

Merriam Report® Focus List Earnings Update for November 21, 2009

Target Corp (TGT) Q3 Nov. 17th: In a Merriam Report for Target issued on 10-28-09, we suggested to **AVOID** shares of this discount retailer on concerns that balance-sheet cash-flow trends as a % of sales were running at or near 100% during the prior two quarters ending Oct. 2009. (View full report [here](#)).



The company announced EPS of \$0.58 for the three months ending Oct. 31, 2009, an 18.6% increase over the \$0.49 reported in last year's Q3.

However, sales only increased 1.4% (y-to-y) and about the same in the q-t-q periods.

Since our report investors bid shares up to \$51, but as of Friday Nov. 20th, TGT was changing hands at \$47, a decline of 7.8% off the peak. We continue to believe fair-value is closer to \$43 and would wait for a further pull-back from current levels before buying Target.

Ross Stores, Inc. (ROST) Q3 Nov. 19th: In our Oct. 28th Merriam Report for ROST, we issued a BUY / HOLD opinion based on improvements in operating cash-flows, capital productivity and bullish accrual trends. (View full report [here](#)).



On Nov. 19th, the company reported Q3 EPS of \$0.84 vs. \$0.44 in the same period a year ago.

Sales rose 12%, pretty much in-line with consensus estimates.

Investors bid up ROST to \$47 in the ten days following our report, and as of today's close, shares were \$43.81. We reiterate our recommendation to consider partial positions on any pull-back to the \$40 area and full positions up to \$35 in this very well-managed discount apparel retailer.

When our report was issued ROST was trading near our fair-value estimate of \$44.50.

Disclosure: None