

## The TJX Companies (TJX)

**\$47.96** (As of 03/26/20)

Price Target (6-12 Months): **\$52.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 02/08/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: C

Growth: A

Momentum: F

### 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.

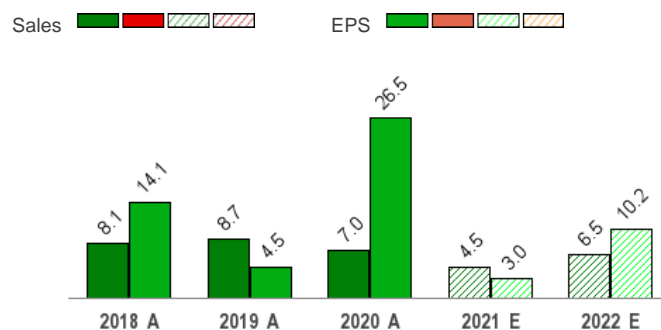
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$64.95 - \$32.72
20 Day Average Volume (sh)	13,702,218
Market Cap	\$57.7 B
YTD Price Change	-21.5%
Beta	0.59
Dividend / Div Yld	\$0.92 / 1.9%
Industry	<a href="#">Retail - Discount Stores</a>
Zacks Industry Rank	Bottom 36% (162 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	-6.3%
Expected Report Date	05/19/2020
Earnings ESP	-3.3%
P/E TTM	17.9
P/E F1	17.4
PEG F1	1.6
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	46,437 E
2021	9,405 E	10,175 E	11,069 E	12,869 E	43,596 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	\$0.66 E	\$0.72 E	\$0.78 E	\$0.94 E	\$3.03 E
2021	\$0.56 E	\$0.63 E	\$0.72 E	\$0.85 E	\$2.75 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 03/26/2020. The reports text is as of 03/27/2020.

## 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.

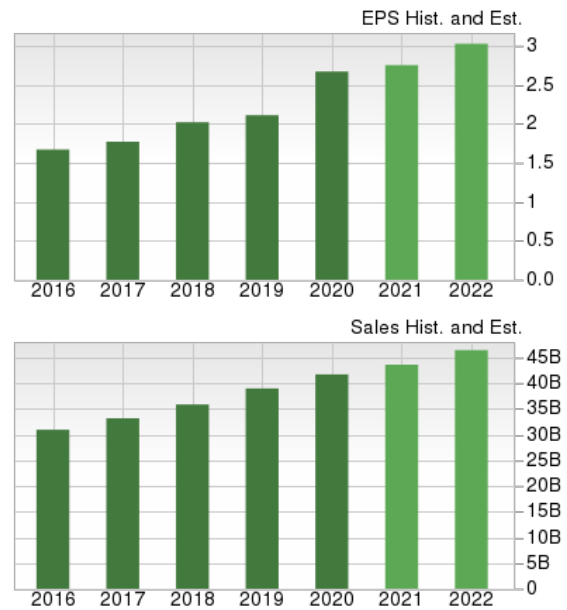
The TJX Companies operates through four business segments:

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.



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## Reasons To Buy:

- ▲ **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.

- ▲ **Shareholder-Friendly Moves:** The company has been returning value to its shareholders through dividends and share buybacks. During fiscal fourth quarter, TJX Companies returned \$631 million to stockholders through dividend payouts and share buybacks. In the said 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.
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TJX Companies' strong merchandising and brand strategies, combined with effective marketing efforts have been aiding increased consumer traffic across stores.

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## 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 9.6% in the past year against the industry's growth of 2.4%.

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

- ▼ **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.

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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.

### TJX Companies Announces Quarterly Dividend – Dec 3, 2019

The company's board declared quarterly dividend of 23 cents per share, payable on Mar 5, 2020, to shareholders held in record as on Feb 13, 2020.

## Valuation

TJX Companies shares are down 21.5% in the year-to-date period and 9.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are down 18.5% and 14.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry went up 2.4% while the sector declined 6%.

The S&P 500 index is down 23.1% in the year-to-date period and 12.9% in the past year.

The stock is currently trading at 16.95X forward 12-month earnings, which compares to 19.39X for the Zacks sub-industry, 22.09X for the Zacks sector and 14.92X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.62X and as low as 14.22X, with a 5-year median of 19.83X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$52 price target reflects 18.38X 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	16.95	19.39	22.09	14.92
	5-Year High	23.62	23.75	26.19	19.34
	5-Year Low	14.22	17.95	19.06	14.92
	5-Year Median	19.83	20.04	23	17.42
P/S F12M	Current	1.29	1.14	0.88	2.68
	5-Year High	1.81	1.39	1.11	3.43
	5-Year Low	1.1	0.95	0.8	2.54
	5-Year Median	1.47	1.13	0.92	3
EV/EBITDA TTM	Current	12.48	15.81	13.35	9.16
	5-Year High	16.89	19.83	16.22	12.88
	5-Year Low	8.9	10.89	10.88	8.27
	5-Year Median	11.22	13.8	12.51	10.78

As of 03/26/2020

## Industry Analysis Zacks Industry Rank: Bottom 36% (162 out of 253)



## Top Peers

Burlington Stores, Inc. (BURL)	Neutral
Costco Wholesale Corporation (COST)	Neutral
Dollar General Corporation (DG)	Neutral
Dollar Tree, Inc. (DLTR)	Neutral
Ross Stores, Inc. (ROST)	Neutral
Target Corporation (TGT)	Neutral
Big Lots, Inc. (BIG)	Underperform
Kohls Corporation (KSS)	Underperform

Industry Comparison Industry: Retail - Discount Stores				Industry Peers		
	TJX Neutral	X Industry	S&P 500	BURL Neutral	DG Neutral	DLTR Neutral
<b>VGM Score</b>	<b>B</b>	-	-	<b>C</b>	<b>A</b>	<b>A</b>
Market Cap	57.70 B	14.88 B	18.50 B	11.25 B	35.40 B	18.50 B
# of Analysts	12	11	13	10	24	10
Dividend Yield	1.92%	0.90%	2.35%	0.00%	0.91%	0.00%
<b>Value Score</b>	<b>C</b>	-	-	<b>D</b>	<b>C</b>	<b>B</b>
Cash/Price	0.07	0.06	0.07	0.04	0.01	0.03
EV/EBITDA	12.22	12.92	11.16	16.79	16.35	11.89
PEG Ratio	1.56	1.72	1.74	6.85	1.54	1.44
Price/Book (P/B)	9.70	4.11	2.44	21.29	5.28	2.96
Price/Cash Flow (P/CF)	13.94	12.65	9.87	15.82	15.80	8.81
P/E (F1)	17.00	18.08	15.29	22.41	18.85	15.52
Price/Sales (P/S)	1.38	0.78	1.93	1.54	1.28	0.78
Earnings Yield	5.73%	5.34%	6.47%	4.46%	5.31%	6.44%
Debt/Equity	1.69	1.46	0.70	6.29	1.60	1.36
Cash Flow (\$/share)	3.44	6.37	7.01	10.73	8.90	8.87
<b>Growth Score</b>	<b>A</b>	-	-	<b>A</b>	<b>A</b>	<b>B</b>
Hist. EPS Growth (3-5 yrs)	11.85%	12.09%	10.85%	34.46%	13.67%	18.69%
Proj. EPS Growth (F1/F0)	3.09%	2.56%	2.89%	2.21%	10.78%	5.76%
Curr. Cash Flow Growth	19.07%	9.68%	5.93%	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%	42.57%	86.29%	61.55%	57.61%
Net Margin	7.84%	4.38%	11.64%	6.38%	6.17%	3.50%
Return on Equity	59.70%	24.73%	16.74%	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)	4.50%	4.09%	2.37%	7.72%	7.72%	3.86%
<b>Momentum Score</b>	<b>F</b>	-	-	<b>F</b>	<b>A</b>	<b>A</b>
Daily Price Chg	8.80%	3.14%	6.21%	4.79%	2.40%	2.32%
1 Week Price Chg	-27.54%	-14.36%	-16.96%	-26.51%	-3.90%	1.70%
4 Week Price Chg	-20.23%	-21.75%	-15.70%	-23.27%	-10.87%	-8.39%
12 Week Price Chg	-22.27%	-25.53%	-23.67%	-25.93%	-10.23%	-16.68%
52 Week Price Chg	-9.61%	-10.97%	-13.99%	10.45%	17.73%	-24.48%
20 Day Average Volume	13,702,218	3,278,192	4,286,768	1,525,177	3,697,269	4,591,614
(F1) EPS Est 1 week change	-4.13%	0.00%	-0.15%	-3.79%	0.02%	0.42%
(F1) EPS Est 4 week change	-6.25%	-3.21%	-2.28%	-7.78%	0.12%	-3.21%
(F1) EPS Est 12 week change	-5.95%	-5.95%	-3.22%	-7.23%	0.29%	-3.54%
(Q1) EPS Est Mthly Chg	-18.04%	-8.87%	-1.60%	-35.19%	-0.61%	-13.67%

## 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	C
Growth Score	A
Momentum Score	F
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.

## Disclosures

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