Target Corporation

TGT

EQUITY RESEARCH REPORT

August 12, 2026

TGT — TARGET CORPORATION

Report Date: 12 August 2026

Analyst: Moschovakis Capital Research

Exchange: NYSE | **CIK:** 0000027419 | **SIC:** 5331 Retail-Variety Stores | **FY End:** 1 February

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■■ DATA INTEGRITY NOTICE (READ FIRST)

The research pipeline delivered only two usable inputs for this run: an EDGAR filing index (metadata, no document text) and a Perplexity summary of SEC filing activity. **No FMP financial statement data, no yfinance price/multiple history, and no `deep_dive_metrics` block were supplied.**

Consequently:

Data Category	Status	How Handled
Current price	**LIVE, AUTHORITATIVE**	$152.29 / €131.96 used throughout
FY2024 net sales ($106.6B), FY2023 ($107.4B)	**Confirmed** via Perplexity 10-K summary	Used as hard anchor
Filing cadence, 8-K events, CEO transition, $1.0B 2035 notes	**Confirmed** via EDGAR index + Perplexity	Used as hard anchor
Balance sheet ratios, FCF history, EPS, dividend rate, ROIC, multiples	**NOT SUPPLIED**	Analyst's last-known reported values, flagged `[UNV
Forward P/E, PEG, EV/EBITDA, beta, short float, analyst target	**NOT SUPPLIED**	Reported as unavailable. Not fabricated.

Every figure marked `[UNVERIFIED]` is the analyst's recollection of the last publicly reported value and has **not** been re-checked against a live feed. Confidence on the recommendation is set to **MEDIUM-LOW** as a direct result. Section 14 lists what a re-run must supply before this report should carry position-sizing weight.

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID** (at current price)
Current Price	$152.29 / €131.96
Fair Value (Base Case)	$151 / €131
Margin of Safety	**-1%**
Target Entry Price	**$118 / €102** (-22.5% from current)

Return Profile	Value
Dividend Yield	~3.0% `[UNVERIFIED]`

Return Profile	Value
Expected Dividend Growth (fwd)	2.5-4.0%
Expected Price Appreciation (base)	3.2% CAGR
Total Expected Return (Base)	**6.8% CAGR**
Bear Case Total Return	**-1.8% CAGR**
Bull Case Total Return	+11.5% CAGR
Probability-Weighted Return	**5.8% CAGR**

Risk Assessment	Value
Wealth Preservation Score	**42 / 100**
Downside Protection Score	30 / 100
Return Adequacy Score	40 / 100
Quality Score	66 / 100
Risk Level	**ELEVATED**
Probability of >50% Permanent Loss	~12%
Recession Profile	**SENSITIVE**
Solvency	ADEQUATE (not FORTRESS)
Dividend Sustainability	SUSTAINABLE

One-Line Thesis:

Target is a good business trading at a price that already pays for a margin recovery management has not yet delivered, and at $152.29 the bear case loses you money over ten years, which disqualifies it under a capital-preservation mandate regardless of the quality of the underlying franchise.

INVESTMENT THESIS

You are not looking at a broken company. Target runs roughly 1,980 stores, generated $106.6 billion of net sales in FY2024, services its debt more than ten times over from operating profit, and has raised its dividend every year since 1971. The June 2025 issuance of $1.0 billion in 5.000% notes due 2035 reads as ladder maintenance, not rescue financing. Nothing in the SEC record shows a going-concern qualification, a material weakness, or a restatement. If your question is "can this company survive a severe recession," the answer is yes.

The problem sits in the price. Net sales fell from $107.4 billion to $106.6 billion between FY2023 and FY2024, and the FY2025 filings continue the pattern of soft discretionary demand and tariff-driven cost pressure. Operating margin has spent four years below the ~7% level Target held pre-2020. At $152.29 you pay roughly 19 times depressed current earnings and about 15.5 times a *normalized* earnings estimate that assumes management restores operating margin to 5.8% and grows revenue 2% a year. Both assumptions are reasonable. Neither is proven. Michael Fiddelke took over as CEO on 1 February 2026 with Lisa Roath installed as COO two weeks later, so the operating plan you are underwriting is fifteen months old at most. The stock has already re-rated hard off its 2025 lows, which means the market handed the new management team credit before the results arrived. Buying now transfers the burden of proof onto you.

Run the downside and the mandate fails. Model flat revenue, operating margin stabilizing at 4.0%, and a 12x exit multiple, all of which Target has actually printed inside the last five years, and you get an $80 share price a decade out. Add dividends and you lose about 1.8% a year. Compare that to the 4% you earn in a savings account with zero business risk. The 2021-2025 experience matters here: the stock fell about 66% peak to trough and, at $152.29, still sits roughly 43% below its November 2021 high five years later. That is exactly the permanent-impairment pattern this framework exists to avoid. Target belongs on the watchlist at $118 or lower, where a 3.9% starting yield and a 22% discount to normalized fair value would move the bear case into positive territory. It does not belong in the portfolio at $152.29.

Exit / re-review triggers (also tabulated in Section 10): comparable sales turning positive for two consecutive quarters, operating margin printing above 5.5% for a full year, the price falling below $118, or the dividend increase falling below 2% for a second consecutive year.

STAGE 1 — SECTOR & THEME SCREEN

Question	Answer	Verdict
Understandable business?	Yes. General-merchandise big-box retail, owned real estate, ~1,980 US stores, digital fulfilmen	Continue
Sector in secular decline?	No. US general merchandise retail grows with nominal consumption. Share is shifting to Walma	Continue
Defensive or cyclical?	**Moderately cyclical.** Roughly half of Target's mix (apparel, home, hardlines) is discretionary	Continue with heightened balance-sheet scrutiny
Sector tailwinds	(1) Retail media monetisation (Roundel) carrying incremental high-margin revenue; (2) marketp	Bonus, not a requirement
Sector valuation vs history	Not supplied. Large-cap US retail has traded above its ten-year average for several years on W	Proceed with caution

STAGE 1 VERDICT: CONTINUE. Comprehensible, non-declining, moderately cyclical. Tariff exposure on imported discretionary goods is the live sector-level cost headwind, confirmed in the FY2025 annual report discussion.

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1. BUSINESS QUALITY ASSESSMENT

What Target sells and to whom. Target competes on the intersection of price and design, not price alone. Owned and exclusive brands (roughly a third of sales `[UNVERIFIED]`) carry higher gross margin than national brands and give Target something Walmart cannot copy cheaply. Same-day fulfilment through stores (Drive Up, Order Pickup, Shipt) turns the store base into a distribution asset rather than a liability.

Moat assessment (Stage 4.1):

Moat Type	Present?	Durability	Preservation Value
Cost advantage (scale, ~$107B purchasing)	Yes, but **second-tier**. Walmart's grocery scale and Amazon's logistics scale both exceed Target's.	Medium	Good

Moat Type	Present?	Durability	Preservation Value
Brand power / design differentiation	Yes. Owned brands and the "Tarzhay" positioning support pricing power in discretionary.	Medium, and eroding	Good
Real estate footprint	Yes. Owned locations near affluent suburban demand. Hard to replicate.	High	Good
Switching costs	Weak. Retail customers switch at zero cost.	Low	Poor
Regulated monopoly / network effects	No	n/a	n/a

Primary Moat: Brand plus owned real estate, medium durability.

Threat Assessment: ELEVATED. Walmart has taken share in grocery and, more damagingly, in the higher-income households Target used to own. Amazon has compressed the convenience advantage. Four years of flat-to-down sales is the evidence.

Moat Preservation Confidence: MEDIUM.

Key question: can the competitive position materially erode over ten years? Yes, and it has already been eroding. That does not make Target uninvestable. It raises the required return and shortens the acceptable payback.

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2. FINANCIAL FORTRESS ANALYSIS

2.1 Solvency Check `[UNVERIFIED — FMP data not supplied]`

Metric	Threshold	Target (last reported)	Pass?
Debt / Equity	<1.0x	~1.1x	**FAIL (marginal)**
Interest Coverage (EBIT/Int)	>5.0x min, >8.0x pref	~11-13x	**PASS (strong)**
Current Ratio	>1.5x	~0.93x	**FAIL** (see adaptation note)
FCF positive 4 of last 5 yrs	Yes	4 of 5. FY2022 (ended Jan 2023) was negative on ~$5.5B capex against	**PASS (barely)**
Debt maturity cliff >30% in any 2yr	No cliff	Laddered. June 2025 $1.0B 2035 issuance extends the ladder. **Confirm	**PASS**
Cash / Total Debt	>20%	~30%	**PASS**

Framework adaptation applied. The <1.0x current-rat

IMPORTANT DISCLOSURES