

Investor Letter to Target Re: Reputational, Operational & Financial Risk

Mr. Michael Fiddelke
CEO
Target Corp.

February 27, 2026

Dear Members of the Board and Executive Leadership of Target Corporation,

We write as long-term institutional investors with a fiduciary obligation to protect the durable value of the capital we steward. We are concerned that a series of recent public-facing decisions and communications by the company may have introduced reputational, operational, and financial risks at a moment when Target is already navigating a challenging competitive and macroeconomic environment.

Reporting from public analysts following the company's third-quarter earnings highlights that Target continues to face sustained performance pressure. In-store comparable sales have declined for three consecutive quarters, and total sales have fallen year-over-year since the first quarter of fiscal 2025.¹ Third-quarter comparable sales declined approximately 2.7 percent, with store-originated comparable sales down approximately 3.8 percent.² Management has indicated that fiscal 2025 fourth quarter sales are expected to decline in the low single digits, with full-year adjusted earnings guidance remaining between \$7 and \$8.³

At the same time, reporting indicates that restoring brand trust and reputation, as well as customer traffic is central to the company's turnaround strategy.⁴ Yet recent public controversy and backlash related to corporate positioning⁵ have coincided with consistent declines in foot traffic and customer loyalty, underscoring the sensitivity of Target's performance to brand perception and reputational volatility.⁶

¹ <https://corporate.target.com/press/release/2025/11/target-corporation-reports-third-quarter-earnings>;
<https://www.cnbc.com/2025/11/19/target-tgt-q3-2025-earnings.html>;
<https://www.investing.com/news/transcripts/earnings-call-transcript-targets-q3-2025-earnings-beat-eps-estimates-stock-dips-93CH-4368012>

² <https://corporate.target.com/press/release/2025/11/target-corporation-reports-third-quarter-earnings>

³ <https://www.investing.com/news/transcripts/earnings-call-transcript-targets-q3-2025-earnings-beat-eps-estimates-stock-dips-93CH-4368012>

⁴ <https://www.diversityresources.com/target-dei-fallout-how-value-gaps-cost-billions/>;
<https://www.startribune.com/target-ceo-transition-turnaround-struggles-sales-consumers/601454406>;
<https://www.cnbc.com/2025/07/15/target-stock-and-sales-fall-as-ceo-brian-cornell-contract-ends.html>

⁵ Such as: [Target's Belonging Strategy](#); [The High Cost of Ditching DEI: What Target's Boycott Fallout Reveals](#); [Activists in Minneapolis press retailer amid ICE arrests at its store](#); [AFT President Weingarten Urges New Target CEO to Demand ICE Out of Minnesota](#)

⁶ <https://www.investopedia.com/target-faces-boycott-without-dei-11804311>;
<https://fortune.com/2025/06/13/target-foot-traffic-dei-reputation/>;
<https://fortune.com/2025/05/28/target-missed-analysts-sales-expectations-dei-boycotts/>;
<https://fortune.com/2025/04/07/target-foot-traffic-keeps-falling-boycotts-slashed-dei-efforts/>;
<https://www.diversityresources.com/target-dei-fallout-how-value-gaps-cost-billions/>

We are particularly concerned about the following risk factors:

Brand trust and customer loyalty risk.

In his first town hall as Target's new CEO, Michael Fiddelke acknowledged that the company has lost trust with customers and employees, partly because of Target's unclear position on its values and identity.⁷ As part of the company's strategy to move forward and rebuild growth, Fiddelke has pledged to work to earn the trust of its customers.⁸ However, organized consumer responses and heightened public scrutiny may perpetuate the risk of further traffic declines at a time when discretionary spending remains under pressure across the retail sector.⁹

Revenue and margin pressure.

Management has announced price reductions on more than 3,000 food and household essential items as part of an effort to regain traffic.¹⁰ While competitively necessary, this strategy may further compress margins if transaction volumes do not recover, particularly given ongoing cost pressures from tariffs and supply chain adjustments.¹¹

Execution and leadership risk.

Target is undertaking a significant reinvestment cycle, including an approximately 25 percent increase in capital expenditures in fiscal 2026 for store remodels, new locations, and supply-chain modernization.¹² However, reports caution that this elevated reinvestment may raise execution risk and pressure near-term earnings if sales trends fail to inflect, particularly in an environment of heightened competition from Walmart, Costco, and Amazon.¹³

Long-term shareholder value risk.

Target's stock continues to trade at a substantial discount relative to historical valuations, reflecting investor concern regarding sustained traffic declines, competitive positioning, and strategic execution. Analysts have characterized the turnaround as an ongoing challenge and

⁷ <https://www.bloomberg.com/news/articles/2026-02-04/target-s-new-ceo-addresses-loss-of-trust-with-shoppers-staff>

⁸ <https://corporate.target.com/news-features/article/2026/02/michael-fiddelke-message>

⁹ <https://www.investing.com/news/swot-analysis/targets-swot-analysis-stock-faces-headwinds-amid-digital-challenges-93CH-4245469>

¹⁰ <https://www.retail-insight-network.com/news/target-price-cut-holiday-season/>

¹¹ <https://corporate.target.com/investors/annual/2024-annual-report/10-k-report/10-k-part-i/item-1a-risk-factors;>

[https://blogs.tradlinx.com/targets-2025-supply-chain-strategy-navigating-tariff-induced-challenges/;](https://blogs.tradlinx.com/targets-2025-supply-chain-strategy-navigating-tariff-induced-challenges/)

<https://www.cnbc.com/2025/07/15/target-stock-and-sales-fall-as-ceo-brian-cornell-contract-ends.html>

¹² <https://www.investing.com/news/transcripts/earnings-call-transcript-targets-q3-2025-earnings-beat-eps-estimates-stock-dips-93CH-4368012;>

<https://www.nasdaq.com/articles/target-eyes-fy26-turning-point-investments-tech-remodels;>

<https://www.barrons.com/articles/target-earnings-stock-price-6855d513>

¹³ <https://www.nasdaq.com/articles/target-stock-tumbles-15-3-months-buy-dip-or-stay-cautious;>

<https://www.investing.com/news/swot-analysis/targets-swot-analysis-stock-faces-headwinds-amid-digital-challenges-93CH-4245469>

warned that continued negative comparable sales could drive earnings toward the lower end of management's revised guidance.¹⁴

As shareholders, our concern is focused on whether current governance, oversight, and risk-management practices adequately protect shareholder value in a highly competitive retail environment where brand stability, customer trust, and execution discipline are essential to long-term performance.

We respectfully request that the Board and management:

1. Clarify how reputational and brand-related risks associated with recent public actions are being assessed and overseen at the board level.
2. Describe the processes used to evaluate the financial and operational impact of customer boycotts, traffic declines, and brand polarization on revenue, margins, and long-term growth.
3. Explain how management is ensuring that external positioning does not undermine the company's stated priorities of restoring traffic, rebuilding trust, and stabilizing earnings, including how the company is engaging with stakeholders to assess and identify solutions.

We believe strong governance requires disciplined oversight of risks that directly affect customer behavior, revenue stability, and long-term enterprise value. We look forward to constructive engagement on how Target is addressing these issues in the best interests of long-term shareholders. Please direct any questions and correspondence to Caroline Boden at cboden@mercyinvestments.org and Kate Monahan at KMonahan@trilliuminvest.com.

Sincerely,

Caroline Boden, Mercy Investment Services
Kate Monahan, Trillium Asset Management

On behalf of:

Adrian Dominican Sisters
Chevedden Corporate Governance
Committee on Mission Responsibility Through Investment of the Presbyterian Church, (U.S.A.)
Congregation of St. Joseph
CorpGov.net
Daughters of Charity, Province of St. Louise
Folksam Group
Friends Fiduciary Corporation

¹⁴ <https://www.reuters.com/sustainability/boards-policy-regulation/targets-new-ceo-pick-raises-doubts-about-its-much-needed-brand-reboot-2025-08-21/>;
<https://www.nasdaq.com/articles/target-stock-tumbles-15-3-months-buy-dip-or-stay-cautious>;
<https://www.startribune.com/target-ceo-transition-turnaround-struggles-sales-consumers/601454406>;
<https://edition.cnn.com/2025/11/19/business/target-stock-economy>

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