

## TJX Companies

## Conference Takeaways: well positioned for continued share gains

Maintain Rating: BUY | PO: 115.00 USD | Price: 98.06 USD

## Maintain Buy; securing deals on quality, branded product

We hosted TJX's CFO and EVP John Klinger, SVP of Global Communications Debra McConnell, and VP of IR Jeff Botte for meetings at our Consumer Conference in Miami. We maintain our Buy rating as we have further conviction that the company can secure great deals on quality, branded product while providing value, positioning it well to continue gaining share. TJX has become increasingly important to vendors given retail disruption (bankruptcies), and its elevated assortment entices more vendors to place product in TJX stores. This level of quality is a key competitive advantage vs fast-fashion ecomm players (ie Shein) which focus on price rather than quality.

## Margin improvements continue

Better buying will continue to support merchandise margin in F25. Freight (which is 75% domestic, 25% ocean) was a more significant benefit last year from contract negotiations, but mgmt sees opportunities to be more efficient in moving merch (ie. moving more to rail). Shrink remains a challenge but mitigation efforts are working; sales of certain products that were placed in glass cases to deter theft actually saw an increase in sales as the store associates react quickly to accommodate shoppers.

## Traffic is driving sales

Transactions continue to drive revenues as consumers are shopping for value and responding well to the product assortment; this bodes well for market share gains. Trends are consistent across income demographics (in the US). Basket has been flat despite mix to lower AUR (ie. beauty products) due to an uptick in units.

## Opportunity to grow international margins

On the international side, mgmt sees opportunity to approach 8% margins as sales volumes from store openings drive leverage. Expenses are inherently higher in Europe due to social costs, rent, and there are more buyers in relation to revenue as compared to the US due to the need for more localized product curation.

| Estimates (Jan) (US\$)    | 2023A | 2024A | 2025E | 2026E | 2027E |
|---------------------------|-------|-------|-------|-------|-------|
| EPS                       | 3.11  | 3.86  | 4.03  | 4.45  | 4.93  |
| GAAP EPS                  | 2.92  | 3.86  | 4.03  | 4.45  | 4.93  |
| EPS Change (YoY)          | 15.2% | 24.1% | 4.4%  | 10.4% | 10.8% |
| Consensus EPS (Bloomberg) |       |       | 4.12  | 4.52  | NA    |
| DPS                       | 1.18  | 1.18  | 1.42  | 1.50  | 1.50  |
| <b>Valuation (Jan)</b>    |       |       |       |       |       |
| P/E                       | 31.5x | 25.4x | 24.3x | 22.0x | 19.9x |
| GAAP P/E                  | 33.6x | 25.4x | 24.3x | 22.0x | 19.9x |
| Dividend Yield            | 1.2%  | 1.2%  | 1.4%  | 1.5%  | 1.5%  |
| EV / EBITDA*              | 21.4x | 18.2x | 17.1x | 15.6x | 14.3x |
| Free Cash Flow Yield*     | 2.3%  | 3.7%  | 3.2%  | 3.9%  | 4.4%  |

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

14 March 2024

## Equity

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## Stock Data

|                                |                        |
|--------------------------------|------------------------|
| Price                          | 98.06 USD              |
| Price Objective                | 115.00 USD             |
| Date Established               | 29-Feb-2024            |
| Investment Opinion             | B-1-7                  |
| 52-Week Range                  | 73.24 USD - 102.84 USD |
| Mkt Val (mn) / Shares Out (mn) | 116,619 USD / 1,189.3  |
| Free Float                     | 99.9%                  |
| Average Daily Value (mn)       | 519.93 USD             |
| BofA Ticker / Exchange         | TJX / NYS              |
| Bloomberg / Reuters            | TJX US / TJX.N         |
| ROE (2025E)                    | 59.0%                  |
| Net Dbt to Eqty (Jan-2024A)    | -37.5%                 |
| ESGMeter™                      | High                   |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

AUR: average unit retail

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# iQprofile<sup>SM</sup> TJX Companies

## iQmethod<sup>SM</sup> – Bus Performance\*

| (US\$ Millions)            | 2023A | 2024A | 2025E | 2026E | 2027E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 20.1% | 23.6% | 23.2% | 23.8% | 24.7% |
| Return on Equity           | 59.2% | 65.5% | 59.0% | 56.3% | 52.8% |
| Operating Margin           | 9.7%  | 10.7% | 10.9% | 11.1% | 11.4% |
| Free Cash Flow             | 2,627 | 4,335 | 3,708 | 4,526 | 5,120 |

## iQmethod<sup>SM</sup> – Quality of Earnings\*

| (US\$ Millions)          | 2023A  | 2024A  | 2025E  | 2026E  | 2027E  |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio   | 1.1x   | 1.4x   | 1.3x   | 1.3x   | 1.3x   |
| Asset Replacement Ratio  | 1.6x   | 1.8x   | 1.8x   | 1.6x   | 1.5x   |
| Tax Rate                 | 24.6%  | 25.0%  | 26.0%  | 26.0%  | 26.0%  |
| Net Debt-to-Equity Ratio | -33.3% | -37.5% | -31.8% | -33.6% | -39.2% |
| Interest Cover           | NM     | NA     | NA     | NA     | NA     |

## Income Statement Data (Jan)

| (US\$ Millions)              | 2023A        | 2024A        | 2025E        | 2026E        | 2027E        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales                        | 49,936       | 54,217       | 55,939       | 59,474       | 63,240       |
| % Change                     | 2.9%         | 8.6%         | 3.2%         | 6.3%         | 6.3%         |
| Gross Profit                 | 13,787       | 16,266       | 16,863       | 17,929       | 19,064       |
| % Change                     | -0.4%        | 18.0%        | 3.7%         | 6.3%         | 6.3%         |
| EBITDA                       | 5,747        | 6,761        | 7,193        | 7,893        | 8,621        |
| % Change                     | 6.8%         | 17.6%        | 6.4%         | 9.7%         | 9.2%         |
| Net Interest & Other Income  | (6)          | 170          | 117          | 89           | 77           |
| <b>Net Income (Adjusted)</b> | <b>3,661</b> | <b>4,474</b> | <b>4,585</b> | <b>4,964</b> | <b>5,395</b> |
| <b>% Change</b>              | <b>11.5%</b> | <b>22.2%</b> | <b>2.5%</b>  | <b>8.3%</b>  | <b>8.7%</b>  |

## Free Cash Flow Data (Jan)

| (US\$ Millions)                        | 2023A        | 2024A        | 2025E         | 2026E        | 2027E        |
|--|--------------|--------------|---------------|--------------|--------------|
| Net Income from Cont Operations (GAAP) | 3,661        | 4,474        | 4,585         | 4,964        | 5,395        |
| Depreciation & Amortization            | 887          | 964          | 1,117         | 1,273        | 1,407        |
| Change in Working Capital              | NA           | NA           | NA            | NA           | NA           |
| Deferred Taxation Charge               | 64           | (7)          | 0             | 0            | 0            |
| Other Adjustments, Net                 | (528)        | 626          | 48            | 331          | 359          |
| Capital Expenditure                    | (1,457)      | (1,722)      | (2,042)       | (2,042)      | (2,042)      |
| <b>Free Cash Flow</b>                  | <b>2,627</b> | <b>4,335</b> | <b>3,708</b>  | <b>4,526</b> | <b>5,120</b> |
| <b>% Change</b>                        | <b>30.5%</b> | <b>65.0%</b> | <b>-14.5%</b> | <b>22.1%</b> | <b>13.1%</b> |
| Share / Issue Repurchase               | (1,934)      | (2,199)      | (2,215)       | (2,315)      | (2,315)      |
| Cost of Dividends Paid                 | (1,339)      | (1,484)      | (1,616)       | (1,674)      | (1,640)      |
| Change in Debt                         | 0            | (500)        | (1)           | 0            | (998)        |

## Balance Sheet Data (Jan)

| (US\$ Millions)                       | 2023A         | 2024A         | 2025E         | 2026E         | 2027E         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents                    | 5,477         | 5,600         | 5,476         | 6,020         | 6,193         |
| Trade Receivables                     | 1,041         | 1,099         | 1,104         | 1,174         | 1,248         |
| Other Current Assets                  | 5,938         | 5,965         | 6,229         | 6,501         | 6,782         |
| Property, Plant & Equipment           | 5,783         | 6,571         | 7,496         | 8,265         | 8,900         |
| Other Non-Current Assets              | 10,110        | 10,512        | 10,503        | 10,567        | 10,636        |
| <b>Total Assets</b>                   | <b>28,349</b> | <b>29,747</b> | <b>30,808</b> | <b>32,527</b> | <b>33,758</b> |
| Short-Term Debt                       | 500           | 0             | 0             | 0             | 0             |
| Other Current Liabilities             | 9,805         | 10,451        | 10,591        | 11,083        | 11,598        |
| Long-Term Debt                        | 2,859         | 2,862         | 2,861         | 2,861         | 1,863         |
| Other Non-Current Liabilities         | 8,821         | 9,132         | 9,124         | 9,182         | 9,244         |
| <b>Total Liabilities</b>              | <b>21,985</b> | <b>22,445</b> | <b>22,576</b> | <b>23,126</b> | <b>22,705</b> |
| <b>Total Equity</b>                   | <b>6,364</b>  | <b>7,302</b>  | <b>8,232</b>  | <b>9,401</b>  | <b>11,054</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>28,349</b> | <b>29,747</b> | <b>30,808</b> | <b>32,527</b> | <b>33,758</b> |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Retailing-Specialty

## Company Description

The TJX Companies is the largest global off-price retailer with over 3,000 stores worldwide. The company offers brand-name merchandise at a 20-60% discount to department and specialty store prices. Its stores are generally known for their treasure hunt experience. The core TJX customer is a middle to upper-middle income female, between 25 and 54 years old, who is fashion and value conscious.

## Investment Rationale

Our Buy rating reflects our view that TJX will continue to drive comps higher domestically as it captures new customers with strong inventory management and excellent execution. Internationally, we expect the company to improve comps and segment operating margins for its Europe and Canada businesses. Longer term, we see the potential for global square footage growth across multiple concepts.

## Stock Data

Average Daily Volume 5,295,727

## Quarterly Earnings Estimates

|    | 2024  | 2025  |
|----|-------|-------|
| Q1 | 0.76A | 0.84E |
| Q2 | 0.85A | 0.93E |
| Q3 | 1.03A | 1.11E |
| Q4 | 1.22A | 1.15E |



## Price objective basis & risk

### TJX Companies (TJX)

Our price objective of \$115 reflects a P/E of 26x our F2026 (C2025) estimates. We believe TJX deserves to trade at a premium to specialty retailers (average 19x) as it has outperformed the retail industry domestically, has a solid international growth opportunity, significant square footage growth potential, a strong track record of returning excess cash to shareholders in a normalized environment, and high returns on invested capital.

Downside risks to our PO are weaker comps than we model, margin pressure as TJX absorbs wage and supply chain expenses, macro pressures weighing on consumer demand, as well as potential weakness in Europe.

## Analyst Certification

I, Lorraine Hutchinson, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Softline Retailing and Dept Stores Coverage Cluster

| Investment rating   | Company                 | BofA Ticker | Bloomberg symbol | Analyst                  |
|---------------------|-------------------------|-------------|------------------|--------------------------|
| <b>BUY</b>          |                         |             |                  |                          |
|                     | Amer Sports Inc         | AS          | AS US            | Lorraine Hutchinson, CFA |
|                     | Bath & Body Works Inc   | BBWI        | BBWI US          | Lorraine Hutchinson, CFA |
|                     | Burlington Stores       | BURL        | BURL US          | Lorraine Hutchinson, CFA |
|                     | Crocs, Inc.             | CROX        | CROX US          | Christopher Nardone      |
|                     | Deckers Outdoor Corp    | DECK        | DECK US          | Christopher Nardone      |
|                     | European Wax Center     | EW CZ       | EW CZ US         | Lorraine Hutchinson, CFA |
|                     | lululemon athletica Inc | LULU        | LULU US          | Lorraine Hutchinson, CFA |
|                     | Oddity Tech             | ODD         | ODD US           | Lorraine Hutchinson, CFA |
|                     | PVH Corp                | PVH         | PVH US           | Christopher Nardone      |
|                     | Ralph Lauren            | RL          | RL US            | Christopher Nardone      |
|                     | Ross Stores Inc         | ROST        | ROST US          | Lorraine Hutchinson, CFA |
|                     | Tapestry Inc.           | TPR         | TPR US           | Lorraine Hutchinson, CFA |
|                     | TJX Companies           | TJX         | TJX US           | Lorraine Hutchinson, CFA |
|                     | Urban Outfitters        | URBN        | URBN US          | Lorraine Hutchinson, CFA |
| <b>NEUTRAL</b>      |                         |             |                  |                          |
|                     | American Eagle          | AEO         | AEO US           | Christopher Nardone      |
|                     | Birkenstock             | BIRK        | BIRK US          | Lorraine Hutchinson, CFA |
|                     | FIGS, Inc.              | FIGS        | FIGS US          | Alice Xiao               |
|                     | Foot Locker             | FL          | FL US            | Lorraine Hutchinson, CFA |
|                     | Levi Strauss & Co.      | LEVI        | LEVI US          | Christopher Nardone      |
|                     | Nike                    | NKE         | NKE US           | Lorraine Hutchinson, CFA |
|                     | Signet Jewelers         | SIG         | SIG US           | Lorraine Hutchinson, CFA |
|                     | Skechers USA Inc        | SKX         | SKX US           | Christopher Nardone      |
|                     | Ulta Beauty             | ULTA        | ULTA US          | Lorraine Hutchinson, CFA |
|                     | Under Armour Inc        | UAA         | UAA US           | Lorraine Hutchinson, CFA |
| <b>UNDERPERFORM</b> |                         |             |                  |                          |
|                     | Aritzia                 | YATZ        | ATZ CN           | Alice Xiao               |
|                     | Aritzia                 | ATZAF       | ATZAF US         | Alice Xiao               |
|                     | Carter's Inc            | CRI         | CRI US           | Christopher Nardone      |
|                     | Gap Inc.                | GPS         | GPS US           | Lorraine Hutchinson, CFA |
|                     | Kohl's                  | KSS         | KSS US           | Lorraine Hutchinson, CFA |
|                     | Nordstrom               | JWN         | JWN US           | Lorraine Hutchinson, CFA |
|                     | Revolve                 | RVLV        | RVLV US          | Alice Xiao               |
|                     | V F Corp                | VFC         | VFC US           | Lorraine Hutchinson, CFA |
|                     | Victoria's Secret & Co  | VSCO        | VSCO US          | Alice Xiao               |
| <b>RSTR</b>         |                         |             |                  |                          |
|                     | Macy's                  | M           | M US             | Lorraine Hutchinson, CFA |

## US - Softline Retailing and Dept Stores Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------|-------------|------------------|---------|
|-------------------|---------|-------------|------------------|---------|

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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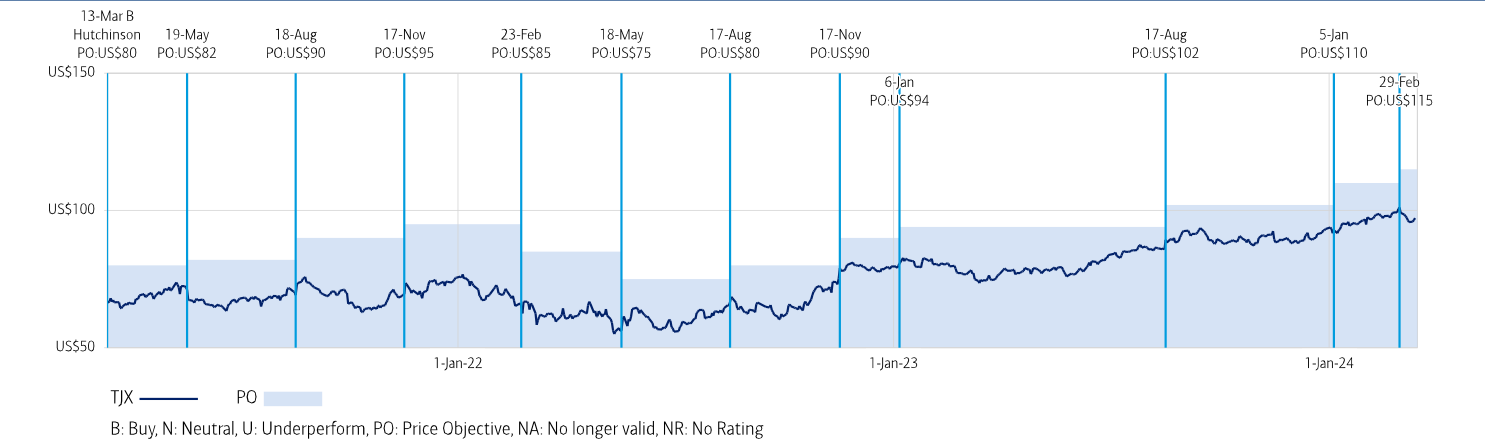
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TJX Companies (TJX) Price Chart



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Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 96    | 57.83%  | Buy                                      | 39    | 40.63%  |
| Hold              | 32    | 19.28%  | Hold                                     | 12    | 37.50%  |
| Sell              | 38    | 22.89%  | Sell                                     | 18    | 47.37%  |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 1895  | 53.62%  | Buy                                      | 1083  | 57.15%  |
| Hold              | 832   | 23.54%  | Hold                                     | 454   | 54.57%  |
| Sell              | 807   | 22.84%  | Sell                                     | 383   | 47.46%  |

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster <sup>R2</sup> |
|-------------------|---|--|
| Buy               | ≥ 10%   | ≤ 70%  |
| Neutral           | ≥ 0%  | ≤ 30%  |
| Underperform      | N/A   | ≥ 20%  |

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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