

Company	Ticker	Price	EPS	P/E	Credit Rating	Market Cap	Dividend	ROE	Inventory Turnover
Target Corporation	TGT	\$167.52	\$13.56	17.8x	A	\$72.2 Bn	2.56%	50.95%	6.11x

Business Overview:

Target Corporation operates a chain of 1,900 general merchandise discount stores throughout all 50 states. The company focuses on merchandising operations which includes general merchandise (non-discretionary items) and food items (discretionary items) and a fully integrated online business. Target also offers credit to qualified applicants through its branded proprietary line of credit cards. The company is growing its top line by expanding the number of stores in the retail chain and expanding its e-commerce capacity. The company is focused on expanding its margins through a portfolio of over 45 private label brands that cover all types of merchandise from meat products to clothing.

Investment Thesis:

Target Corporation will continue to offer value to shareholders because the company is one of the largest discount “one-stop” retailers that has a strong customer base that associates its name with bringing value to customers through quality items at low prices. The company has a historic ability to produce strong free cash flows. The company has major growth prospects in store concepts, e-commerce, and product offering. The company has a very pronounced history of history of substantial dividends and share buybacks.

Investment Risks:

Reputational Risk:

- If Target is unable to positively differentiate themselves from other retailers, financial performance, operations, and share price could be adversely affected.

Supply-Chain Risk:

- Changes in Target’s relationships with vendors, tax or trade policy, interruptions in operations or supply chain, or increased commodity or supply chain costs could adversely affect Target’s results of operations.

Macroeconomic Risk:

- Target’s earnings depend on the state of macroeconomic conditions and consumer confidence in the U.S.

Infrastructure Risk:

- If capital investments in remodeling existing stores, building new stores, improving technology, and expanding Target’s supply chain infrastructure do not achieve appropriate returns, the company’s competitive position, financial condition, results of operations, and share price could be adversely affected.

Intrinsic Valuation:

NYSE: TGT	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	\$ 73,785	\$ 69,495	\$ 71,879	\$ 75,356	\$ 78,112	\$ 93,561	\$ 106,005	\$ 118,726	\$ 129,411	\$ 137,176	\$ 144,034	\$ 151,236	\$ 158,798
% Growth		-5.81%	3.43%	4.84%	3.66%	19.78%	13.30%	12.00%	9.00%	6.00%	5.00%	5.00%	5.00%
Cost of Goods Sold	\$ 51,997	\$ 48,872	\$ 50,874	\$ 53,049	\$ 54,617	\$ 65,696	\$ 74,665	\$ 83,345	\$ 90,846	\$ 96,297	\$ 101,112	\$ 106,168	\$ 111,476
% of Revenue	70.47%	70.32%	70.78%	70.40%	69.92%	70.22%	70.44%	70.20%	70.20%	70.20%	70.20%	70.20%	70.20%
Gross Profit	\$ 21,788	\$ 20,623	\$ 21,005	\$ 22,307	\$ 23,495	\$ 27,865	\$ 31,340	\$ 35,380	\$ 38,564	\$ 40,878	\$ 42,922	\$ 45,068	\$ 47,322
% Margin	29.53%	29.68%	29.22%	29.60%	30.08%	29.78%	29.56%	29.25%	29.80%	29.80%	29.80%	29.80%	29.80%
SG&A	\$ 14,449	\$ 13,352	\$ 14,253	\$ 15,723	\$ 16,250	\$ 18,615	\$ 19,752	\$ 23,745	\$ 25,882	\$ 27,435	\$ 28,807	\$ 30,247	\$ 31,760
% Margin	19.58%	19.21%	19.83%	20.86%	20.80%	19.90%	18.63%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Other Income (Loss)	\$ 16	\$ 20	\$ 16	\$ 27	\$ 9	\$ (16)	\$ 47	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% Margin	0.02%	0.03%	0.02%	0.04%	0.01%	-0.02%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBITDA	\$ 7,323	\$ 7,251	\$ 6,736	\$ 6,557	\$ 7,236	\$ 9,266	\$ 11,541	\$ 11,635	\$ 12,682	\$ 13,443	\$ 14,115	\$ 14,821	\$ 15,562
% Margin	9.92%	10.43%	9.37%	8.70%	9.26%	9.90%	10.89%	9.80%	9.80%	9.80%	9.80%	9.80%	9.80%
D&A	\$ 2,213	\$ 2,298	\$ 2,445	\$ 2,474	\$ 2,604	\$ 2,485	\$ 2,642	\$ 3,561.77	\$ 3,882.33	\$ 4,115.27	\$ 4,321.03	\$ 4,537.08	\$ 4,763.94
% Margin	3.00%	3.31%	3.40%	3.28%	3.33%	2.66%	2.49%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
EBIT	\$ 5,110	\$ 4,953	\$ 4,291	\$ 4,083	\$ 4,632	\$ 6,781	\$ 8,899	\$ 8,073	\$ 8,800	\$ 9,328	\$ 9,794	\$ 10,284	\$ 10,798
% Margin	6.93%	7.13%	5.97%	5.42%	5.93%	7.25%	8.39%	6.80%	6.80%	6.80%	6.80%	6.80%	6.80%
Tax Expense	\$ 1,602	\$ 1,296	\$ 718	\$ 746	\$ 921	\$ 1,178	\$ 1,961	\$ 1,615	\$ 1,760	\$ 1,866	\$ 1,959	\$ 2,057	\$ 2,160
% of EBIT	31.35%	26.17%	16.73%	18.27%	19.88%	17.37%	22.04%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
NOPLAT	\$ 3,508	\$ 3,657	\$ 3,573	\$ 3,337	\$ 3,711	\$ 5,603	\$ 6,938	\$ 6,459	\$ 7,040	\$ 7,462	\$ 7,835	\$ 8,227	\$ 8,639
% Margin	4.75%	5.26%	4.97%	4.43%	4.75%	5.99%	6.54%	5.44%	5.44%	5.44%	5.44%	5.44%	5.44%
D&A	\$ 2,213	\$ 2,298	\$ 2,445	\$ 2,474	\$ 2,604	\$ 2,485	\$ 2,642	\$ 3,562	\$ 3,882	\$ 4,115	\$ 4,321	\$ 4,537	\$ 4,764
Capital Expenditures	\$ 1,438	\$ 1,547	\$ 2,533	\$ 3,516	\$ 3,027	\$ 2,649	\$ 3,544	\$ 4,155	\$ 4,529	\$ 4,801	\$ 5,041	\$ 5,293	\$ 5,558
% Margin	1.95%	2.23%	3.52%	4.67%	3.88%	2.83%	3.34%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Change in NWC	\$ 218	\$ (250)	\$ (348)	\$ 227	\$ 505	\$ (1,661)	\$ (3,249)	\$ 2,374.51	\$ 323.53	\$ 342.94	\$ 360.09	\$ 378.09	\$ 396.99
% Margin	0.30%	-0.36%	-0.48%	0.30%	0.65%	-1.78%	-3.06%	2.00%	0.25%	0.25%	0.25%	0.25%	0.25%
Unlevered Free Cash Flow	\$ 4,065	\$ 4,658	\$ 3,833	\$ 2,068	\$ 2,783	\$ 7,100	\$ 9,285	\$ 3,491	\$ 6,069	\$ 6,434	\$ 6,755	\$ 7,093	\$ 7,448
% Margin	5.51%	6.70%	5.33%	2.74%	3.56%	7.59%	8.76%	2.94%	4.69%	4.69%	4.69%	4.69%	4.69%

Terminal Value Assumptions	
WACC	8.50%
Perpetual Growth Rate	2.00%
Terminal Value	\$ 116,870
PV of Terminal Value	\$ 66,023
PV of Cash Flows	\$ 33,964
Enterprise Value	\$ 99,987
Total Debt (-)	\$ 17,925
Cash (+)	\$ 1,117
Equity Value	\$ 83,179
Shares Outstanding	\$ 460.26
Implied Share Price	\$ 180.72
Current Share Price	\$ 166.90
Margin of Safety	7.65%

		WACC				
		7.50%	8.00%	8.50%	9.00%	9.50%
Perpetual Growth Rate	1.50%	\$ 204.85	\$ 185.98	\$ 169.82	\$ 155.83	\$ 143.60
	1.75%	\$ 212.45	\$ 192.26	\$ 175.07	\$ 160.27	\$ 147.38
	2.00%	\$ 220.73	\$ 199.05	\$ 180.72	\$ 165.02	\$ 151.42
	2.25%	\$ 229.81	\$ 206.44	\$ 186.82	\$ 170.12	\$ 155.74
	2.50%	\$ 239.80	\$ 214.50	\$ 193.44	\$ 175.62	\$ 160.36

Relative Valuation:

