



Target Corporation (TGT)

Updated May 21st, 2026, by Josh Arnold

Key Metrics

Current Price:	\$122	5 Year CAGR Estimate:	11.5%	Market Cap:	\$56 B
Fair Value Price:	\$132	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	08/13/26 ¹
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	09/01/26
Dividend Yield:	3.7%	5 Year Price Target	\$185	Years Of Dividend Growth:	57
Dividend Risk Score:	A	Sector:	Consumer Staples	Rating:	Hold

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 \$56 billion and should produce more than \$105 billion in total revenue this year. The company also sports an extremely impressive dividend increase streak of 57 years.

Target posted first quarter earnings on May 20th, 2026, and results were much better than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$1.71, which was 25 cents ahead of estimates. Revenue was up 6.7% year-over-year to \$25.44 billion, beating estimates by a staggering \$740 million. The company noted all six core merchandising categories were higher than a year earlier.

Comparable sales were up 4.4%, more than double the estimate for 1.9% growth. Digital sales rose 8.9% on a comparable basis, driven by Target Circle 360 growth of 27%.

Adjusted operating income was up 29.1% to \$1.1 billion, well ahead of estimates of \$920 million.

The company guided for net sales growth of 4% for the second quarter, two percentage points ahead of prior estimates, and said that it expects growth in every quarter for the year.

No buybacks were conducted during the quarter. We see \$8.25 in adjusted earnings-per-share for this year after Q1 results, which would mark the first year of earnings growth in the past three if achieved.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
EPS	\$5.01	\$4.65	\$5.39	\$6.39	\$9.42	\$13.56	\$6.02	\$8.94	\$8.86	\$7.57	\$8.25	\$11.57
DPS	\$2.32	\$2.44	\$2.52	\$2.60	\$2.68	\$3.16	\$3.96	\$4.36	\$4.44	\$4.52	\$4.56	\$5.29
Shares²	583	546	524	512	506	471	460	462	456	453	450	435

Target has grown its earnings-per-share at an average annual rate of about 5% 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. The period following COVID was also unkind to Target, and earnings fell in three out of four years. However, turnaround efforts have borne fruit and as a result, Target has 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 7% annualized growth from what should be a modest level for fiscal 2027 given margin issues that cropped up in recent quarters. In addition, sales growth remains an issue for Target.

Comparable sales have risen strongly so far this year, and there is a potential tailwind from the buyback. Target's digital efforts are also working extremely nicely, although there was some 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

¹ Estimated date

² Share count in millions

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near future. However, we note that Target remains committed to investing in its digital capabilities, as well as its 50+ year streak of dividend increases.

Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Now	2032
Avg. P/E	14.6	14.2	14.2	14.4	14.0	16.6	24.8	15.9	15.3	13.9	14.8	16.0
Avg. Yld.	3.2%	4.0%	3.3%	2.8%	2.0%	1.4%	2.7%	3.1%	3.3%	4.3%	3.7%	2.9%

Target shares trade for 14.8 times our earnings estimate for this year, modestly below our estimate of fair value at 16 times earnings. We note that the 3.7% yield is still somewhat elevated on a historical basis. If the stock reverts to our estimate of fair value over the next five years, it will produce a small tailwind to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	46%	52%	47%	41%	28%	23%	66%	49%	50%	60%	55%	46%

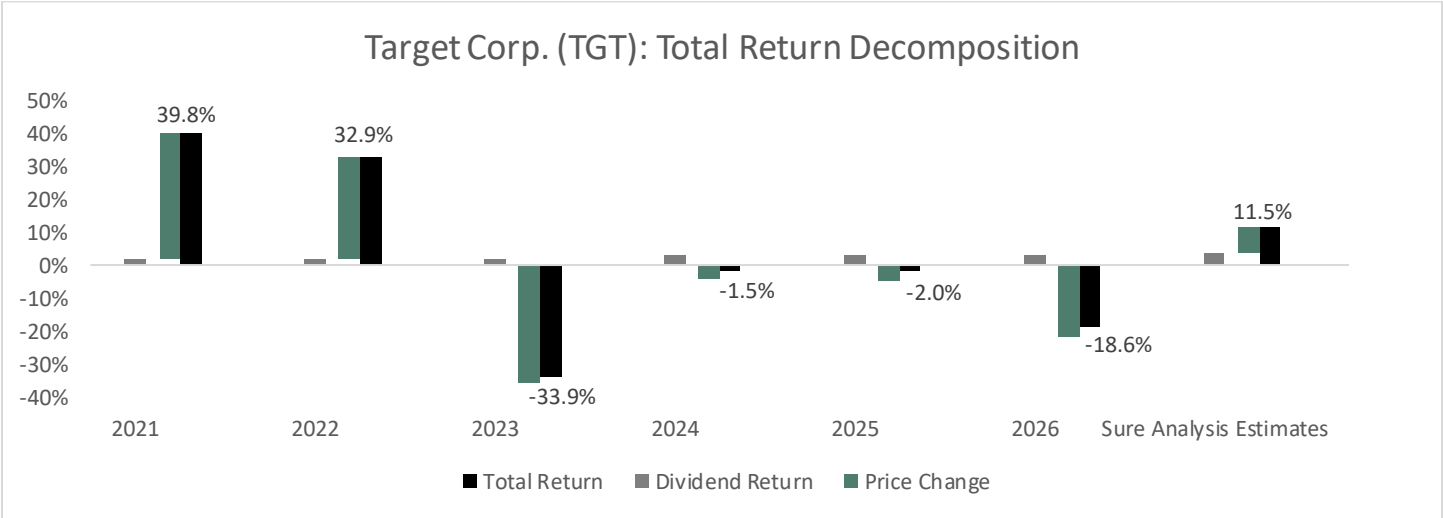
Target has grown its dividend for more than five decades, making it a Dividend King. The company is investing heavily in its business in order to navigate through the changing landscape in the retail sector. The payout is now 55% of earnings for this year, which is elevated historically.

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 to an extent.

Final Thoughts & Recommendation

We see Target as under fair value, which should provide a tailwind to total returns. We see 7% earnings growth going forward, producing total returns of 11.5% annually. The yield of 3.7% is good, and the dividend increase streak is impressive and should provide many more years of payout growth. We’re at a hold rating after Q1 results.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	70,271	72,714	75,356	78,112	93,561	106,005	109,120	107,412	106,566	104,780
Gross Profit	21,126	21,589	22,057	23,248	27,384	31,042	26,891	29,676	30,064	26,652
Gross Margin	30.1%	29.7%	29.3%	29.8%	29.3%	29.3%	24.6%	27.6%	28.2%	25.4%
SG&A Exp.	14,217	15,140	15,723	16,233	18,615	19,752	20,658	21,554	21,969	21,535
D&A Exp.	2,318	2,476	2,474	2,604	2,485	2,642	2,700	2,801	2,981	3,134
Operating Profit	4,864	4,224	4,110	4,658	6,539	8,946	3,848	5,707	5,566	5,117
Op. Margin	6.9%	5.8%	5.5%	6.0%	7.0%	8.4%	2.5%	5.3%	5.2%	4.9%
Net Profit	2,734	2,914	2,937	3,281	4,368	6,946	2,780	4,138	4,091	3,705
Net Margin	3.9%	4.0%	3.9%	4.2%	4.7%	6.6%	2.5%	3.9%	3.8%	3.5%
Free Cash Flow	3,897	4,402	2,457	4,090	7,876	5,081	(1,510)	3,815	4,476	2,835
Income Tax	1,295	722	746	921	1,178	1,961	638	1,159	1,170	1,062

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	37,431	40,303	41,290	42,779	51,248	53,811	53,335	55,356	57,769	59,490
Cash & Equivalents	2,512	737	787	767	867	5,911	886	3,805	4,762	5,488
Inventories	8,309	8,597	9,497	8,992	10,653	13,902	13,499	11,886	12,740	12,304
Total Liabilities	26,478	28,652	29,993	30,946	36,808	40,984	42,103	41,924	43,103	43,325
Accounts Payable	7,252	8,677	9,761	9,920	12,859	15,478	13,487	12,098	13,053	12,622
Long-Term Debt	12,749	11,398	11,275	11,499	12,680	13,720	16,139	16,038	15,940	19,918
Total Equity	10,953	11,651	11,297	11,833	14,440	12,827	11,232	13,432	14,666	16,165
LTD/E Ratio	1.16	0.98	1.00	0.97	0.88	1.07	1.44	1.19	1.09	1.23

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.0%	7.5%	7.2%	7.8%	9.3%	13.2%	5.2%	7.6%	7.2%	6.3%
Return on Equity	22.9%	25.8%	25.6%	28.4%	33.3%	50.9%	23.1%	33.6%	29.1%	24.0%
ROIC	11.1%	12.5%	12.9%	14.3%	17.3%	25.9%	10.3%	14.6%	13.6%	10.5%
Shares Out.	583	546	524	512	506	471	465	463	462	456
Revenue/Share	120.64	132.14	141.33	151.50	185.12	215.15	234.82	232.09	230.76	229.98
FCF/Share	6.69	8.00	4.61	7.93	15.58	10.31	-3.25	8.24	9.69	6.22

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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