

Company: TARGET CORP	Ticker: TGT	Current Price: \$ 242.09	Industry: Consumer Discretionary	Sub Industry: General Merchandise/ Discount Store
Target Price: \$ 279 Stop Loss: \$ 209 52 Week High/ Low: \$ 267.06/ \$ 150.80	TTM P/E: 19.19 Forward P/E: 19.70 TTM EPS: \$12.76		Beta: 0.74 Credit Rating: A (FITCH) Rating Outlook: Stable	Market Cap: \$133.11b Avg Vol (12 M): 501.84K Dividend Yield: 1.89%

Company Background:

Target, being the eighth largest retailer in the United States, established itself as the discount division and operates as a general merchandise retailer in the United States. Company offers a wide variety of food assortments, including perishables, dry grocery, dairy, and frozen items; apparel, accessories, home decor products, electronics, toys, seasonal offerings, food, and other merchandise; and beauty and household essentials. Company sells products through its stores and online platforms as well. Total stores across the U.S. counted to 1897 as of Jan'2021.

Industry Outlook:

The fundamental outlook for general merchandisers is positive, reflecting store growth runway, favorable secular trends (e.g., lower-income households leaning on general merchandisers to meet discretionary/non-discretionary needs), and various government stimulus programs. These factors will offset the pressures from accelerating inflation and supply chain issues. Investments in technology, automation, capacity, and training to support e-commerce will remain a high priority for companies operating in this segment over the next few years. Supply chain challenges, expenses, higher wages, and transportation obstacles which will remain headwinds for the business going forward. Elevated e-commerce activity, curbside pickup, and ship-from-store ought to remain the norm even as the pandemic eases increasing sales in the industry.

Investment Thesis:

BUY recommendation is based on Target strong brand name in the retail industry, with its digital sales growing steadily and increased market share of \$9 bn picked up during the pandemic. Its extensive product line and one stop shopping with reasonable prices during the lockdowns added new buyers to its customer base. Continued curb side pickups and home delivery services will further improve the business with the onset of holiday season. Strong strategic partnerships - exclusive in-store Star Bucks Kiosks and Walt Disney Toys are great differentiators driving same-store sales.

efforts to boost its top line by retaining the new customer base acquired during the pandemic. Expected rise in inflation which is a watch for the company.

Investment Risks:

Risks typically involve competition retailer giants such as Wal-Mart, Costco & Amazon with their aggressive pricing strategies may pose few challenges.

Company should continue efforts to boost its top line by retaining the new customer base acquired during the pandemic.

Expected rise in inflation which is watch for the company

3-5 take away from last quarter investor call transcript:

Third quarter sales grew nearly \$4 billion over the last year, bringing year-to-date growth to more than \$10 billion. Digital sales grew by a 200% in the quarter due to continued efforts same day services & Shipt. See it in you space technology has made the digital shopping more inspiring especially during the holiday season. Strategic partnership with Ulta Beauty to hit the first 100 stores for shop in shop. Capital investments of about \$600 million in the third quarter, bringing the total for the year to just over \$2 billion, with the full year capex estimation reduced due to remodeling.

Financial Performance:

	2016	2017	2018	2019	2020	Q1-2021	Q2-2021
Revenue	69495	72714	75356	78112	93561	19615	22975
Operating Profit	20350	21589	22057	23248	27384	5105	7302
Net Income	2737	2914	2937	3281	4368	284	1690
Revenue Growth %	-5.81%	4.63%	3.63%	3.66%	19.78%	11.3%	24.7%
EBITDA%	10.46%	9.51%	9.06%	9.65%	9.98%	5.7%	12.8%
Operating Profit %	7.15%	5.81%	5.45%	5.96%	6.99%	2.39%	10.01%
Net Income Margin %	4.19%	3.55%	3.82%	4.22%	5.09%	1.5%	7.4%
D/E%	1.16%	1.15%	1.19%	1.18%	1.04%	1.47%	1.31%
EPS	4.74	5.32	5.55	6.42	8.72	0.59	3.39
PE Ratio	12.74	15.58	13.18	17.33	19.24	19.77	17.88
Current Ratio	0.94	0.96	0.83	0.89	1.03	1.01	1.11
ROE	22.89	25.78	25.60	28.37	33.25	24.86	28.85
ROA	7.05	7.50	7.20	7.81	9.29	6.49	7.86
Dividend Per share	2.36	2.46	2.54	2.62	2.70	0.66	0.68
FCF	3889	4402	2457	4090	7876	533	3169

Discounted Cash Flow

	2014-2018	2019-2023
Avg Revenue growth	0.74%	6.67%
Avg EBITDA Margin	9.66%	10.1%
Avg Net Income Margin	3.84%	5.08%
Avg Debt/Equity	1.08%	1.13%(3 yr actuals)
Avg FCF (in Mn \$)	3590	4197
Cost of Debt		4.17%
Tax Rate		22%
Cost of Equity		5.57%
WACC		5.31%
Perpetuity growth rate		2.00%

Analyst Opinion

Buy: 24	Hold: 6	Sell: 1
	Rating	Target
S&P Net Advantage	Buy	\$300
Morning Star	*	\$159
Value Line	2	\$283

Relative Valuation

	DG	DLTR	FIVE	COST	WMT
Recent Stock Price	218.94	102.45	192.35	477.33	146.81
Stk.Mkt.Cap. (Bn)	51.08	23.04	10.78	210.85	409.38
30-Day Price Chg. (%)	-0.04	20.18	0.34	5.50	2.89
1-Year Price Chg. (%)	-0.42	8.02	45.35	26.31	1.67
P/E Ratio	20.97	16.13	41.91	41.67	23.68
Fair Value Calc.	249.38	106.48	226.32	484.06	168.78
ROE (%)	37.53	21.55	29.98	28.39	22.49
LTD to Cap (%)	63.83	49.78	48.41	32.75	38.27

Total Return

	TGT	S&P 500
YTD	44.08%	21.31%
2020	40.02%	15.08%
Last 3 Years	205.43%	64.93%
Last 5 Years	272.57%	111.97%

CSR Characteristics

From S&P Global	TGT	Industry
ESG Disclosure:	46	40
Environmental Disclosure Score	60	46
Social Disclosure Score	44	34
Governance Disclosure Score	41	41

Prepared by Nandini Kuppuchetty (Oct 19, 2021) using Bloomberg, Value Line, S&P Net Advantage, Morning Star, Yahoo Finance

