



Target Corporation (TGT)

Updated November 28th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$90	5 Year CAGR Estimate:	11.5%	Market Cap:	\$41 B
Fair Value Price:	\$102	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	02/13/26 ¹
% Fair Value:	88%	5 Year Valuation Multiple Estimate:	2.6%	Dividend Payment Date:	03/01/26
Dividend Yield:	5.1%	5 Year Price Target	\$130	Years Of Dividend Growth:	57
Dividend Risk Score:	B	Sector:	Consumer Staples	Rating:	Buy

Overview & Current Events

Target was founded in 1902 and after a failed bid to expand into Canada, has operations solely in the U.S. market. Its business consists of about 1,850 big box stores, which offer general merchandise and food, as well as serving as distribution points for the company's burgeoning e-commerce business. Target has a market capitalization of \$41 billion and should produce more than \$100 billion in total revenue this year. The company also sports an extremely impressive dividend increase streak of 57 years.

Target posted third quarter earnings on November 19th, 2025, and results were slightly better than expected, but guidance disappointed investors. Adjusted earnings-per-share came to \$1.78, which was seven cents ahead of estimates. Revenue was \$25.3 billion, meeting expectations, but declining just over 1% year-over-year.

Sales were off 1.5% year-over-year, reflecting merchandise sales declines of 1.9%, partially offset by a 17.7% increase in non-merchandise sales. Comparable sales were off 2.7%, missing estimates for a 2.1% decline. Physical store sales fell 3.8% on a comparable basis, partially offset by digital comparable sales growth of 2.4%.

Operating income was \$1.1 billion on an adjusted basis, with gross margin off 10 basis points to 28.2% of revenue. This reflected merchandising pressure from increased markdowns, partially offset by growth in advertising and other revenues, lower inventory shrink, and efficiency gains in the supply chain.

Share repurchases were \$152 million during the quarter at an average price of \$91.59. The company has about \$8.3 billion in remaining repurchase capacity under the 2021 authorization that is still incomplete.

We have very slightly boosted our estimate of adjusted earnings to \$7.30 with one quarter remaining.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.69	\$5.01	\$4.65	\$5.39	\$6.39	\$9.42	\$13.56	\$6.02	\$8.94	\$8.86	\$7.30	\$9.32
DPS	\$2.16	\$2.32	\$2.44	\$2.52	\$2.60	\$2.68	\$3.16	\$3.96	\$4.36	\$4.44	\$4.56	\$5.29
Shares²	633	583	546	524	512	506	471	460	462	456	456	456

Target has grown its earnings-per-share at an average annual rate of about 8% during the last decade. Due to fierce competition and the failed attempt to expand to Canada, Target's earnings-per-share remained almost flat from 2012 to 2017. However, turnaround efforts have borne fruit and as a result, Target had significantly improved its performance in recent years. The company has reduced its share count over time, although the past two years have seen essentially no change. Overall, we expect 5% annualized growth from what should be a modest level for 2025 given margin issues that cropped up in recent quarters. In addition, sales growth remains an issue for Target. Nothing in the third quarter earnings report has changed our view on this.

We see comparable sales growth as a challenge, offset by sizable margin expansion from low levels in 2023, and a potential tailwind from the buyback. Target's digital efforts are also working extremely nicely, although there was some

¹ Estimated date

² Share count in millions

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pulling back after enormous sales growth during the pandemic. The remaining buyback authorization should be good for a significant tailwind to earnings-per-share in the coming. However, we note that Target remains committed to investing in its digital capabilities, as well as its 50+ year streak of dividend increases. In addition, share repurchases have been slow to materialize.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.6	14.6	14.2	14.2	14.4	14.0	16.6	24.8	15.9	15.3	12.3	14.0
Avg. Yld.	2.8%	3.2%	4.0%	3.3%	2.8%	2.0%	1.4%	2.7%	3.1%	3.3%	5.1%	4.1%

Target shares trade for 12.3 times our earnings estimate for this year, well below our estimate of fair value at 14 times earnings. We note that the 5.1% yield is quite elevated on a historical basis. If the stock reverts to our estimate of fair value over the next five years, it will produce a modest tailwind to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	46%	46%	53%	47%	41%	28%	23%	66%	49%	50%	62%	57%

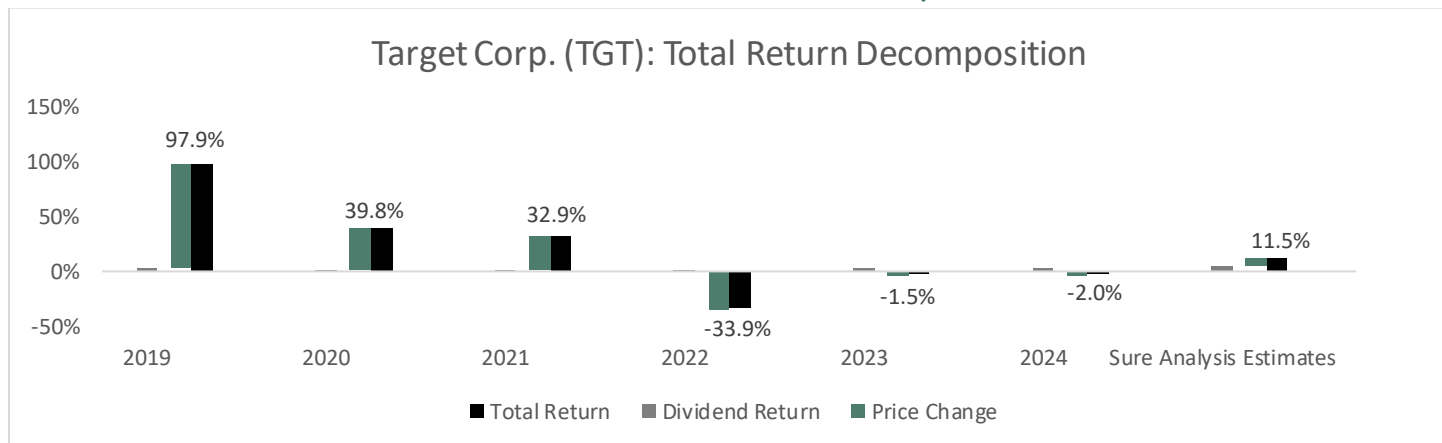
Target has grown its dividend for more than five decades, making it a Dividend King. The company is investing heavily in its business in order to navigate through the changing landscape in the retail sector. The payout is now 62% of earnings for this year, which is elevated historically.

Target's competitive advantage comes from its everyday low prices on attractive merchandise in its guest-friendly stores. However, given the price war in the retail sector, Target's moat faces decline. In addition, as consumers tend to curtail their consumption during recessions, the company is vulnerable in such periods. In 2008, its earnings-per-share fell -14%. Nevertheless, that performance was much better than that of most companies, which saw their earnings collapse during the Great Recession. Moreover, it took only one year for the earnings of Target to return to their pre-crisis level. Therefore, while Target is vulnerable to economic downturns, it is much more resilient than most stocks in such periods. Target is combatting this in part with its massive push towards digital sales channels, which is working, albeit at the expense of profitability.

Final Thoughts & Recommendation

We see Target as under fair value, which should provide a tailwind to total returns. We see 5% earnings growth going forward, producing total returns of 11.5% annually. The yield of 5.1% is at its highs, and the dividend increase streak is impressive and should provide many more years of payout growth. We're reiterating the stock at a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	73,785	70,271	72,714	75,356	78,112	93,561	106,005	109,120	107,412	106,566
Gross Profit	21,544	21,126	21,589	22,057	23,248	27,384	31,042	26,891	29,676	30,064
Gross Margin	29.2%	30.1%	29.7%	29.3%	29.8%	29.3%	29.3%	24.6%	27.6%	28.2%
SG&A Exp.	14,665	14,217	15,140	15,723	16,233	18,615	19,752	20,658	21,554	21,969
D&A Exp.	2,213	2,318	2,476	2,474	2,604	2,485	2,642	2,700	2,801	2,981
Operating Profit	4,910	4,864	4,224	4,110	4,658	6,539	8,946	3,848	5,707	5,566
Op. Margin	6.7%	6.9%	5.8%	5.5%	6.0%	7.0%	8.4%	2.5%	5.3%	5.2%
Net Profit	3,363	2,734	2,914	2,937	3,281	4,368	6,946	2,780	4,138	4,091
Net Margin	4.6%	3.9%	4.0%	3.9%	4.2%	4.7%	6.6%	2.5%	3.9%	3.8%
Free Cash Flow	4,520	3,897	4,402	2,457	4,090	7,876	5,081	(1,510)	3,815	4,476
Income Tax	1,602	1,295	722	746	921	1,178	1,961	638	1,159	1,170

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	40,262	37,431	40,303	41,290	42,779	51,248	53,811	53,335	55,356	57,769
Cash & Equivalents	1,038	2,512	737	787	767	867	5,911	886	3,805	4,762
Inventories	8,601	8,309	8,597	9,497	8,992	10,653	13,902	13,499	11,886	12,740
Total Liabilities	27,305	26,478	28,652	29,993	30,946	36,808	40,984	42,103	41,924	43,103
Accounts Payable	7,418	7,252	8,677	9,761	9,920	12,859	15,478	13,487	12,098	13,053
Long-Term Debt	12,760	12,749	11,398	11,275	11,499	12,680	13,720	16,139	16,038	15,940
Total Equity	12,957	10,953	11,651	11,297	11,833	14,440	12,827	11,232	13,432	14,666
LTD/E Ratio	0.98	1.16	0.98	1.00	0.97	0.88	1.07	1.44	1.19	1.09

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.3%	7.0%	7.5%	7.2%	7.8%	9.3%	13.2%	5.2%	7.6%	7.2%
Return on Equity	25.0%	22.9%	25.8%	25.6%	28.4%	33.3%	50.9%	23.1%	33.6%	29.1%
ROIC	12.8%	11.1%	12.5%	12.9%	14.3%	17.3%	25.9%	10.3%	14.6%	13.6%
Shares Out.	633	583	546	524	512	506	471	465	463	462
Revenue/Share	116.58	120.64	132.14	141.33	151.50	185.12	215.15	234.82	232.09	230.76
FCF/Share	7.14	6.69	8.00	4.61	7.93	15.58	10.31	-3.25	8.24	9.69

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise. The year lines up most closely with the calendar year; for example, 2024 shows Target's results for the year ending February 1st, 2025.

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