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Target Corporation (TGT-US)**Multiline Retail**

- We reiterate our Buy rating on TGT as improving operating efficiencies and its differentiated value proposition continue to drive accelerating Business Performance.
- TGT strategic growth initiatives continue to drive gains in Business Performance.
- TGT continues to undertake additional strategic initiatives to drive growth and enhance its customer shopping experience.
- TGT continues to enhance its digital and fulfillment capabilities to drive future sales growth.
- Store upgrades continue to improve TGT’s shopping experience and drive same-store sales increases.
- TGT continues to actively manage its capital and cash flow to fund its strategic initiatives and enhance shareholder returns through ongoing dividend increases and share repurchases.

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Company Note
Target Corporation (TGT-US)
 Multiline Retail

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Research Action:

Reiterate rating

Rating: Buy

Prior Rating: Buy

Price 01/16/2019: \$67.85

52 Week High / Low: \$90.39 / \$60.15

Key Data: (TTM as of Oct-18)

Excess Cash per Share: -\$5.58

Annual Dividend: \$2.56

Dividend Yield: 3.77%

Avg. Volume (30 Day): 6.2M

Shares Outstanding: 521.8M

Float: 520.7M

Short Interest: 25.0M

SI % / Float 4.80%

Equity MV: \$35,406.4M

Sales TTM: \$75,144.0M

Beta: 0.92

EBITDAR: \$6,831.1M

NOPAT: \$3,622.5M

Total Invested Capital: \$27,366.1M

Return on Capital: 13.03%

Cost of Capital: 6.06%

Economic Profit: \$1,937.7M

Market Value Added: \$23,049.4M

Current Operations Value: \$59,326.7M

Future Growth Value: -\$8,911.2M

- **We reiterate our Buy rating on TGT as improving operating efficiencies and its differentiated value proposition continue to drive accelerating Business Performance.** TGT continues to differentiate itself from other retailers as it invests to enhance its omni-channel capabilities, offer unique and differentiated products, upgrade its stores, and expand its same-day delivery options to enhance its shopping process to better compete with other retailers. TGT continues to benefit from an improving economy with a record level of employment and increasing consumer income and confidence. TGT continues to improve its customer experience and differentiate itself by enhancing its shopping experience with a focus on mobile as the main front door to its stores. TGT is driving traffic with its emphasis on new merchandise, focusing on baby and children's products, apparel, baby, beauty products, and electronics along with food and beverage, and increasing its focus on wellness and personal care. TGT continues to upgrade existing stores along with its IT and supply chain management. TGT initiatives will continue to drive sales growth, improving Return on Capital, increasing Economic Profit, and greater shareholder value creation. We believe significant upside exists from current levels and continue to recommend purchase.
- **TGT strategic growth initiatives continue to drive gains in Business Performance.** For the 12 months ending November 3, 2018, Net Sales Revenue increased by 7.65% Y/Y from \$69.8 billion to \$75.1 billion. We forecast a further increase of 3% to \$77.4 billion over the NTM. Economic Operating Cash Flow (EBITDAR) increased 6% Y/Y from \$6.44 billion to \$6.83 billion over the LTM. We forecast a further increase of 7.5% to \$7.34 billion over the NTM. Net Operating Profit After Tax (NOPAT) increased 36.7% Y/Y from \$2.65 billion to \$3.62 billion over the LTM. We forecast a slight decline of less than 1% to \$3.6 billion over the NTM. Return on Capital (ROC) increased from 9.32% to 13.03% over the LTM. We forecast a further increase of 13.67% over the NTM. Economic Profit increased 74.2% Y/Y from \$1.09 billion to \$1.90 billion over the LTM. We forecast a further increase of 4.85% to almost \$2 billion over the NTM.

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- **TGT continues to undertake additional strategic initiatives to drive growth and enhance its customer shopping experience.** TGT continues to invest in improving its omni-channel fulfillment capabilities together with adding new exclusive value brands and continuing to upgrade its store base. TGT continues to focus on cost reduction through ongoing efficiencies in its supply chain as well as increasing its same-day delivery capabilities. TGT continues to expand its merchandise offerings with emphasis on baby and children's products along with expanded merchandise offerings in apparel, food and beverage, and wellness categories. TGT has benefited significantly from the closure of Toys "R" Us/Babies "R" Us and has expanded its toy and baby product offerings. TGT is also benefiting from increased store traffic driven by its CVS (CVS-US, Buy Rated) partnership for pharmacy and acute care services. TGT has continued to differentiate itself from other value-based retailers through its exclusive line of merchandise. Through its new partnership with Disney (DIS-US, Buy Rated), TGT also launched an exclusive product line consisting of more than 350 items including apparel, bedding, beauty, food, pet products, and toys.
- **TGT continues to enhance its digital and fulfillment capabilities to drive future sales growth.** TGT continues to enhance its omni-channel capabilities and expand its same-day delivery options to gain market share and better serve a growing customer base. In August 2017, TGT acquired transportation technology company Grand Junction. It offers a platform allowing retailers, distributors, and other third-party logistics providers to manage local deliveries through a network of over 700 local carriers, tremendously increasing TGT's supply chain management and delivery capabilities. In December 2017, TGT acquired Internet-based grocery delivery service provider Shipt to provide same-day delivery of groceries and other merchandise. TGT now offers same-day delivery in many of its major markets. To improve customer convenience, TGT rolled out Target Restock, offering customers the ability to repurchase their favorite items for next day at-home delivery for a nominal charge of five dollars if ordered before 7 PM. TGT offers free two-day shipping on target.com purchases over \$35, no minimum for REDcard™ holders. Other digital initiatives include its curbside pickup app Drive Up as part of TGT's mobile app, enabling customers to preorder their purchases for pickup. Target Cartwheel is a coupon and discount app that is now incorporated in its mobile app offering instant savings to TGT's customers.

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- **Store upgrades continue to improve TGT's shopping experience and drive same-store sales increases.** TGT continues to upgrade its stores to improve the customer shopping experience by offering additional in-store amenities including Target Café and Starbucks along with acute care health services. Results have shown that upgraded stores add 2 to 4% of same-store sales growth. TGT is also opening smaller format stores for better penetration in urban areas. TGT's smaller stores are demonstrating higher sales per square foot and need less capital investment. TGT's store growth will emphasize the smaller footprint/higher-yielding stores going forward. TGT opened 30 small footprint stores in 2018 with the goal of having more than 130 small footprint stores nationwide by the end of fiscal 2019. Store upgrades continue to drive increasing same-store sales growth and contribute more than the opening of the larger footprint stores. TGT continues to invest in store upgrades and plans to remodel 350 stores in FY 2019 and 325 and FY 2020. With the upgrades last year, TGT will have made significant improvements to over half of its current 1,822 store base.
- **TGT continues to actively manage its capital and cash flow to fund its strategic initiatives and enhance shareholder returns through ongoing dividend increases and share repurchases.** TGT will generate over \$7.4 billion in Economic Operating Cash Flow (EBITDAR) over the NTM enabling it to fund ongoing strategic initiatives including the ongoing opening of small-format stores and fulfillment centers, along with store upgrades and expansion of its unique merchandise offerings. Last year, TGT increased its quarterly dividend 3.2% from \$0.62 to \$0.64. In September 2016, TGT announced an open market purchase for \$5 billion worth of stock; this follows a previously-announced \$5 billion open market purchase in June 2015 and a \$5 billion open market purchase in January 2012. Since 2012, TGT has repurchased over \$13.7 billion worth of stock including \$526 million in its most recent reported quarter. TGT has about \$1.8 billion in remaining repurchase capacity under its 2016 share repurchase announcement.

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Investment Thesis

TGT continues to differentiate itself from other retailers as it improves its omni-channel capabilities and exclusive product offerings, and enhancing the customer shopping experience. Target is increasing operating efficiencies and logistics and ecommerce capability, driving greater customer purchase frequency and increasing profitability. Target's REDcard™ purchasing and customer loyalty program further differentiates itself and better connects with customers. Target's strong brand equity and strategic initiatives will continue to drive increased sales growth, improving Return on Capital, greater Economic Profit growth, and increasing shareholder value creation.

Company Overview

Target Corp. (TGT-US) is a leading operator of general merchandise discount stores. Target sells general merchandise including apparel, automotive accessories, electronics, home furnishings, sporting goods, toys, and seasonal merchandise. Target operates larger footprint stores called SuperTarget which sell packaged food and groceries as well. Target offers other in-store services including Target Café, Target Optical, Target Photo, Portrait Studio, Starbucks, and other foodservice offerings. Target offers online shopping through its website target.com. Target also differentiates itself by offering proprietary lines of products for their stores in partnership with leading brands and designers. Target's children's clothing line Cat & Jack™ is an example of an exclusive product line that has grown to over \$2 billion in sales in just a few years.

Target continues to increase its omni-channel and fulfillment capabilities, further enabling it to compete against other brick-and-mortar and online retailers as well as better support its customers' shopping preferences. In 2015, Target sold its in-store pharmacy and medical service provider clinics to CVS Health (CVS-US) which now operates pharmacies and acute care facilities within Target stores.

Target's proprietary credit and debit card and loyalty program is another key differentiator and business driver. Target's REDcard™ program includes the Target Debit Card™ Target Credit Card™ for use in Target stores, and on target.com along with Target™ Mastercard® which can be used for Target purchases along with use anywhere else, and gives the holder a 5% discount off of Target purchases along with other benefits that include extended return accommodations. Target's REDcard™ continues to help build sales and customer loyalty.

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Target continues to expand its omni-channel and logistics capabilities through a number of key acquisitions. In 2017, Target acquired transportation technology company Grand Junction and Internet-based grocery delivery service provider Shipt to increase its same-day delivery capabilities and increase online sales, further allowing it to better compete against other online retailers. With the acquisitions of Grand Junction and Shipt, Target offers same-day delivery service from most stores and in all major markets.

Target operates across the United States with its biggest markets being California, Florida, and Texas which account for almost 30% of total sales. Target operates 40 distribution centers and has offices in 12 other countries to support purchasing and product sourcing. As of February 2018, Target operates 1,822 stores.

Target reports revenue in five business segments which include: Apparel & Accessories (20% of revenue), Beauty & Household Essentials (23% of revenue), Food & Beverage (20% of revenue), Hardlines (18% of revenue), Home Furnishings & Décor (19% of revenue).

Target Corporation (TGT-US)
Multiline Retail
Financial Data

Report Basis Reported Period Ending	LTM 11/02/2013	LTM 11/01/2014	LTM 10/31/2015	LTM 10/29/2016	LTM 10/28/2017	LTM 11/03/2018	NTM 10/31/2019	5 Yr Average	3 Yr Average	Current Trend
Net Sales Revenue	\$73,807.0	\$73,703.0	\$73,910.0	\$70,432.0	\$69,803.0	\$75,144.0	\$77,390.5	\$72,598.4	\$71,793.0	\$76,267.3
Sales Growth	2.71%	-0.14%	0.28%	-4.71%	-0.89%	7.65%	2.99%	0.44%	0.68%	5.32%
Sales Growth Trend	3.14%	1.00%	0.11%	-2.71%	-2.42%	4.23%	4.85%	0.04%	-0.30%	4.54%
Economic Operating Cash Flow (EBITDAR)	\$6,606.6	\$5,694.0	\$7,150.8	\$7,143.3	\$6,439.4	\$6,831.1	\$7,341.2	\$6,651.7	\$6,804.6	\$7,086.2
EBITDAR Margin	8.95%	7.73%	9.67%	10.14%	9.23%	9.09%	9.49%	9.17%	9.49%	9.29%
EBITDAR Growth	-14.07%	-13.81%	25.58%	-0.10%	-9.85%	6.08%	7.47%	1.58%	-1.29%	6.78%
Net Operating Profit Before Tax (NOPBT)	\$4,213.6	\$3,124.0	\$4,758.8	\$4,697.3	\$3,840.4	\$4,122.1	\$4,554.9	\$4,108.5	\$4,219.9	\$4,338.5
NOPBT Margin	5.71%	4.24%	6.44%	6.67%	5.50%	5.49%	5.89%	5.67%	5.89%	5.69%
NOPBT Growth	-20.94%	-25.86%	52.33%	-1.29%	-18.24%	7.33%	10.50%	2.85%	-4.07%	8.92%
Cash Operating Income Tax	\$1,390.5	\$1,030.9	\$1,570.4	\$1,481.8	\$1,190.4	\$499.6	\$956.5	\$1,154.6	\$1,057.3	\$728.0
Economic Tax Effective Rate	33.00%	33.00%	33.00%	31.55%	31.00%	12.12%	21.00%	28.13%	24.89%	16.56%
Net Operating Profit After Tax (NOPAT)	\$2,823.1	\$2,093.1	\$3,188.4	\$3,215.5	\$2,650.0	\$3,622.5	\$3,598.3	\$2,953.9	\$3,162.7	\$3,610.4
NOPAT Margin	3.82%	2.84%	4.31%	4.57%	3.80%	4.82%	4.65%	4.07%	4.39%	4.74%
NOPAT Growth	-20.94%	-25.86%	52.33%	0.85%	-17.59%	36.70%	-0.67%	9.29%	6.65%	18.01%
Cash & Equivalents	\$706.0	\$780.0	\$1,977.0	\$1,231.0	\$2,725.0	\$825.0	\$865.0	\$1,507.6	\$1,593.7	\$845.0
Total Assets	\$46,373.0	\$46,461.0	\$41,696.0	\$38,603.0	\$40,708.0	\$43,572.0	\$45,687.1	\$42,208.0	\$40,961.0	\$44,629.6
Non - Interest Bearing Liabilities (NIBLS)	\$15,430.0	\$15,784.0	\$15,664.0	\$14,708.0	\$16,940.0	\$20,853.0	\$21,865.3	\$16,789.8	\$17,500.3	\$21,359.1
Net Assets	\$30,943.0	\$30,677.0	\$26,032.0	\$23,895.0	\$23,768.0	\$22,719.0	\$23,821.9	\$25,418.2	\$23,460.7	\$23,270.4
Economic Asset Adjustments	\$4,398.4	\$5,333.9	\$4,681.6	\$4,728.6	\$4,447.8	\$4,647.1	\$4,872.6	\$4,767.8	\$4,607.8	\$4,759.8
Net Operating Assets	\$35,341.4	\$36,010.9	\$30,713.6	\$28,623.6	\$28,215.8	\$27,366.1	\$28,694.5	\$30,186.0	\$28,068.5	\$28,030.3
Debt & Debt Equivalents	\$18,183.4	\$17,889.9	\$16,100.6	\$16,282.6	\$15,931.8	\$15,009.1	\$15,737.6	\$16,242.8	\$15,741.2	\$15,373.4
Equity & Equivalents	\$16,156.0	\$16,373.0	\$13,256.0	\$11,069.0	\$11,137.0	\$11,080.0	\$11,617.9	\$12,583.0	\$11,095.3	\$11,348.9
Total Capital - Financing Sources	\$34,339.4	\$34,262.9	\$29,356.6	\$27,351.6	\$27,068.8	\$26,089.1	\$27,355.5	\$28,825.8	\$26,836.5	\$26,722.3
Capital Adjustments	\$1,002.0	\$1,748.0	\$1,357.0	\$1,272.0	\$1,147.0	\$1,277.0	\$1,339.0	\$1,360.2	\$1,232.0	\$1,308.0
Net Capital Financing Sources	\$35,341.4	\$36,010.9	\$30,713.6	\$28,623.6	\$28,215.8	\$27,366.1	\$28,694.5	\$30,186.0	\$28,068.5	\$28,030.3
Net Working Capital	\$3,708.4	\$3,713.2	\$3,889.5	\$3,219.6	\$1,452.2	\$1,516.2	\$1,589.8	\$2,758.1	\$2,062.7	\$1,553.0
Cost of Net Working Capital	\$362.0	\$170.5	\$196.0	\$116.5	\$128.0	\$91.8	\$96.3	\$140.6	\$112.1	\$94.0
% of Revenue	0.49%	0.23%	0.27%	0.17%	0.18%	0.12%	0.12%	0.19%	0.16%	0.12%
Operational Capital	\$37,872.8	\$37,731.0	\$32,258.1	\$31,359.2	\$29,476.0	\$32,106.3	\$33,664.8	\$32,586.1	\$30,980.5	\$32,885.5
Cost of Operational Capital	\$2,196.7	\$1,737.3	\$1,804.4	\$1,042.2	\$1,666.8	\$1,904.5	\$1,997.0	\$1,631.1	\$1,537.8	\$1,950.8
% of Revenue	2.98%	2.36%	2.44%	1.48%	2.39%	2.53%	2.58%	2.24%	2.13%	2.56%
Productive Capital	\$37,872.8	\$37,731.0	\$32,258.1	\$31,359.2	\$29,476.0	\$32,106.3	\$33,664.8	\$32,586.1	\$30,980.5	\$32,885.5
Cost of Productive Capital	\$2,196.7	\$1,737.3	\$1,804.4	\$1,042.2	\$1,666.8	\$1,904.5	\$1,997.0	\$1,631.1	\$1,537.8	\$1,950.8
% of Revenue	2.98%	2.36%	2.44%	1.48%	2.39%	2.53%	2.58%	2.24%	2.13%	2.56%
Total Operating Capital	\$38,325.8	\$38,916.0	\$32,432.1	\$30,914.2	\$28,981.0	\$30,298.3	\$31,769.0	\$32,308.3	\$30,064.5	\$31,033.6
Cost of Total Operating Capital	\$2,207.2	\$1,775.0	\$1,839.5	\$1,037.8	\$1,641.0	\$1,833.3	\$1,922.3	\$1,625.3	\$1,504.0	\$1,877.8
% of Revenue	2.99%	2.41%	2.49%	1.47%	2.35%	2.44%	2.48%	2.23%	2.09%	2.46%
Non - Operating Capital	(\$2,984.4)	(\$2,905.2)	(\$1,718.5)	(\$2,290.6)	(\$765.2)	(\$2,932.2)	(\$3,074.5)	(\$2,122.3)	(\$1,996.0)	(\$3,003.4)
Cost of Non - Operating Capital	(\$141.4)	(\$135.3)	(\$119.2)	(\$65.7)	(\$83.7)	(\$114.3)	(\$119.9)	(\$103.7)	(\$87.9)	(\$117.1)
% of Revenue	-0.19%	-0.18%	-0.16%	-0.09%	-0.12%	-0.15%	-0.15%	-0.14%	-0.12%	-0.15%
Total Capital	\$35,341.4	\$36,010.9	\$30,713.6	\$28,623.6	\$28,215.8	\$27,366.1	\$28,694.5	\$30,186.0	\$28,068.5	\$28,030.3
Cost of Total Capital	\$2,065.8	\$1,639.6	\$1,720.3	\$972.1	\$1,557.3	\$1,719.0	\$1,802.4	\$1,521.7	\$1,416.1	\$1,760.7
% of Revenue	2.80%	2.22%	2.33%	1.38%	2.23%	2.29%	2.33%	2.09%	1.97%	2.31%
Cost of Capital (WACC)	5.54%	4.60%	5.16%	3.28%	5.48%	6.19%	6.19%	4.94%	4.98%	6.19%
Capital Structure										
Debt & Debt Equivalents	\$18,183.4	\$17,889.9	\$16,100.6	\$16,282.6	\$15,931.8	\$15,009.1	\$15,737.6	\$16,242.8	\$15,741.2	\$15,373.4
Debt & Debt Equivalents % of Market Value	30.84%	31.35%	24.92%	29.15%	32.62%	25.25%	25.25%	28.42%	28.77%	25.25%
Preferred Equity	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Preferred Equity % of Market Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Market Value of Common Equity	\$40,783.3	\$39,176.3	\$48,502.2	\$39,568.0	\$32,915.9	\$44,429.3	\$46,586.1	\$40,918.3	\$38,971.1	\$45,507.7
Common Equity % of Market Value	69.16%	68.65%	75.08%	70.85%	67.38%	74.75%	74.75%	71.58%	71.23%	74.75%
Total Economic Market Value (MV)	\$58,966.7	\$57,066.2	\$64,602.8	\$55,850.6	\$48,847.8	\$59,438.3	\$62,323.7	\$57,161.1	\$54,712.2	\$60,881.0
Total %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Excess Cash	(\$2,984.4)	(\$2,905.2)	(\$1,718.5)	(\$2,290.6)	(\$765.2)	(\$2,932.2)	(\$3,074.5)	(\$2,122.3)	(\$1,996.0)	(\$3,003.4)
Economic Enterprise Value	\$61,951.1	\$59,971.3	\$66,321.3	\$58,141.2	\$49,612.9	\$62,370.5	\$65,398.2	\$59,283.5	\$56,708.2	\$63,884.4
Average Capital	\$37,308.5	\$35,676.1	\$33,362.2	\$29,668.6	\$28,419.7	\$27,790.9	\$28,030.3	\$30,983.5	\$28,626.4	\$27,910.6
Capital Δ	(\$3,934.2)	\$669.4	(\$5,297.3)	(\$2,089.9)	(\$407.8)	(\$849.8)	\$1,328.4	(\$1,595.1)	(\$1,115.8)	\$239.3

Source: Company Data, Financial statements and Tigress Research

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Company Report – Research Update
Target Corporation (TGT-US)
Multiline Retail
Financial Analysis

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	11/02/2013	11/01/2014	10/31/2015	10/29/2016	10/28/2017	11/03/2018	10/31/2019	Average	Average	Average	Trend
Return on Market Value (NOPAT / MV)	4.79%	3.67%	4.94%	5.76%	5.43%	6.09%	6.39%	5.18%	5.76%	6.24%	
Return on Enterprise Value (NOPAT / EV)	4.56%	3.49%	4.81%	5.53%	5.34%	5.81%	6.09%	5.00%	5.56%	5.95%	
Return on Capital (NOPAT / Average Capital)	7.57%	5.87%	9.56%	10.84%	9.32%	13.03%	13.67%	9.72%	11.07%	13.35%	
Cost of Capital (WACC)	5.54%	4.60%	5.16%	3.28%	5.48%	6.19%	6.19%	4.94%	4.98%	6.19%	
Economic Return Spread	2.03%	1.27%	4.40%	7.56%	3.84%	6.85%	7.18%	4.79%	6.09%	7.02%	
Capital Charge	\$2,065.8	\$1,639.6	\$1,720.3	\$972.1	\$1,557.3	\$1,719.0	\$1,802.4	\$1,521.7	\$1,416.1	\$1,760.7	
Economic Profit (EP)	\$757.3	\$453.5	\$1,468.1	\$2,243.4	\$1,092.7	\$1,903.5	\$1,996.0	\$1,432.3	\$1,746.6	\$1,949.8	
Economic Profit Improvement (EPI)	(\$1,048.0)	(\$303.9)	\$1,014.7	\$775.3	(\$1,150.7)	\$810.8	\$92.4	\$229.2	\$145.1	\$451.6	
EP Growth	-58.05%	-40.12%	223.76%	52.81%	-51.29%	74.20%	4.85%	51.87%	25.24%	39.53%	
Economic Profit Margin on Sales	1.03%	0.62%	1.99%	3.19%	1.57%	2.53%	2.58%	1.98%	2.43%	2.56%	
Economic Profit Per Share	\$1.15	\$0.71	\$2.31	\$3.57	\$1.89	\$3.48	\$3.65	\$2.39	\$2.98	\$3.57	
GAAP Earnings Per Share	\$3.76	\$2.41	(\$1.09)	\$5.64	\$4.79	\$6.05	\$5.57	\$3.56	\$5.49	\$5.81	
Excess Cash Per Share	(\$4.73)	(\$4.58)	(\$2.76)	(\$4.02)	(\$1.41)	(\$5.58)	(\$5.85)	(\$3.67)	(\$3.67)	(\$5.71)	
Performance Drivers											
Sales Growth	2.71%	-0.14%	0.28%	-4.71%	-0.89%	7.65%	2.99%	0.44%	0.68%	5.32%	
Sales Growth Trend (ROC Sales Growth)	3.14%	1.00%	0.11%	-2.71%	-2.42%	4.23%	4.85%	0.04%	-0.30%	4.54%	
EBITDAR Margin	8.95%	7.73%	9.67%	10.14%	9.23%	9.09%	9.49%	9.17%	9.49%	9.29%	
EBITDAR Growth	-14.07%	-13.81%	25.58%	-0.10%	-9.85%	6.08%	7.47%	1.29%	-1.29%	6.78%	
NOPBT Margin	5.71%	4.24%	6.44%	6.67%	5.50%	5.49%	5.89%	5.67%	5.89%	5.69%	
NOPBT Growth	-20.94%	-25.86%	52.33%	-1.29%	-18.24%	7.33%	10.50%	2.85%	-4.07%	8.92%	
NOPAT Margin	3.82%	2.84%	4.31%	4.57%	3.80%	4.82%	4.65%	4.07%	4.39%	4.74%	
NOPAT Growth	-20.94%	-25.86%	52.33%	0.85%	-17.59%	36.70%	-0.67%	9.29%	6.65%	18.01%	
Economic Profit Margin on Sales (EP / Sales)	1.03%	0.62%	1.99%	3.19%	1.57%	2.53%	2.58%	1.98%	2.43%	2.56%	
Economic Profit Growth	-58.05%	-40.12%	223.76%	52.81%	-51.29%	74.20%	4.85%	51.87%	25.24%	39.53%	
Economic Return Spread (ROC-WACC)	2.03%	1.27%	4.40%	7.56%	3.84%	6.85%	7.48%	4.79%	6.09%	7.17%	
Economic Return Ratio (ROC / WACC)	136.66%	127.66%	185.34%	330.79%	170.17%	210.74%	220.97%	204.94%	237.23%	215.85%	
Economic Profit Momentum (Δ EP/Capital)	-2.97%	-0.84%	3.30%	2.71%	-4.08%	2.96%	0.32%	0.81%	0.53%	1.64%	
Economic Profit Momentum Margin (Δ EP/Sales)	-1.42%	-0.41%	1.37%	1.10%	-1.08%	1.08%	0.12%	0.30%	0.18%	0.60%	
Capital Growth	-10.02%	1.89%	-14.71%	-6.80%	-1.42%	-3.01%	4.85%	-4.81%	-3.75%	0.92%	
Capital Turns	2.09X	2.05X	2.41X	2.46X	2.47X	2.75X	2.70X	2.43X	2.56X	2.72X	
EVC Acceleration Margin	-1.46%	-0.41%	1.38%	1.05%	-1.63%	1.16%	0.12%	0.30%	0.20%	0.63%	
EVC Acceleration Spread	-2.66%	-0.81%	2.84%	2.32%	-3.88%	2.85%	0.33%	0.82%	0.47%	1.58%	
Risk Factors											
Free Cash Flow (NOPAT - Δ Capital)	\$6,757.3	\$1,423.7	\$8,485.7	\$5,305.4	\$3,057.8	\$4,472.3	\$2,269.9	\$4,549.0	\$4,278.5	\$3,371.1	
Free Cash Flow Rate (FCF / Capital)	19.12%	3.95%	27.63%	18.54%	10.84%	16.34%	7.91%	15.46%	15.24%	12.13%	
Free Cash Flow Yield (FCF / MV)	11.46%	2.49%	13.14%	9.50%	6.28%	7.52%	3.64%	7.78%	7.76%	5.58%	
Total Debt / Total Capital	51.45%	49.68%	52.42%	56.89%	56.46%	54.85%	54.85%	54.06%	56.06%	54.85%	
Total Debt / EBITDAR	275.23%	314.19%	225.16%	227.94%	247.41%	219.72%	214.37%	246.88%	231.69%	217.04%	
Excess Cash	(\$2,984.4)	(\$2,905.2)	(\$1,718.5)	(\$2,290.6)	(\$765.2)	(\$2,932.2)	\$0.0	(\$2,122.3)	(\$1,996.0)	(\$1,486.1)	
Financial Leverage ((Total Debt - Excess Cash) / Pension Leverage (Net Pension Liability / MV)	35.90%	36.44%	27.58%	33.26%	34.18%	30.18%	25.25%	32.33%	32.54%	27.72%	
Equity Risk Index (S&P 500 = 1.00)	0.82	0.82	0.88	0.90	0.91	0.92	0.92	0.88	0.91	0.92	
Stock Price Volatility	2.03	2.47	2.77	2.82	3.74	4.29	4.29	3.22	3.62	4.29	
Sales Index (NL Sales)	11.21	11.21	11.21	11.16	11.15	11.23	11.26	11.19	11.18	11.24	
Market Value Index (NL Market Value)	10.98	10.95	11.08	10.93	10.80	10.99	11.04	10.95	10.91	11.02	
Size Index (NL Sales: MV)	11.10	11.08	11.14	11.05	10.97	11.11	11.15	11.07	11.04	11.13	
Beta	0.73	0.73	0.81	0.85	0.86	0.88	0.88	0.83	0.86	0.88	
TFP Adjusted Beta	0.82	0.82	0.88	0.90	0.91	0.92	0.92	0.88	0.91	0.92	
Stock Price Volatility	2.03	2.47	2.77	2.82	3.74	4.29	4.29	3.22	3.62	4.29	
Valuation Measures											
Total Economic Market Value (MV)	\$58,966.7	\$57,066.2	\$64,602.8	\$55,850.6	\$48,847.8	\$59,438.3	\$62,323.7	\$57,161.1	\$54,712.2	\$60,881.0	
Economic Enterprise Value	\$61,951.1	\$59,971.3	\$66,321.3	\$58,141.2	\$49,612.9	\$62,370.5	\$65,398.2	\$59,283.5	\$56,708.2	\$63,884.4	
Equity Market Value	\$40,783.3	\$39,176.3	\$48,502.2	\$39,568.0	\$32,915.9	\$44,429.3	\$46,586.1	\$40,918.3	\$38,971.1	\$45,507.7	
Total Capital	\$35,341.4	\$36,010.9	\$30,713.6	\$28,623.6	\$28,215.8	\$27,366.1	\$28,694.5	\$30,186.0	\$28,068.5	\$28,030.3	
Market Value Created MVC (MV - Capital)	\$23,625.3	\$21,055.3	\$33,889.2	\$27,227.0	\$20,631.9	\$32,072.3	\$33,629.2	\$26,975.1	\$26,643.7	\$32,850.7	
MVC Margin (MVC / Sales)	32.01%	28.57%	45.85%	38.66%	29.56%	42.68%	43.45%	37.16%	37.11%	43.07%	
MVC Spread (MVC / Capital)	66.85%	58.47%	110.34%	95.12%	73.12%	117.20%	117.20%	89.36%	94.92%	117.20%	
Current EVC Value (EP / WACC)	\$13,677.1	\$9,866.4	\$28,472.0	\$68,470.8	\$19,941.5	\$30,775.3	\$32,269.3	\$29,000.4	\$35,068.2	\$31,522.3	
Current Operations Value COV	\$50,985.6	\$45,542.6	\$61,834.2	\$98,139.4	\$48,361.2	\$58,566.3	\$60,299.6	\$59,983.9	\$63,694.7	\$59,432.9	
Current Operations Value Per Share	\$77.64	\$71.71	\$97.42	\$156.35	\$83.73	\$107.11	\$99.77	\$99.25	\$109.06	\$103.26	
Future Growth Value (MVC - EVA Value)	\$7,981.1	\$11,523.6	\$2,768.5	(\$42,288.8)	\$486.6	\$872.1	\$2,024.1	(\$2,822.8)	(\$8,982.4)	\$1,448.1	
Future Growth Value Reliance (FGV / MV)	13.53%	20.19%	4.29%	-75.72%	1.00%	1.47%	3.25%	-4.94%	-16.42%	2.38%	
Share Price	\$64.62	\$61.82	\$77.18	\$75.33	\$56.11	\$84.41	\$84.41	\$70.97	\$71.95	\$84.41	
Dividend Yield	2.45%	3.07%	2.80%	3.08%	4.35%	2.99%					
Total Shareholder Return (TTM)	7.48%	-1.26%	27.64%	0.68%	-21.17%	53.42%	0.00%	-15.92%	1.38%	17.32%	
MV to IC Ratio	1.67X	1.58X	2.10X	1.95X	1.73X	2.17X	2.17X	1.89X	1.95X	2.17X	
EV / EBITDAR Multiple	9.38X	10.53X	9.27X	8.14X	7.70X	9.13X	8.91X	8.91X	8.33X	9.02X	
EV / NOPBT Multiple	14.70X	19.20X	13.94X	12.38X	12.92X	15.13X	14.36X	14.43X	13.44X	14.73X	
EV / NOPAT Multiple	21.94X	28.65X	20.80X	18.08X	18.72X	17.22X	18.17X	20.07X	17.93X	17.69X	
EV / EP Multiple	81.80X	132.26X	45.17X	25.92X	45.40X	32.77X	32.77X	41.39X	32.47X	32.77X	
Future Growth Value (% of MV)	13.53%	20.19%	4.29%	-75.72%	1.00%	1.47%	3.25%	-4.94%	-16.42%	2.38%	
Current Operations Value (% of MV)	86.47%	79.81%	95.71%	175.72%	99.00%	98.53%	96.75%	104.94%	116.42%	97.62%	
Market Value (COV + FGV %)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Basic Shares Outstanding	656.7	635.1	634.7	627.7	577.6	546.8	604.4	604.4	584.0	575.6	

Source: Company Data, Financial statements and Tigress Research

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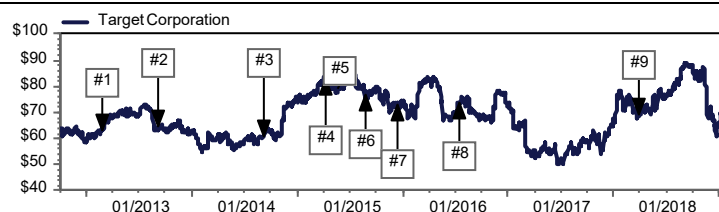
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Target Corporation (TGT-US)
Multiline Retail
Ratings History

Target Corporation (TGT-US)				
Item #	Date	Research Action	Rating	Price
#9	04/02/2018	Reiterate Rating	Buy	\$68.98
#8	07/14/2016	Reiterate Rating	Buy	\$73.49
#7	12/15/2015	Reiterate Rating	Buy	\$72.98
#6	08/26/2015	Reiterate Rating	Buy	\$76.84
#5	05/22/2015	Reiterate Rating	Buy	\$79.29
#4	04/07/2015	Reiterate Rating	Buy	\$82.61
#3	09/08/2014	Reiterate Rating	Buy	\$60.56
#2	09/10/2013	Reiterate Rating	Buy	\$64.73
#1	02/27/2013	Initiation of Coverage	Buy	\$63.12


Tigress Research Methodology Overview

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies, and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

Business Performance: Measuring economic profitability, growth and operating efficiency.

Risk: Measuring business sustainability, volatility, strength, and consistency.

Valuation: Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk, and value into relative market and industry investment recommendations.

Glossary of Key Terms and Measures

Excess Cash per Share:	Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.
EBITDAR:	Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.
NOPAT:	Net Operating Profit after Tax represents a company's after-tax cash operating profit excluding financing costs.
Total Invested Capital:	Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of the company.
Return on Capital:	Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.
Cost of Capital:	Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.
Economic Profit:	Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.
Current Operations Value:	Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.
Future Growth Value:	Future Growth Value is the portion of market value based on un-earned Economic Profit

For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.

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Company Report – Research Update

January 17, 2019
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Rating:	Meaning:	Rating Distribution (01/16/2019)			
		Companies Under Coverage		Relationship Companies Under Coverage*	
		#	%	#	%
Strong Buy:	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	16	14%	1	15%
Buy:	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	52	44%	5	70%
Neutral:	Expect little or no outperformance opportunity over the next 12 months.	43	38%	1	15%
Underperform:	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	5	4%	0	0%
Sell:	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%
Not Rated	No Current Research Rating	NA	NA	65	NA

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Total 116 100% 72 100%

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Company:	Disclosure:
Target Corporation (TGT-US)	14

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