



Target Corporation Summarizes New Financial Statement Format and Changes in Advance of Q4 Earnings Release

Background

On March 4, 2025, Target Corporation will report its fourth quarter and full-year earnings and host its 2025 Financial Community Meeting. The Company's earnings release will reflect certain presentation changes described below that affect prior period comparability. The following schedules summarize the impact of these presentation changes on quarterly and year-to-date amounts for the years 2022 through the third quarter of 2024, which have been updated to conform with the current presentation.

Revenue Presentation Change

In the fourth quarter of 2024, the Company changed its presentation of revenue in its Consolidated Statements of Operations, consolidating the previous three-line format ("Sales", "Other Revenue", and "Total Revenue") to a single line labeled "Net Sales", which reflects all revenues (formerly "Total Revenue").

Gross Margin Calculation

In alignment with the revenue presentation change, beginning with the fourth quarter of 2024, Gross Margin is calculated as Net Sales less Cost of Sales, and the Company's Gross Margin Rate is calculated by dividing Gross Margin by Net Sales. Previously Gross Margin Rate was calculated based only on Merchandise Sales (formerly "Sales").

Reclassifications

Additionally, in the fourth quarter of 2024, the Company reclassified certain expenses related to our advertising and third-party digital marketplace business offerings from Selling, General, and Administrative (SG&A) Expenses to Cost of Sales. The reclassifications had no net impact on Net Sales, Operating Income, Net Earnings or Earnings Per Share.

impact of transition to single-line presentation of revenues and reclassification of certain expenses from SG&A to Cost of Sales

Quarterly	2024			2023				2022			
(dollars in millions) (unaudited)	Q3	Q2	Q1	Q4 ^(a)	Q3	Q2	Q1	Q4	Q3	Q2	Q1
As previously reported											
Sales	\$ 25,228	\$ 25,021	\$ 24,143	\$ 31,467	\$ 25,004	\$ 24,384	\$ 24,948	\$ 30,983	\$ 26,122	\$ 25,653	\$ 24,830
Other revenue	440	431	388	452	394	389	374	412	396	384	340
Total revenue	\$ 25,668	\$ 25,452	\$ 24,531	\$ 31,919	\$ 25,398	\$ 24,773	\$ 25,322	\$ 31,395	\$ 26,518	\$ 26,037	\$ 25,170
Cost of sales	18,375	17,799	17,449	23,403	18,149	17,798	18,386	23,946	19,680	20,142	18,461
Gross margin	\$ 6,853	\$ 7,222	\$ 6,694	\$ 8,064	\$ 6,855	\$ 6,586	\$ 6,562	\$ 7,037	\$ 6,442	\$ 5,511	\$ 6,369
Gross margin rate	27.2 %	28.9 %	27.7 %	25.6 %	27.4 %	27.0 %	26.3 %	22.7 %	24.7 %	21.5 %	25.7 %
SG&A expenses	\$ 5,486	\$ 5,392	\$ 5,168	\$ 6,029	\$ 5,316	\$ 5,184	\$ 5,025	\$ 5,675	\$ 5,219	\$ 5,002	\$ 4,762
SG&A expense rate	21.4 %	21.2 %	21.1 %	18.9 %	20.9 %	20.9 %	19.8 %	18.1 %	19.7 %	19.2 %	18.9 %
Updated											
Net sales (previously Total revenue)	\$ 25,668	\$ 25,452	\$ 24,531	\$ 31,919	\$ 25,398	\$ 24,773	\$ 25,322	\$ 31,395	\$ 26,518	\$ 26,037	\$ 25,170
Cost of sales	18,402	17,826	17,471	23,427	18,172	17,823	18,406	23,972	19,702	20,153	18,479
Gross margin	\$ 7,266	\$ 7,626	\$ 7,060	\$ 8,492	\$ 7,226	\$ 6,950	\$ 6,916	\$ 7,423	\$ 6,816	\$ 5,884	\$ 6,691
Gross margin rate	28.3 %	30.0 %	28.8 %	26.6 %	28.5 %	28.1 %	27.3 %	23.6 %	25.7 %	22.6 %	26.6 %
SG&A expenses	\$ 5,459	\$ 5,365	\$ 5,146	\$ 6,005	\$ 5,293	\$ 5,159	\$ 5,005	\$ 5,649	\$ 5,197	\$ 4,991	\$ 4,744
SG&A expense rate	21.3 %	21.1 %	21.0 %	18.8 %	20.8 %	20.8 %	19.8 %	18.0 %	19.6 %	19.2 %	18.8 %
Gross margin rate impact of changes (percentage points)	1.1 pp	1.1 pp	1.1 pp	1.0 pp	1.1 pp	1.1 pp	1.0 pp	0.9 pp	1.0 pp	1.1 pp	0.9 pp
SG&A expense rate impact of changes (percentage points)	(0.1) pp	(0.1) pp	(0.1) pp	(0.1) pp	(0.1) pp	(0.1) pp	0.0 pp	(0.1) pp	(0.1) pp	0.0 pp	(0.1) pp

^(a) The fourth quarter of 2023 consisted of 14 weeks compared with 13 weeks in the comparable periods presented.

Note: Beginning with the fourth quarter of 2024, Gross Margin is calculated as Net Sales less Cost of Sales, and our Gross Margin Rate is calculated as Gross Margin divided by Net Sales. Previously Gross Margin and our Gross Margin Rate were calculated based only on Sales (Merchandise Sales). The calculation change aligns with our 2024 transition to a single-line revenue presentation on our Consolidated Statements of Operations, with prior period amounts updated to conform to the current year presentation. We also updated our prior period Gross Margin Rates to conform to the current year calculations.

Additionally, in the fourth quarter of 2024, we reclassified certain expenses related to our advertising and third-party digital marketplace business offerings from SG&A to Cost of Sales and updated prior-period amounts to conform to the current year presentation. The reclassifications have no net impact on Operating Income or our Operating Income Margin Rate.

impact of transition to single-line presentation of revenues and reclassification of certain expenses from SG&A to Cost of Sales

Year-to-date	2024			2023				2022			
(dollars in millions) (unaudited)	Q3	Q2	Q1	Q4 ^(a)	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>As previously reported</i>											
Sales	\$ 74,392	\$ 49,164	\$ 24,143	\$ 105,803	\$ 74,336	\$ 49,332	\$ 24,948	\$ 107,588	\$ 76,605	\$ 50,483	\$ 24,830
Other revenue	1,259	819	388	1,609	1,157	763	374	1,532	1,120	724	340
Total revenue	\$ 75,651	\$ 49,983	\$ 24,531	\$ 107,412	\$ 75,493	\$ 50,095	\$ 25,322	\$ 109,120	\$ 77,725	\$ 51,207	\$ 25,170
Cost of sales	53,623	35,248	17,449	77,736	54,333	36,184	18,386	82,229	58,283	38,603	18,461
Gross margin	\$ 20,769	\$ 13,916	\$ 6,694	\$ 28,067	\$ 20,003	\$ 13,148	\$ 6,562	\$ 25,359	\$ 18,322	\$ 11,880	\$ 6,369
Gross margin rate	27.9 %	28.3 %	27.7 %	26.5 %	26.9 %	26.7 %	26.3 %	23.6 %	23.9 %	23.5 %	25.7 %
SG&A expenses	\$ 16,046	\$ 10,560	\$ 5,168	\$ 21,554	\$ 15,525	\$ 10,209	\$ 5,025	\$ 20,658	\$ 14,983	\$ 9,764	\$ 4,762
SG&A expense rate	21.2 %	21.1 %	21.1 %	20.1 %	20.6 %	20.4 %	19.8 %	18.9 %	19.3 %	19.1 %	18.9 %
<i>Updated</i>											
Net sales (previously Total revenue)	\$ 75,651	\$ 49,983	\$ 24,531	\$ 107,412	\$ 75,493	\$ 50,095	\$ 25,322	\$ 109,120	\$ 77,725	\$ 51,207	\$ 25,170
Cost of sales	53,700	35,297	17,471	77,828	54,402	36,229	18,406	82,306	58,334	38,632	18,479
Gross margin	\$ 21,951	\$ 14,686	\$ 7,060	\$ 29,584	\$ 21,091	\$ 13,866	\$ 6,916	\$ 26,814	\$ 19,391	\$ 12,575	\$ 6,691
Gross margin rate	29.0 %	29.4 %	28.8 %	27.5 %	27.9 %	27.7 %	27.3 %	24.6 %	24.9 %	24.6 %	26.6 %
SG&A expenses	\$ 15,969	\$ 10,511	\$ 5,146	\$ 21,462	\$ 15,456	\$ 10,164	\$ 5,005	\$ 20,581	\$ 14,932	\$ 9,735	\$ 4,744
SG&A expense rate	21.1 %	21.0 %	21.0 %	20.0 %	20.5 %	20.3 %	19.8 %	18.9 %	19.2 %	19.0 %	18.8 %
Gross margin rate impact of changes (percentage points)	1.1 pp	1.1 pp	1.1 pp	1.0 pp	1.0 pp	1.0 pp	1.0 pp	1.0 pp	1.0 pp	1.1 pp	0.9 pp
SG&A expense rate impact of changes (percentage points)	(0.1) pp	(0.1) pp	(0.1) pp	(0.1) pp	(0.1) pp	(0.1) pp	0.0 pp	0.0 pp	(0.1) pp	(0.1) pp	(0.1) pp

^(a) Full-year 2023 consisted of 53 weeks compared with 52 weeks in the comparable 2022 full-year period.

Note: Beginning with the fourth quarter of 2024, Gross Margin is calculated as Net Sales less Cost of Sales, and our Gross Margin Rate is calculated as Gross Margin divided by Net Sales. Previously Gross Margin and our Gross Margin Rate were calculated based only on Sales (Merchandise Sales). The calculation change aligns with our 2024 transition to a single-line revenue presentation on our Consolidated Statements of Operations, with prior period amounts updated to conform to the current year presentation. We also updated our prior period Gross Margin Rates to conform to the current year calculations.

Additionally, in the fourth quarter of 2024, we reclassified certain expenses related to our advertising and third-party digital marketplace business offerings from SG&A to Cost of Sales and updated prior-period amounts to conform to the current year presentation. The reclassifications have no net impact on Operating Income or our Operating Income Margin Rate.