

The TJX Companies (TJX)

\$49.05 (As of 04/30/20)

Price Target (6-12 Months): **\$41.00**

Long Term: 6-12 Months | **Zacks Recommendation: Underperform**
(Since: 04/27/20)
Prior Recommendation: Neutral

Short Term: 1-3 Months | **Zacks Rank: (1-5)** | **5-Strong Sell**
Zacks Style Scores: VGM:B
Value: D | Growth: A | Momentum: B

Summary

TJX Companies' shares have lagged the industry in the past year. Recently, the company announced temporary store closures across the United States, Canada, Europe and Australia due to concerns related to coronavirus. Also, it had earlier announced closures of stores in various regions including Germany, Poland and Austria among others. Moreover, management withdrew its recently-provided guidance for the first quarter and fiscal 2021 considering the current situation. Nevertheless, TJX Companies is benefiting from robust comps, driven by consistent rise in consumer traffic and strong merchandising policies. Also, its off-price model, strategic store locations and impressive brands bode well. The same was reflected in the company's fiscal fourth-quarter results, with earnings and sales rising year over year and beating the consensus mark.

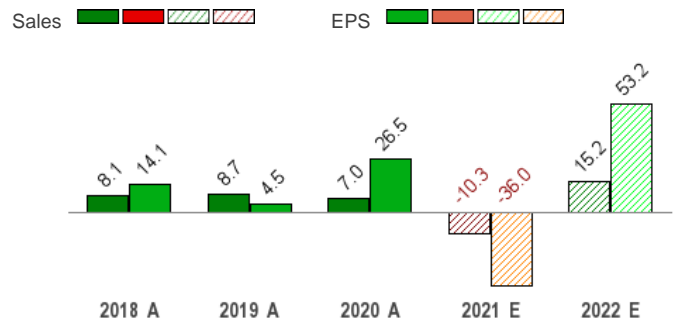
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$64.95 - \$32.72
20 Day Average Volume (sh)	10,521,831
Market Cap	\$58.8 B
YTD Price Change	-19.7%
Beta	0.70
Dividend / Div Yld	\$0.92 / 1.9%
Industry	Retail - Discount Stores
Zacks Industry Rank	Bottom 42% (147 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.2%
Last Sales Surprise	2.9%
EPS F1 Est- 4 week change	-30.2%
Expected Report Date	05/19/2020
Earnings ESP	-743.1%
P/E TTM	18.3
P/E F1	28.7
PEG F1	2.6
P/S TTM	1.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	10,435 E	11,040 E	11,748 E	13,724 E	43,112 E
2021	6,439 E	8,151 E	10,689 E	12,653 E	37,423 E
2020	9,278 A	9,782 A	10,451 A	12,206 A	41,717 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.67 E	\$0.72 E	\$0.77 E	\$0.93 E	\$2.62 E
2021	-\$0.02 E	\$0.28 E	\$0.65 E	\$0.81 E	\$1.71 E
2020	\$0.57 A	\$0.62 A	\$0.68 A	\$0.81 A	\$2.67 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/30/2020. The reports text is as of 05/01/2020.

Overview

Based in Framingham, MA, The TJX Companies, Inc. is a leading off-price retailer of apparel and home fashions in the U.S. and worldwide. It has more than 4,300 stores across the globe, which are well known for their unique value proposition of brand, fashion, price and quality. The company's broad range of assortments at varying prices helps it to reach out to a broad range of consumers. In addition to these, TJX Companies tries to attract consumers through rapid turn of inventories.

The company has been able to distinguish itself from traditional retailers on the grounds of opportunistic buying strategies and flexible business model. In fact, TJX Companies' low-cost structure sets it apart from other traditional retailers. In order to maintain control on costs, the company engages in the promotion of retail banners, rather than specific brands. The company's distribution network is also designed in a manner such that helps curtailing costs. Moreover, the company emphasizes on creating strong relations with vendors across different countries, in order leverage buying power.

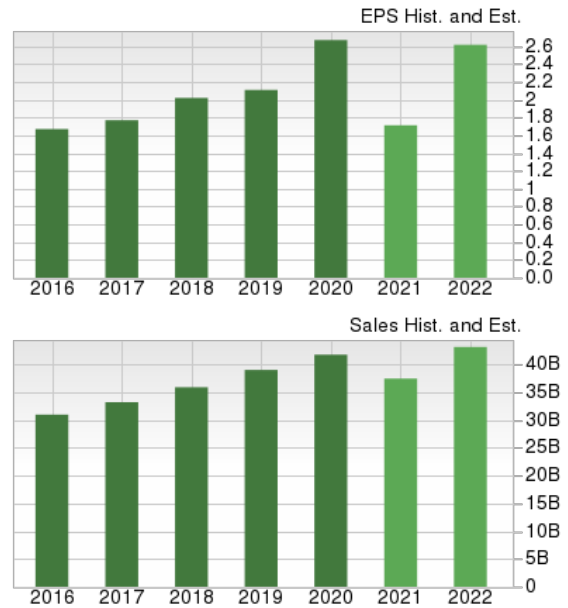
The TJX Companies operates through four business segments:

In the U.S., it operates through two segments, namely, Marmaxx (through stores under the names of T.J. Maxx and Marshalls) and HomeGoods.

Marmaxx divisions (62% of FY19 Sales) sell family apparel (including footwear and accessories), home fashions (including home basics, accent furniture, lamps, rugs, wall décor, decorative accessories and giftware) and other merchandise.

HomeGoods (15% of FY19 Sales) chain offers home basics, giftware, accent furniture, lamps, rugs, wall décor and decorative accessories from around the world, seasonal and other merchandise.

In Canada, it operates through TJX Canada (9% of FY19 Sales) through stores under the names of Winners, Marshalls and HomeSense and in Europe, it operates through TJX International (14% of FY19 Sales) through stores under the names of T.K. Maxx and HomeSense.



Reasons To Sell:

- ▼ **Store Closures due to Coronavirus Outbreak:** The outbreak of the novel coronavirus compelled TJX Companies to announce temporary store closures across the United States, Canada, Europe, and Australia. Earlier, the company had announced closures of stores in various regions including Germany, Poland, Austria, Ireland, Netherlands as well as various shops in the United States and Canada.

Moreover, management stated that the company's online businesses via tjmaxx.com, marshalls.com, and sierra.com are going to be non-operational due to the recent coronavirus outbreak. Also, TJX Companies' distribution centers along with offices will be shut down temporarily. The company will continue to make payments to its store, distribution centers and office associates for the abovementioned period. Moreover, management withdrew its recently-provided guidance for the first quarter and fiscal 2021 considering the current situation and its unpredictable impact on results. TJX Companies' shares have lost 8.5% in the past year against the industry's growth of 17.5%.

- ▼ **Currency Headwinds:** TJX Companies' is exposed to unfavorable foreign currency translations owing to the company's significant exposure to international markets. The weakening of foreign currencies against the U.S. dollar may compel the company to either raise prices or lower profit margins in locations outside the country. Therefore, volatility in exchange rates pose formidable risks for the periods ahead.
- ▼ **Off Price Retail Nature May Put Pressure on Margins:** TJX Companies provides goods at discounted prices. For example, TJX has been selling coveted apparel brands such as Tommy Hilfiger and Marc Jacobs at prices 20%-60% prices than those offered by others. Despite rising product costs, TJX, being an off-price retailer, cannot increase the price of its products, which may lead to lower margins.
- ▼ **Lack of Exposure in Emerging Markets:** TJX Companies does not have any presence in the developing markets which deprives it of the benefits of high growth opportunities of the developing nations like China, Brazil, India, Mexico, Russia and Southeast Asia.

Since the developed markets of Europe, America and Canada are already saturated, most of the U.S. companies are looking toward the emerging ones, which offer great growth opportunity owing to the growing population and affluent middle class. TJX Companies, however, does not have any plans to open stores in any of these markets.

TJX Companies announces temporary store closures across many locations due to coronavirus concerns. Also, management withdrew outlook.

Risks

- **Solid Comps Growth:** The company has been gaining from robust comparable store sales (comps). During the fourth quarter of fiscal 2020, TJX Companies' consolidated comps increased 6% year over year, fueled by higher customer traffic at all major segments along with volume growth.

Notably, the quarter marked the 22nd straight period of higher customer traffic at both Marmaxx and the entire company. Consumers' favorable responses to the company's brands along with impressive merchandise assortments at reasonable prices are aiding growth. Comps increased 4%, 10%, 6% and 5% in the TJX Canada, TJX International, Marmaxx and HomeGoods segments, respectively. Markedly, TJX International's results were backed by solid performance in Europe and Australia. Further, apparel and home businesses were strong.

- **Favorable Inventory Position:** Consolidated inventories as of Feb 1, 2020 on a per-store basis (including distribution centers, and excluding e-commerce, inventory in transit and Sierra stores) increased 4% (also on a constant-currency basis) year over year. Given its impressive inventory position, the company is well-poised to take advantage of solid opportunities. Management remains impressed with its performance, driven by robust customer traffic and successful implementation of the company's off-price fundamentals. Consumers' favorable response to TJX Companies' impressive brand portfolio and consistent rise in customer traffic keep management encouraged about witnessing continued growth.
 - **Store & E-commerce Efforts:** TJX Companies has an aggressive store-opening strategy. The company regularly opens stores and expands fast across the U.S., Europe, Canada and Australia. While many retailers are resorting to store closures, TJX Companies opened 223 stores in fiscal 2020, taking the total count to 4,529 as of Feb 1. TJX Companies intends to continue expanding store base with plans to operate about 6,100 stores in the long term. Further, with increasing number of consumers resorting to online shopping, TJX Companies has undertaken several initiatives to boost online sales and strengthen its e-commerce business. TJX Companies' off-price model, along with its strategic store locations, impressive brands and fashion products, has been driving its performance, both in stores and online.
 - **Marketing Strategy & Loyalty Programs:** The company remains committed toward boosting growth, through effective marketing initiatives and loyalty programs. Incidentally, TJX Companies' aggressive marketing and advertising campaigns through multiple mediums (TV, radio and social media) have been boosting traffic at its stores. Its gift-giving initiatives, unique among off-price retailers and loyalty card program (which offers consumers a non-credit card choice and soft benefits such as early shopping hours) also help to improve customer engagement.
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Last Earnings Report

TJX Companies Beats Q4 Earnings & Revenue Estimates

The TJX Companies has posted fourth-quarter fiscal 2020 results, with earnings and sales rising year over year as well as surpassing the Zacks Consensus Estimate. Further, comps increased on consistent improvement in customer traffic. Moreover, management provided a positive bottom-line view for fiscal 2021.

Quarterly Details

The company's earnings were 81 cents per share, which increased 19% year over year. Further, the bottom line surpassed the Zacks Consensus Estimate of 77 cents as well as management's guidance.

Net sales advanced about 10% year over year to \$12,206.5 million and beat the Zacks Consensus Estimate of \$11,867 million. Net sales growth included a neutral impact from currency movements.

Sales were backed by solid comparable store sales (comps), which gained from robust customer traffic across all segments. TJX Companies' consolidated comps rose 6% year over year.

Comps increased 4%, 10%, 6% and 5% in TJX Canada, TJX International, Marmaxx and HomeGoods segments, respectively.

Gross margin improved 0.6 percentage point (pp) to 28.4%. Selling, general and administrative costs, as a percentage of sales, rose 0.3 pp year over year to 17.5%.

Other Financial Updates

The company ended the quarter with cash and cash equivalents of \$3,216.8 million, long-term debt of \$2,236.6 million and total shareholders' equity of \$5,948.2 million. Cash provided by operating activities for 52 weeks ended Feb 1, 2020, was \$4,066.7 million.

Consolidated inventories as of February 1, 2020 on a per-store basis (including distribution centers and excluding e-commerce, inventory in transit as well as Sierra stores) increased 4% (also on a constant-currency basis) year over year. Given its impressive inventory position, the company is well poised to take advantage of solid opportunities in the holiday season.

During the reported quarter, TJX Companies returned \$631 million to stockholders through dividend payouts and share buybacks. In fiscal fourth quarter, the company repurchased 5.9 million shares for \$355 million and paid out dividends worth \$276 million. In fiscal 2020, management paid out dividends worth \$1.1 billion and repurchased 27.1 million shares for \$1.5 billion.

TJX Companies intends to buy back shares worth \$1.5-\$1.75 billion in fiscal 2020. Further, the company unveiled a new plan to repurchase \$1.75-\$2.25 billion worth of TJX stock during fiscal 2021.

The company opened 223 stores in fiscal 2020, taking the total count to 4,529.

Fiscal 2021 & Q1 Guidance

For fiscal 2021, TJX Companies projects earnings per share (EPS) in the range of \$2.77-\$2.83, which indicates growth of 4-6% from \$2.67 per share reported a year ago. Further, it expects consolidated and Marmaxx comps growth in the range of 2-3%.

For the first quarter, the company expects earnings in the band of 59-60 cents per share. The projected figure calls for a rise from 57 cents reported in the year-ago quarter. TJX Companies consolidated comps growth of 2-3% for the quarter. It anticipates comps at Marmaxx to increase in the same range.

Quarter Ending **01/2020**

Report Date	Feb 26, 2020
Sales Surprise	2.86%
EPS Surprise	5.19%
Quarterly EPS	0.81
Annual EPS (TTM)	2.68

Recent News

TJX Companies Shuts Stores, Withdraws View Due to Coronavirus - Mar 20, 2020

The outbreak of the novel coronavirus compelled the renowned off-price retailer, The TJX Companies to announce store closures across the United States, Canada, Europe, and Australia. The shutdown, which is scheduled to last for two weeks, will be effective from today. Earlier, TJX Companies had announced closures of stores in various regions including Germany, Poland, Austria, Ireland, Netherlands as well as various shops in the United States and Canada.

Moreover, management stated that the company's online businesses via tjmaxx.com, marshalls.com, and sierra.com are going to be non-operational due to the recent coronavirus outbreak. Also, TJX Companies' distribution centers along with offices will be shut down temporarily. The company will continue to make payments to its store, distribution centers and office associates for the abovementioned period. The company withdrew its recently-provided guidance for the first quarter and fiscal 2021 considering the current situation and its unpredictable impact on results.

Valuation

TJX Companies shares are down 19.4% in the year-to-date period and 8.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 5.3% and the Zacks Retail-Wholesale sector are up 2.3%. Over the past year, the Zacks sub-industry went up 17.5% while the sector gained 8.8%.

The S&P 500 index is down 8.2% in the year-to-date period and up 2.5% in the past year.

The stock is currently trading at 25.18X forward 12-month earnings, which compares to 25.96X for the Zacks sub-industry, 28.75X for the Zacks sector and 20.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.52X and as low as 13.01X, with a 5-year median of 19.84X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$41 price target reflects 21.05X forward 12-month earnings.

The table below shows summary valuation data for TJX

Valuation Multiples - TJX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.18	25.96	28.75	20.8
	5-Year High	26.52	25.96	28.75	20.8
	5-Year Low	13.01	17.95	19.06	15.19
	5-Year Median	19.84	20.05	23.17	17.44
P/S F12M	Current	1.51	1.36	1.03	3.3
	5-Year High	1.81	1.39	1.11	3.44
	5-Year Low	0.99	0.94	0.8	2.54
	5-Year Median	1.47	1.12	0.93	3.01
EV/EBITDA TTM	Current	12.73	18.09	15.64	10.76
	5-Year High	16.89	19.86	16.35	12.87
	5-Year Low	8.9	10.91	10.9	8.27
	5-Year Median	11.26	13.54	12.55	10.78

As of 04/30/2020

Industry Analysis Zacks Industry Rank: Bottom 42% (147 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Burlington Stores, Inc. (BURL)	Neutral	4
Costco Wholesale Corporation (COST)	Neutral	2
Dollar General Corporation (DG)	Neutral	2
Dollar Tree, Inc. (DLTR)	Neutral	3
Ross Stores, Inc. (ROST)	Neutral	3
Target Corporation (TGT)	Neutral	3
Big Lots, Inc. (BIG)	Underperform	3
Kohls Corporation (KSS)	Underperform	5

Industry Comparison Industry: Retail - Discount Stores				Industry Peers		
	TJX	X Industry	S&P 500	BURL	DG	DLTR
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	4	2	3
VGM Score	B	-	-	B	A	A
Market Cap	58.75 B	15.48 B	20.61 B	12.10 B	44.09 B	18.87 B
# of Analysts	13	11	14	10	23	10
Dividend Yield	1.88%	0.87%	2.11%	0.00%	0.82%	0.00%
Value Score	D	-	-	D	B	B
Cash/Price	0.06	0.05	0.06	0.04	0.01	0.03
EV/EBITDA	12.41	13.02	11.87	17.81	19.44	12.05
PEG Ratio	2.63	2.64	2.47	29.19	1.92	1.54
Price/Book (P/B)	9.92	4.70	2.67	22.92	6.59	3.01
Price/Cash Flow (P/CF)	14.26	14.06	10.66	17.03	19.70	8.98
P/E (F1)	28.68	25.50	19.01	49.03	23.49	16.60
Price/Sales (P/S)	1.41	0.80	2.10	1.66	1.59	0.80
Earnings Yield	3.49%	3.63%	5.05%	2.04%	4.26%	6.02%
Debt/Equity	1.69	1.46	0.72	6.29	1.60	1.36
Cash Flow (\$/share)	3.44	6.38	7.01	10.73	8.90	8.87
Growth Score	A	-	-	A	A	B
Hist. EPS Growth (3-5 yrs)	11.85%	12.09%	10.88%	34.46%	13.67%	18.69%
Proj. EPS Growth (F1/F0)	-35.84%	-22.32%	-7.32%	-49.72%	10.88%	0.82%
Curr. Cash Flow Growth	19.07%	9.68%	5.92%	7.36%	9.68%	-55.39%
Hist. Cash Flow Growth (3-5 yrs)	7.38%	8.54%	8.55%	18.02%	9.69%	19.78%
Current Ratio	1.24	1.19	1.23	0.97	1.14	1.20
Debt/Capital	62.83%	59.24%	43.84%	86.29%	61.55%	57.61%
Net Margin	7.84%	4.38%	11.08%	6.38%	6.17%	3.50%
Return on Equity	59.70%	24.73%	16.44%	131.83%	26.04%	19.71%
Sales/Assets	1.78	1.76	0.54	1.37	1.25	1.21
Proj. Sales Growth (F1/F0)	-10.29%	0.72%	-1.42%	-10.14%	8.92%	4.34%
Momentum Score	B	-	-	D	A	D
Daily Price Chg	-4.83%	-1.42%	-2.39%	-6.12%	0.29%	-1.47%
1 Week Price Chg	-7.40%	-4.69%	-1.74%	-4.45%	-3.37%	-8.80%
4 Week Price Chg	12.01%	17.05%	17.07%	25.61%	9.77%	13.07%
12 Week Price Chg	-20.66%	-18.41%	-18.53%	-21.07%	12.76%	-9.40%
52 Week Price Chg	-9.92%	-7.55%	-9.82%	7.12%	40.66%	-27.21%
20 Day Average Volume	10,521,831	2,165,454	2,641,413	982,228	2,395,732	2,331,637
(F1) EPS Est 1 week change	-1.37%	-0.10%	0.00%	-6.17%	0.02%	-0.10%
(F1) EPS Est 4 week change	-30.19%	-2.48%	-6.62%	-42.85%	0.44%	-2.46%
(F1) EPS Est 12 week change	-39.84%	-27.16%	-13.28%	-54.36%	0.52%	-8.24%
(Q1) EPS Est Mthly Chg	-107.07%	-6.75%	-11.97%	-2,719.45%	2.05%	-6.75%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	A
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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