Target Corporation

TGT

EQUITY RESEARCH REPORT

August 12, 2026

TGT — TARGET CORPORATION

Report Date: 2026-08-12

Analyst: Moschovakis Capital Research

Exchange: NYSE | **CIK:** 0000027419 | **SIC:** 5331 Retail-Variety Stores | **FYE:** Feb 01

■■ DATA INTEGRITY NOTE — READ FIRST

The research package delivered to this desk contained only two usable feeds: an EDGAR entity/filing index and a Perplexity catalyst summary. **No FMP financial statements, no yfinance price history, no deep_dive_metrics block, and no peer data were supplied.**

Every financial figure below marked **[EST]** is a Moschovakis analyst estimate built from prior knowledge of Target's public filings, not from a live data feed in this pipeline. The authoritative current price ($152.40 / €131.98) is the single verified market input. Confidence on the quantitative scoring is therefore **MEDIUM-LOW**, and the recommendation is stated in a form that survives estimate error: the decision hinges on the *gap between price and any reasonable fair value*, which is wide enough that moderate estimate revisions do not flip the conclusion.

Verified inputs used: current price, Q2 FY2026 earnings date (Aug 19, 2026), CEO transition risk flag, tariff cost exposure flag, buyback-resumption speculation, raised 2026 outlook reference.

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID** at current price (watchlist below $128 / €110.85)
Current Price	$152.40 / €131.98
Fair Value (Base Case)	~$132 / €114.31 **[EST]**
Margin of Safety	**-13.4%** (trading above fair value)
Target Entry Price	$128 / €110.85 (-16.0% from current)

Return Profile (10-Year)	Value
Dividend Yield	~3.0% **[EST: $4.64 annualized]**
Expected Dividend Growth	2.5% CAGR **[EST]**
Expected Price Appreciation	2.8% CAGR
Total Expected Return (Base)	**6.4% CAGR**
Bear Case Total Return	**-1.5% CAGR**
Bull Case Total Return	10.2% CAGR

Return Profile (10-Year)	Value
Probability-Weighted Return	**5.4% CAGR**

Risk Assessment	Value
Wealth Preservation Score	**43 / 100**
Downside Protection Score	30 / 100
Quality Score	69 / 100
Return Adequacy Score	40 / 100
Risk Level	**ELEVATED**
Probability of >50% Permanent Loss	~8%
Recession Profile	**SENSITIVE**

One-Line Thesis:

Target is a durable, 54-year dividend-raising retailer whose shares have already re-rated roughly 70% off the 2025 lows on a turnaround the company has not yet delivered, leaving a 3% yield attached to a full multiple and a negative bear-case return, which fails the preservation mandate at $152.40.

INVESTMENT THESIS

You are not being asked to judge whether Target survives. It does. The company generates roughly $4B of annual free cash flow **[EST]**, covers interest about ten times over, and has raised its dividend for 54 consecutive years through 2008, 2020, and its own self-inflicted 2022 inventory disaster. On business quality, Target clears the bar for a preservation portfolio.

You are being asked to judge the price. In mid-2025 this stock traded in the $85-100 range with a 5%+ yield and a low-teens multiple, and the market priced Target as a structurally impaired retailer losing share to Walmart, Costco, and Amazon. Today, at $152.40, the market prices a turnaround that has been announced rather than proven. Michael Fiddelke took the CEO seat in February 2026, the 2026 outlook was raised, and the Perplexity feed confirms the sell side is now debating whether comps and margins can *extend* a rebound. That is a different stock. At an estimated ~17-18x forward earnings **[EST]**, Target trades above its own ten-year average multiple while its ROIC sits below where it was five years ago and its dividend growth has decelerated from double digits to roughly 2% per raise.

Run the arithmetic that matters for this mandate. A 3.0% yield plus 4.5% earnings growth minus modest multiple compression back toward a 15x normalized level produces about 6.4% annually over ten years. That is under the 7% hurdle and inside spitting distance of a 4% cash alternative once you charge for equity risk. Push the same math through a bear case where the turnaround stalls, comps go flat, and the multiple returns to the 11x the market applied fourteen months ago, and you get a negative ten-year total return even with the dividend intact. The framework's first absolute requirement is a non-negative bear case. Target fails it at this price, and it fails the 7% base-case hurdle. Two absolute gates down is enough to stop.

What could go wrong is specific and knowable. Target sells discretionary product to a middle-income consumer, and roughly half its mix sits in apparel, home, and hardlines, categories that compress fast when household budgets tighten. The Perplexity feed flags tariff exposure on private-label and exclusive merchandise, where Target has more sourcing risk than a food-heavy competitor and less pricing power than a membership warehouse. The company also has a documented record of losing control of its own cost base: FY2022 delivered negative free cash flow and a roughly 57% EPS collapse **[EST]** in a year with no recession. That episode is the reason the drawdown penalty in the scoring below is severe. This is not a business that behaves like a consumer staple when stressed, and pricing it like one is the error the market may be making right now.

Against alternatives, the case weakens further. A 4% guaranteed HYSA return with zero drawdown risk captures 62% of Target's base-case return with none of the variance. Inside the sector, Walmart and Costco cost more per dollar of earnings but have won share in the exact quarters Target lost it. Target's only claim on your capital is the yield and the low relative multiple, and at 3.0% and 17-18x, both arguments have thinned considerably since last summer.

One week to earnings. The Q2 FY2026 print lands Aug 19, 2026. Buying at $152.40 today is an event bet on a single quarterly report, not a valuation-driven entry. Wait for the print, then reassess against the entry price below.

Re-entry triggers (if you want to own this):

- Price below $128 / €110.85 with dividend intact (restores 8.6%+ base-case CAGR)
- Two consecutive quarters of positive comparable sales *with* gross margin rate expansion year over year
- Buyback resumption funded from free cash flow rather than incremental debt

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STAGE 1 — SECTOR & THEME

Question	Answer
Understandable business?	Yes. General merchandise retail, one primary segment, US-only.
Secular decline?	No. Physical general merchandise is share-shifting, not shrinking. Continu
Defensive or cyclical?	**Moderately cyclical.** Roughly 45-50% consumables/essentials **[EST]
Sector tailwinds	Retail media monetization (Roundel), same-day fulfillment economics, pri
Sector headwinds	Tariff cost pass-through risk (flagged in research feed), middle-income sp
Sector valuation vs. history	Big-box retail multiples sit above ten-year averages across the cohort. Ele

Stage 1 Verdict: CONTINUE with cyclical-adjusted scrutiny.

STAGE 2 — FUNDAMENTAL GATEKEEPING

2.1 Solvency Check [all figures EST]

Metric	Estimate	Threshold	Result
Debt/Equity (ex-leases)	~1.0x	<1.0x	Borderline fail
Debt/Equity (lease-adjusted)	~1.3-1.4x	<1.0x	Fail
Interest Coverage (EBIT/Interest)	~9-11x	>5x	**Pass, strong**
Current Ratio	~0.95-1.0x	>1.5x	Fail on framework text
FCF positive 4 of 5 years	4 of 5 (FY2022 negative)	4/5	Marginal pass
Debt maturity cliffs	None >30% in any 2-year window	—	Pass
Cash / Total Debt	~20-25%	>20%	Pass

Framework adaptation applied: the >1.5x current ratio threshold was written for industrials. High-turn retailers operate structurally below 1.0x because vendor payables fund inventory; Target's payables cycle is a source of strength, not a liquidity defect. This gate is waived, and the waiver is disclosed rather than buried. The lease-adjusted leverage failure is **not** waived and carries into the scoring.

Stress test — revenue down 30% for two years: Target remains solvent on ~10x interest coverage and would likely defend the dividend by cutting capex and buybacks, as it did in FY2022 and FY2023. An equity raise is improbable. The dividend survives; earnings do not.

Solvency Assessment: ADEQUATE (not FORTRESS — lease-adjusted leverage above 1.0x and one negative FCF year in the last five preclude the top rating).

2.2 Earnings Quality [EST]

Operating cash flow has run comfortably above net income in most years given roughly $2.5-3.0B of annual depreciation. No restatements. The FY2022 inventory writedown cycle was disclosed, painful, and cleared. The recurring earnings-quality question at Target is inventory, not revenue recognition: inventory growing faster than COGS preceded the 2022 margin collapse and remains the single line item worth watching each quarter.

Earnings Quality: HIGH

2.3 Dilution Check [EST]

Share count has moved from roughly 480M to roughly 455M over five years, a net *reduction* of about 1% annually. Buybacks paused during the 2024-2025 cash preservation period; the research feed cites market speculation about resumption in 2026. Insider ownership is small in absolute percentage terms, standard for a large-cap retailer.

Dilution Assessment: EXCELLENT

2.4 Dividend Sustainability [EST]

Metric	Estimate	Threshold	Result
Dividend Yield	~3.0% ($4.64)	1.5-5%	Pass
Payout Ratio (Div/EPS)	~54%	<75%	Pass
FCF Payout Ratio	~50-55%	<70%	Pass

Metric	Estimate	Threshold	Result
Dividend Growth 5Y CAGR	~10-11% headline, ~2% on last two raises	>3%	Pass, decelerating
Consecutive years of increases	54	>10	**Pass, exceptional**
Coverage (FCF/Dividend)	~1.9x	>1.3x	Pass

Stress test — earnings down 40%: payout ratio moves to roughly 90% of EPS but stays inside free cash flow after a capex cut. Management defended the streak through a 57% EPS decline in FY2022. The streak is a governance commitment, not a ratio.

Dividend Sustainability: SUSTAINABLE (one notch below ROCK SOLID given the deceleration to ~2% raises, which caps the income growth contribution).

2.5 Capital Efficiency [EST]

ROIC approximately 12%, against a WACC near 8%. Five-year trend is **deteriorating** from mid-to-high teens. Target still creates value per dollar invested; it creates less than it used to, and the store remodel and technology capex cycle described in the research feed will pressure the ratio near term before it helps.

ROIC: ~12% | vs. WACC ~8% | Trend: Deteriorating | Verdict: Value Creating, weakening

2.6 Valuation Screening [EST]

Metric	Current	5Y Avg	10Y Avg	vs. History	Assessment
Forward P/E	~17.7x	~15.5x	~14.5x	+14% / +22%	Full
P/FCF	~17x	~15x	~14x	Above	Full
EV/EBITDA	~10.5x	~9.5x	~9.0x	Above	Full
Dividend Yield	3.0%	2.8%	2.6%	Slightly rich vs. avg	Neutral

Margin of safety: normalized EPS of roughly $8.60 at a 15.3x historical-average multiple gives fair value near **$132 / €114.31**. Against $152.40, margin of safety is **-13.4%**.

Valuation: FULL | Margin of Safety: -13.4%

STAGE 3 — PEER COMPARISON & QUALITY SCORE

3.1 Competitive Cohort [all peer figures EST, directional]

Dimension	TGT	WMT	COST	DG	Best for Preservati
Debt/Equity	~1.0x	~0.7x	~0.4x	~1.5x	COST
Interest Coverage	~10x	~13x	>40x	~6x	COST
Dividend Yield	3.0%	~0.9%	~0.5%	~2.3%	**TGT**
Payout Ratio	~54%	~35%	~28%	~45%	COST

Dimension	TGT	WMT	COST	DG	Best for Preservati
FCF Margin	~3.8%	~2.5%	~3.0%	~2.0%	**TGT**
ROIC	~12%	~14%	~22%	~9%	COST
5Y Dilution	-1%/yr	-0.5%/yr	~0%	-2%/yr	**DG**
Multiple vs. own history	+14%	+60%+	+50%+	Below	**TGT**
Dividend Growth 5Y	~10%	~9%	~13%	flat	COST

Target owns the income argument and the relative-multiple argument. It loses on returns on capital, comp momentum, and balance sheet purity. The cohort read is that you pay a lot for the winners and get paid to wait on the laggard. This mandate does not pay for waiting unless the waiting produces 7%+, and here it does not.

3.2 Wealth Preservation Quality Score

Balance Sheet Fortress (40 max): 27

- D/E lease-adjusted >1.0x: **5**
- Interest coverage >8x: **15**
- FCF positive 4 of 5 years (FY2022 negative): **7**

Income Reliability (30 max): 30

- Yield 3.0% with 54% payout: **15**
- 5Y dividend growth CAGR >5%: **10**
- Dividend history 54 years: **5**

Capital Efficiency (15 max): 7

- ROIC ~12%: **7**
- Trend declining: **0**

Valuation (15 max): 5

- 50th-75th percentile of 5Y multiple range: **5**

QUALITY SCORE: 69 / 100 → Secondary candidate on quality. The business passes. The price does not.

STAGE 4 — QUALITATIVE DEEP DIVE

4.1 Moat Assessment

Primary moat is **scale plus brand and cost advantage**: roughly 1,980 stores within ten miles of most of the US population, a private-label portfolio approaching $30B in annual sales **[EST]**, and a same-day fulfillment network that uses stores as distribution nodes at a fraction of pure-play e-commerce cost. Durability: medium-to-high. Roundel retail media adds a high-margin revenue stream with genuine switching costs for advertisers.

The weakness is that this moat has already been breached at the edges. Walmart took grocery and value share; Amazon took convenience; Costco took bulk. Target's differentiation rests on merchandising taste, which is a competence rather than a structural barrier, and competences depend on people. The research feed flags CEO transition as both risk and opportunity, which is an accurate way to describe a moat that runs through the merchandising organization.

Primary Moat: Scale + brand, medium-to-high durability

Threat Assessment: ELEVATED

Moat Preservation Confidence: MEDIUM

4.2 Management & Capital Allocation

Michael Fiddelke assumed the CEO role in February 2026, promoted from CFO and COO. Insider promotion preserves institutional knowledge and forfeits the outsider's willingness to break things. He owns the 2022 inventory cycle and the 2023-2025 comp decline as a member of the team that produced them, which is the honest way to read his mandate.

Capital allocation history over five years: the dividend was defended and raised every year, including through the FY2022 collapse, which earns real credit. Buybacks were executed heavily in 2021-2022 near the multiple peak, which destroyed value, then paused when the stock traded in the $85-100 range, which is the exact inversion of good practice. That single pattern is the strongest evidence available on management's price discipline, and it argues for skepticism if buybacks resume at $152.

Red flags checked: no large acquisitions, no dividend cuts, no restatements, no related-party issues, no unusual executive turnover beyond the planned succession.

Management Quality: GOOD | Capital Allocation Track Record: ACCEPTABLE

4.3 Recession Performance History [EST]

Episode	Revenue	EPS	Dividend	Peak-to-Trough Price	Recovery
2008-09	~-2.5%	~-13%	Raised	~-60%	~18 months
2020	+19.8%	Strong growth	Raised	~-35%	~3 months
2022-25 (self-inflicted)	Flat to slightly negative	~-57% in FY2022	Raised	~-65%	Not yet complete

The 2022-2025 episode is the one that matters. Target lost roughly two-thirds of its market value without a recession, on inventory and merchandising errors alone. The dividend held. The equity did not.

Recession Profile: SENSITIVE

4.4 Catalysts

Catalyst	Timeline	Probability	Thesis Impact	Downside Risk
Q2 FY2026 earnings	Aug 19, 2026	Certain	High both ways	High — one week out
Full-year guidance raise	Aug/Nov 2026	Medium	Supports current multiple	Cut would compress fast
Buyback resumption	H2 2026	Medium	Sentiment positive, value-neutral at 17.7x	Capital misallocation at full price
Gross margin expansion	FY2026-27	Medium	Core to base case	Tariff pass-through failure
Dividend increase	Q3 2026	High	Small, ~2% expected	Streak break would be severe sign

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STAGE 5 — VALUATION & SCENARIO ANALYSIS

5.1 Total Return Build (Base Case)

- Dividend yield: **3.0%**
- Expected EPS growth: **4.5%** (traffic recovery plus Roundel mix, offset by remodel capex)
- Multiple change: **-1.1% annually** (17.7x drifting toward 15.3x over ten years)
- **Total Expected Return: ~6.4% CAGR**

5.2 Scenarios (10-Year Horizon, [EST])

BEAR (25%) — Comps flat, tariffs compress gross margin, share loss continues, multiple returns to 11x. EPS $8.60 → ~$7.80. Terminal price ~$86 / €74.50. Dividend maintained on the streak commitment but grows ~1%.

Total Return: -1.5% CAGR

BASE (50%) — Turnaround delivers low-single-digit comps, margin rate recovers modestly, multiple normalizes to 15.3x. EPS $8.60 → ~$13.35. Terminal price ~$200 / €173.20.

Total Return: +6.4% CAGR

BULL (25%) — Fiddelke restores merchandising discipline, Roundel scales, margin rate returns to 2019 levels, multiple holds 17x. EPS → ~$16.90. Terminal price ~$287 / €248.50.

Total Return: +10.2% CAGR

Scenario	10Y Price Target	Total CAGR	Weight	Contribution
Bear	$86 / €74.50	-1.5%	25%	-0.4%
Base	$200 / €173.20	+6.4%	50%	+3.2%
Bull	$287 / €248.50	+10.2%	25%	+2.6%
Expected		**+5.4%**		

5.3 Downside Protection

- Historical max drawdown (10 years): **~-65%**
- Bear case price decline from $152.40: **-44%** over the horizon
- Probability of >50% permanent loss not recovered in 5 years: **~8%** (passes the <10% gate)
- **Bear case total return is negative. This is the disqualifying number.**

STAGE 6 — DECISION FRAMEWORK

Downside Protection Score

Adjustment	Points
Base	50
Bear case total return positive	0 (fails)
D/E <0.5x	0 (fails)
Dividend maintained through 2008/2020	**+10**
Max drawdown <40%	0 (-65% actual)
Yield >3%	**+5**
Bear case price decline >20%	**-15**
D/E >1.0x (lease-adjusted)	**-10**
FCF negative in any of last 5 years (FY2022)	**-10**
Dividend cut in past 10 years	0 (none)
Payout ratio >75%	0 (54%)
DOWNSIDE PROTECTION SCORE	**30 / 100**

Return Adequacy Score

Base case 6.4% CAGR → **40 / 100** (below hurdle band)

Composite

WP Score = (30 × 0.45) + (40 × 0.30) + (69 × 0.25) = 13.5 + 12.0 + 17.25 = 42.75 → 43 / 100

Absolute Requirements

Requirement	Result
Bear case total return ≥ 0%	■ **FAIL** (-1.5%)
Base case total return ≥ 7%	■ **FAIL** (6.4%)
Solvency FORTRESS or ADEQUATE	■ Pass (ADEQUATE)
Dividend sustainability ROCK SOLID or SUSTAINABLE	■ Pass
Probability >50% permanent loss <10%	■ Pass (~8%)

Two absolute requirements fail. The framework terminates here regardless of upside.

Position Sizing: €0

STAGE 7 — FINAL DECISION

RECOMMENDATION: AVOID at $152.40 / €131.98

Disqualifying factors:

1. Bear case ten-year total return is negative (-1.5% CAGR). Capital is not preserved in the downside scenario.
2. Base case total return of 6.4% sits below the inflation + 4% hurdle of roughly 7%.
3. WP Score of 43 falls below the 45 minimum.
4. Margin of safety is negative 13.4%. You are paying above fair value.

What would change this assessment:

- Price at or below **$128 / €110.85** with the dividend intact. That entry restores a base case near 8.6% and pushes the bear case to roughly breakeven.
- Gross margin rate expansion of 75bp+ sustained across two consecutive quarters, which would justify raising the normalized EPS anchor above $8.60 and lifting fair value.
- Lease-adjusted D/E below 1.0x through debt paydown, which would recover 15 points of scoring.

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8. KEY METRICS SUMMARY [EST unless noted]

Metric	Value
Price (verified)	$152.40 / €131.98
Market Cap	~$69B
Shares Outstanding	~455M
Normalized EPS	~$8.60
Forward P/E	~17.7x
Dividend / Yield	$4.64 / 3.0%
Payout Ratio	~54%
Free Cash Flow	~$4.0B
ROIC / WACC	~12% / ~8%
D/E (lease-adj.)	~1.3x
Interest Coverage	~10x
Consecutive Dividend Increases	54 years

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9. RISK ASSESSMENT

Risk	Severity	Comment
Multiple compression	**High**	17.7x on an unproven turnaround is the dominant ris
Tariff cost pass-through	High	Flagged in research feed; private-label sourcing con

Risk	Severity	Comment
Discretionary demand	High	~50% of mix; middle-income consumer sensitivity
Share loss to WMT/COST/AMZN	Medium-High	Structural, ongoing
Inventory mismanagement recurrence	Medium	Precedent exists (FY2022); watch inventory vs. COG
CEO transition execution	Medium	New CEO, internal promotion, first full year
Leverage	Low-Medium	Lease-adjusted above threshold, coverage strong
Dividend cut	Low	54-year streak, 54% payout, 1.9x FCF coverage

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10. MONITORING CHECKLIST

Item	Frequency	Trigger for Action
Comparable sales	Quarterly	Two consecutive negative quarters → downgrade fa
Gross margin rate YoY	Quarterly	-50bp or worse → bear case weighting rises to 35%
Inventory growth vs. COGS growth	Quarterly	Inventory outgrowing COGS by >400bp → FY2022 v
Forward P/E	Monthly	Below 14x → move to BUY review
Price	Weekly	Below $128 / €110.85 → full re-underwrite
Dividend declaration	Quarterly	Any raise below 1.5%, or a hold, signals cash strain
Buyback pricing	Quarterly	Repurchases above 18x forward → capital allocation
Q2 FY2026 print	Aug 19, 2026	Guidance cut → confirm AVOID; beat plus raise → r

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11. MARKET EXPECTATIONS & CONSENSUS

■■ No deep_dive_metrics block was supplied. Fields below are marked NOT PROVIDED where no data exists. Nothing is invented.

What the price implies: at $152.40 against roughly $8.60 of normalized EPS, the market is paying a 14-22% premium to Target's five- and ten-year average multiples. Backing into it, the price requires low-single-digit revenue growth *plus* gross margin recovery toward pre-2022 levels *plus* multiple persistence at 17x+. All three must hold. Implied revenue CAGR embedded in the base case: roughly 3-4%.

Consensus bull case (from research feed): comp sales momentum extends, operational leverage on a high fixed-cost base converts modest traffic gains into outsized EPS, food/beverage, beauty and home décor drive mix, buybacks resume in 2026.

Consensus bear case (from research feed): tariffs compress margin on private-label and exclusive merchandise, CEO transition creates execution slippage, competitive share loss to Walmart/Costco/Amazon continues, discretionary spending weakens on soft labor data.

Field	Value
Short Interest / Days to Cover	NOT PROVIDED
Analyst Consensus Rating	NOT PROVIDED
Analyst Price Target	NOT PROVIDED
Beta	NOT PROVIDED (historically ~1.1, cyclical-consumer exposure)

What would validate consensus: positive comps with gross margin rate up year over year on Aug 19, plus a full-year guidance raise.

What would disappoint: comps positive on price/mix only while traffic falls, or margin rate flat with guidance held rather than raised.

Forward Valuation (analyst estimates, not live feed)

Metric	Value **[EST]**	vs. Sector	Assessment
Fwd P/E	~17.7x	Below WMT/COST, above DG	Cheap relative, full absolute
PEG	~3.5x	Unattractive	Growth does not support the multiple
EV/EBITDA	~10.5x	Mid-cohort	Full vs. own history
Beta	~1.1	Cyclical consumer	Not a defensive holding

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12. KEY BUSINESS DRIVERS

Driver 1: Comparable Sales Growth

Why it matters: measures whether customers are returning to existing stores, the only clean read on merchandising recovery.

Current level: recent rebound cited in research feed, magnitude NOT PROVIDED.

Bull threshold: +2% or better with traffic (not ticket) contributing over half.

Bear threshold: negative comps, or positive comps driven entirely by price.

Next data point: **Aug 19, 2026**.

Driver 2: Gross Margin Rate

Why it matters: separates real recovery from discount-driven volume, and captures the tariff pass-through question directly.

Current level: NOT PROVIDED. Pre-2022 baseline roughly 29-30% **[EST]**.

Bull threshold: +75bp year over year sustained two quarters.

Bear threshold: flat to down, indicating tariffs absorbed rather than passed through.

Next data point: Aug 19, 2026.

Driver 3: Inventory Balance vs. COGS Growth

Why it matters: this ratio broke first in 2022 and preceded the margin collapse by two quarters.

Current level: NOT PROVIDED.

Bull threshold: inventory growing at or below COGS growth.

Bear threshold: inventory outgrowing COGS by more than 400bp.

Next data point: Aug 19, 2026 balance sheet.

Driver 4: Other Revenue (Roundel retail media and same-day services)

Why it matters: the only high-margin, capital-light growth line Target owns, and the mix shift that could justify a structurally higher multiple.

Current level: NOT PROVIDED. Roundel scale ~$2B+ **[EST]**.

Bull threshold: 20%+ growth with disclosed margin contribution.

Bear threshold: sub-10% growth, indicating advertiser budgets rotating to Walmart Connect and Amazon.

Next data point: Aug 19, 2026 and Q3 investor commentary.

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13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Symbol	Relationship	Signal
SPDR S&P Retail ETF	XRT	Correlates; sector risk appetite	Bullish above 50-day MA with breadth; be
Walmart	WMT	Inverse share proxy	Bearish for TGT if WMT US comps outrun
US Census retail sales, general merchandise + apparel	Monthly (mid-month)	Leads TGT comps by roughly one quarter	Bullish on two consecutive positive real-d
Container freight rates (Drewry WCI)	Weekly plus tariff headlines	Leads TGT gross margin by one to two quarters	Bearish if import costs rise while TGT hol

Monitoring rule: if XRT breaks its 50-day moving average while WMT outperforms TGT by more than 5% over any twenty-day window, treat the turnaround thesis as unconfirmed and hold the AVOID through the next print.

FINAL RECOMMENDATION

AVOID

Target is a good business at a price that offers you no protection. The 54-year dividend streak, ten-times interest coverage, and $4B of free cash flow mean you are unlikely to lose your money permanently. The 17.7x multiple, 6.4% base-case return, and negative bear-case return mean you are unlikely to be paid enough for the volatility you accept. A 4% HYSA delivers 62% of the base-case return with none of the 44% downside.

Put $128 / €110.85 on the watchlist and wait. Target traded below that level fourteen months ago and could do so again on one disappointing quarter. If the Aug 19 print delivers positive comps *with* margin rate expansion, revisit the normalized EPS anchor rather than chasing the price.

Position: €0

ANALYST NOTES

Key Assumptions:

- Normalized EPS of $8.60 as the valuation anchor
- Fair multiple of 15.3x, equal to the five-year average, not the ten-year average of ~14.5x
- Dividend of $4.64 annualized, growing 2.5% (matching the recent deceleration, not the five-year headline CAGR)
- Terminal multiples of 11x bear / 15.3x base / 17x bull
- Dividend maintained in all three scenarios, based on the 54-year streak and 54% payout ratio
- Ten-year holding period per mandate

Limitations:

- **No FMP financial statements, no yfinance history, and no deep_dive_metrics were supplied by the pipeline.** All quantitative inputs are analyst estimates from prior knowledge of Target's filings, flagged **[EST]** throughout.
- FY2025 (year ended Jan 2026) actuals are outside verified knowledge; the EPS anchor carries meaningful error bars.
- Short interest, analyst targets, beta, and forward consensus estimates could not be sourced and are marked NOT PROVIDED rather than estimated.
- Peer figures are directional, not audited.
- The Q2 FY2026 report lands in seven days and could materially change the EPS anchor in either direction.

Confidence Level: MEDIUM-LOW on the numbers, MEDIUM-HIGH on the conclusion. The AVOID rests on a 13% negative margin of safety and a negative bear case. Both survive a wide band of estimate error: normalized EPS would need to be above roughly $10.00, or the fair multiple above 17x, to flip the base case above the 7% hurdle. Neither is supported by Target's ROIC trend or the competitive position.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

IMPORTANT DISCLOSURES

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