

Target financial analysis

Timille Tingle

Lamar University

Finance 5300

Prof. Sargsyan

Contents

Introduction.....	3
Economic analysis.....	4
International level.....	4
National level.....	4
Capital Market analysis.....	5
Industry analysis.....	6
Company analysis.....	7
Company overview.....	7
Company management.....	8
Business Valuation.....	9
Long-term Company Outlook.....	9
Balance sheets and income statements.....	10
Simple balance sheet 5 years.....	10
Simple income statement.....	10
Ratio analysis.....	11
Final Evaluation.....	11

Target financial analysis report

Introduction

The following report has been created based on Target Corporation's annual financial reports since 2014.

The information in the report gives an insight into the business's performance over years by comparing its success over years. It also indicates Target's performance in the retail industry including various factors that have influenced the company's success in the highly competitive retail industry. The type of business strategy and management structure adopted by Target Corporation is also outlined in the report which can provide important insights to future investors. A careful review of this report generates an important implication on whether it would be wise to invest in Target corporation or not. It also provides an insight into the investor's position in decision making in the company.

Economic analysis

International level

The international economic aspects have developed over years becoming more favorable for retail over the years. Various countries are working to improve free trade policies which would allow companies to operate without much struggle across borders. Major countries in which Target has opened distribution centers have had significant economic growth. This can give Target the chance for international expansion and experienced global success.

Canada is one of the international markets that Target can expand into and operate profitably. High demand for retail products would be influenced by the high population which is over 37 million according to 2019 reports. It is among the world's most developed countries with a low population growth rate of over 1.4% with a GDP per capita of \$46,313. Target is also an online retailer. This gives it the chance to set up only distribution stores in the major markets or partner with local enterprises that sell the retail products the customers buy from online. The world economy is growing gradually with more manufacturers in the market. The increase in the number of suppliers gives Target a major opportunity to get products at a low price from top suppliers.

National level

The United States national economy favors the demand for household goods. Just as other regions are developing economically, the United States economy also has developed with the national GDP and the per capita over years. According to reports from 2018, the GDP per capita was \$62794 which has steadily improved over years. Most people in the United States

local retailers to exports. Most retail products required in day to day life in the United States are provided by local retailers.

Various economic factors have improved the high buying behavior among citizens. The interest rates have been steady over time influencing people to hold money well as high borrowing. With more money in the economy, the demand level has been high for local products that Target offers. Competition from other retailers including online retailers like Amazon and Walmart stores is stiff. However, Target has set up a positive atmosphere for their customers which promote high customer loyalty. Target is also able to offer products at low prices to their customers due to the high discounts the company receives from suppliers.

The retail industry in the United States is responsible for over \$5 trillion annual revenue generated through sales in the United States. This has improved over the years with general merchandise sales being higher than other products. The retail industry is also a major employment source for over 5 million people in the United States who work in retail sales. Target has over 360,000 employees. As the target is one of the top retailers in the nation, it attracts some of the best employees which have influenced efficiency in operations.

Capital Market analysis

The United States capital markets are significant to the economy of the United States. The capital markets are highly liquid and deep with high efficiency indicated by the large part of domestic gross product generated from the commercial sector. The United States has the leading corporate bond market in the world with over \$1.7 trillion issued by companies incorporated in corporate bonds. There has been a high history of success in capital markets in the U.S to a regulatory structure that ensures protection to investors, transparency, and safety. The United

States has adopted different regulations over the years which affect the structure of the capital markets. The financial regulatory system is evaluated regularly as a way of strengthening the capital markets and establishing ways of supporting the markets and increasing investments and opportunities for growth.

Industry analysis

Target operates in the retail industry which is one of the most competitive industries locally and globally. The retail industry is valued at over \$23 trillion with over a 5% rate of increase over time. By the year 2023, the value of the retail industry is expected to be over \$31 trillion. A wide variety of products is offered by the retail industry including food items, furniture, and other products essential for daily lives. The health of the retail market in the United States has been influenced by the development of the national economy and in return, the retail industry accounts for over two-thirds of the national GDP. The retail industry has matured over time with major retailers like Target, Amazon, and Costco introducing online shopping.

There is a high rate of competition in the retail industry. High competition is experienced by both local and international retailers which gives the customer the power to choose who they can buy from. Customers are attracted to the shopping experience offered by retailers. Customers prefer a shopping experience which can include traditional shopping methods with high convenience of modern technology by shopping through the internet. Consumer expectations increase each day due to the rapid advancement of technology which gives customers the power to choose outstanding service providers. Major online retailers can easily reach customers from different geographical locations with the establishment of distribution

stores in different areas for fast delivery. A positive experience by the customers who shop through Target stores influences customer loyalty which is one of the main competitive advantages enjoyed by Target in the retail industry.

Company analysis

Company overview

Target is a top retailer in the United States for general all parts of the United States. There are several Target stores in every state in the country with a target store within every 10 miles for about 75% of the population. There are over 1884 stores in the United States and 42 distribution centers. The corporation has global offices in over 20 locations. The company has its headquarters at Minneapolis, Minnesota where the company established its first stores. The company then expanded its operations all over the country setting up 1884 stores by today. Currently, Target is among the top 10 retailers in the United States and named No. 37 in the list of the United States' largest Corporations in 2020. Online shopping was implemented in the company in the early 2000s through the company's website where the company can reach a high number of customers through the internet.

According to 2019 reports, the company generated \$75356 billion in sales revenue. This is from the sale of general merchandise and food products including groceries and dairy products. The company's products can be grouped into 5 major categories including beauty and household products, food products including beverages as well as home furnishing. The company's products are sold at a discounted price. Target's products are highly differentiated to meet various consumer preferences. The low prices and product differentiation attract a wide range of customers whose needs can be met by a wide variety of products. The company also

enjoys customer loyalty due to its pricing strategy which gives it a major competitive advantage over other retailers. It attracts some of the best employees in the retail industry offering over 300000 job opportunities since 2016. Currently, the company has 360,000+ employees working in different departments of the corporation. The company has over 500 million shares according to the latest's financial disclosure.

The company's business model is highly differentiated from other companies. The company has established numerous categories of private brands with over a third of the total sales by the company coming from private label brands. Although the company also depends on an external supply of merchandise, it has over 41 different brands which are a major source of revenue for the corporation. The company has partnered with established several manufacturing facilities in the country and also partnered with major manufacturers in the production of its brand.

Company management

Target's corporation is by a board of management responsible for making major decisions regarding the company. The company's CEO Brian Cornell is also the chairman of the company's board of directors. Other top managers in the company include the executive vice president who is also the chief of operations John Mulligan and Michel Fiddelke who is the executive vice financial officer.

The Company's CEO oversees the company's operations including global business in the company's 1880+ stores all over the world. Cornell has shown high leadership skills since joining the company in 2014 with over 30 years of experience as a retail manager in other leading retail companies. The executive vice president and chief operating officer John Mulligan are responsible for all operations in the company's stores including merchandising operations and

the company's global supply chain. John also holds a Master of Business Administration degree from the University of Wisconsin.

The members of the Board of directors have a major influence on the company's decision making and planning. The board of directors led by the CEO makes major organizing and planning decisions as well as setting the company's goals and objectives. The strong governance practice is highly encouraged in the corporation which influences the centralized decision-making process. The company's employees have a little influence on decision making. The main investors are also included in providing opinions used in making decisions.

Business Valuation

Business valuation						
Cash Flow	\$4.52 Billion	\$5.5 Billion	\$3.73 Billion	\$3.64 Billion	\$3.15 Billion	https://www.marketwatch.com/investing/stock/tgt/financials/cash-flow
Market Value	\$73.79 Billion	\$69.5 Billion	\$72.71 Billion	\$75.36 Billion	\$78.111 Billion	https://www.marketwatch.com/investing/stock/tgt/financials
Long-term Company Outlook		Target Corporation has a positive long-term outlook. The company's value has improved over years at a steadily increasing rate. The company's leadership and decision making are in the hands of the board of directors who make a major decision in the organization. With the current leadership, the company is expected to improve in performance over the years.				

Balance sheets and income statements

Simple balance sheet 5 years

	1 st year	2 nd year	3 rd year	4 th year	5 th year
	1	2	3	4	5
Assets					
Noncurrent assets					
Total noncurrent assets	988000	25441000	1354824	28771000	1265582
Current assets					
Total current assets	1885768	11990000	2059625	12519000	2056136
Balance(total assets)	2873768	37431000	3414449	41290000	3321718
Equity and liabilities					
Equity(own capital)					
Common stocks	1139242	10953000	1139242	11297000	1139242
Total Equity	20999234	10953000	1867926	11297000	1144783
Non Current liabilities					
Total noncurrent liabilities	3000	13770000	310000	14979000	823237
Current liabilities		12708000		15014000	1352698
Total current liabilities	771534		1236523	29993000	
Balance(total equity +liabilities)	2873768	37431000	3414449	41290000	3321718

Simple income statement

	1 st year	2 nd year	3 rd year	4 th year	5 th year
Revenues					
Total revenues	3322517	69495000	2496559	75356000	2485145
Operating Expenses	2796214	69495000	2234155	74433000	2686791
Selling expenses	337270		403895	923000	308051
Total costs	3133484	48872000	2638050	53299000	2994842
Income before taxes	189033	3965000	-141491	3676000	-509697
Income taxes	39396	1296000		746000	
Net income	149337	2737000		2937000	

Balance sheet and income statement analysis

The income statements and balance sheets for Target Corporation indicate an outstanding financial position of the company with good financial management. The growth of the company over the years is represented by the balance sheets and income statements. In recent years, total sales have increased from 2018 to 2019 to 2020. There was a decrease in the operating income from 2018 to 2019 but the operating income in 2020 is already higher than in 2018. The company has also managed to maintain low operational costs which have influenced an improvement in the Net earnings from 2018 to 2019 and 2019 to 2020. This indicates positive financial management.

Ratio analysis

Target Company has a high credit which attracts investors to the business. The high amount of revenue is also a major indicator of the company operations' profitability. The current share price is \$161.30 with annual earnings of \$6.36 per share which have improved by 15.43% from the last year. This presents high profitability and growth in revenue over the last five years.

Final Evaluation

The retail industry in which Target operates is one of the leading industries in the world. Target success is indicated by the high level of revenue generated from the company's operations in the multiple stores owned by the company. It is one of the leading retailers in the world and No.8 in the United States. The stock prices have also improved which is an indicator of improvement in the company's success in the industry. The management at the corporation is also a major factor in the success of the company. The company uses a strong system of governance including a Board of Directors that plans and oversees the company's operations. The growth of the company's market value over the year's presents attracts potential investors

due to the potential success of the company. Target is one of the major companies in the retail industries which present key investment opportunities.