


Target delivered its biggest earnings miss in two years

Article



The challenge: Guest traffic rose 2.4% YoY in Q3 after Target [slashed prices](#) and expanded its up&up private label line.

But it couldn't convince shoppers to splurge on the types of discretionary purchases it relies on, leading to a frustrating quarter.

- Revenues were \$25.67 billion, up 0.9% YoY but below the \$25.90 billion expected.
- Earnings per share were \$1.85, down 11.9% YoY and roughly 20% short of the \$2.30 that analysts expected— its biggest miss in two years.
- Target also cut its full-year guidance, just three months after hiking its forecast. COO **Michael Fiddelke** blamed weaker discretionary demand and cost pressures but said the retailer feels confident in its long-term outlook.
- However, the retailer’s challenge isn’t going to get easier anytime soon. Target—and nearly every retailer—will face stiff headwinds if the incoming Trump administration imposes 10% to 20% tariffs across the board and additional levies as high as 60% to 100% for goods from China.

What’s next? The retailer now expects full-year adjusted earnings per share to range between \$8.30 to \$8.90.

That’s down from the \$9 to \$9.70 range it shared in August and well below the \$9.57 expected by analysts. Target expects Q4 comparable sales to be flat.

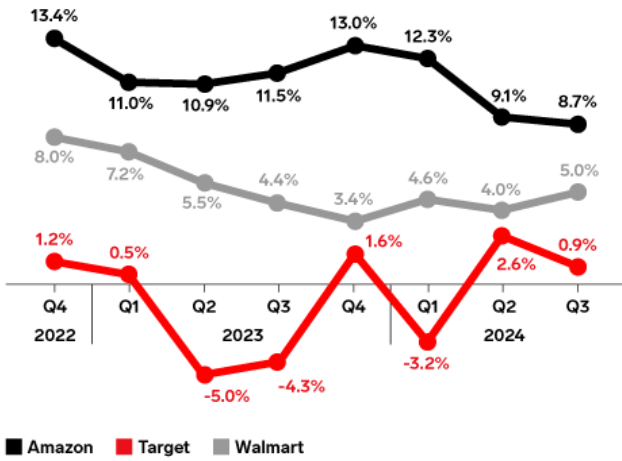
Our take: Target's Q3 performance stands in stark contrast with Walmart's stronger-than-expected quarter, highlighting the significant differences in the two companies’ product mixes.

- Groceries make up about 60% of Walmart's sales but less than a quarter (23%) at Target.
- Walmart's grocery success—along with its increasingly popular Walmart+ membership program—has helped it win over more affluent consumers, and it’s starting to offer more premium products in beauty and apparel to steal market share from Target.

Unlike Walmart—or **Costco**, which has a similar upscale customer base to Target—Target hasn’t found a formula that works in this macroeconomic environment. It is hard to shift brand perceptions, and Target’s increased emphasis on value is playing on turf owned by Walmart and Costco.

Target Trails Amazon and Walmart in US Mass Merchant Sales Growth

% change in US Amazon, Target, and Walmart net sales, Q4 2022-Q3 2024



Note: Amazon figures represent net sales for North America
Source: company earnings releases, Nov 2024

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