TJX Companies (TJX)

Updated November 26th, 2024 by Kay Ng

Key Metrics

Current Price:	$126	**5 Year CAGR Estimate:**	5.5%	**Market Cap:**	$142B
Fair Value Price:	$92	**5 Year Growth Estimate:**	11.0 %	**Ex-Dividend Date[1]:**	02/14/25
% Fair Value:	138%	**5 Year Valuation Multiple Estimate:**	-6.2%	**Dividend Payment Date[1]:**	03/07/25
Dividend Yield:	1.2%	**5 Year Price Target**	$154	**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 November 2, 2024, the company operated 5,057 stores in nine countries. These include 1,331 T.J. Maxx (26% of total), 1,219 Marshalls (24%) and 941 HomeGoods (19%) in the United States. TJX also operates e-commerce sites. In a normal year, 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.com (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 e-commerce giants.

On 11/20/24, TJX released its fiscal Q3 2025 results for the period ending 11/02/24. For the quarter, net sales climbed 6% year over year to $14.1 billion. Consolidated comparable store sales rose 3%, driven entirely by an increase in customer transactions. It witnessed comparable store sales growth across all its divisions with the strongest of 7% at TJX International (Europe & Australia), 3% at HomeGoods (U.S.), and 2% at both Marmaxx (U.S.) and TJX Canada. For the quarter, net sales growth was the strongest at TJX International, which experienced a growth of 16%. Net sales growth was 7%, 5%, and 4%, respectively, at HomeGoods (U.S.), TJX Canada, and Marmaxx (U.S.).

Net income came in at $1.3 billion, up 8.9% year over year. The diluted earnings-per-share ("EPS") jumped 11% to $1.14, helped by a 1.5% reduction in its share count. The company repurchased its stock at an average price of $114.80 per share.

After the end of Q3, TJX invested $344 million for "a 35% non-controlling equity stake in Brands For Less, which is based in Dubai and is the region's only off-price branded apparel, toys, and home fashions retailer," as described in the press release. With its TK Maxx banner, TJX also plans to enter Span in early 2026.

Fiscal year to date, net sales climbed 6% to $40.0 billion with consolidated comparable stores sales rising 3%. Net income rose 13% to $3.5 billion, and diluted EPS rose 14% to $3.03. During this period, TJX used over $1.6 billion to buy back shares at an average price of $106.62 per share. Management raised its fiscal 2025 EPS guidance to $4.15-$4.17 with expected consolidated comparable store sales growth of 3%, and so we raised our FY25' estimate to $4.16.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2029
EPS	$1.58	$1.67	$1.77	$1.94	$2.43	$2.67	$0.26	$2.70	$3.11	$3.76	***$4.16***	***$7.01***
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

[1] Projected dividend dates; Shares in millions.

Disclosure: Kay Ng owns shares of Amazon.

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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 expect TJX's long-term outlook to remain solid, as the company has demonstrated good results through the economic cycle. The ~13% dividend hike in April shows management's commitment to the dividend. 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	***30.3***	***22.0***
Avg. Yld.	1.2%	1.2%	1.4%	1.7%	1.5%	1.7%	0.5%	1.5%	1.7%	1.6%	***1.2%***	***1.6%***

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 22 is more or less fair for a growth rate of about 11%. The stock appears to be expensive today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

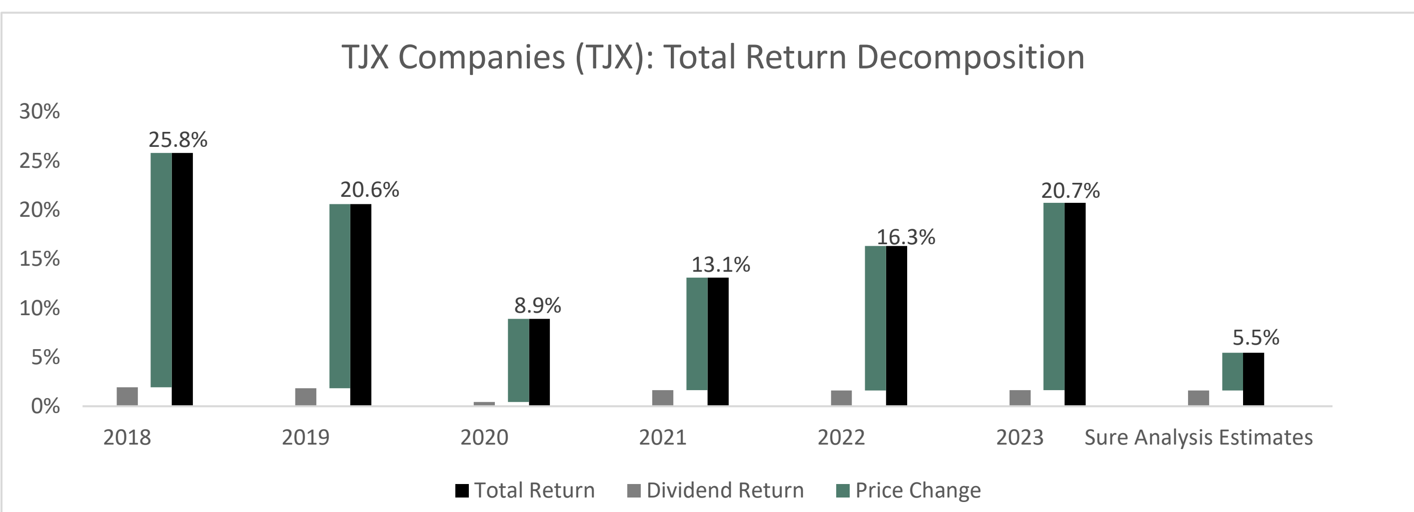
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	22%	25%	29%	32%	32%	34%	100%	39%	37%	35%	***36%***	***36%***

TJX has a terrific record, including during recessions and economic shocks. Its results are driven by its discounted prices and the "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 Amazons of the world. The company rebounded from the COVID-19 pandemic fairly quickly, and took higher inflation and higher interest rates well. It ended FY' Q3 25 with cash and cash equivalents of $4.7 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. The valuation seems high, so we estimate TJX will deliver annual total returns of about 5.5% over the next five years, consisting of 11% earnings-per-share growth, a yield of 1.2%, and a 6.2% 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	2024
Revenue	29078	30,945	33,184	35,865	38,973	41,717	32,137	48,550	49,936	54,220
Gross Profit	8,302	8,910	9,618	10,362	11,142	11,871	7,603	13,836	13,787	16,270
Gross Margin	28.5%	28.8%	29.0%	28.9%	28.6%	28.5%	23.7%	28.5%	27.6%	30.0%
SG&A Exp.	4,695	5,206	5,768	6,375	6,924	7,455	7,021	9,081	8,927	10,470
D&A Exp.	589	617	659	726	820	867	871	868	887	964
Operating Profit	3,607	3,705	3,850	3,987	4,218	4,416	582	4,755	4,860	5,797
Operating Margin	12.4%	12.0%	11.6%	11.1%	10.8%	10.6%	1.8%	9.8%	9.7%	10.7%
Net Profit	2,215	2,278	2,298	2,608	3,060	3,272	90	3,283	3,498	4,474
Net Margin	7.6%	7.4%	6.9%	7.3%	7.9%	7.8%	0.3%	6.8%	7.0%	8.3%
Free Cash Flow	2,097	2,068	2,602	1,968	2,963	2,843	3,994	2,013	2,627	4,335
Income Tax	1,335	1,381	1,425	1,249	1,113	1,134	-1	1,115	1,138	1,493

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	10989	11490	12884	14058	14326	24145	30814	28461	28349	29750
Cash & Equivalents	2494	2095	2930	2758	3030	3217	10470	6227	5477	5600
Accounts Receivable	214	238	259	327	346	386	461	518	563	529
Inventories	3,218	3,695	3,645	4,187	4,579	4,873	4,337	5,962	5,819	5,965
Goodwill & Int.	310	194	196	100	98	96	99	97	97	95
Total Liabilities	6,725	7,183	8,373	8,910	9,277	18197	24981	22458	21985	22440
Accounts Payable	2,008	2,203	2,231	2,488	2,644	2,673	4,823	4,465	3,794	3,862
Long-Term Debt	1,624	1,615	2,228	2,231	2,234	2,237	6,083	3,355	3,359	2,862
Shareholder’s Equity	4,264	4,307	4,511	5,148	5,049	5,948	5,833	6,003	6,364	7,302
D/E Ratio	0.38	0.38	0.49	0.43	0.44	0.38	1.04	0.56	0.53	0.39

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	20.9%	20.3%	18.9%	19.4%	21.6%	17.0%	0.3%	11.1%	12.3%	15.4%
Return on Equity	52.2%	53.1%	52.1%	54.0%	60.0%	59.5%	1.5%	55.5%	56.6%	65.5%
ROIC	38.9%	38.6%	36.3%	36.9%	41.7%	42.3%	0.9%	30.9%	36.7%	45.0%
Shares Out.	1,370	1,327	1,293	1,256	1,259	1,219	1,219	1,216	1,178	1,159
Revenue/Share	20.67	22.65	24.97	27.75	30.95	34.01	26.46	39.94	42.39	46.78
FCF/Share	1.49	1.51	1.96	1.52	2.35	2.32	3.29	1.66	2.23	3.74

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