faster, our ability to improve the profitability of the digital business using things like store fulfillment and store shipping, store pick up, all those that help us balance inventories. But that is the view we want to provide you in March and we'll go through this in quite a bit of detail.

As Brian mentioned earlier, some of the strategies will have a significant impact to that when you think about these signature categories that in general are very positive mix which we saw in the fourth quarter. So again this is one where bear with us a little bit and we'll provide a lot more detail about what the algorithm looks like going forward and what we think the long-term potential is for profit rates.

Brian Cornell - *Target Corporation - Chairman & CEO*

So as John mentioned, we'll spend a lot more time in March talking about this. But you should certainly expect us to continue to focus on the elevation and the acceleration of those signature categories which play a very important role in improving our overall gross margin mix. We'll clearly be looking to leverage technology as an enabler to drive greater efficiency in our business. And as I mentioned earlier, we'll go through in great detail our focus on improving our cost management throughout the organization. So those three elements will certainly allow us to enhance the margins that you're seeing today.

Operator

Michael Lasser.

Michael Lasser - *UBS - Analyst*

First on the corporate and supply chain resources that were dedicated within the Target enterprise to Canada, can you frame how extensive that was? And now what will be the benefit from repurposing and refocusing those resources back on a domestic business? And then I have a follow up.

John Mulligan - *Target Corporation - CFO*

Sure, all of the resources within the US -- within -- that sat in US headquarters that were dedicated to Target Canada, those expenses resided within the Target Canada P&L. And so we would expect those expenses to be wound down just as all the other expenses in Target Canada. So there won't be any benefit to the US business as a result of that.

Michael Lasser - *UBS - Analyst*

Okay my second question is obviously you're taking swift and decisive action with your asset base in a particular region that wasn't going to achieve a suitable profit at any time soon. So what does this suggest about your willingness to do something similar in the US with stores that may or may not be achieving suitable hurdle rates?

Brian Cornell - *Target Corporation - Chairman & CEO*

Michael, I think you know that we evaluate our store base on an ongoing basis. We did announce actually earlier or towards the end of 2014, the closure of several stores. And we'll continue to make sure that we evaluate our asset base on a regular basis. And as with most good retailers, we'll make some adjustments to our store base and you'll see us open new stores and certainly look at select closures.

Michael Lasser - *UBS - Analyst*

Okay, so Brian do you think that's a big opportunity or is it more just pruning the portfolio overtime?

Brian Cornell - *Target Corporation - Chairman & CEO*

I think it's very surgical, very selective and as you saw this last period, 9, 10, 11 stores were closed, a relatively small number. And I would expect those surgical changes to continue going forward. But no significant opportunity.

Operator

Chris Horvers.

Chris Horvers - *JPMorgan - Analyst*

So on the buyback, what needs to happen for you to restart the buyback? Is it just having clarity on what any curve balls coming out of Canada, is it getting through fourth quarter in peak working capital time?

Brian Cornell - *Target Corporation - Chairman & CEO*

Less so about peak working capital, we -- that's not an issue for us. It is more about getting -- we have a plan in Canada, we certainly shared that with the agencies, had those discussions, we feel good about the plan we have in place. The exposure for the Corporation, is certainly very, very manageable from our perspective. And as I said the reduction in debt, the increase in EBITDA for the Corporation improves our metrics.

We just need a little bit of time here and let the dust settle in Canada and show that things are playing out as we envisioned and that there's not other potential liabilities sitting out there for the Corporation. We don't believe there are any but letting that settle a little bit. And then with the US business performing well, which we believe it is, we'd be in a position to start buying back shares.

Chris Horvers - *JPMorgan - Analyst*

Yes, and then so now that you're back down to 1.9 we can start to think about whatever your EBITDA growth is compounding back to the balance sheet through leverage?

Brian Cornell - *Target Corporation - Chairman & CEO*

Yes, that's the plan. That's how we think about it.

Operator

Simeon Gutman.

Simeon Gutman - *Morgan Stanley - Analyst*

One follow up for John, the $500 million to $600 million in cash cost, are you expecting that there will be some positive cash that comes against that or there's none that's built in that today and that could be a surprise to it?

John Mulligan - *Target Corporation - CFO*

That's our net expectation. We have built in a very small recovery as the largest creditor to Target Canada. But that would be not a meaningful portion of that $500 million to $600 million. So that is an all in pretty good estimate that we think that's where we'll land when all -- when everything is all said and done.

Simeon Gutman - *Morgan Stanley - Analyst*

And 2015 will bear the brunt of it if not all of it such that there shouldn't be any more ongoing cost or liability past the 2015, meaning nothing into 2016?

John Mulligan - *Target Corporation - CFO*

That's our expectation is certainly anything in 2016 we wouldn't expect to be material.

Simeon Gutman - *Morgan Stanley - Analyst*

Okay and then one for Brian, and this was asked in a couple of ways and I'm expecting to hear that we're going to get more color in March. But as you think about investments in the US, which we've mentioned a few times the modernization, et cetera, has your thought process changed all since you joined up until now as you see the big business progress through the holiday season?

Brian Cornell - *Target Corporation - Chairman & CEO*

Again I don't think there's been any major changes from what we've talked about over the last couple of quarters. I think we're very focused on the five priorities that John and I have been talking about and I think you're going to continue to hear us talk about that for several years to come.

So we're very committed to building out an omnichannel relationship with our guests. We're going to continue to focus on elevating those very important signature categories that our guests have told us are most important to them. We'll continue to place the resources and build the capabilities to advance our localization and personalization efforts. You'll see us deploy capital around the expansion of smaller formats like City Target and Target Express.

And we're certainly going to be looking at cost savings opportunities that we can reinvest in igniting growth and improving our return on invested capital. So the focus that we have been placing behind those initiatives will only be strengthened now as we place all of our resources against accelerating and building momentum in the US.

John Hulbert - *Target Corporation - VP of IR*

Okay we have time for one more question.

Operator

Oliver Chen.

Steven Zaccone - *Cowen and Company - Analyst*

This is Steven Zaccone on for Oliver Chen at Cowen. In terms of the signature categories, where do you think you expect to have the quickest impact beginning in 2015?

Brian Cornell - *Target Corporation - Chairman & CEO*

Well I talked about -- I gave you some color around our performance in the fourth quarter and I'm very pleased with the progress and the performance we saw in apparel and home during the fourth quarter, the continued strength that we have in baby and wellness. I think you're going to see us continue to elevate that focus as we go into 2015. The teams are working right now to make sure we have products that are on trend, we bring the right innovation to those categories, we continue to make sure that we elevate the in store experience.

And when we get together in March, we'll take you through our plans to enhance and elevate each one of those important signature categories. So there's work going on in each and everyone today. Some are further ahead than others, but when we get together in March, we'll walk you through Steven our plans to elevate and accelerate our performance behind each one of those signature categories.

So I think we'll wrap up the call today and certainly appreciate you joining us. This has been a -- obviously a very tough, avery difficult decision for us but we absolutely believe it's the right decision for Target, the right decision for our business and the right decision for our shareholders.

We've given you some color on our US performance in the fourth quarter. We'll be back on February 25 during earnings to give you even more insight into the performance drivers. And then we're looking forward to seeing each of you in March when we walk through our plans for the future and we'll provide much greater insight and color around the strategies that are going to continue to drive the future performance of the Target Corporation.

So appreciate your time and your support today, been a difficult day for the Company, a difficult day for me personally, but we made the right decision for the business and our shareholders and I certainly appreciate the support that you've given us. So thank you.

Operator

Thank you. This does conclude today's conference call and you may now disconnect.
