



Target (NYSE: TGT)

Sector: Consumer Staples (Retail)

Target Price	Current Price	52 Week High	52 Week Low	P/E	Mkt. Cap	Dividend	Beta
\$273.62	\$260.02	\$267.02	\$158.64	19.79	\$14.79	1.41%	.75

Business Description

Target Corporation (Target) is a general merchandise retailer selling products through its stores and digital channels. Its general merchandise stores offer an edited food assortment, including perishables, dry grocery, dairy and frozen items. Its digital channels include a range of merchandise assortment, including many items found in our stores, along with a complementary assortment. The Company sells assortment of general merchandise and food. Its format stores offer curated general merchandise and food assortments.

Industry

Consumer Staples refers to a set of essential products used by consumers. This category includes things like foods and beverages, household goods, and hygiene products as well as alcohol and tobacco. These goods are those products that people are unable—or unwilling—to cut out of their budgets regardless of their financial situation.

ESG

- Climate: committed to reducing greenhouse gas footprint and partner with value chain partners, external stakeholders, and policy makers to transition to a low carbon economy
- Plastic: Reducing impact of plastics by eliminating and finding alternatives in products, packaging, and operations
- Target foundation invests 5% of profits in communities
- Diversity, equity, and inclusion: equal representation of women at all levels, increasing spending with diverse buyers, increasing sale of localized products, recruit and retain people of color, and create an inclusive and diverse work environment

Valuation Assumptions

WACC: 8.5%

Perpetuity Growth Rate: 3.75%

Implied Share Price: \$273.62

Margin of Safety: 7.01%

Implied Perpetuity Growth Rate	
Terminal Year Free Cash Flow	\$ 7,741.4
Hurdle Rate	8.5%
Terminal Value	\$ 170,887.6
Implied Perpetuity Growth Rate	3.75%

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Investment Thesis

Target is a market leader within their industries. During the pandemic, Target named was an essential business. Recently, Target has battled the supply chain issues by ordering inventory months ahead in order to prepare for the holiday season. They even chartered their own ship in order to get goods quicker. Recommend a **BUY** for TGT because they are a market leader in their industry.

Risks

Management expects supply chain issues to remain prevalent which will increase costs. However, they started preparing for the holidays months in advance. Over the past few months, they've added billions of dollars worth of inventory. Also, the pricing power in the industry can affect them.

Implied Equity Value and Share Price	
PV of Cash Flows	\$ 26,079.4
PV of Terminal Value	\$ 113,910.3
Enterprise Value	\$ 139,989.7
Plus: Cash and Cash Equivalents	\$ 8,511.0
Less: Total Debt	\$ 15,109.0
Implied Equity Value	\$ 133,391.7
Fully Diluted Shares Outstanding	488
Implied Share Price	\$ 273.62
Current Stock Price	255.70
Margin of Safety	7.01%

Sensitivity Analysis of Implied Price	
WACC	
Terminal Growth Rate	WACC
3.0%	8.0%
3.3%	8.25%
3.8%	8.5%
4.0%	8.75%
4.3%	9.0%

