



TJX Companies (TJX)

Updated November 17th, 2023 by Kay Ng

Key Metrics

Current Price:	\$89	5 Year CAGR Estimate:	9.7%	Market Cap:	\$102B
Fair Value Price:	\$78	5 Year Growth Estimate:	11.0%	Ex-Dividend Date¹:	02/08/24
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.5%	Dividend Payment Date¹:	03/02/24
Dividend Yield:	1.5%	5 Year Price Target	\$132	Years Of Dividend Growth:	2
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

TJX Companies is a leading off-price retailer of apparel and home fashions in the U.S. and worldwide. As of October 28, 2023, the company operated 4,934 stores in nine countries. These include 1,317 T.J. Maxx (27% of total), 1,196 Marshalls (24%) and 914 HomeGoods (19%) in the United States. TJX also operates 6 e-commerce sites. In an average year, the company generates about \$50 billion in annual revenue and \$3.5 billion in net profit.

Throughout TJX's 40-plus year history, it has experienced a decline in its same-store sales in only two years, including in fiscal 2021 in which it had huge setbacks because of economic lockdowns during the global COVID-19 pandemic. This degree of consistency is exceptional and proves the strength of the business model of the company and its execution. We expect TJX to remain more resilient than most other retailers against Amazon (AMZN) and other e-commerce threats. This is because TJX offers great discounts on an attractive selection of merchandise while it also cultivates a "treasure-hunting" experience, which cannot be imitated by the online giant.

On 11/15/23, TJX released its fiscal Q3 2024 results for the period ending 10/28/23. For the quarter, net sales climbed 9% to \$13.3 billion and diluted earnings-per-share ("EPS") rose 13% to \$1.03. Net sales results were defensive at the Marmaxx division (+9%), which consists of the Marshall's and Maxx brands. Net sales were outstanding at HomeGoods (+13%), and TJX International (in Europe and Australia) (+10%), which helped boost overall results; the sales growth at TJX Canada was only 2%. Same-store sales increased by 6%. Year over year, it witnessed gross profit margin improvement of 2.0% to 31.1%, driven primarily by lower freight costs. This also helped the pretax profit margin improve by 0.8% to 12.0%.

Fiscal year to date, TJX repurchased \$1.7 billion worth of common stock at ~\$83.34 per share. It's planning to buy back up to \$2.25 to \$2.5 billion of common stock during this fiscal year that ends 2/3/2024. Management improved its fiscal 2024 adjusted EPS guidance to \$3.71-\$3.74. As a result, we updated our FY2024 EPS estimate at the midpoint of \$3.72.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.42	\$1.58	\$1.67	\$1.77	\$1.94	\$2.43	\$2.67	\$0.26	\$2.70	\$3.11	\$3.72	\$6.27
DPS	\$0.29	\$0.35	\$0.42	\$0.52	\$0.63	\$0.78	\$0.92	\$0.26	\$1.04	\$1.14	\$1.33	\$2.24
Shares¹	1,410	1,370	1,327	1,293	1,256	1,259	1,219	1,219	1,205	1,171	1,158	1,074

From FY2014 through FY2023, TJX was able to grow EPS by 9.1% per annum. Notably, the results in FY2021 were negatively affected by pandemic impacts and the company just recovered from that in FY2022. With TJX generating more than 60% of its sales in the U.S., its sales and earnings depend primarily on the health of the U.S. economy. We expect TJX's long-term outlook to remain solid, as the company is demonstrating good results in a higher inflation and higher interest rate environment. The 12.7% dividend increase in FYQ1 2024 shows management's commitment to the dividend. The company also tends to buy back common shares, which would boost EPS. We forecast an EPS growth rate of 11% and dividend-per-share ("DPS") growth rate of 11% through FY2029.

¹ Projected dividend dates; Shares in millions.

Disclosure: Kay Ng owns shares of Amazon.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	18.9	19.0	20.8	21.6	19.2	20.5	20.6	215	25.6	23.7	23.9	21.0
Avg. Yld.	1.1%	1.2%	1.2%	1.4%	1.7%	1.5%	1.7%	0.5%	1.5%	1.7%	1.5%	1.7%

Excluding the outlier in FY2021, from FY2014-23, shares of TJX traded with an average P/E ratio of 21.1. We believe a multiple of 21 is more or less fair for a growth rate of about 11%. The stock appears to be a bit expensive today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

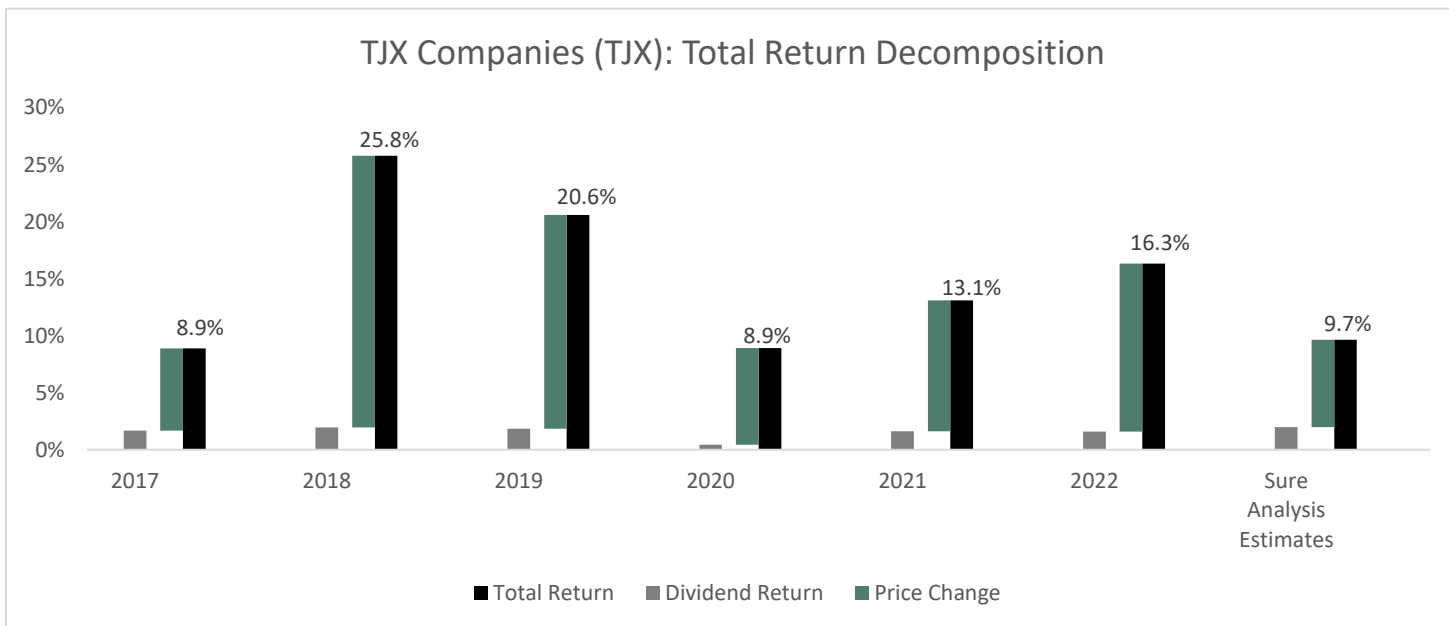
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	20%	22%	25%	29%	32%	32%	34%	100%	39%	37%	36%	36%

TJX has a terrific record (EPS was growing during the last recession triggered by a financial crisis) driven by its discounted prices and “treasure-hunting” experience. However, for the recession triggered by the pandemic, its stores, including its e-commerce sites were closed temporarily. That said, we believe TJX’s model has a competitive advantage not just against its look-alike competitors, but even the Amazon’s of the world. The company rebounded from the COVID-19 pandemic fairly quickly, and it seems to be taking higher inflation and higher interest rates well. It ended FY Q3 2024 with cash and cash equivalents of \$4.3 billion, while its long-term liabilities to equity was 1.7x. The company also restored and began increasing its dividend since December 2020. We expect TJX to continue increasing its dividend in the foreseeable future based on expected growing EPS and a sustainable payout ratio.

Final Thoughts & Recommendation

TJX has a good track record. In normal markets, the company would grow profits and dividends, and buy back shares. At the current valuation, we estimate TJX will deliver annual total returns of about 9.7% over the next five years, consisting of 11% earnings-per-share growth, a yield of 1.5%, and a 2.5% headwind from P/E compression. All told, we rate TJX as a Hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	27423	29,078	30,945	33,184	35,865	38,973	41,717	32,137	48,550	49936
Gross Profit	7,818	8,302	8,910	9,618	10,362	11,142	11,871	7,603	13,836	13787
Gross Margin	28.5%	28.5%	28.8%	29.0%	28.9%	28.6%	28.5%	23.7%	28.5%	27.6%
SG&A Exp.	4,467	4,695	5,206	5,768	6,375	6,924	7,455	7,021	9,081	8927
D&A Exp.	549	589	617	659	726	820	867	871	868	887
Operating Profit	3,351	3,607	3,705	3,850	3,987	4,218	4,416	582	4,755	4860
Operating Margin	12.2%	12.4%	12.0%	11.6%	11.1%	10.8%	10.6%	1.8%	9.8%	9.7%
Net Profit	2,137	2,215	2,278	2,298	2,608	3,060	3,272	90	3,283	3498
Net Margin	7.8%	7.6%	7.4%	6.9%	7.3%	7.9%	7.8%	0.3%	6.8%	7.0%
Free Cash Flow	1,654	2,097	2,068	2,602	1,968	2,963	2,843	3,994	2,013	2627
Income Tax	1,182	1,335	1,381	1,425	1,249	1,113	1,134	-1	1,115	1138

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10201	10989	11490	12884	14058	14326	24145	30814	28461	28349
Cash & Equivalents	2150	2494	2095	2930	2758	3030	3217	10470	6227	5477
Accounts Receivable	210	214	238	259	327	346	386	461	518	563
Inventories	2,966	3,218	3,695	3,645	4,187	4,579	4,873	4,337	5,962	5819
Goodwill & Int. Ass.	313	310	194	196	100	98	96	99	97	97
Total Liabilities	5,971	6,725	7,183	8,373	8,910	9,277	18197	24981	22458	21985
Accounts Payable	1,771	2,008	2,203	2,231	2,488	2,644	2,673	4,823	4,465	3794
Long-Term Debt	1,274	1,624	1,615	2,228	2,231	2,234	2,237	6,083	3,355	3359
Shareholder's Equity	4,230	4,264	4,307	4,511	5,148	5,049	5,948	5,833	6,003	6364
D/E Ratio	0.30	0.38	0.38	0.49	0.43	0.44	0.38	1.04	0.56	0.53

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	21.4%	20.9%	20.3%	18.9%	19.4%	21.6%	17.0%	0.3%	11.1%	12.3%
Return on Equity	55.5%	52.2%	53.1%	52.1%	54.0%	60.0%	59.5%	1.5%	55.5%	56.6%
ROIC	45.3%	38.9%	38.6%	36.3%	36.9%	41.7%	42.3%	0.9%	30.9%	36.7%
Shares Out.	1,410	1,370	1,327	1,293	1,256	1,259	1,219	1,219	1,216	1178
Revenue/Share	17.31	20.67	22.65	24.97	27.75	30.95	34.01	26.46	39.94	42.39
FCF/Share	1.39	1.49	1.51	1.96	1.52	2.35	2.32	3.29	1.66	2.23

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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