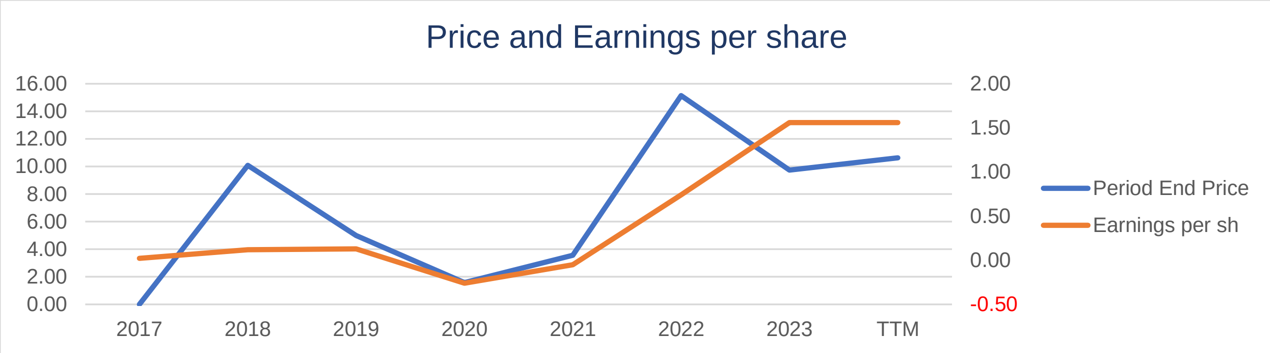
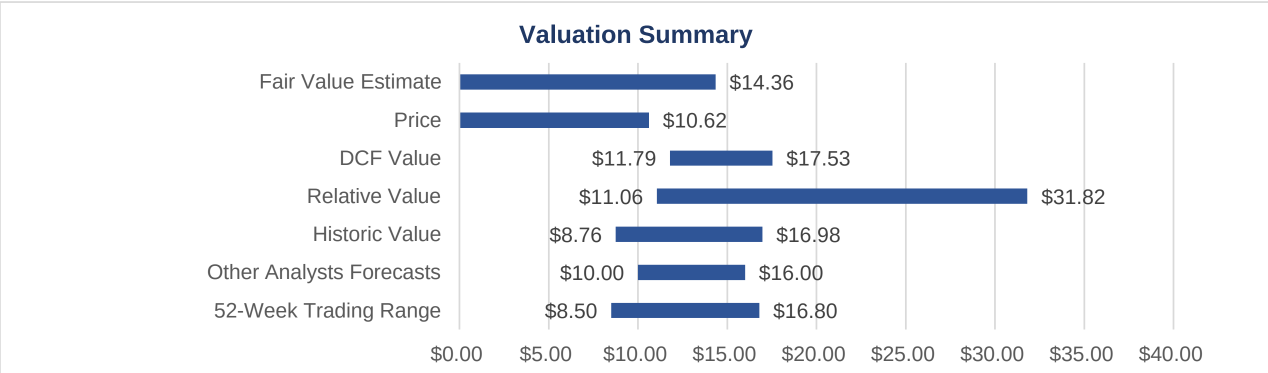
Target Hospitality Corp Analysis and Valuation

Updated April 17th 2024 by Jasper Bronkhorst MA





Key Metrics

Company	Target Hospitality Corp	**Symbol**	TH
Sector	Consumer Discretionary	**Market Cap (bn)**	1.1
Industry	Hotels, Restaurants & Leisure	**52-wk min.**	8.50
Date	2024-04-17	**52-wk max.**	16.80
Currency	USD	**10 yr Revenue CAGR**	0.00
Stock Price	10.62	**Price/Earnings**	6.8
Fair value estimate	14.36	**Dividend %**	0.0%
Margin of Safety	26%	**Price/Sales**	2.0
Rating	Undervalued	**Price/Book**	3.0

Business Overview

Established in 1978, Target Hospitality stands as the United States' foremost vertically integrated specialty rental and hospitality services entity. Operating nationwide, it specializes in constructing, owning, and managing housing communities across various sectors, notably oil, gas, energy infrastructure, and government. Target Hospitality prides itself on offering top-notch, tailor-made rental accommodations, culinary services, and hospitality solutions within its integrated housing communities. Anchored by values of safety, care, excellence, integrity, and collaboration, the company ensures high-quality, cost-effective services to its clientele.

Target anticipates total revenue for 2024 to range between $410 million and $425 million, contrasting with the $563.6 million revenue reported for the year ended December 31, 2023. Additionally, the company forecasts EBITDA for 2024 to be between $195 million and $210 million, compared to $344.2 million for the year ended December 31, 2023. PE forward is 11.

Why invest

Target has emerged from Joel Greenblatt's Magic Formula screen, suggesting that it is a favorable company trading at an attractive price. With robust profitability and a healthy balance sheet, Target stands out. However, projecting a decline in sales and profit for the upcoming year complicates valuation. Nevertheless, the company's current valuation remains reasonable when compared to historical metrics and similar firms.

Analysis

Profitability	2017	2018	2019	2020	2021	2022	2023	TTM	Average	Median
Return on Equity (ROE)	0.0%	2.8%	5.1%	-22.9%	-4.7%	49.6%	60.1%	46.0%	15.0%	4.0%
Return on Assets (ROA)	0.0%	1.8%	2.1%	-4.4%	-0.9%	11.5%	23.7%	25.0%	5.6%	1.9%
Gross Margin	39.5%	37.5%	45.8%	25.4%	34.8%	49.2%	55.6%	55.6%	41.4%	41.6%
Margin Before Taxes	19.8%	7.0%	6.1%	-14.9%	-0.9%	21.2%	39.9%	39.9%	9.7%	6.5%
Net Margin	0.7%	2.1%	3.7%	-11.2%	-1.6%	14.7%	30.8%	30.8%	6.4%	2.9%

The company demonstrates high profitability, surpassing the average standard.

Financial Health	2017	2018	2019	2020	2021	2022	2023	TTM	Average	Median
Equity-to-Assets	0.07	0.62	0.20	0.19	0.19	0.26	0.54	0.54	0.33	0.23
Current ratio	0.0	1.2	1.0	1.0	0.8	1.2	2.6	2.6	1.3	1.1
Quick ratio	0.0	1.2	1.0	1.0	0.8	1.2	2.6	2.6	1.3	1.1
Cash+Eq./assets	0.00	0.02	0.01	0.01	0.05	0.24	0.15	0.15	0.08	0.03
Pay out ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Inventory to assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Target exhibits solvency and liquidity, indicating robust financial health for the company.

Growth Analysis per share	2017	2018	2019	2020	2021	2022	2023	TTM
Sales per sh	3.30	5.83	3.40	2.34	3.02	5.02	5.35	5.35
Earnings per sh	0.02	0.12	0.13	-0.26	-0.05	0.74	1.56	1.56
Dividend per sh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book Value per sh	0.00	8.45	1.28	1.03	1.01	2.01	3.58	3.58
Cash flow per sh	0.64	-1.30	-0.25	0.37	0.71	1.65	0.88	0.88
Shares Outstanding	41	41	95	96	97	100	105	105

Annual rates per share	5 yrs	3 yrs	1yr
Price per sh	1.0%	88.7%	-19.2%
Sales per sh	-1.7%	31.7%	12.3%
Earnings per sh	67.0%		110.8%
Dividend per sh	0.0%	0.0%	
Book Value per sh	-15.8%	51.5%	78.1%
Cash flow per sh		33.5%	-46.7%

Valuation & Multiples

We use various valuation models to arrive at a fair estimation of value.

DCF Valuation (Earnings Based)

In our Discounted Cash Flow (DCF) calculator, we utilized the average EPS over the past two years.

Stock	**Target Hospita**
Date	2024-04-17
Stock Price	10.62
EPS w/o NRI per share	1.15
Discount rate	10%
Terminal Stage rate (yr11-20)	4%

Scenario	Base	Negative	Positive
Growth stage rate (10 years)	5.0%	2.0%	8.0%
Fair value estimate	14.36	11.79	17.53
Margin of Safety	**26%**	**10%**	**39%**
Rating	Undervalued	Fairly Valued	Undervalued
Growth Value	8.98	7.77	10.41
Terminal Value	5.37	4.02	7.12

Historic Valuation Analysis

Valuation Metrics	2017	2018	2019	2020	2021	2022	2023	TTM	Average	Median
Price-to-Earnings	0.0	82.6	42.1	-6.4	-79.3	20.5	5.7	6.8	10.9	13.1
Price-to-Book	0.0	1.2	4.2	1.6	3.7	7.6	2.6	3.0	3.5	3.2
Price-to-Sales	0.0	1.7	1.6	0.7	1.2	3.0	1.8	2.0	1.7	1.6
Market Capitalization (bn)	0.0	0.4	0.5	0.2	0.4	1.5	1.0	1.1	0.7	0.5
Period End Price	0.00	10.08	5.00	1.58	3.56	15.14	9.73	10.62	7.52	7.37

Historic Valuation	Current	Historical Median	Historical Average	Fair Value Estimate
Price-to-Earnings	6.8	13.1	10.9	17.0
Price-to-Book	3.0	3.2	3.5	11.4
Price-to-Sales	2.0	1.6	1.7	8.8

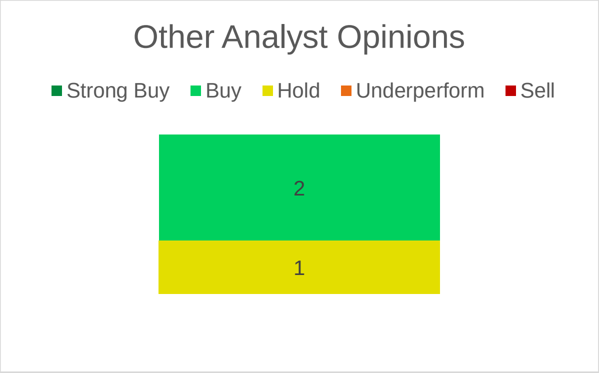
Comparable Company Analysis

Name	Currency	Price	PE	PB	PS	PFCF	Dividend Yield	Market Capitalization bn
Target Hospitality Corp	**USD**	**10.62**	**6.8**	**2.9**	**2.0**	**12.1**	**0.0%**	1.1
Marriott International Inc	USD	248.41	24.4	-107.5	3.2	27.0	0.8%	72.4
Darden Restaurants Inc	USD	154.06	18.1	8.5	1.7	19.0	3.3%	18.3
Light & Wonder Inc	USD	91.92	52.5	11.2	2.9	24.6	0.0%	8.3
Red Rock Resorts Inc	USD	59.96	20.4	25.4	3.6	12.6	1.7%	6.1
Hilton Grand Vacations Inc	USD	43.70	15.6	2.2	1.2	20.6	0.0%	4.7
Shake Shack Inc	USD	97.07	202.2	9.1	3.9	-303.3	0.0%	4.1
International Game Technology PLC	USD	19.82	25.7	2.1	0.9	6.3	4.0%	4.0
Sweetgreen Inc	USD	21.08	-20.9	4.9	4.0	-37.6	0.0%	2.6
	Average		38.3	-4.6	2.6	-24.3	1.1%	
	Median		20.4	4.9	2.9	12.6	0.0%	
	Fair Value Estimate							
	Median		31.8	17.7	15.8	11.1		

Name	Profitability		Health		Growth	
	Return on Equity	Net Margin	Equity to Assets	Current Ratio	Revenue 10-Period CAGR	Diluted EPS 10-Period CAGR
Target Hospitality Corp	**60%**	**31%**	**0.54**	**2.6**	**0.0%**	**0.0%**
Marriott International Inc	-5409%	13%	-0.03	0.4	6.4%	17.7%
Darden Restaurants Inc	45%	9%	0.22	0.5	5.9%	9.8%
Light & Wonder Inc	17%	6%	0.14	1.9	10.3%	0.0%
Red Rock Resorts Inc	127%	10%	0.06	0.8	3.2%	0.0%
Hilton Grand Vacations Inc	15%	8%	0.24	3.9	12.5%	8.0%
Shake Shack Inc	4%	2%	0.29	2.0	29.4%	-19.8%
International Game Technology PLC	8%	4%	0.19	1.3	1.2%	-4.0%
Sweetgreen Inc	-22%	-19%	0.56	3.0	0.0%	0.0%

Other Analyst Opinions

It's crucial to note that other analyst projections are based on a one-year timeframe. Our primary focus is determining the current intrinsic value of the company's stock, particularly with a long-term perspective in mind.



Analyst Price Targets	Prices	Upside
Current price	10.62	
Low	10.00	-5.8%
Average	12.67	19.3%
High	16.00	50.7%

Estimates	2023A	2024E	2025E
EPS	1.56	0.68	0.78
EPS growth		-56.4%	14.7%

Disclaimer

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