**Target provides preliminary update on Q2 expenses related to the data breach and debt retirement; guides Q2 adj EPS to ~$0.78**
**Tuesday, August 05, 2014 12:05:10 PM (GMT)**

- Target announced that the company's Q2 financial results are expected to include gross expenses of $148M, partially offset by a $38M insurance receivable, related to the December 2013 data breach.
- These expenses include an increase to the accrual for estimated probable losses for what the company believes to be the vast majority of actual and potential breach-related claims, including claims by payment card networks.
- **Update on Second-Quarter Debt Retirement Costs:**
    - In Q2 2014, Target completed tender offers in which the company paid $1B to retire, at market value, $725M of its long-term debt. As a result, the company incurred a pre-tax loss of $285M, or ($0.27) per share, which will be recognized as net interest expense in Target's second-quarter Consolidated Statements of Operations.
- **Update on Q2 EPS Outlook**
    - Adjusted EPS will be within a range around $0.78 vs prior guidance $0.85-1.00 and FactSet $0.91
        - reflects:
            - U.S. Segment: Essentially flat comparable sales with lower-than-expected EBITDA margin driven by promotional markdowns, as guests continue to spend cautiously and focus on value in the current environment
            - Canadian Segment: Somewhat softer-than-expected sales combined with the impact of continued investments to clear excess inventory.

**Reference Links:**

- Target Provides Preliminary Update on Second-Quarter Expenses Related to the Data Breach and Debt Retirement

**Industries:** Retail (Department & Discount)
**Primary Identifiers:** TGT-US
**Related Identifiers:** TGT-US
**Subjects:** All Earnings, Earnings Guidance