UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2020

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

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0833 per share	**TGT**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of registrant's classes of common stock, as of the latest practicable date. Total shares of common stock, par value $0.0833, outstanding at November 20, 2020 were 500,773,141.

TARGET CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
(millions, except per share data) (unaudited)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Sales	$ 22,336	$ 18,414	$ 64,403	$ 53,997
Other revenue	296	251	819	716
Total revenue	22,632	18,665	65,222	54,713
Cost of sales	15,509	12,935	45,692	37,808
Selling, general and administrative expenses	4,647	4,153	13,167	11,728
Depreciation and amortization (exclusive of depreciation included in cost of sales)	541	575	1,660	1,717
Operating income	1,935	1,002	4,703	3,460
Net interest expense	632	113	871	359
Net other (income) / expense	5	(12)	16	(38)
Earnings from continuing operations before income taxes	1,298	901	3,816	3,139
Provision for income taxes	284	195	828	703
Net earnings from continuing operations	1,014	706	2,988	2,436
Discontinued operations, net of tax	—	8	—	11
Net earnings	$ 1,014	$ 714	$ 2,988	$ 2,447
Basic earnings per share				
Continuing operations	$ 2.02	$ 1.38	$ 5.97	$ 4.75
Discontinued operations	—	0.02	—	0.02
Net earnings per share	$ 2.02	$ 1.40	$ 5.97	$ 4.77
Diluted earnings per share				
Continuing operations	$ 2.01	$ 1.37	$ 5.91	$ 4.71
Discontinued operations	—	0.02	—	0.02
Net earnings per share	$ 2.01	$ 1.39	$ 5.91	$ 4.74
Weighted average common shares outstanding				
Basic	500.6	509.7	500.6	512.5
Diluted	505.4	514.8	505.2	516.8
Antidilutive shares	—	—	—	—

Note: Per share amounts may not foot due to rounding.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(millions) (unaudited)	Three Months Ended October 31, 2020	Three Months Ended November 2, 2019	Nine Months Ended October 31, 2020	Nine Months Ended November 2, 2019
Net earnings	$ 1,014	$ 714	$ 2,988	$ 2,447
Other comprehensive income				
Pension, net of tax	22	10	66	30
Currency translation adjustment and cash flow hedges, net of tax	14	(1)	5	2
Other comprehensive income	36	9	71	32
Comprehensive income	$ 1,050	$ 723	$ 3,059	$ 2,479

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Financial Position

(millions, except footnotes) (unaudited)	October 31, 2020	February 1, 2020	November 2, 2019
Assets			
Cash and cash equivalents	$ 5,996	$ 2,577	$ 969
Inventory	12,712	8,992	11,396
Other current assets	1,601	1,333	1,440
Total current assets	20,309	12,902	13,805
Property and equipment			
Land	6,063	6,036	6,040
Buildings and improvements	31,398	30,603	30,467
Fixtures and equipment	5,843	6,083	6,032
Computer hardware and software	2,706	2,692	2,636
Construction-in-progress	518	533	298
Accumulated depreciation	(19,755)	(19,664)	(19,089)
Property and equipment, net	26,773	26,283	26,384
Operating lease assets	2,208	2,236	2,151
Other noncurrent assets	1,371	1,358	1,401
Total assets	$ 50,661	$ 42,779	$ 43,741
Liabilities and shareholders' investment			
Accounts payable	$ 14,203	$ 9,920	$ 11,258
Accrued and other current liabilities	5,023	4,406	4,191
Current portion of long-term debt and other borrowings	131	161	1,159
Total current liabilities	19,357	14,487	16,608
Long-term debt and other borrowings	12,490	11,338	10,513
Noncurrent operating lease liabilities	2,196	2,275	2,208
Deferred income taxes	1,171	1,122	1,215
Other noncurrent liabilities	2,128	1,724	1,652
Total noncurrent liabilities	17,985	16,459	15,588
Shareholders' investment			
Common stock	42	42	42
Additional paid-in capital	6,285	6,226	6,006
Retained earnings	7,789	6,433	6,270
Accumulated other comprehensive loss	(797)	(868)	(773)
Total shareholders' investment	13,319	11,833	11,545
Total liabilities and shareholders' investment	$ 50,661	$ 42,779	$ 43,741

Common Stock Authorized 6,000,000,000 shares, $0.0833 par value; 500,754,729, 504,198,962 and 506,677,740 shares issued and outstanding as of October 31, 2020, February 1, 2020, and November 2, 2019, respectively.

Preferred Stock Authorized 5,000,000 shares, $0.01 par value; no shares were issued or outstanding during any period presented.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(millions) (unaudited)	Nine Months Ended October 31, 2020	Nine Months Ended November 2, 2019
Operating activities		
Net earnings	$ 2,988	$ 2,447
Earnings from discontinued operations, net of tax	—	11
Net earnings from continuing operations	2,988	2,436
Adjustments to reconcile net earnings to cash provided by operations		
Depreciation and amortization	1,848	1,905
Share-based compensation expense	161	116
Deferred income taxes	26	235
Loss on debt extinguishment	512	—
Noncash losses / (gains) and other, net	124	6
Changes in operating accounts		
Inventory	(3,720)	(1,899)
Other assets	(174)	(10)
Accounts payable	4,287	1,473
Accrued and other liabilities	992	(121)
Cash provided by operating activities—continuing operations	7,044	4,141
Cash provided by operating activities—discontinued operations	—	18
Cash provided by operations	7,044	4,159
Investing activities		
Expenditures for property and equipment	(2,009)	(2,403)
Proceeds from disposal of property and equipment	27	29
Other investments	(3)	14
Cash required for investing activities	(1,985)	(2,360)
Financing activities		
Additions to long-term debt	2,480	994
Reductions of long-term debt	(2,395)	(1,041)
Dividends paid	(1,002)	(995)
Repurchase of stock	(741)	(959)
Accelerated share repurchase pending final settlement	—	(450)
Stock option exercises	18	65
Cash required for financing activities	(1,640)	(2,386)
Net increase in cash and cash equivalents	3,419	(587)
Cash and cash equivalents at beginning of period	2,577	1,556
Cash and cash equivalents at end of period	**$ 5,996**	**$ 969**
Supplemental information		
Leased assets obtained in exchange for new finance lease liabilities	$ 344	$ 301
Leased assets obtained in exchange for new operating lease liabilities	186	334

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Investment

(millions) (unaudited)	Common Stock Shares		Stock Par Value		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive (Loss) / Income		Total
February 2, 2019	517.8	$	43	$	6,042	$	6,017	$	(805)	$	11,297
Net earnings	—		—		—		795		—		795
Other comprehensive income	—		—		—		—		13		13
Dividends declared	—		—		—		(330)		—		(330)
Repurchase of stock	(3.6)		—		—		(277)		—		(277)
Accelerated share repurchase pending final settlement	(3.0)		—		(153)		(247)		—		(400)
Stock options and awards	1.1		—		19		—		—		19
May 4, 2019	512.3	$	43	$	5,908	$	5,958	$	(792)	$	11,117
Net earnings	—		—		—		938		—		938
Other comprehensive income	—		—		—		—		10		10
Dividends declared	—		—		—		(341)		—		(341)
Repurchase of stock	(1.3)		—		153		(94)		—		59
Stock options and awards	0.3		—		53		—		—		53
August 3, 2019	511.3	$	43	$	6,114	$	6,461	$	(782)	$	11,836
Net earnings	—		—		—		714		—		714
Other comprehensive income	—		—		—		—		9		9
Dividends declared	—		—		—		(338)		—		(338)
Repurchase of stock	(3.0)		(1)		—		(295)		—		(296)
Accelerated share repurchase pending final settlement	(2.5)		—		(178)		(272)		—		(450)
Stock options and awards	0.9		—		70		—		—		70
November 2, 2019	506.7	$	42	$	6,006	$	6,270	$	(773)	$	11,545
Net earnings	—		—		—		834		—		834
Other comprehensive loss	—		—		—		—		(95)		(95)
Dividends declared	—		—		—		(336)		—		(336)
Repurchase of stock	(2.6)		—		178		(335)		—		(157)
Stock options and awards	0.1		—		42		—		—		42
February 1, 2020	504.2	$	42	$	6,226	$	6,433	$	(868)	$	11,833

Consolidated Statements of Shareholders' Investment

(millions) (unaudited)	Common Stock Shares		Stock Par Value		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive (Loss) / Income		Total
February 1, 2020	504.2	$	42	$	6,226	$	6,433	$	(868)	$	11,833
Net earnings	—		—		—		284		—		284
Other comprehensive income	—		—		—		—		14		14
Dividends declared	—		—		—		(333)		—		(333)
Repurchase of stock	(5.7)		—		—		(609)		—		(609)
Stock options and awards	1.4		—		(20)		—		—		(20)
May 2, 2020	499.9	$	42	$	6,206	$	5,775	$	(854)	$	11,169
Net earnings	—		—		—		1,690		—		1,690
Other comprehensive income	—		—		—		—		21		21
Dividends declared	—		—		—		(344)		—		(344)
Stock options and awards	0.4		—		42		—		—		42
August 1, 2020	500.3	$	42	$	6,248	$	7,121	$	(833)	$	12,578
Net earnings	—		—		—		1,014		—		1,014
Other comprehensive income	—		—		—		—		36		36
Dividends declared	—		—		—		(346)		—		(346)
Stock options and awards	0.5		—		37		—		—		37
October 31, 2020	500.8	$	42	$	6,285	$	7,789	$	(797)	$	13,319

We declared $0.68 and $0.66 dividends per share for the three months ended October 31, 2020, and November 2, 2019, respectively, and $2.62 per share for the fiscal year ended February 1, 2020.

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements (unaudited)

1. Accounting Policies

These unaudited condensed consolidated financial statements are prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) applicable to interim financial statements. While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by United States (U.S.) generally accepted accounting principles (U.S. GAAP) for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the financial statement disclosures in our 2019 Form 10-K.

We use the same accounting policies in preparing quarterly and annual financial statements. Unless otherwise noted, amounts presented within the Notes to Consolidated Financial Statements refer to our continuing operations.

We operate as a single segment that includes all of our continuing operations, which are designed to enable guests to purchase products seamlessly in stores or through our digital channels. Nearly all of our revenues are generated in the U.S. The vast majority of our long-lived assets are located within the U.S.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings, and cash flows are not necessarily indicative of the results that may be expected for the full year.

2. Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and on March 13, 2020, the United States declared a national emergency. States and cities have taken various measures in response to COVID-19, including mandating the closure of certain businesses and encouraging or requiring citizens to avoid large gatherings. To date, virtually all of our stores, digital channels, and distribution centers have remained open.

Throughout the nine months ended October 31, 2020, guest shopping patterns changed significantly and unpredictably in reaction to the COVID-19 pandemic. Four of our five core merchandise categories have experienced significant sales growth throughout the year; however, sales of Apparel and Accessories declined significantly in the first quarter before rebounding in the second and third quarters. Note 3 provides sales by category. In response to these changes, we have taken many actions, including accelerating purchases of certain merchandise in our core categories and slowing or canceling certain purchase orders, primarily for Apparel and Accessories. As a result of these actions, during the first quarter of 2020, we recorded $216 million of purchase order cancellation fees in Cost of Sales.

3. Revenues

General merchandise sales represent the vast majority of our revenues. We also earn revenues from a variety of other sources, most notably credit card profit sharing income from our arrangement with TD Bank Group (TD).

Revenues	Three Months Ended		Nine Months Ended	
(millions)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Apparel and accessories [a]	$ 3,927	$ 3,564	$ 10,630	$ 10,510
Beauty and household essentials [b]	6,103	5,125	18,172	15,172
Food and beverage [c]	4,397	3,717	13,158	10,899
Hardlines [d]	3,377	2,460	9,959	7,348
Home furnishings and décor [e]	4,506	3,527	12,395	9,985
Other	26	21	89	83
Sales	22,336	18,414	64,403	53,997
Credit card profit sharing	164	177	488	505
Other	132	74	331	211
Other revenue	296	251	819	716
Total revenue	$ 22,632	$ 18,665	$ 65,222	$ 54,713

(a) Includes apparel for women, men, boys, girls, toddlers, infants and newborns, as well as jewelry, accessories, and shoes.
(b) Includes beauty and personal care, baby gear, cleaning, paper products, and pet supplies.
(c) Includes dry grocery, dairy, frozen food, beverages, candy, snacks, deli, bakery, meat, produce, and food service in our stores.
(d) Includes electronics (including video game hardware and software), toys, entertainment, sporting goods, and luggage.
(e) Includes furniture, lighting, storage, kitchenware, small appliances, home décor, bed and bath, home improvement, school/office supplies, greeting cards and party supplies, and other seasonal merchandise.

Merchandise sales – We record almost all retail store revenues at the point of sale. Digitally originated sales may include shipping revenue and are recorded upon delivery to the guest or upon guest pickup at the store. Sales are recognized net of expected returns, which we estimate using historical return patterns and our expectation of future returns. As of October 31, 2020, February 1, 2020, and November 2, 2019, the accrual for estimated returns was $182 million, $117 million, and $137 million, respectively.

Revenue from Target gift card sales is recognized upon gift card redemption, which is typically within one year of issuance.

Gift Card Liability Activity (millions)	February 1, 2020	Gift Cards Issued During Current Period But Not Redeemed [b]	Revenue Recognized From Beginning Liability	October 31, 2020
Gift card liability [a]	$ 935	$ 372	$ (549)	$ 758

(a) Included in Accrued and Other Current Liabilities.
(b) Net of estimated breakage.

Credit card profit sharing – We receive payments under a credit card program agreement with TD. Under the agreement, we receive a percentage of the profits generated by the Target Credit Card and Target MasterCard receivables in exchange for performing account servicing and primary marketing functions. TD underwrites, funds, and owns Target Credit Card and Target MasterCard receivables, controls risk management policies, and oversees regulatory compliance.

4. Fair Value Measurements

Fair value measurements are reported in one of three levels reflecting the valuation techniques used to determine fair value.

Fair Value Measurements - Recurring Basis			Fair Value at		
(millions)	Classification	Pricing Category	October 31, 2020	February 1, 2020	November 2, 2019
Assets					
Short-term investments	Cash and Cash Equivalents	Level 1	$ 5,089	$ 1,810	$ 163
Prepaid forward contracts	Other Current Assets	Level 1	32	23	24
Equity securities [(a)]	Other Current Assets	Level 1	19	39	80
Interest rate swaps	Other Noncurrent Assets	Level 2	205	137	122
Liabilities					
Interest rate swaps	Other Noncurrent Liabilities	Level 2	3	—	—

(a) Represents our investment in Casper Sleep Inc. common stock.

Significant Financial Instruments Not Measured at Fair Value [(a)]	October 31, 2020		February 1, 2020		November 2, 2019	
(millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion [(b)]	$ 10,641	$ 12,787	$ 9,992	$ 11,864	$ 10,246	$ 11,870

(a) The carrying amounts of certain other current assets, commercial paper, accounts payable, and certain accrued and other current liabilities approximate fair value due to their short-term nature.
(b) The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for the same or similar types of financial instruments and would be classified as Level 2. These amounts exclude commercial paper, unamortized swap valuation adjustments, and lease liabilities.

5. Property and Equipment

We review long-lived assets for impairment when store performance expectations, events, or changes in circumstances—such as a decision to relocate or close a store or distribution center, discontinue projects, or make significant software changes—indicate that the asset's carrying value may not be recoverable. We recognized impairment charges of $2 million and $62 million during the three and nine months ended October 31, 2020, respectively. We recognized impairment charges of $7 million and $21 million during the three and nine months ended November 2, 2019, respectively. These impairment charges are included in Selling, General and Administrative Expenses (SG&A).

6. Commercial Paper and Long-Term Debt

In March 2020, we issued unsecured fixed rate debt of $1.5 billion at 2.250 percent that matures in April 2025 and $1.0 billion at 2.650 percent that matures in September 2030. In October 2020, we repurchased $1.77 billion of debt before its maturity at a market value of $2.25 billion. We recognized a loss on early retirement of $512 million, which was recorded in Net Interest Expense.

We obtain short-term financing from time to time under our commercial paper program. No balances were outstanding at any time during the nine months ended October 31, 2020. For the nine months ended November 2, 2019, the maximum amount outstanding was $744 million, and the average daily amount outstanding was $55 million at a weighted average annual interest rate of 2.4 percent, with no balance outstanding as of November 2, 2019.

In April 2020, we obtained a committed $900 million 364-day unsecured revolving credit facility. This new facility was in addition to our $2.5 billion unsecured revolving credit facility that expires in October 2023. We terminated the 364-day facility in November 2020. No balances were outstanding under either credit facility at any time during 2020 or 2019.

7. Derivative Financial Instruments

Our derivative instruments consist of interest rate swaps used to mitigate interest rate risk. As a result, we have counterparty credit exposure to large global financial institutions, which we monitor on an ongoing basis. Note 4 to the Consolidated Financial Statements provides the fair value and classification of these instruments.

As of October 31, 2020, and November 2, 2019, we were party to interest rate swaps with notional amounts totaling $1.5 billion. We pay a variable rate and receive a fixed rate under each of these agreements. All of the agreements are designated as fair value hedges, and all were perfectly effective during the three and nine months ended October 31, 2020, and November 2, 2019.

As of October 31, 2020, we were party to forward-starting interest rate swaps with notional amounts totaling $250 million to hedge the interest rate exposure of anticipated future debt issuances. We designated these derivative financial instruments as cash flow hedges. We assess, both at inception and on an ongoing basis, whether the derivative financial instrument is highly effective in offsetting changes in cash flows of the hedged item and whether it is probable that the hedged forecasted transaction will occur. As of October 31, 2020, a $1 million loss was recorded in Accumulated Other Comprehensive Loss and will be reclassified to Net Interest Expense when the forecasted transaction affects earnings.

Effect of Hedges on Debt (millions)	October 31, 2020	February 1, 2020	November 2, 2019
Long-term debt and other borrowings			
Carrying amount of hedged debt	$ 1,696	$ 1,630	$ 1,614
Cumulative hedging adjustments, included in carrying amount	203	137	122

Effect of Hedges on Net Interest Expense	Three Months Ended		Nine Months Ended	
(millions)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Gain (loss) on fair value hedges recognized in Net Interest Expense				
Interest rate swap designated as fair value hedges	$ (36)	$ 14	$ 66	$ 115
Hedged debt	36	(14)	(66)	(115)
Total	$ —	$ —	$ —	$ —

8. Share Repurchase

We periodically repurchase shares of our common stock under a board-authorized repurchase program through a combination of open market transactions, accelerated share repurchase (ASR) arrangements, and other privately negotiated transactions with financial institutions.

Share Repurchase Activity	Three Months Ended		Nine Months Ended	
(millions, except per share data)	October 31, 2020	November 2, 2019 [(a)]	October 31, 2020	November 2, 2019 [(a)]
Number of shares purchased	—	3.0	5.7	10.8
Average price paid per share	$ —	$ 99.25	$ 107.58	$ 84.28
Total investment	$ —	$ 294	$ 609	$ 912

(a) This table excludes activity related to the ASR arrangement described below because final settlement had not occurred as of November 2, 2019.

During the third quarter of 2019, we entered into an ASR arrangement to repurchase $300 to $450 million of our common stock. Under the agreement, we paid $450 million and received an initial delivery of 2.5 million shares, which were retired, resulting in a $272 million reduction to Retained Earnings. As of November 2, 2019, $178 million was included as a reduction to Additional Paid-in Capital. Upon final settlement in the fourth quarter of 2019, we received an additional 0.2 million shares, which were retired, and $127 million for the remaining amount not settled in shares. In total, we repurchased 2.7 million shares under the ASR arrangement for a total cash investment of $323 million ($117.64 per share).

9. Pension Benefits

We provide pension plan benefits to eligible team members.

Net Pension Benefits Expense		Three Months Ended		Nine Months Ended	
(millions)	Classification	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Service cost benefits earned	SG&A Expenses	$ 25	$ 23	$ 76	$ 69
Interest cost on projected benefit obligation	Net Other (Income) / Expense	30	37	89	111
Expected return on assets	Net Other (Income) / Expense	(61)	(62)	(182)	(186)
Amortization of losses	Net Other (Income) / Expense	32	16	96	47
Amortization of prior service cost	Net Other (Income) / Expense	(3)	(3)	(9)	(8)
Settlement charges	Net Other (Income) / Expense	1	—	1	—
Total		$ 24	$ 11	$ 71	$ 33

10. Accumulated Other Comprehensive Loss

Change in Accumulated Other Comprehensive Loss				
(millions)	Cash Flow Hedges	Currency Translation Adjustment	Pension	Total
February 1, 2020	$ (12)	$ (19)	$ (837)	$ (868)
Other comprehensive loss before reclassifications, net of tax	(1)	—	—	(1)
Amounts reclassified from AOCI, net of tax	6	—	66	72
October 31, 2020	$ (7)	$ (19)	$ (771)	$ (797)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Summary

Third quarter 2020 includes the following notable items:

- GAAP diluted earnings per share were $2.01.
- Adjusted diluted earnings per share were $2.79.
- Total revenue increased 21.3 percent, driven by an increase in comparable sales.
- Comparable sales increased 20.7 percent, driven by a 15.6 percent increase in average transaction amount.
    - Comparable store sales grew 9.9 percent.
    - Digital channel sales increased 155 percent, contributing 10.9 percentage points to comparable sales growth.
- Operating income of $1.9 billion was 93.1 percent higher than the comparable prior-year period.
- We repurchased $1.77 billion of debt before its maturity at a market value of $2.25 billion, resulting in a loss of $512 million.

Sales were $22.3 billion for the three months ended October 31, 2020, an increase of $3.9 billion, or 21.3 percent, from the same period in the prior year. Operating cash flow provided by continuing operations was $7.0 billion for the nine months ended October 31, 2020, an increase of $2.9 billion, or 70.1 percent, from $4.1 billion for the nine months ended November 2, 2019.

Earnings Per Share from Continuing Operations	Three Months Ended			Nine Months Ended		
	October 31, 2020	November 2, 2019	Change	October 31, 2020	November 2, 2019	Change
GAAP diluted earnings per share	$ 2.01	$ 1.37	46.3 %	$ 5.91	$ 4.71	25.5 %
Adjustments	0.78	(0.01)		0.83	(0.01)	
Adjusted diluted earnings per share	$ 2.79	$ 1.36	105.1 %	$ 6.75	$ 4.70	43.5 %

Note: Amounts may not foot due to rounding. Adjusted diluted earnings per share from continuing operations (Adjusted EPS), a non-GAAP metric, excludes the impact of certain items. Management believes that Adjusted EPS is useful in providing period-to-period comparisons of the results of our continuing operations. A reconciliation of non-GAAP financial measures to GAAP measures is provided on page 19.

We report after-tax return on invested capital (ROIC) from continuing operations because we believe ROIC provides a meaningful measure of our capital-allocation effectiveness over time. For the trailing twelve months ended October 31, 2020, after-tax ROIC was 19.9 percent, compared with 15.0 percent for the trailing twelve months ended November 2, 2019. The calculation of ROIC is provided on page 21.

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and on March 13, 2020, the United States declared a national emergency. The rapid development and fluidity of this situation limits our ability to predict the ultimate impact of COVID-19 on our business, financial condition and financial performance, which could be material. States and cities have taken various measures in response to COVID-19, including mandating the closure of certain businesses and encouraging or requiring citizens to avoid large gatherings. We have implemented numerous safety measures to protect our guests and team members — such as mandating face masks for all team members and guests in our stores, more rigorous cleaning processes, providing disposable face masks, gloves and thermometers for team members, installing distancing markers, limiting guest levels within our stores, and installing partitions at all stores. To date, virtually all of our stores, digital channels, and distribution centers have remained open.

As the pandemic has evolved, we have experienced unusually strong sales, as guests rely on Target for essential items like food, medicine, cleaning products, and household stock-up items, as well as merchandise associated with guests spending more time at home. Underlying this trend, we saw significant volatility in our sales mix, including both category sales mix and the mix of sales in our stores and digital channels, including same-day fulfillment options.

- During the first quarter, comparable sales increased 10.8 percent, reflecting a 0.9 percent increase in store originated comparable sales and a 141 percent increase in digitally originated comparable sales. The quarter began with strength across our multi-category portfolio, followed by a shift to strong comparable sales growth in our Food and Beverage and Beauty and Household Essentials core merchandising categories and significant comparable sales declines in Apparel and Accessories. Comparable sales in Apparel and Accessories recovered notably beginning mid-April.
- During the second quarter, comparable sales increased 24.3 percent, reflecting a 10.9 percent increase in store originated comparable sales and a 195 percent increase in digitally originated comparable sales. Comparable sales growth was strong across our multi-category portfolio, with slightly higher growth in lower-margin categories.
- During the third quarter, comparable sales increased 20.7 percent, reflecting a 9.9 percent increase in store originated comparable sales and a 155 percent increase in digitally originated comparable sales. Comparable sales growth strength continued across our multi-category portfolio, with slightly higher growth in lower-margin categories.

For the nine months ended October 31, 2020, gross margin has been negatively impacted by changes in both our category and channel sales mix, as well as actions that we have taken to allow us to better fulfill guest demand for essentials. Additionally, gross margin reflects the portion of investments in pay and benefits classified within Cost of Sales. Exceptionally low clearance and promotional markdown rates partially offset these pressures.

Our SG&A expenses include significant incremental costs related to investments in pay and benefits for store team members, the spikes in merchandise volume in stores and the supply chain, incremental safety and cleaning supplies, and the impact of additional team member hours dedicated to more rigorous cleaning routines in our facilities. From an SG&A expense rate perspective, these incremental costs were more than offset by cost leverage resulting from exceptionally strong sales growth.

To support our team and minimize potential disruptions in their work to serve our guests, we have modified our plans for some of our strategic initiatives, including our previously announced remodel program. We have completed approximately 130 remodels in 2020, down from the previous expectation of approximately 300. Similarly, we opened 29 new small format stores in 2020, rather than the 36 previously announced.

During the first quarter 2020, we issued $2.5 billion of 5-year and 10-year notes in an effort to increase our cash on hand. Additionally, we entered into a $900 million 364-day credit facility, increasing our total undrawn committed credit facilities to $3.4 billion. Our operating performance during the second and third quarters of 2020 and current financial position allowed us to repurchase $1.77 billion of debt before its maturity at a market value of $2.25 billion in October 2020 and terminate the 364-day credit facility in November 2020. Note 6 to the Consolidated Financial Statements and the Liquidity and Capital Resources section provide additional information.

Analysis of Results of Operations

Summary of Operating Income	Three Months Ended			Nine Months Ended		
(dollars in millions)	October 31, 2020	November 2, 2019	Change	October 31, 2020	November 2, 2019	Change
Sales	$ 22,336	$ 18,414	21.3 %	$ 64,403	$ 53,997	19.3 %
Other revenue	296	251	18.1	819	716	14.3
Total revenue	22,632	18,665	21.3	65,222	54,713	19.2
Cost of sales	15,509	12,935	19.9	45,692	37,808	20.9
Selling, general and administrative expenses	4,647	4,153	11.9	13,167	11,728	12.3
Depreciation and amortization (exclusive of depreciation included in cost of sales)	541	575	(5.8)	1,660	1,717	(3.3)
Operating income	$ 1,935	$ 1,002	93.1 %	$ 4,703	$ 3,460	35.9 %

Rate Analysis	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Gross margin rate	30.6 %	29.8 %	29.1 %	30.0 %
SG&A expense rate	20.5	22.3	20.2	21.4
Depreciation and amortization (exclusive of depreciation included in cost of sales) expense rate	2.4	3.1	2.5	3.1
Operating income margin rate	8.5	5.4	7.2	6.3

Note: Gross margin rate is calculated as gross margin (sales less cost of sales) divided by sales. All other rates are calculated by dividing the applicable amount by total revenue.

Sales

Sales include all merchandise sales, net of expected returns, and our estimate of gift card breakage. We use comparable sales to evaluate the performance of our stores and digital channel sales by measuring the change in sales for a period over the comparable, prior-year period of equivalent length. Comparable sales include all sales, except sales from stores open less than 13 months, digital acquisitions we have owned less than 13 months, stores that have been closed, and digital acquisitions that we no longer operate. Comparable sales measures vary across the retail industry. As a result, our comparable sales calculation is not necessarily comparable to similarly titled measures reported by other companies. Digitally originated sales include all sales initiated through mobile applications and our websites. Our stores fulfill the majority of digitally originated sales, including shipment from stores to guests, store Order Pick Up or Drive Up, and delivery via our wholly owned subsidiary, Shipt. Digitally originated sales may also be fulfilled through our distribution centers, our vendors, or other third parties.

Sales growth – from both comparable sales and new stores – represents an important driver of our long-term profitability. We expect that comparable sales growth will drive the majority of our total sales growth. We believe that our ability to successfully differentiate our guests' shopping experience through a careful combination of merchandise assortment, price, convenience, guest experience, and other factors will over the long-term drive both increasing shopping frequency (traffic) and the amount spent each visit (average transaction amount).

The increase in sales during the three and nine months ended October 31, 2020, is due to a comparable sales increase of 20.7 percent and 18.7 percent, respectively, and the contribution from new stores.

Comparable Sales	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Comparable sales change	20.7 %	4.5 %	18.7 %	4.2 %
Drivers of change in comparable sales				
Number of transactions	4.5	3.1	2.6	3.3
Average transaction amount	15.6	1.4	15.7	0.9

Contribution to Comparable Sales Change	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Stores originated channel comparable sales change	9.9 %	2.8 %	7.3 %	2.3 %
Contribution from digitally originated sales	10.9	1.7	11.4	1.9
Total comparable sales change	20.7 %	4.5 %	18.7 %	4.2 %

Note: Amounts may not foot due to rounding.

Sales by Channel	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Stores originated	84.3 %	92.5 %	83.9 %	92.7 %
Digitally originated	15.7	7.5	16.1	7.3
Total	100 %	100 %	100 %	100 %

Sales by Product Category	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Apparel and accessories	18 %	20 %	17 %	19 %
Beauty and household essentials	27	28	28	28
Food and beverage	20	20	20	20
Hardlines	15	13	16	14
Home furnishings and décor	20	19	19	19
Total	100 %	100 %	100 %	100 %

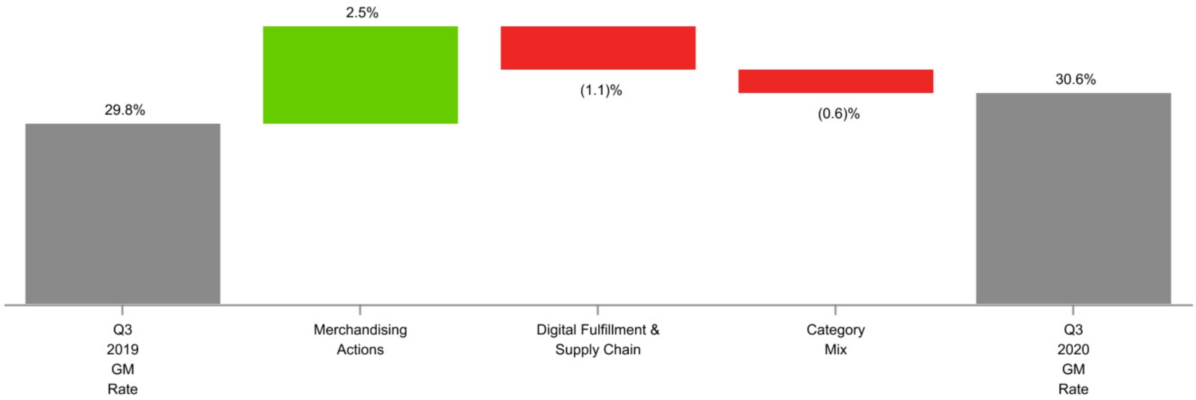
The collective interaction of a broad array of macroeconomic, competitive, and consumer behavioral factors, as well as sales mix, and transfer of sales to new stores makes further analysis of sales metrics infeasible. As previously discussed, we believe that COVID-19 has had a significant impact on the mix of sales amongst our sales channels and categories.

We monitor the percentage of purchases that are paid for using RedCards (RedCard Penetration) because our internal analysis has indicated that a meaningful portion of the incremental purchases on RedCards are also incremental sales for Target. Guests receive a 5 percent discount on virtually all purchases when they use a RedCard at Target.

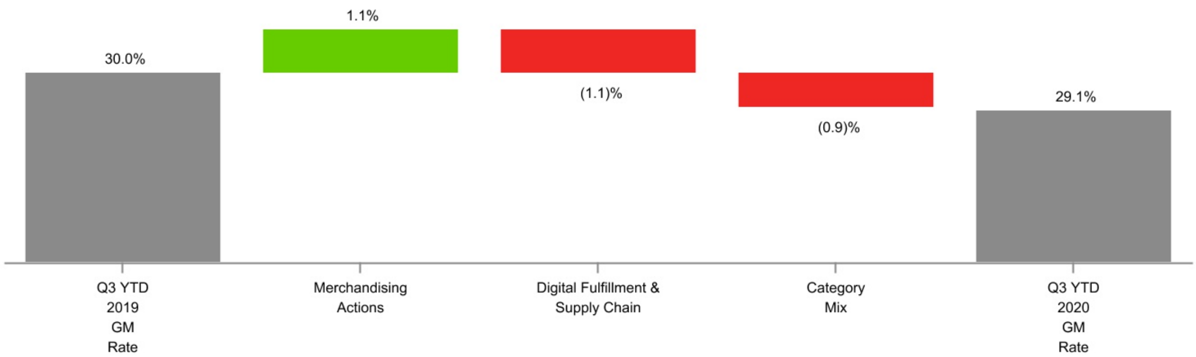
RedCard Penetration	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Target Debit Card	12.2 %	12.5 %	12.2 %	12.7 %
Target Credit Cards	9.3	10.7	9.2	10.6
Total RedCard Penetration	21.5 %	23.1 %	21.4 %	23.3 %

Note: Amounts may not foot due to rounding.

Gross Margin Rate



For the three months ended October 31, 2020, our gross margin rate was 30.6 percent compared with 29.8 percent in the comparable period last year. This increase reflected the net impact of merchandising actions, most notably the benefit of exceptionally low clearance and promotional markdown rates. The increase was partially offset by increased digital fulfillment and supply chain costs (stemming from unusually strong growth in digital volume and higher pay and benefit costs classified within Cost of Sales) and the impact of category sales mix, as sales growth was strongest in lower-margin categories.



For the nine months ended October 31, 2020, our gross margin rate was 29.1 percent compared with 30.0 percent in the comparable period last year. This decrease reflected increased digital fulfillment and supply chain costs (stemming from unusually strong growth in digital volume combined with the impact of higher pay and benefit costs classified within Cost of Sales) and the impact of category sales mix, as sales growth was strongest in lower-margin categories. The decrease was partially offset by the net impact of merchandising actions, most notably the benefit of exceptionally low clearance and promotional markdown rates.

Selling, General, and Administrative Expense Rate

For the three and nine months ended October 31, 2020, our SG&A expense rate was 20.5 percent and 20.2 percent, respectively, compared with 22.3 percent and 21.4 percent, respectively, in the comparable periods last year. Incremental team member pay and benefits and investments to protect the health and safety of guests represented approximately $300 million of the $494 million increase in SG&A expenses for the three months ended October 31, 2020, and approximately $900 million of the $1.4 billion increase for the nine months ended October 31, 2020, compared with the prior year periods. From a rate perspective, these increased costs were more than offset by leverage resulting from strong revenue growth.

Store Data

Change in Number of Stores	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Beginning store count	1,871	1,853	1,868	1,844
Opened	27	9	30	20
Closed	(1)	—	(1)	(2)
Ending store count	1,897	1,862	1,897	1,862

Number of Stores and Retail Square Feet	Number of Stores			Retail Square Feet [(a)]		
	October 31, 2020	February 1, 2020	November 2, 2019	October 31, 2020	February 1, 2020	November 2, 2019
170,000 or more sq. ft.	273	272	272	48,798	48,619	48,619
50,000 to 169,999 sq. ft.	1,509	1,505	1,504	189,508	189,227	189,164
49,999 or less sq. ft.	115	91	86	3,342	2,670	2,475
Total	1,897	1,868	1,862	241,648	240,516	240,258

(a) In thousands, reflects total square feet less office, distribution center, and vacant space.

Other Performance Factors

Net Interest Expense

Net interest expense was $632 million and $871 million for the three and nine months ended October 31, 2020, respectively, and $113 million and $359 million for the three and nine months ended November 2, 2019, respectively. Net interest expense for the three and nine months ended October 31, 2020, increased primarily due to a loss on early retirement of debt of $512 million.

Provision for Income Taxes

Our effective income tax rate from continuing operations for the three and nine months ended October 31, 2020, was 21.9 percent and 21.7 percent, respectively, compared with 21.7 percent and 22.4 percent, respectively, for the comparable periods last year. The effective tax rate for the nine months ended October 31, 2020, reflects a larger rate benefit from discrete items, primarily related to share-based payments, compared with the prior year.

Reconciliation of Non-GAAP Financial Measures to GAAP Measures

To provide additional transparency, we have disclosed non-GAAP adjusted diluted earnings per share from continuing operations (Adjusted EPS). This metric excludes certain items presented below. We believe this information is useful in providing period-to-period comparisons of the results of our continuing operations. This measure is not in accordance with, or an alternative to, generally accepted accounting principles in the U.S. (GAAP). The most comparable GAAP measure is diluted earnings per share from continuing operations. Adjusted EPS should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate Adjusted EPS differently, limiting the usefulness of the measure for comparisons with other companies.

Reconciliation of Non-GAAP Adjusted EPS	Three Months Ended					
	October 31, 2020			November 2, 2019		
(millions, except per share data)	Pretax	Net of Tax	Per Share Amounts	Pretax	Net of Tax	Per Share Amounts
GAAP diluted earnings per share from continuing operations			$ 2.01			$ 1.37
Adjustments						
Loss on debt extinguishment	$ 512	$ 379	$ 0.75	$ —	$ —	$ —
Loss on investment [(a)]	8	9	0.02	—	—	—
Other [(b)]	8	6	0.01	(9)	(6)	(0.01)
Adjusted diluted earnings per share from continuing operations			$ 2.79			$ 1.36

Reconciliation of Non-GAAP Adjusted EPS	Nine Months Ended					
	October 31, 2020			November 2, 2019		
(millions, except per share data)	Pretax	Net of Tax	Per Share Amounts	Pretax	Net of Tax	Per Share Amounts
GAAP diluted earnings per share from continuing operations			$ 5.91			$ 4.71
Adjustments						
Loss on debt extinguishment	$ 512	$ 379	$ 0.75	$ —	$ —	$ —
Loss on investment [(a)]	19	18	0.03	—	—	—
Other [(b)]	33	24	0.05	(9)	(6)	(0.01)
Adjusted diluted earnings per share from continuing operations			$ 6.75			$ 4.70

Note: Amounts may not foot due to rounding.

(a) Includes an unrealized loss on our investment in Casper Sleep Inc., which is not core to our continuing operations.

(b) For 2020, includes store damage and inventory losses related to civil unrest. For 2019, represents an insurance recovery related to the 2013 data breach.

Earnings from continuing operations before interest expense and income taxes (EBIT) and earnings from continuing operations before interest expense, income taxes, depreciation, and amortization (EBITDA) are non-GAAP financial measures. We believe these measures provide meaningful information about our operational efficiency compared with our competitors by excluding the impact of differences in tax jurisdictions and structures, debt levels, and for EBITDA, capital investment. These measures are not in accordance with, or an alternative to, GAAP. The most comparable GAAP measure is net earnings from continuing operations. EBIT and EBITDA should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate EBIT and EBITDA differently, limiting the usefulness of the measures for comparisons with other companies.

EBIT and EBITDA	Three Months Ended			Nine Months Ended		
(dollars in millions) (unaudited)	October 31, 2020	November 2, 2019	Change	October 31, 2020	November 2, 2019	Change
Net earnings from continuing operations	$ 1,014	$ 706	43.6 %	$ 2,988	$ 2,436	22.6 %
+ Provision for income taxes	284	195	45.7	828	703	17.8
+ Net interest expense	632	113	457.7	871	359	142.6
EBIT	$ 1,930	$ 1,014	90.2 %	$ 4,687	$ 3,498	34.0 %
+ Total depreciation and amortization [(a)]	603	637	(5.1)	1,848	1,905	(2.9)
EBITDA	$ 2,533	$ 1,651	53.5 %	$ 6,535	$ 5,403	21.0 %

(a) Represents total depreciation and amortization, including amounts classified within Depreciation and Amortization and within Cost of Sales.

We have also disclosed after-tax ROIC, which is a ratio based on GAAP information, with the exception of the add-back of operating lease interest to operating income. We believe this metric is useful in assessing the effectiveness of our capital allocation over time. Other companies may calculate ROIC differently, limiting the usefulness of the measure for comparisons with other companies.

After-Tax Return on Invested Capital
(dollars in millions)

	Trailing Twelve Months	
Numerator	October 31, 2020	November 2, 2019
Operating income	$ 5,901	$ 4,577
+ Net other income / (expense)	(46)	45
EBIT	5,855	4,622
+ Operating lease interest [(a)]	87	86
- Income taxes [(b)]	1,277	1,043
Net operating profit after taxes	**$ 4,665**	**$ 3,665**

Denominator	October 31, 2020	November 2, 2019	November 3, 2018
Current portion of long-term debt and other borrowings	$ 131	$ 1,159	$ 1,535
+ Noncurrent portion of long-term debt	12,490	10,513	10,104
+ Shareholders' investment	13,319	11,545	11,080
+ Operating lease liabilities [(c)]	2,400	2,390	2,208
- Cash and cash equivalents	5,996	969	825
Invested capital	$ 22,344	$ 24,638	$ 24,102
Average invested capital [(d)]	**$ 23,491**	**$ 24,369**	
After-tax return on invested capital	**19.9 %**	**15.0 %**	

(a) Represents the add-back to operating income driven by the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as finance leases. Calculated using the discount rate for each lease and recorded as a component of rent expense within SG&A Expenses. Operating lease interest is added back to operating income in the ROIC calculation to control for differences in capital structure between us and our competitors.

(b) Calculated using the effective tax rates for continuing operations, which were 21.5 percent and 22.1 percent for the trailing twelve months ended October 31, 2020, and November 2, 2019, respectively. For the trailing twelve months ended October 31, 2020, and November 2, 2019, includes tax effect of $1.3 billion and $1.0 billion, respectively, related to EBIT, and $19 million and $19 million, respectively, related to operating lease interest.

(c) Total short-term and long-term operating lease liabilities included within Accrued and Other Current Liabilities and Noncurrent Operating Lease Liabilities.

(d) Average based on the invested capital at the end of the current period and the invested capital at the end of the comparable prior period.

Analysis of Financial Condition

Liquidity and Capital Resources

Capital Allocation

We follow a disciplined and balanced approach to capital allocation based on the following priorities, ranked in order of importance: first, we fully invest in opportunities to profitably grow our business, create sustainable long-term value, and maintain our current operations and assets; second, we maintain a competitive quarterly dividend and seek to grow it annually; and finally, we return any excess cash to shareholders by repurchasing shares within the limits of our credit rating goals.

We believe our sources of liquidity will continue to be adequate to maintain operations, finance anticipated expansion and strategic initiatives, fund debt maturities, and pay dividends. In response to COVID-19, we suspended our share repurchase program in March 2020. In November 2020, we lifted the share repurchase suspension and announced that we expect to resume share repurchases in 2021. We continue to anticipate ample access to commercial paper and long-term financing.

Our cash and cash equivalents balance was $6.0 billion, $2.6 billion, and $1.0 billion as of October 31, 2020, February 1, 2020, and November 2, 2019, respectively. Our cash and cash equivalents balance includes short-term investments of $5.1 billion, $1.8 billion, and $163 million as of October 31, 2020, February 1, 2020, and November 2, 2019, respectively. Our investment policy is designed to preserve principal and liquidity of our short-term investments. This policy allows investments in large money market funds or in highly rated direct short-term instruments that mature in 60 days or less. We also place dollar limits on our investments in individual funds or instruments.

Operating Cash Flows

Operating cash flow provided by continuing operations was $7.0 billion for the nine months ended October 31, 2020, compared with $4.1 billion for the nine months ended November 2, 2019. The increase reflects stronger operating performance combined with higher payables leverage during the nine months ended October 31, 2020, due to increased inventory turnover driven by strong sales, compared with the nine months ended November 2, 2019. Additionally, operating cash flows for the nine months ended October 31, 2020, reflect increased payroll-related liabilities, including the deferral of employer social security tax payments.

Inventory

Inventory was $12.7 billion as of October 31, 2020, compared with $9.0 billion and $11.4 billion at February 1, 2020, and November 2, 2019, respectively. The increase reflects efforts to align inventory with sales trends.

Investing Cash Flows

Cash flow required for investing activities included capital expenditures of $2.0 billion and $2.4 billion for the nine months ended October 31, 2020, and November 2, 2019, respectively. During the nine months ended October 31, 2020, we completed new store and remodel projects that were in process as the COVID-19 crisis developed. However, in response to COVID-19, we have modified plans for some of our strategic initiatives including store remodels and new store openings. We expect full year 2020 capital expenditures to be $2.5 billion to $3.0 billion.

Dividends

We paid dividends totaling $340 million ($0.68 per share) and $1.0 billion ($2.00 per share) for the three and nine months ended October 31, 2020, respectively, and $337 million ($0.66 per share) and $995 million ($1.94 per share) for the three and nine months ended November 2, 2019, respectively, a per share increase of 3.0 percent and 3.1 percent, respectively. We declared dividends totaling $346 million ($0.68 per share) during the third quarter of 2020, a per share increase of 3.0 percent over the $338 million ($0.66 per share) of declared dividends during the third quarter of 2019. We have paid dividends every quarter since our 1967 initial public offering, and it is our intent to continue to do so in the future.

Share Repurchase

We returned $609 million to shareholders through share repurchase during the nine months ended October 31, 2020. We did not repurchase any shares during the three months ended October 31, 2020. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds of this Quarterly Report on Form 10-Q and Note 8 to the Consolidated Financial Statements for more information.

Financing

Our financing strategy is to ensure liquidity and access to capital markets, to maintain a balanced spectrum of debt maturities, and to manage our net exposure to floating interest rate volatility. Within these parameters, we seek to minimize our borrowing costs. Our ability to access the long-term debt and commercial paper markets has provided us with ample sources of liquidity. Our continued access to these markets depends on multiple factors, including the condition of debt capital markets, our operating performance, and maintaining strong credit ratings. As of October 31, 2020, our credit ratings were as follows:

Credit Ratings	Moody’s	Standard and Poor’s	Fitch
Long-term debt	A2	A	A-
Commercial paper	P-1	A-1	F1

If our credit ratings were lowered, our ability to access the debt markets, our cost of funds, and other terms for new debt issuances could be adversely impacted. Each of the credit rating agencies reviews its rating periodically and there is no guarantee our current credit ratings will remain the same as described above.

We have additional liquidity through a committed $2.5 billion revolving credit facility obtained through a group of banks, which expires in October 2023. No balances were outstanding under any credit facility at any time during 2020 or 2019.

Most of our long-term debt obligations contain covenants related to secured debt levels. In addition to a secured debt level covenant, our credit facilities also contain a debt leverage covenant. We are, and expect to remain, in compliance with these covenants. Additionally, as of October 31, 2020, no notes or debentures contained provisions requiring acceleration of payment upon a credit rating downgrade, except that certain outstanding notes allow the note holders to put the notes to us if within a matter of months of each other we experience both (i) a change in control and (ii) our long-term credit ratings are either reduced and the resulting rating is non-investment grade, or our long-term credit ratings are placed on watch for possible reduction and those ratings are subsequently reduced and the resulting rating is non-investment grade.

Contractual Obligations and Commitments

As of the date of this report, other than the new borrowings and payments discussed in Note 6 to the Consolidated Financial Statements, there were no material changes to our contractual obligations and commitments outside the ordinary course of business since February 1, 2020, as reported in our 2019 Form 10-K.

New Accounting Pronouncements

We do not expect any recently issued accounting pronouncements to have a material effect on our financial statements.

Forward-Looking Statements

This report contains forward-looking statements, which are based on our current assumptions and expectations. These statements are typically accompanied by the words “expect,” “may,” “could,” “believe,” “would,” “might,” “anticipates,” or similar words. The principal forward-looking statements in this report include: our financial performance, statements regarding the adequacy of and costs associated with our sources of liquidity, the funding of debt maturities, the continued execution of our share repurchase program, our expected capital expenditures and new lease commitments, the expected compliance with debt covenants, the expected impact of new accounting pronouncements, our intentions regarding future dividends, the expected return on plan assets, the expected outcome of, and adequacy of our reserves for, claims, litigation and the resolution of tax matters, the expected impact of changes in information technology systems, future responses to and effects of the COVID-19 pandemic, and changes in our assumptions and expectations.

All such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, as amended. Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. The most important factors which could cause our actual results to differ from our forward-looking statements are set forth in our description of risk factors included in Part I, Item 1A, Risk Factors of our Form 10-K for the fiscal year ended February 1, 2020 and Part II, Item 1A, Risk Factors of our Form 10-Q for the quarter ended May 2, 2020, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk of our Form 10-K for the fiscal year ended February 1, 2020.

Item 4. Controls and Procedures

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, the following changes materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- We are in the process of a broad multi-year migration of many mainframe-based systems and middleware products to a modern platform, including systems and processes supporting inventory and supply chain-related transactions.
- In March 2020, as a result of COVID-19, we temporarily suspended physical inventory counts at our stores. We resumed physical inventory counts in June 2020 using a statistical sampling method, and we have continued to record estimated losses related to shrink and markdowns based upon historical rates.

During the most recently completed fiscal quarter, no other changes in our internal control over financial reporting materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

No response is required under Item 103 of Regulation S-K, nor have there been any material developments for any previously reported legal proceedings.

Item 1A. Risk Factors

Other than as described in Part II, Item 1A, Risk Factors of our Form 10-Q for the quarter ended May 2, 2020, there have been no material changes to the risk factors described in Part I, Item 1A, Risk Factors of our Form 10-K for the fiscal year ended February 1, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 19, 2019, our Board of Directors authorized a $5 billion share repurchase program with no stated expiration. We began repurchasing shares under the authorization during the first quarter of 2020. Under the program, we have repurchased 4.6 million shares of common stock at an average price of $105.80, for a total investment of $484 million. As of October 31, 2020, the dollar value of shares that may yet be purchased under the program is $4.5 billion. There were no Target common stock purchases made during the three months ended October 31, 2020, by Target or any "affiliated purchaser" of Target, as defined in Rule 10b-18(a)(3) under the Exchange Act.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(3)A	Amended and Restated Articles of Incorporation (as amended through June 9, 2010) [(1)]
(3)B	Bylaws (as amended through March 27, 2020) [(2)]
(31)A	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31)B	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32)A	Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32)B	Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

[(1)] *Incorporated by reference to Exhibit (3)A to the Registrant's Form 8-K Report filed June 10, 2010.*

[(2)] *Incorporated by reference to Exhibit (3)B to the Registrant's Form 8-K Report filed April 2, 2020.*

[(3)] *Incorporated by reference to Exhibit (10)D to the Registrant's Form 8-K Report filed June 11, 2020.*

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: November 25, 2020	By:	/s/ Michael J. Fiddelke Michael J. Fiddelke Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)
		/s/ Robert M. Harrison Robert M. Harrison Senior Vice President, Chief Accounting Officer and Controller

Exhibit (31)A

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Certifications

I, Brian C. Cornell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Target Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 25, 2020

/s/ Brian C. Cornell
Brian C. Cornell
Chairman and Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Certifications

I, Michael J. Fiddelke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Target Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 25, 2020

/s/ Michael J. Fiddelke
Michael J. Fiddelke
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AS ADOPTED PURSUANT TO 18 U.S.C. SECTION 1350
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Target Corporation, a Minnesota corporation (“the Company”), for the quarter ended October 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (“the Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the officer's knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 25, 2020

/s/ Brian C. Cornell
Brian C. Cornell
Chairman and Chief Executive Officer

Exhibit (32)B

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO 18 U.S.C. SECTION 1350
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Target Corporation, a Minnesota corporation (“the Company”), for the quarter ended October 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (“the Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the officer's knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 25, 2020

/s/ Michael J. Fiddelke
Michael J. Fiddelke
Executive Vice President and Chief Financial Officer