

**Follow-up: Target guides Q4 adjusted EPS \$1.20-1.30 vs prior \$1.50-1.60**  
**Friday, January 10, 2014 01:07:27 PM (GMT)**

- **Update on data breach:**
  - Target announced updates on its continuing investigation into the recent data breach and its expected Q4 financial performance. As part of Target's ongoing forensic investigation, it has been determined that certain guest information -- separate from the payment card data previously disclosed -- was taken during the data breach.
  - This theft is not a new breach, but was uncovered as part of the ongoing investigation. At this time, the investigation has determined that the stolen information includes names, mailing addresses, phone numbers or email addresses for up to 70M individuals.
  - Much of this data is partial in nature, but in cases where Target has an email address, the company will attempt to contact affected guests. This communication will be informational, including tips to guard against consumer scams. Target will not ask those guests to provide any personal information as part of that communication.
- **Update on Q4 Outlook:**
  - The updated sales expectations reflect:
    - Stronger-than-expected Q4 sales prior to the company's 19-Dec-13, announcement of a payment card data breach;
    - Meaningfully weaker-than-expected sales since the announcement, which have shown improvement in the last several days, and;
    - A comparable sales decline of (2%) to (6%) for the remainder of the quarter
  - Prior to the announcement of the payment card data breach, Q4 REDcard penetration was in line with year-to-date trends. Since the announcement, penetration growth has moderated but remains hundreds of basis points stronger than a year ago.
  - The company is not able to provide an update to its expected Q4 2013 GAAP EPS, however, GAAP results are expected to include:
    - (5) to (10) cents of dilution related to store closings (detail below), real estate impairments, and similar discrete events;
    - approximately (45) cents of dilution related to the company's Canadian Segment, compared with prior guidance of (22) to (32) cents, driven by the gross margin impact of continued efforts to clear excess inventory, and;
    - net dilution of (1) cent due to the expected reduction in the beneficial interest asset related to the sale of the company's credit card portfolio, partially offset by the resolution of income tax matters.
  - In addition, Q4 2013 GAAP EPS may include charges related to the data breach. At this time, the company is not able to estimate the costs, or a range of costs, related to the data breach. Costs may include liabilities to payment card networks for reimbursements of credit card fraud and card reissuance costs, liabilities related to REDcard fraud and card re-issuance, liabilities from civil litigation, governmental investigations and enforcement proceedings, expenses for legal, investigative and consulting fees, and incremental expenses and capital investments for remediation activities. These costs may have a material adverse effect on Target's results of operations in Q4 2013 and/or future periods.
- **Store Closings:**
  - Target also announced that it plans to close eight U.S. stores on 3-May-14.
  - The stores affected by this announcement are located in: West Dundee, Ill.; Las Vegas, Nev.; North Las Vegas, Nev.; Duluth, GA; Memphis, Tenn.; Orange Park, Fla.; Middletown, Ohio; and Trotwood, Ohio. Eligible team members at these stores will be offered an opportunity to transfer to a similar position at a nearby Target location.

*Editor's note (25-Feb-2014): This comment was revised to remove the comparison of adjusted EPS guidance to FactSet consensus* **Industries:** Retail (Department & Discount)

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