



Insights from 3Q Results

Key Takeaways

- 1 Walmart’s grocery-led omnichannel model is driving share gains while Target remains pressured by discretionary softness
- 2 Higher income shoppers are increasingly spending at Walmart, while Target sees greater strain among budget-sensitive guests and discretionary weakness
- 3 Walmart raised guidance and is playing offense into 4Q while Target expects comps to remain negative as recovery efforts continue
- 4 Target, realizing the urgency, is ramping up capital investment to \$5 billion
- 5 Walmart is better positioned to absorb tariff impacts through scale and mix while Target sees a greater hit to consumer confidence

Walmart again delivered stronger top-line and digital growth relative to Target in 3Q as the holiday season ramps up, driven by its broad value proposition, momentum in grocery and online, and continued share gains from upper-income consumers. As we have been commenting, the 3Q results underscore an accelerating model divergence. Walmart, leveraging its already healthy and sticky grocery business, is successfully executing a transformation, evolving from low-margin general merchandise toward a higher-margin platform generating significant advertising and membership income. Target, meanwhile, remains heavily exposed to out of favor discretionary categories and falling behind as consumers remain focused on value.

Walmart U.S. posted comp gains of 4.5% on positive traffic and unit growth. Online sales increased 28%, marking the seventh consecutive quarter of 20%+ e-commerce growth, driven by expansion in pickup, delivery and marketplace demand, with roughly 35% of store-fulfilled digital orders delivered within three hours. Management cited broad-based category performance across grocery and health & wellness, alongside improving trends in general merchandise. Further, improving the picture, Walmart gained from its high margin businesses like advertising revenue (grew 53%) and membership income (+9%) growing 2x to 3x faster than total sales.

Target’s 3Q, by contrast, reflected a more pressured discretionary backdrop and a cautious U.S. consumer. Comp sales declined 2.7% as softness in discretionary categories like Home and Apparel offset momentum in Food & Beverage and Hardlines. Digital comps rose 2.4% led by 35%+ growth in same-day delivery via Circle 360, demonstrating Target remains competitive as it invests in accelerated fulfillment. However, total revenue was down 1.6% and EBITDA fell 10%. Management cited ongoing promotional intensity and elevated inventory costs tied to timing shifts and category mix; however, management also noted strong performance around Back to School and Halloween.

Capex investments remain important for both retailers as they balance near-term consumer uncertainty with long-term strategic priorities; however, Walmart is at a clear advantage. Walmart increased capital spending by about \$1.90 billion, compared to last year, to accelerate automation and store-fulfilled delivery capacity. Along the same lines, Walmart management noted that over 60% of Walmart stores now receive freight from automated distribution centers, and over 50% of e-commerce fulfillment center volume is automated. Target by contrast in just February of this year, acknowledged the company is still “testing technology and automation within a few of our buildings”. Sensing the urgency and to close the gap, Target announced plans for \$5 billion in capital spending in 2026, about \$1 billion higher than FY25 and returning close to the peak of \$5.5 billion in FY23; focused on store remodels, network growth and digital fulfillment technology.

Looking ahead to holiday, Walmart raised its FY guidance following another quarter of share gains across income cohorts and continues to “play offense” despite macro headwinds. Target maintained expectations for a “low-single-digit decline” in 4Q comparables sales guidance and continues to focus on merchandising differentiation and investments, value messaging and operational improvements to restore sustainable growth. Interestingly, both retailers recently announced new incoming CEOs, though leadership continuity and clear strategic roadmaps suggest minimal disruption as each advances its omnichannel priorities. Both retailers also flagged tariffs as a continued headwind, though with markedly different tones. Walmart emphasized its ability to offset cost pressure through mix, rollbacks and scale advantages, noting “the pressure is real” but that it has been able to reduce the impact on consumers by absorbing some costs. While Target framed tariffs more as a factor weighing on consumer confidence that it is working to mitigate through pricing and merchandising actions.

3Q Results				
Walmart			Target	
		YOY		YOY
Sales	\$179,496	5.8%	\$25,270	-1.6%
Store Count	10,822	1.5%	1,955	0.9%
Comps	4.4%	N/A	-2.7%	N/A
EBITDA	\$10,869	9%	\$1,747	-10.4%
EBITDA Margin	6.1%	0.2%	6.9%	-0.7%
FY Guidance	Sales +4.8% to +5.1%		Sales decline in the low-single-digit range	

Key Commentary



Consumer & Holiday

"We continue to benefit from higher income families choosing to shop with us more often... Holiday is off to a pretty good start."

"Delivery speed matters...35% of digital orders were delivered in under 3 hours."

Operating Trends & Cost Environment

"Our strategy...is clearly resonating...we're delivering stronger margins with lower markdowns."

"We're leaning into rollbacks while resisting cost pressures...keeping our prices as low as possible."

"We've managed through tariffs this year and are coming out even stronger."

Strategic Outlook

"We're playing offense...we still expect to grow operating income faster than sales."

"We're integrating automation and AI to build smarter, faster and more connected experiences."



Consumer & Holiday

"More than 20,000 new items — twice as many as last year — with more than half exclusive to Target."

"Our team is well-prepared...with compelling newness, great value and inspiration across categories."

Operating Trends & Cost Environment

"We're taking a cautious approach to discretionary categories while strengthening value...ensuring healthy inventory positions."

"We continue working to mitigate the impact of tariffs and navigate challenging consumer conditions."

"We continue to focus on restoring sustainable growth."

Omnichannel

"Same-day services maintained strong double-digit growth, led by more than 35% growth in Drive Up."

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