TJX Companies Research

Description: Off-price retailer of apparel and home fashions with 4,296 stores in nine countries, the United States, Canada, the United Kingdom, Ireland, Germany, Poland, Austria, the Netherlands, and Australia, and three e-commerce sites. These include 1,247 T.J. Maxx, 1,091 Marshalls, 745 HomeGoods, 35 Sierra Trading Post, and 16 Homesense stores, as well as tjmaxx.com and sierratradingpost.com

Ticker: TJX

Price: $45.86

Market Cap: $58B

Performance: +21.90% YTD

Fundamentals:

P/E: 19.9x

F P/E: 18.1x

P/S: 1.5x

F P/S: 1.4x

PEG: 1.6x

Analysis:

This is yet another tough company to analyze due to the mixed data we found. TJX has pulled back quite a bit from its highs of $56.64 to the current price of $45.86. Much of this pullback is due to the general market but their earnings report on November 20th wasn't enough to break the trend. They posted Q3 Non-GAAP EPS of $0.54 missing estimates by $0.07 on revenue of $9.83B (+11.7% Y/Y) beating by $330M.

We felt the quarter was pretty good because comparable store sales jumped heavy by 7.0% vs. the 4.1% consensus. To break this down further:

- Comparable sales were up +9% for the Marmaxx (Marshalls and TJ Maxx) and +7% for HomeGoods

- Last year in the same time period comp sales for Marmaxx was -1% and HomeGoods was +3%

So what we're seeing here is a huge turnaround for the company but there's a catch.... Margins. Adjusted pretax profit margin was 11.0%, a 0.6% decrease compared with the prior year's 11.6% while gross profit margin was 28.9%, a 0.9% decrease versus the prior year. So in other words, revs rose really well but EPS of $0.54 was only a bit above last years of $0.50.

In addition for Q4, TJX expects diluted EPS to be in the range of $0.66 to $0.67 compared to earnings per share of $0.69 last year - now signaling a drop Y/Y. Similar to prior quarters, they expect the combination of incremental freight costs and wage increases to negatively impact Q4 EPS growth by approximately 5% and also see comparable store sales growth of 2% to 3%, down from the 7% we just saw in Q3.

So where does this leave us? Personally we see a bit more downside. We do like that TJX is positioned well to gain some additional sales due to the Sears bankruptcy and other issues at retailers closing up their stores. We found some analysis that said that they should see a +0.65% boost in comp sales from the Sears bankruptcy actually. We also like how shareholder friendly TJX is as for the first nine months of the year they've repurchased a total of $1.6B and paid $682M in shareholder dividends. The Company now expects to repurchase approximately $2.5 billion of TJX stock by year's end (aka an additional $900M in Q4) so this may definitely help keep shares afloat.

Speaking of dividends, their dividend yield right now sits around 1.67%. Also, hedge funds own about 3.4% of shares, down from 4.0% (looks like some money may have shuffled into Macy's as the hedge fund position rose to 7.8%).

Technically speaking everything is pretty much yelling oversold but the odd part is that none of the support levels held. RSI, MFI, Williams %, Fibbonaci, Bollinger Bands, all fell below their support lines which leaves us scratching our heads. So while the stock has been saying its oversold for a few days now it still continues to fall. This sometimes happens but we'd rather like to see some kind of bottoming first - especially without any near-term catalysts.

In comparison to other retailers, TJX is more expensive but in a way it is warranted. Those comp sales are way above the norm and thus it's getting a loftier valuation but like the rest of the data we found its also not sticking around as we've already covered, mgmt is only calling for 2-3% comp growth next quarter and negative EPS growth.