TJX Companies Inc (The)

Recommendation | BUY
---|---

Equity Analyst | T. Amobi, CPA, CFA
GICS Sector | Consumer Discretionary
Sub-Industry | Apparel Retail

Summary | TJX operates several chains of off-price apparel and home fashion specialty stores in the U.S., Canada, Germany, Poland, Ireland, and the U.K.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence, Vickers, company reports)

| S2-Wk Range | $80.92 to 66.66 | 3.91 | Market Capitalization (B) |
| Trailing 12-Month EPS | $3.53 | 4.23 | Yield (%) |
| Trailing 12-Month P/E | 20.9 | 18.9 | Dividend Rate/Share |
| $10K Invested 5 Yrs Ago | $16,872 | 80.4 | Institutional Ownership (%) |
| | | | |

Price Performance

- 30-Week Mov. Avg.
- 10-Week Mov. Avg.
- GAAP Earnings vs. Previous Year
- Volume Above Avg.
- STARS

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst T. Amobi, CPA, CFA on Aug 15, 2017 03:40 PM, when the stock traded at $70.17.

Highlights

- With the benefit of a 53rd week, net sales are projected to increase 7.1% in FY 17 (Jan.), factoring in management’s target for a 1% to 2% increase in global comparable sales, on likely contributions in the U.S. (HomeGoods and Marshalls) as well as TJX Canada and other international markets (Europe and Australia). Also, this outlook assumes a relatively modest increase in global selling square footage. We see more market share gains on TJX’s value proposition, and an ability to quickly read and react to consumer demand. We see FY 18 net sales up 5.6%.

- We project adjusted operating margins of 11.4% in FY 18 and 11.5% in FY 19, little changed versus FY 17’s 11.6%. Results should reflect higher SG&A costs, including labor and supply chain costs, as well as stores opening expenses, marketing, and e-commerce investments to support growth initiatives. These factors are partly offset by improved merchandise margins, as TJX generally buys opportunistically to help limit its markdown risk.

- We forecast EPS of $3.91 in FY 18, within management’s target range and noting plans for $1.3 billion to $1.8 billion in share buybacks. We see EPS of $4.23 in FY 19.

Investment Rationale/Risk

- In mid-August, the company slightly raised its FY 18 EPS target and attributed to market share gains after a slightly better-than-expected 3% increase in Jul-Q comparable sales, on broad-based gains at the domestic and international businesses. We think the company could further consolidate its recent market share gains on relatively steady customer traffic in an otherwise challenging retail environment, thanks in part to a clear value message and frequent in-flow of new assortments for a "treasure hunt" shopping experience.

- Risks to our recommendation and target price include a sharp decline in customer traffic, or generally lackluster response to product assortments; reduced off-price merchandise availability; intensifying price competition; a major slowdown in international markets; dilutive acquisitions; and currency headwinds.

- Our 12-month target price is $80, on FY 18 P/E of 20.4X, versus targeted low-double-digit long-term EPS growth, a notable premium to apparel retail peers given TJX’s sizable scale in the relatively attractive off-price channel. The stock recently offered a 1.7% yield (after a 20% dividend hike in February 2017).

Our risk assessment reflects TJX’s leadership position in off-price retail and promising new merchandising, and productivity initiatives that could boost sales and profit margins, offset by an uncertain outlook for consumer discretionary spending.

Revenue/Earnings Data

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>7,542</td>
<td>7,882</td>
<td>8,292</td>
<td>9,468</td>
</tr>
<tr>
<td>2016</td>
<td>6,866</td>
<td>7,364</td>
<td>7,754</td>
<td>8,962</td>
</tr>
<tr>
<td>2015</td>
<td>6,491</td>
<td>6,917</td>
<td>7,366</td>
<td>8,304</td>
</tr>
<tr>
<td>2014</td>
<td>6,190</td>
<td>6,442</td>
<td>6,932</td>
<td>7,809</td>
</tr>
<tr>
<td>2013</td>
<td>5,798</td>
<td>5,486</td>
<td>6,441</td>
<td>7,753</td>
</tr>
<tr>
<td>2012</td>
<td>5,220</td>
<td>5,488</td>
<td>5,783</td>
<td>6,710</td>
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</table>

Earnings Per Share ($)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>1Q</td>
<td>0.76</td>
<td>0.84</td>
<td>0.83</td>
<td>0.81</td>
<td>0.58</td>
<td>0.53</td>
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<tr>
<td>2Q</td>
<td>0.90</td>
<td>0.95</td>
<td>0.89</td>
<td>0.86</td>
<td>0.60</td>
<td>0.62</td>
</tr>
<tr>
<td>3Q</td>
<td>0.86</td>
<td>0.90</td>
<td>0.89</td>
<td>0.89</td>
<td>0.71</td>
<td>0.75</td>
</tr>
<tr>
<td>4Q</td>
<td>0.54</td>
<td>0.53</td>
<td>0.54</td>
<td>0.53</td>
<td>0.50</td>
<td>0.62</td>
</tr>
</tbody>
</table>

Dividend Data

- Dividends have been paid since 1980. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.
CORPORATE OVERVIEW. With more than $23 billion in annual revenues, TJX Companies is the largest U.S. off-price family apparel and home fashion retailer. As of January 31, 2017, the company’s core Marshalls group division operated 1,186 T.J. Maxx stores, 1,035 Marshalls stores, 12 Sierra Trading Post stores, sieratradingpost.com, and tjmaxx.com. TJX also operated 579 HomeGoods in the U.S.; 44 HomeSense and 503 T.J. Maxx stores and tkmaxx.com in Europe; and 106 HomeSense, 255 Winners and 57 Marshalls stores in Canada.

Revenues in FY 17 by product categories were clothing and footwear, 54%; jewelry and accessories, 15%; and home fashions, 31%. By geographic markets, the U.S. accounted for 77% of FY 17 revenues, with Europe and Canada accounting for 13% and 10%, respectively.

TJX derives a competitive advantage by offering rapidly changing assortments of quality brand name and designer merchandise at prices usually 20% to 60% below department and specialty store regular prices. With more than 3,800 stores, the company has substantial buying power with more than 18,000 vendors worldwide. TJX purchases later in the buying cycle than department and specialty stores. Generally, purchases are for current selling seasons, with a limited quantity of “pack-away” inventory intended for a future selling season. A combination of opportunistic buying, an expansive distribution infrastructure and a low expense structure enable the company to offer everyday savings to its customers.

PRIMARY BUSINESS DYNAMICS. TJX’s primary growth drivers are new store openings and same-store sales (sales results for stores open for all or a portion of two consecutive fiscal years). Over the past few years since FY 13, the company has targeted 4% to 5% annual increases in retail square footage and 2% growth in consolidated same-store sales. TJX believes its current U.S. markets can support 3,000 Marshalls and 1,000 HomeGoods stores over time. The company also sees potential for about 580 stores in Canada and 975 stores within its current European markets. Including new European markets, TJX views Europe as a 1,900 store opportunity.

The treasure hunt nature of the off-price shopping experience requires the company to continuously replenish its stores with exciting merchandise to drive same-store sales. By maintaining a liquid inventory position, TJX’s buyers can buy close to need and into current market trends. However, this approach subjects the company to risks on the timing, quantity and nature of inventory flowing to the stores.

TJX has an opportunity, we think, to leverage e-commerce to reach new customers and to expand its product offering beyond what it currently sells in its stores (thus online sales would complement rather than hurt brick-and-mortar sales). Since FY 11, the company has been testing off-price e-commerce with its T.J. Maxx brand in the U.K. In FY 13, TJX began development of a U.S. e-commerce platform.

IMPACT OF MAJOR DEVELOPMENTS. The company has made a few notable acquisitions over the past few years. In October 2015, it acquired Trade secret, an off-price retailer that operates 35 stores in Australia, for AUD $30 million (about US$9 million). In December 2010, TJX announced plans to consolidate its A.J. Wright division by converting the majority of the stores to its more profitable banners and closing the remaining stores. A.J. Wright’s two distribution centers, and its home office. All A.J. Wright stores were subsequently closed, with 90 reopening as T.J. Maxx, Marshalls or HomeGoods stores in spring 2011. The overall financial impact of this action was consistent with the company’s estimate of an annual earnings benefit of $25 million to $30 million beginning in FY 13, well above A.J. Wright’s prior annual earnings of approximately $10 million, by our calculations.

Earlier, in December 2012, the company acquired Sierra Trading Post, a privately held off-price Internet retailer of apparel and home fashions for $200 million in cash. Sierra had more than $200 million in annual revenues from its online operation and four outlet stores. Consistent with management’s expectation, we think the acquisition has been modestly accretive to earnings starting in FY 14. The company launched a small T.J. Maxx e-commerce website in September 2013.

FINANCIAL TRENDS. In the five-year period from FY 13 to FY 17, the company posted compound annual growth rate (CAGR) in revenues and operating income of 7.4% and 8.5%, respectively. It also generated positive comparable sales through the period, including growth of 5%, 2% and 3% in FY 16, FY 15 and FY 14, respectively, as well as 7% and 4% in FY 13 and FY 12.

Meanwhile, operating margins have been little changed over the last several years, despite a slight decline to 11.6% in FY 17. Over the longer term, the company expects to sustain its EPS growth in the range of 10% to 13%.
**TJX Companies Inc (The)**

### Quantitative Evaluations

<table>
<thead>
<tr>
<th>Fair Value Rank</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on CFRA’s proprietary quantitative model, stocks are ranked from most undervalued (1) to most overvalued (5).</td>
<td></td>
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</tbody>
</table>

**Fair Value Calculation** $87.60 Analysis of the stock’s current worth, based on CFRA’s proprietary quantitative model suggests that TJX is Undervalued by $12.86 or 1.6%.**

### Investability Quotient

<table>
<thead>
<tr>
<th>Quotient</th>
<th>LOWEST</th>
<th>HIGHEST</th>
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</thead>
<tbody>
<tr>
<td>Percentile</td>
<td>100</td>
<td>←100</td>
</tr>
</tbody>
</table>

TJX scored higher than 100% of all companies for which a report is available.

### Volatility

| Volatility | LOW | AVERAGE | HIGH |

### Technical Evaluation

**BULLISH** Since August, 2017, the technical indicators for TJX have been BULLISH.

### Insider Activity

| Insider Activity | UNFAVORABLE | NEUTRAL | FAVORABLE |

### Expanded Ratio Analysis

<table>
<thead>
<tr>
<th>Price/Sales</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/EBITDA</td>
<td>11.88</td>
<td>11.89</td>
<td>12.78</td>
<td>13.18</td>
<td></td>
</tr>
<tr>
<td>Price/Pretax Income</td>
<td>14.03</td>
<td>14.05</td>
<td>15.01</td>
<td>15.48</td>
<td></td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>22.54</td>
<td>22.52</td>
<td>23.31</td>
<td>24.99</td>
<td></td>
</tr>
<tr>
<td>Avg. Diluted Shares Outstanding (M)</td>
<td>683.3</td>
<td>703.5</td>
<td>726.4</td>
<td>747.8</td>
<td></td>
</tr>
</tbody>
</table>

Figures based on calendar year-end price.

### Key Growth Rates and Averages

<table>
<thead>
<tr>
<th>Past Growth Rate (%)</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>9 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6.42</td>
<td>6.13</td>
<td>7.27</td>
<td>6.84</td>
</tr>
<tr>
<td>Net Income</td>
<td>2.82</td>
<td>5.6</td>
<td>11.93</td>
<td>14.80</td>
</tr>
</tbody>
</table>

### Ratio Analysis (Annual Avg.)

| Net Margin (%) | 7.36 | 7.59 | 7.32 | 6.40 |
| % LT Debt to Capitalization | 27.38 | 26.04 | 23.00 | 22.09 |
| Return on Equity (%) | 53.15 | 53.15 | 51.72 | 47.22 |

### Company Financials Fiscal Year Ended Jan. 31

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</tr>
</thead>
<tbody>
<tr>
<td>Tangible Book Value</td>
<td>5.97</td>
<td>5.78</td>
<td>5.56</td>
<td>4.63</td>
<td>4.06</td>
<td>3.75</td>
<td>3.31</td>
<td>2.27</td>
<td>3.27</td>
<td>2.28</td>
</tr>
<tr>
<td>Operating Income</td>
<td>6.28</td>
<td>6.15</td>
<td>6.08</td>
<td>5.77</td>
<td>5.13</td>
<td>5.00</td>
<td>4.80</td>
<td>4.36</td>
<td>4.39</td>
<td>4.39</td>
</tr>
<tr>
<td>Total Earnings</td>
<td>617</td>
<td>589</td>
<td>549</td>
<td>509</td>
<td>466</td>
<td>454</td>
<td>435</td>
<td>398</td>
<td>398</td>
<td>398</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>24%</td>
<td>21%</td>
<td>19%</td>
<td>17%</td>
<td>14%</td>
<td>15%</td>
<td>12%</td>
<td>15%</td>
<td>16%</td>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>76.93</td>
<td>76.84</td>
<td>94.07</td>
<td>86.97</td>
<td>32.75</td>
<td>21.25</td>
<td>20.32</td>
<td>18.78</td>
<td>16.23</td>
<td></td>
</tr>
<tr>
<td>Price/Low</td>
<td>62.53</td>
<td>51.91</td>
<td>42.36</td>
<td>31.72</td>
<td>21.28</td>
<td>17.88</td>
<td>9.58</td>
<td>8.90</td>
<td>12.87</td>
<td></td>
</tr>
<tr>
<td>P/E Ratio:High</td>
<td>23</td>
<td>22</td>
<td>22</td>
<td>18</td>
<td>17</td>
<td>15</td>
<td>14</td>
<td>18</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>P/E Ratio:Low</td>
<td>19</td>
<td>16</td>
<td>14</td>
<td>12</td>
<td>11</td>
<td>11</td>
<td>7</td>
<td>9</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

### Income Statement Analysis (Million $)

| Revenue | 30,945 | 29,078 | 27,423 | 25,678 | 23,191 | 21,942 | 20,288 | 19,000 | 18,647 |
| Operating Income | 4,321 | 4,195 | 3,899 | 3,615 | 2,933 | 2,661 | 2,426 | 1,833 | 1,611 |
| Depreciation | 617 | 589 | 549 | 509 | 466 | 454 | 435 | 398 | 398 |
| Interest Expense | 60.3 | 55.4 | 46.1 | 40.8 | 35.7 | 39.1 | 39.5 | 38.1 | 39.9 |
| Pretax Income | 3,658 | 3,550 | 3,319 | 3,077 | 2,411 | 2,164 | 1,952 | 1,451 | 1,243 |
| Effective Tax Rate | 37.7% | 37.6% | 35.6% | 38.0% | 38.0% | 38.1% | 37.6% | 37.0% | 37.9% |
| Net Income | 2,278 | 2,215 | 2,137 | 1,907 | 1,486 | 1,340 | 1,214 | 915 | 772 |
| Core Earnings | NA | NA | NA | NA | NA | NA | NA | NA | NA |

### Balance Sheet & Other Financial Data (Million $)

| Cash | 2,448 | 2,776 | 2,444 | 2,048 | 1,602 | 1,616 | 1,745 | 454 | 733 |
| Current Assets | 6,773 | 6,715 | 6,068 | 5,712 | 5,133 | 5,100 | 4,804 | 3,636 | 3,992 |
| Total Assets | 11,498 | 11,128 | 10,201 | 9,512 | 8,267 | 7,972 | 7,496 | 6,178 | 6,600 |
| Current Liabilities | 4,002 | 3,830 | 3,571 | 3,761 | 3,063 | 3,133 | 2,895 | 2,768 | 2,768 |
| Long Term Debt | 1,624 | 1,624 | 1,274 | 775 | 774 | 774 | 384 | 853 | 545 |
| Common Equity | 4,307 | 4,264 | 4,230 | 3,666 | 3,209 | 3,100 | 2,889 | 2,135 | 2,131 |
| Total Capital | 5,931 | 5,888 | 5,504 | 4,440 | 3,964 | 3,874 | 3,664 | 2,646 | 3,028 |
| Capital Expenditures | 889 | 912 | 947 | 978 | 803 | 707 | 429 | 583 | 527 |
| Cash Flow | 2,894 | 2,804 | 2,686 | 2,416 | 1,982 | 1,798 | 1,649 | 1,313 | 1,137 |
| Current Ratio | 1.5 | 3.7 | 2.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| % Long Term Debt of Capitalization | 27.4 | 27.6 | 27.0 | 17.4 | 19.4 | 20.0 | 21.1 | 14.5 | 28.2 |
| % Net Income of Revenue | 7.4 | 7.6 | 7.8 | 7.4 | 6.5 | 6.1 | 6.0 | 4.6 | 4.1 |
| % Return on Assets | 20.1 | 20.8 | 21.7 | NA | 18.4 | 17.4 | 17.8 | 14.3 | 12.2 |
| % Return on Equity | 53.2 | 52.2 | 54.1 | NA | 47.4 | 44.7 | 43.8 | 42.9 | 34.9 |

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Data as originally reported in Company reports, before results of disc ops/spec. items, Per share data adj. for stk divs., EPS diluted, E=Estimated, NA=Not Available, NM=Not Meaningful, NR=Not Ranked, UR=Under Review.
Sub-Industry Outlook

Our fundamental outlook for apparel retailers is neutral. According to the U.S. Census Bureau, sales at clothing and clothing accessories stores edged up 1.7% in 2015, to $255.0 billion, versus 0.8%, 3.8%, and 5.5% gains in 2014, 2013, and 2012, respectively. Through the first half of 2016, sales were essentially flat at $127.4 billion. While consumer spending has benefited from sharply lower gasoline prices, we believe a shift in spending from nondurables to durables (e.g., cars and household goods) and, to some extent luxury goods, has negatively impacted apparel sales. We also see increasing competition for share of customer wallet from international retailers expanding in the U.S.

In the near term, we look for relatively stagnant growth in apparel sales -- potentially through the 2016 holiday selling season and into 2017 -- amid some persisting promotional activity and despite a constant influx of new fashion assortments. We believe off-price retailers are best positioned to gain market share, given their attractive value pricing, frequent inflow of new merchandise, and ability to quickly move in and out of product categories based on customer demand.

Conversely, certain companies that cater to teens and young adults have seemed relatively vulnerable to demographic shifts and intense competition from "fast fashion" retailers, resulting in a major rationalization of their store base, particularly in North America. Meanwhile, the adults apparel market also remains intensely competitive in a highly promotional retail environment.

Nonetheless, with continued acceleration in direct-to-consumer sales via e-commerce development and a focus on omni-channel initiatives, we believe companies that use customer feedback from social media sites as a tool to improve their products and services will gain a competitive edge. We also expect apparel retailers to focus their expansion on outlet centers in order to reach cost-conscious consumers who might otherwise not shop their brands and to raise brand awareness among international shoppers.

Given a relatively soft but gradually improving outlook for consumer spending, as well as a relatively promotional retail environment amid some lingering weakness in consumer traffic, we believe several companies have planned their inventories cautiously to limit their markdown exposure through the holiday selling season. We also look for apparel retailers to maintain expense discipline in support of higher earnings.

Year to date in 2016 through November 18, the S&P Apparel Retail Index was up 5.5%, versus a 7.7% advance for the S&P 1500 Composite Index. In 2015, the sub-industry index dipped 1.8%, versus a 1.0% decline for the broader market benchmark.

--Tuna N. Amobi, CFA, CPA

Industry Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Apparel Retail

Based on S&P 1500 Indexes
Five-Year market price performance through Sep 16, 2017

Note: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry: Apparel Retail Peer Group*: Off-Price Apparel Retailers

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>S% of Mkt</th>
<th>Recent Stock Price ($)</th>
<th>52 Week High/Low ($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc ($)</th>
<th>S&amp;P Quality Ranking</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TJX Companies</td>
<td>TJX</td>
<td>19.12</td>
<td>73.74</td>
<td>80.92/66.66</td>
<td>0.66</td>
<td>1.7</td>
<td>21</td>
<td>87.60</td>
<td>A+</td>
<td>100</td>
<td>7.4</td>
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<tr>
<td>Ascena Retail Group</td>
<td>ASNA</td>
<td>43.5</td>
<td>2.23</td>
<td>8.19/11.45</td>
<td>1.45</td>
<td>Nil</td>
<td>NM</td>
<td>2.50</td>
<td>C</td>
<td>25</td>
<td>NM</td>
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<td>Ross Stores</td>
<td>ROST</td>
<td>23.40</td>
<td>60.71</td>
<td>69.61/52.85</td>
<td>0.76</td>
<td>1.1</td>
<td>20</td>
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<td>Stein Mart</td>
<td>SMRT</td>
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<td>1.43</td>
<td>7.68/1.00</td>
<td>1.95</td>
<td>21.0</td>
<td>NM</td>
<td>NA</td>
<td>B</td>
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</tbody>
</table>

NA: Not Available, NM: Not Meaningful, NR: Not Rated, *For Peer Groups with more than 15 companies or stocks, selection of issuers is based on market capitalization.
**TJX Companies Inc (The)**

**Analyst Research Notes and other Company News**

**August 15, 2017**
11:40 am ET... CFRA KEEPS BUY OPINION ON SHARES OF TJX COMPANIES (TJX 71.74****). We cut our 12-month target price by $3 to $68 (1.5% yield), on premium FY 18 (Jan.) P/E of 25.3X vs. peers. We raise FY 18 and FY 19 EPS estimates by $0.02 and $0.01 to $3.91 and $4.23. Jul-Q EPS of $0.85 vs. $0.84, was $0.01 above consensus estimate. Sales rose 6% as customer traffic drove broad-based gains in comp sales (up 7% each at HomeGoods and TJX Canada vs. up 2% and 1% at Marmaxx and TJX International). EBIT margins shed 100 basis points, mainly on inventory hedges. TJX slightly raises its FY 18 EPS target (including a 53rd week) and noted further market share gains. /T. Amobi, CPA, CFA

**May 16, 2017**
11:37 am ET... CFRA KEEPS BUY OPINION ON SHARES OF TJX COMPANIES (TJX 73.77****). We raise FY 18 (Jan.) EPS estimate by $0.05 to $3.39 and keep FY 19's at $4.22. Apr-Q EPS of $0.82 vs. $0.76, was $0.06 above consensus estimate. Sales rose 3% on a modest 1% increase in comp sales (up 3% each at HomeGoods and TJX Canada vs. flat at Marmaxx and TJX International). EBIT margins narrowed 30 basis points, mainly on wage increases. TJX alludes to market share gains, and with Jul-Q notably off to a "solid" start, it affirms its FY 18 financial targets, including 1%-2% higher comp sales. We keep our 12-month target price of $88, on premium FY18 P/E of 21.3X vs. peers. /T. Amobi, CPA, CFA

**February 22, 2017**
11:02 am ET... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF TJX COMPANIES (TJX 76.39****). With more share buybacks, we raise FY18 (Jan.) EPS estimate to $3.14 to $3.10 and set FY19's at $4.22. Jan-Q EPS of $0.73 vs. $0.99, was $0.23 above CapitalIQ consensus. Sales rose 6%, with encouragingly 3% higher comps, with notable broad-based gains in the U.S. (Marmaxx, HomeGoods) and internationally (Canada, Europe, Australia). With added supply chain costs, total segment EBIT margins shed 70 basis points. TJX cautiously sees FY16 comps up 1% to 2%. We keep our 12-month target price of $83 (11.8% implied yield on 20% dividend hike), on premium FY18 P/E of 21.5X vs. peers. /T. Amobi, CPA, CFA

**November 30, 2016**
The TJX Companies, Inc. announced that Jackwyn Nemerov has been elected to its Board of Directors. Ms. Nemerov, 65, is the former President and Chief Operating Officer of Ralph Lauren Corporation, a position she held from November 2013 to November 2015, and previously served as its Executive Vice President. During her 12-year tenure with Ralph Lauren, from 2004 through her retirement in 2015, Ms. Nemerov led the Wholesale, Retail, Worldwide Licensing, and International businesses along with the full scope of company operations across Design, Merchandising, Marketing, Sourcing, Manufacturing, Supply Chain, and E-commerce.

**November 15, 2016**
10:30 am ET... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF TJX COMPANIES (TJX 73.48****). We reduce our 12-month target price by $5 to $68 (1.4% yield), on premium FY 18 (Jan.) P/E of 21.8X vs. peers and 10-year average of 17.8X. We raise FY 17 EPS estimate by $0.08 to $3.50 and keep FY 18's at $3.80. Oct-Q adjusted EPS of $0.71 vs. $0.68, was $0.04 above Capital IQ consensus. Sales rose 7% (up 7% ex-forex) on 5% higher comps, with notable North America gains in the U.S. (Marmaxx, HomeGoods) and TJX Canada (vs. other markets). With higher SG&A costs, EBIT margins shed 40 basis points. TJX slightly raises its FY 17 EPS target, with comps seen up 4% (vs. prior 3%-4%). /T. Amobi, CPA, CFA

**August 16, 2016**
11:08 am ET... S&P GLOBAL KEEPS BUY OPINION ON SHARES OF TJX COMPANIES (TJX 69.99****). We raise our 12-month target by $6 to $66 (1.3% yield), on premium FY 17 (Jan.) P/E of 25.7X vs. peers and 5-year average of 20.0X. We raise our FY 17 EPS estimate by $0.02 to $3.42 and keep FY 18's at $3.80. Jul-Q EPS of $0.84, vs. $0.80, was $0.06 and $0.03 above our and Capital IQ consensus estimates. Net sales rose 7% (up 7% ex-forex) on 4% higher comp sales, on broad gains in the U.S. (Marmaxx, HomeGoods) and international markets (Canada, Europe, Australia). With higher labor costs, EBIT margins shed 50 basis points. TJX now sees '16 comp sales up 4% (vs. prior 2%-3%). /T. Amobi, CPA, CFA

**May 17, 2016**
10:09 am ET... S&P GLOBAL KEEPS BUY OPINION ON SHARES OF TJX

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TJX Companies Inc (The)

**Analysts’ Recommendations**

<table>
<thead>
<tr>
<th>Monthly Average Trend</th>
<th>Buy</th>
<th>Buy/Hold</th>
<th>Hold</th>
<th>Weak Hold</th>
<th>Sell</th>
<th>No Opinion</th>
<th>TJX Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>BH</td>
<td>H</td>
<td>WH</td>
<td>S</td>
<td>NO</td>
<td></td>
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</table>

- **Wall Street Average**
- **Number of Analysts Following Stock**
- **Stock Price ($000)**

Of the total 28 companies following TJX, 28 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>No. of Recommendations</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
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<tr>
<td>Buy</td>
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<td>57%</td>
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<td>Buy/Hold</td>
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<td>25%</td>
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<tr>
<td>Hold</td>
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<td>Weak Hold</td>
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<td>0%</td>
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<td>0</td>
</tr>
<tr>
<td>Sell</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No Opinion</td>
<td>0</td>
<td>0%</td>
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<tr>
<td>Total</td>
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**Wall Street Consensus Estimates**

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<tr>
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<th>2017 Actual $3.46</th>
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<tr>
<td>M J J A S O N D</td>
<td>M J J A S</td>
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**Fiscal Years**

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
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<tr>
<td>2019</td>
<td>4.26</td>
<td>4.71</td>
<td>4.10</td>
<td>26</td>
<td>17.3</td>
</tr>
<tr>
<td>2018</td>
<td>3.93</td>
<td>4.00</td>
<td>3.89</td>
<td>25</td>
<td>18.8</td>
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<tr>
<td>2019 vs. 2018</td>
<td>▲ 8%</td>
<td>▲ 18%</td>
<td>▲ 5%</td>
<td>▲ 4%</td>
<td>▼ -8%</td>
</tr>
<tr>
<td>Q3'19</td>
<td>1.09</td>
<td>1.11</td>
<td>1.06</td>
<td>11</td>
<td>67.7</td>
</tr>
<tr>
<td>Q3'18</td>
<td>1.00</td>
<td>1.03</td>
<td>0.98</td>
<td>25</td>
<td>73.7</td>
</tr>
<tr>
<td>Q3'19 vs. Q3'18</td>
<td>▲ 9%</td>
<td>▲ 8%</td>
<td>▲ 8%</td>
<td>▼ -56%</td>
<td>▼ -8%</td>
</tr>
</tbody>
</table>

A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how these earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
S&P Capital IQ Quality Ranking
(also known as S&P Capital IQ Earnings & Dividend Rankings) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ’s earnings and dividend rankings for common stocks, which are designed to capitalize on the performance of mid-cap and small-cap companies. The process of assigning scores to stocks uses a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

EPS Estimates
CFRA’s earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in-process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

Core Earnings
Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of receivable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are acquisition gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

12-Month Target Price
The equity analyst’s projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research
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Abbreviations Used in Equity Research Reports
- CAGR - Compound Annual Growth Rate
- CAPEX - Capital Expenditures
- CY - Calendar Year
- DCF - Discounted Cash Flow
- DDM - Dividend Discount Model
- EBIT - Earnings Before Interest and Taxes
- EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
- EPS - Earnings Per Share
- EV - Enterprise Value
- FCF - Free Cash Flow
- FFO - Funds From Operations
- FY - Fiscal Year
- P/E - Price/Earnings
- P/NAV - Price to Net Asset Value
- PEG Ratio - P/E-to-Growth Ratio
- PV - Present Value
- R&D - Research & Development
- ROCE - Return on Capital Employed
- ROE - Return on Equity
- ROI - Return on Investment
- ROIC - Return on Invested Capital
- ROA - Return on Assets
- SG&A - Selling, General & Administrative Expenses
- SOPT - Sum-of-The-Parts
- WACC - Weighted Average Cost of Capital
- DCF - Discounted Cash Flow
- EV - Enterprise Value
- EPS - Earnings Per Share
- P/NAV - Price to Net Asset Value
- PEG Ratio - P/E-to-Growth Ratio
- PV - Present Value
- R&D - Research & Development
- ROCE - Return on Capital Employed
- ROE - Return on Equity
- ROI - Return on Investment
- ROIC - Return on Invested Capital
- ROA - Return on Assets
- SG&A - Selling, General & Administrative Expenses
- SOPT - Sum-of-The-Parts
- WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment
Reflects an equity analyst’s view of a given company’s operational risk, or the risk of a firm’s ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company’s operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ 5-STARS (Strong Buy):
Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★ 4-STARS (Buy):
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★ 3-STARS (Hold):
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★★ 2-STARS (Sell):
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
★★★ 1-STARS (Strong Sell):
Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.
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Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:
Global STARS Distribution as of June 30, 2017

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<tr>
<th>Ranking</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>Buy</td>
<td>37.4%</td>
<td>25.9%</td>
<td>36.6%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Hold</td>
<td>55.1%</td>
<td>56.1%</td>
<td>39.4%</td>
<td>53.5%</td>
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<tr>
<td>Sell</td>
<td>7.5%</td>
<td>18.0%</td>
<td>24.0%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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