TJX Companies (TJX)

Updated February 29th, 2024 by Kay Ng

Key Metrics

Current Price:	$99	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$113B
Fair Value Price:	$84	**5 Year Growth Estimate:**	11.0%	**Ex-Dividend Date[1]:**	05/10/24
% Fair Value:	118%	**5 Year Valuation Multiple Estimate:**	-3.3%	**Dividend Payment Date[1]:**	06/01/24
Dividend Yield:	1.5%	**5 Year Price Target**	$141	**Years Of Dividend Growth:**	3
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 February 3, 2024, the company operated 4,954 stores in nine countries. These include 1,319 T.J. Maxx (27% of total), 1,197 Marshalls (24%) and 919 HomeGoods (19%) in the United States. TJX also operates 6 e-commerce sites. In a normal year, now, the company generates ~$50 billion in annual revenue and ~$4 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 02/28/24, TJX released its fiscal Q4 2024 results for the period ending 02/03/24. Notably, fiscal Q4 2024 had 14 weeks versus fiscal Q4 2023 that had 13 weeks. For the quarter, net sales climbed 13% to $16.4 billion. Consolidated comparable store sales rose 5% -- growth occurred across all its divisions. Net income came in at $1.4 billion. The adjusted earnings-per-share ("EPS") jumped 26% to $1.12.

The full fiscal year provide a bigger picture. Again, fiscal 2024 had 53 weeks versus 52 weeks in fiscal 2023. TJX witnessed net sales growth of 8.6% to $54.2 billion. Sales growth was 9% at Marmaxx (Marshall's and Maxx brands) and HomeGoods in the U.S., as well as for TJX International (Europe & Australia), while TJX Canada saw sales growth of 3%. The company was able to keep the cost of sales low, which helped net income rise to $4.5 billion, and the adjusted EPS jumped 21% to $3.76 with the help of share buybacks reducing outstanding shares by about 1.6%. Year over year, it also witnessed gross profit margin improvement of 2.4% to 30.0%. For the fiscal year, TJX repurchased $2.5 billion worth of common stock at ~$86.21 per share. It's planning to buy back up about $2.0 to $2.5 billion of common stock during this fiscal year that ends 2/1/2025.

TJX intends to increase its quarterly dividend by 12.8% to $0.375 per share – to be declared in April and payable in June 2024. Management initiated its fiscal 2025 EPS guidance at $3.94-$4.02 with expected consolidated comparable store sales growth of 2-3%. As a result, we start our FY2025 EPS estimate at the midpoint of $3.98.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.58	$1.67	$1.77	$1.94	$2.43	$2.67	$0.26	$2.70	$3.11	$3.76	***3.98***	***$6.71***
DPS	$0.35	$0.42	$0.52	$0.63	$0.78	$0.92	$0.26	$1.04	$1.14	$1.33	***$1.50***	***$2.53***
Shares[1]	1,370	1,327	1,293	1,256	1,259	1,219	1,219	1,205	1,171	1,152	***1,133***	***1,044***

From FY2015 through FY2024, TJX was able to grow EPS by 10.1% per annum. Notably, the results in FY2021 were negatively affected by pandemic impacts, but the company swiftly recovered from that in FY2022. TJX generated 78% of its net sales in the U.S. in fiscal 2024. So, its sales and earnings depend primarily on the health of the U.S. economy. We

[1] Projected dividend dates; Shares in millions.

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expect TJX's long-term outlook to remain solid, as the company has demonstrated good results in a higher inflation and higher interest rate environment. The announcement of the ~13% dividend hike for April 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 FY2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.0	20.8	21.6	19.2	20.5	20.6	215	25.6	23.7	24.8	***24.8***	***21.0***
Avg. Yld.	1.2%	1.2%	1.4%	1.7%	1.5%	1.7%	0.5%	1.5%	1.7%	1.6%	***1.5%***	***1.8%***

Excluding the outlier in FY2021, from FY2015-24, shares of TJX traded with an average P/E ratio of 21.8. 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

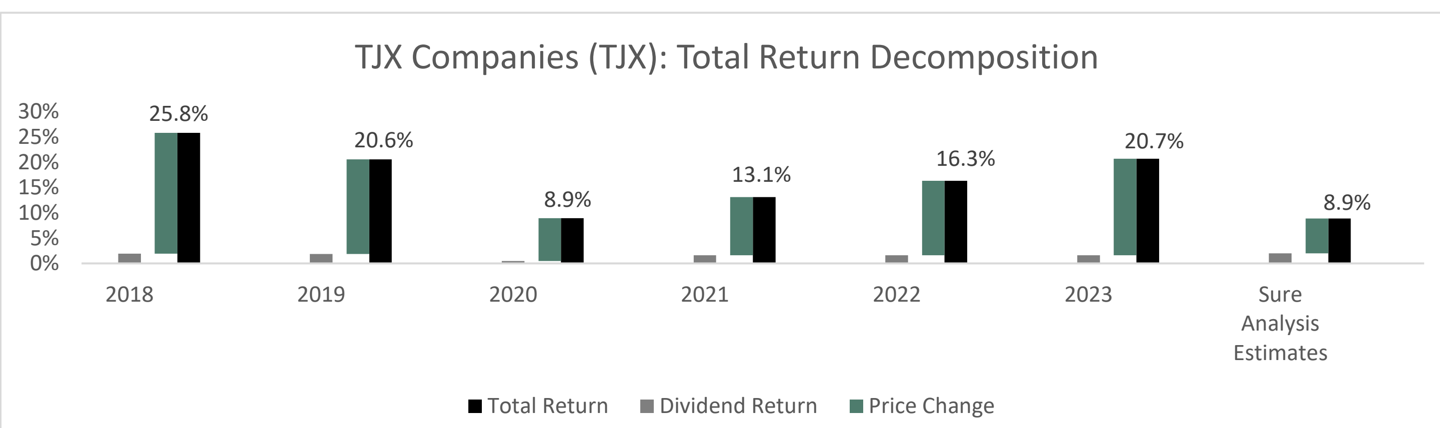
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	55.9%	52.7%	58.0%	69.2%	67.0%	58.6%	85.9%	127%	61.4%	62.2%	***58.1%***	***55.0%***

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 Q4 2024 with cash and cash equivalents of $5.6 billion, and it is awarded an S&P credit rating of A. 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 & dividends, and buy back shares. At the current valuation, we estimate TJX will deliver annual total returns of about 8.9% over the next five years, consisting of 11% earnings-per-share growth, a yield of 1.5%, and a 3.3% 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	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	29078	30,945	33,184	35,865	38,973	41,717	32,137	48,550	49936
Gross Profit	8,302	8,910	9,618	10,362	11,142	11,871	7,603	13,836	13787
Gross Margin	28.5%	28.8%	29.0%	28.9%	28.6%	28.5%	23.7%	28.5%	27.6%
SG&A Exp.	4,695	5,206	5,768	6,375	6,924	7,455	7,021	9,081	8927
D&A Exp.	589	617	659	726	820	867	871	868	887
Operating Profit	3,607	3,705	3,850	3,987	4,218	4,416	582	4,755	4860
Operating Margin	12.4%	12.0%	11.6%	11.1%	10.8%	10.6%	1.8%	9.8%	9.7%
Net Profit	2,215	2,278	2,298	2,608	3,060	3,272	90	3,283	3498
Net Margin	7.6%	7.4%	6.9%	7.3%	7.9%	7.8%	0.3%	6.8%	7.0%
Free Cash Flow	2,097	2,068	2,602	1,968	2,963	2,843	3,994	2,013	2627
Income Tax	1,335	1,381	1,425	1,249	1,113	1,134	-1	1,115	1138

Balance Sheet Metrics

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

Profitability & Per Share Metrics

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