

Target shares plummet as high inflation and supply chain clogs bite



Target shares appeared to be headed for their most severe sell-off since the Black Monday market crash of 1987.

Minneapolis, May 19 (RHC)-- Target stores took a big hit from higher costs during the first quarter despite brisk sales, and shares appeared headed for their most severe sell-off since the Black Monday market

crash of 1987.

Profits for major retailers have come under pressure from both surging inflation and stubborn clogs in the global supply chain.

Target's net income fell roughly 52 percent from a year ago to \$1.01 billion, or \$2.16 per share, in the quarter that ended April 30th. Per-share earnings adjusted for one time costs were \$2.19, far from Wall Street projections of \$3.07 a share expected by industry analysts polled by FactSet. According to reports, that is also below last year's first quarter profit of \$2.09 billion.

"Throughout the quarter, we faced unexpectedly high costs, driven by a number of factors, resulting in profitability that came in well below our expectations, and well below where we expect to operate over time," CEO Brian Cornell said in a prepared statement.

Things have changed significantly from the environment the company was experiencing just 13 weeks ago, Cornell said, and the company did not project the significant cost increases in freight and transportation.

Those costs will be \$1 billion higher this year than the company had anticipated, and Target does not expect those costs to ease this year. Target's report follows quarterly results from Walmart Tuesday and there were many similarities between the two, including an early sell-off of stock. Shares of Target Corp. plunged 24 percent before the opening bell Wednesday.

The last time shares fell so hard was on October 19, 1987, one of the worst days in history for U.S. markets, when the Dow fell more than 20 percent. However, Target shares then cost less than \$4.00. On Tuesday, shares of Target tumbled \$51.85, hitting \$163.43 with about an hour before the markets open.

Revenue rose 4 percent to \$24.83 billion in the quarter, a little better than expected. Sales at Target stores open at least a year increased 3.4 percent during the latest quarter. It posted an 18 percent increase in the same quarter last year. Online sales increased 3.2 percent, following growth of 50.2 percent. Same-day services including picking up online orders curbside increased 8 percent this year. More than 95 percent of Target's first quarter sales were fulfilled by its stores.

Sales growth was driven by items that shoppers frequently buy like food and beverages, beauty and household essentials.

During a media call with reporters on Tuesday, executives with the Minneapolis company said that customers remain financially healthy and that the pattern of spending is returning to something more similar to before the pandemic.

Americans are buying fewer TVs, bicycles and kitchen appliances than they did during the two years of the pandemic. Those sales have shifted to luggage, for example as people begin traveling again. That unexpectedly rapid shift led to higher markdowns and an increase of bulky items that are not selling as quickly as Target had expected.

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