Target Corp. [TGT] – Consumer Staples - MC: $39.31B

Information as of September 22, 2025 except when noted otherwise

Company Profile

Overview: Target ("the Company") is a leading U.S.-based general merchandise retailer headquartered in Minneapolis, Minnesota. Founded in 1962 as a discount store division of the Dayton Company, Target has evolved into a major player in the retail sector, operating nearly 2,000 stores across all 50 states. The company offers a diverse range of products, including apparel and accessories, home furnishings and décor, beauty and household essentials, food and beverages, hardlines (such as electronics and toys), and seasonal items. Target positions itself as an "upscale discount" retailer, emphasizing stylish, high-quality merchandise at affordable prices—often referred to as "cheap chic"—to appeal to middle- and upper-middle-income families with a median household income around $80,000. Target's business model integrates physical stores with a robust digital presence, including same-day delivery options via its acquisition of Shipt and services like Drive Up curbside pickup. The company employs over 400,000 team members and generated total revenue of $106.6 billion for the fiscal year ended February 1, 2025 (FY2024), with approximately $31 billion from its private-label brands. Target's strategy focuses on omnichannel retail, customer loyalty programs (e.g., Target Circle, Target Circle 360, and REDcard), and community philanthropy, distributing about 5% of profits to local causes. The company operates as a single reportable segment but breaks down sales by merchandise categories for reporting purposes.

Investment Thesis: Target embodies a compelling opportunistic staple in consumer goods, poised for a turnaround amid a stabilizing macro environment and strategic initiatives. Target has built a well-known brand over the past several decades, establishing itself as one of the nation's leading retailers focused on delivering a gratifying in-store shopping experience while boasting an assortment of trendy apparel, home goods, and household essentials at competitive prices aka "Tar-jey" or "cheap chic." Yet, the Company is trading at a forward P/E of 12x – well below the industry average of 29x and peers like Walmart (39x) or Costco (52x) – which reflects excessive pessimism over middle-income consumer frugality and tariff risks. The current valuation dynamic echoes Howard Marks' principle of "it's not what you buy, it's what you pay."

Fundamentally, Target has showed sequential improvements at the tactical level over the last two quarters: comparable sales improved from -3.8% to -1.9% led by store traffic recovery, digital grew 4.3%, same-day services (e.g., Circle 360) surged 36%, shrink rates improved margins by 130bps, and on-shelf availability reached multi-year highs. Additionally, the Company is executing with urgency at the operational and strategic levels: cross-functional efforts have minimized impacts from tariffs through sourcing diversification (China exposure down to <25% by 2026), one-time supply chain reorganization costs are largely behind in Q2, discretionary sales mix down to 53%, Fiddelke's key priorities aim to accelerate a strategic refocus, and the Enterprise Acceleration Office (EAO) is identifying more green shoots. The Company could be looking for Circle Week (October 5-11) paired with pulled forward seasonal shopping trends to snap the market's gloomy narrative.

For risk, the Company faces continued tariff policy uncertainty (though this is largely overdone at this time) and an ambivalent consumer base. Due to a largely undifferentiated product offering, Target will need to continuously reinvest in its supply chain to drive cost efficiencies across procurement and multichannel order fulfillment to deliver competitive prices and yield margin expansion. The retail industry is cutthroat, and it will remain difficult for companies that lack a clear value proposition (such as lowest price, superior product quality, memorable shopping experience, or enhanced selection) across product categories to consistently gain market share. Furthermore, it remains to be seen if Fiddelke, a long-tenured employee, will be able to drive the necessary change to reignite top-line performance and execute a multifaceted strategic turnaround plan.

Key Personnel: Chairman/CEO: Brian Cornell, EVP/COO/incoming-CEO: Michael Fiddelke, EVP/CFO: Jim Lee

Recent Events:
08/20/2025: COO Michael Fiddelke named next CEO effective February 1, 2026
08/20/2025: 2Q25 earnings call, double beat but declining foot traffic plus tapping Fiddelke pressured the stock
08/14/2025: Ulta and Target announced end to their strategic in-store partnership in August 2026

Financial Performance

Annualized Performance Metrics: 1Y: -41.36%, 3Y: -16.09%, 5Y: -7.54%

Key Financials (TTM): Rev.: $105.64B (-1.8% YoY), Net Income: $3.93B (-10.1% YoY), EPS: $8.58 (-9.0% YoY)

Valuation: P/E Ratio (Fwd): 11.78 vs. Industry Avg: 28.97

Companies	Target	Walmart	Costco	The TJX Cos.
P/E Ratio (1yr)	11.8	39.4	52.0	30.4
P/E Ratio (2yr)	10.9	34.9	47.0	27.6
PEG Ratio (5yr)	2.08	3.94	5.05	3.09
Dividend Yield (Fwd)	5.17%	0.92%	0.55%	1.22%

Dividends: Forward Yield: 5.17%, Cash Dividend Payout Ratio: 69.57%

Price Chart (1Y Daily; D-SMA 50, D-SMA 200, W-SMA 200, Major Support Trendline at ~$76.65):

See Appendix 1

Investment Outlook

Key Growth Drivers:
1. Merchandising for “newness”, hot brand collabs, and private-label expansion to recover that “Tar-jey” vibe
2. Digital sales driven by loyalty / membership programs and supported by store infrastructure
3. The EAO (conceived by Fiddelke), a 4-month old but long-term efficiency initiative, focuses on legacy processes, AI integration, and accelerating decision-making

Key Risks:

Consumer Discretion

Persistent caution among middle-income shoppers (median ~$80,000 household income) due to inflation, high interest rates, and economic uncertainty could prolong discretionary weakness (53% of sales mix). Traffic declines signal broader spending pullback, with potential for recessionary impacts. High-income shoppers have not needed nor been attracted to come down market to Target while low-income shoppers have cut back on discretionary spending. The largely bifurcated yet stable US consumer population has left the Company's primary consumer demographic in a "no man's land" of discretionary spending

Competition

Walmart (low-price focus), Amazon (digital dominance), and Costco (bulk value) continue eroding Target's 8.8% market share. Digital scale lags peers, and inconsistent in-store experiences could alienate loyal customers

Strategic Execution

Internal changes (e.g., remodeling categories like home) carry risks if not scaled quickly. Ending the Ulta Beauty partnership in 2026 (~5% of beauty sales) requires seamless space repurposing. Shrink improvements, while positive, remain vulnerable to external theft trends. Leadership handover in 2026 introduces potential for short-term disruptions, though Fiddelke's 20-year tenure mitigates this

Headline

The Company has historically found itself in headline grabbing and politically charged situations. Given the incoming CEO's seemingly apolitical nature and the Company's recent whiplash from LGBT product mix decisions, it is unlikely for it to experience additional negative headlines in the short term

Analyst Consensus (as of 09/16/25): Price Target: $104.19 (16.8% upside), Ratings: 6 Buy, 22 Hold, 1 Sell

Collar Capital Valuation:

Ticker	TGT
Date	9/16/2025
Current Price	$89.23
Target Price	**$145.11**
Implied Return	**62.63%**
Target Price Range	**$130.6 - $159.62**
Implied Return Range	**46% - 79%**
Probability Score	**43%**

<u>**Appendix 1**</u>

This chart illustrates the cyclical nature of Target stock by highlighting three peak to trough drawdowns, with the current drawdown being the largest in magnitude. Also, there is a pink major support trendline that is established by the two previous drawdown troughs in March 2009 and July 2017. When this trendline extends out to today, the major support price is around $76.65 which helps inform when an ideal buying opportunity could be. The usual simple moving averages are also illustrated inline with previous investment tearsheets.