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Target: A Financial Analysis

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EXECUTIVE SUMMARY

Target Corporation is a discount general merchandise retailer headquartered in Minneapolis, MN. Target is a single segment and offers products in stores or online in the United States. The merchandise includes assorted food products, household items, and clothing. While Target sells national brands, one third of sales are from Target owned or exclusive brands such as Archer Farms, Merona, Room Essentials, Simply Balanced, and Threshold.

In recent years, Target has struggled to maintain its core retail strength while facing competition from online retail and competing pharmacies. Target has experienced a rise in digital sales growth in the last five years with a 27 percent increase in 2016. Sales in 2016 dropped 5.8 percent compared to 2015 due to the Pharmacy transaction. In 2015, Target sold its pharmacy and clinic businesses to CVS Pharmacy, Inc. The transaction resulted in a gain in 2015 and was reported in earnings from discontinued continuing operations. In January 2015, Target announced the closing of its Canadian segment, and reclassified all Canadian operations to discontinued operations. The deconsolidation had a \$5.1 billion pretax impairment loss.

After a qualitative and quantitative analysis, this reports initiates coverage of the common stock of Target Corporation with a buy recommendation. The discounted free cash flow model values Target's share price at \$89.96. Target's share price as of April 6, 2018 was \$72.29. Therefore, the analysis reports Target's common stock is undervalued and recommends a buy.