



Money - Making Minorities

Money-Making Minorities

- Esam Hijazi - Arab-American, Team Leader
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Ticker Information

Ticker: TJX (NYSE)

Market Cap: \$62 billion

Revenue (FY2017): \$39.5 billion

Net Income (FY2017): \$30.3 billion



Business Overview

- Leading off-price and off-brand retailer worldwide, over 4,000 stores in total in its portfolio of brands
- Offers an assortment of products at 20 to 60% discounts
- Rapidly changing selection of merchandise, high inventory turnovers
- Close relationships with vendors and manufacturers all over the globe

Product Offerings

- Footwear and associated accessories
- Apparel
 - Brands
 - Off-brand
- Jewelry
- Home fashion
 - Furniture, lamps, rugs, wall décor, giftware

Store Layout

- Open environment, seamless transition from front to back
- No store walls or partitions separating departments within the store
- “Treasure hunt” shopping experience
- T.J. Maxx carries more products for women (mainly located at the front of the store), Marshall’s focused on more men’s apparel and footwear



History

- 1977 - First T.J. Maxx stores are opened in Auburn and Worcester, Massachusetts, mainly masterminded by Ben Camaratta.
- 1989 - TJX is spun off from the Zayre group with Camaratta as CEO and Chairman.
- 1992 - HomeGoods is launched in the United States, offering a wide assortment of home items and fashions.
- 1994 - Introduced T.K. Maxx, similar to TJ Maxx, but operating in Europe.

History

- 1995 - TJX acquires Marshall's, bring the total number of owned stores to over one thousand.
- 2001 - Launches HomeSense in Canada.
- 2009 - T.K. Maxx expands out of the UK into Germany and Poland.
- 2011 - Marshall's is expanded into Canada.
- 2012 - Thousandth T.J. Maxx store is launched.



WINNERS

HOMESENSE

TJ Maxx

Institutional Shareholders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	99,603,527	Dec 30, 2018	16.05%	4,456,261,797
Blackrock Inc.	90,260,028	Dec 30, 2018	14.54%	4,038,233,652
Wellington Management Company, LLP	59,381,489	Dec 30, 2018	9.57%	2,656,727,817
State Street Corporation	56,814,658	Dec 30, 2018	9.15%	2,541,887,798
FMR, LLC	51,478,425	Dec 30, 2018	8.29%	2,303,144,734
Bank Of New York Mellon Corporation	33,050,653	Dec 30, 2018	5.32%	1,478,686,215
Geode Capital Management, LLC	17,734,026	Dec 30, 2018	2.86%	793,420,323
Northern Trust Corporation	17,690,380	Dec 30, 2018	2.85%	791,467,601
Bank of America Corporation	17,076,340	Dec 30, 2018	2.75%	763,995,451
Primecap Management Company	16,198,348	Dec 30, 2018	2.61%	724,714,089

Insider Ownership

Insider Roster

Individual or Entity	Most Recent Transaction	Date	Shares Owned as of Transaction Date
ABDALLA ZEIN Director	Conversion of Exercise of derivative security	Jun 4, 2018	2,162
ALVAREZ JOSE B. Director	Conversion of Exercise of derivative security	Jun 4, 2018	43,993
CANESTRARI KENNETH D Officer	Sale	May 23, 2018	85,008
CHING DAVID T Director	Conversion of Exercise of derivative security	Jun 4, 2018	16,734
GOLDENBERG SCOTT Chief Financial Officer	Sale	Apr 18, 2018	86,024
HERRMAN ERNIE L Chief Executive Officer	Sale	May 22, 2018	401,409
LANE AMY BETH Director	Conversion of Exercise of derivative security	Jun 4, 2018	16,046
OBRIEN JOHN F Director	Conversion of Exercise of derivative security	Jun 4, 2018	62,292
SHERR RICHARD Officer	Sale	May 22, 2018	90,495
SHIRE WILLOW B Director	Stock Gift	Nov 22, 2018	37,928

Recent News

- Strong guidance amongst retailers pushes TJX to new highs in early 2018
- TJX, along with Burlington and Hobby Lobby, aggressively attempt to fill empty Toys-R-Us stores
- Holiday expectations are set back due to slowing economy
- TJX ramps up inventory of Chinese products due to rising trade tensions

Q4 Earnings

- Q4 EPS OF \$0.68 meets expectations
- Revenue of \$11B beats expectations
- Dividend increase and \$1.5B buyback approved (2.3% of market cap)
- Same-store sales increased 6% during Q4 (Holiday season) compared to 3% expected

Business Segments

MARMAXX

- T.J. Maxx
- Marshalls
- 2200+ Stores
- Collectively the largest off-price retailer
- Both sell family apparel, home fashions, etc.



T.J. Maxx®

- Founded in 1976
- 1236 stores
- Expanded assortment of fine jewelry, accessories, and designer brands
- E-commerce website launched in 2013



Marshalls

- Acquired in 1995
- 1077 stores
- Broader men's offerings and a junior's department
- Plans to start e-commerce website



HomeGoods®

- Introduced in 1992
- Leading off-price home fashions retailer in the U.S.
- 667 stores
- 2017: 4 HomeSense stores in the U.S.
 - Offering expanded departments



TJX
CANADA 



WINNERS

- Acquired in 1990
- Leading off-price apparel and home fashions
- 264 stores in Canada
- Comparable to T.J. Maxx

HOMESENSE

- Opened in 2001
- Off-price home fashions
- Comparable to HomeGoods
- 117 stores

Marshalls®

- Brought to Canada in 2011
- 73 stores
- Expanded footwear department and a junior's department

TJX INTERNATIONAL



T.K. Maxx®

- Launched in 1994
- Introduced off-price retail to Europe
- Apparel and home fashions
- E-commerce website
- 540 stores in 6 countries in Europe
- 2016: Acquired Trade Secret in Australia and re-branded under T.K. Maxx

HOMESENSE

- 2008: Opened in the U.K.
- 2018: 2 stores in Ireland
- Home fashions
- 55 stores

UK & Ireland
TK Maxx store 1994
Homesense UK store 1998
tkmaxx.com 2009
Homesense Ireland store 2007



Netherlands
TK Maxx store 2015

Poland
TK Maxx store 2009



Germany
TK Maxx store 2007

Austria
TK Maxx store 2015





- E-commerce site launched in 1998
- 27 retail stores in the U.S.
- Off-price Internet retailer of brand name outdoor gear, family apparel, footwear, sporting goods, and home fashions

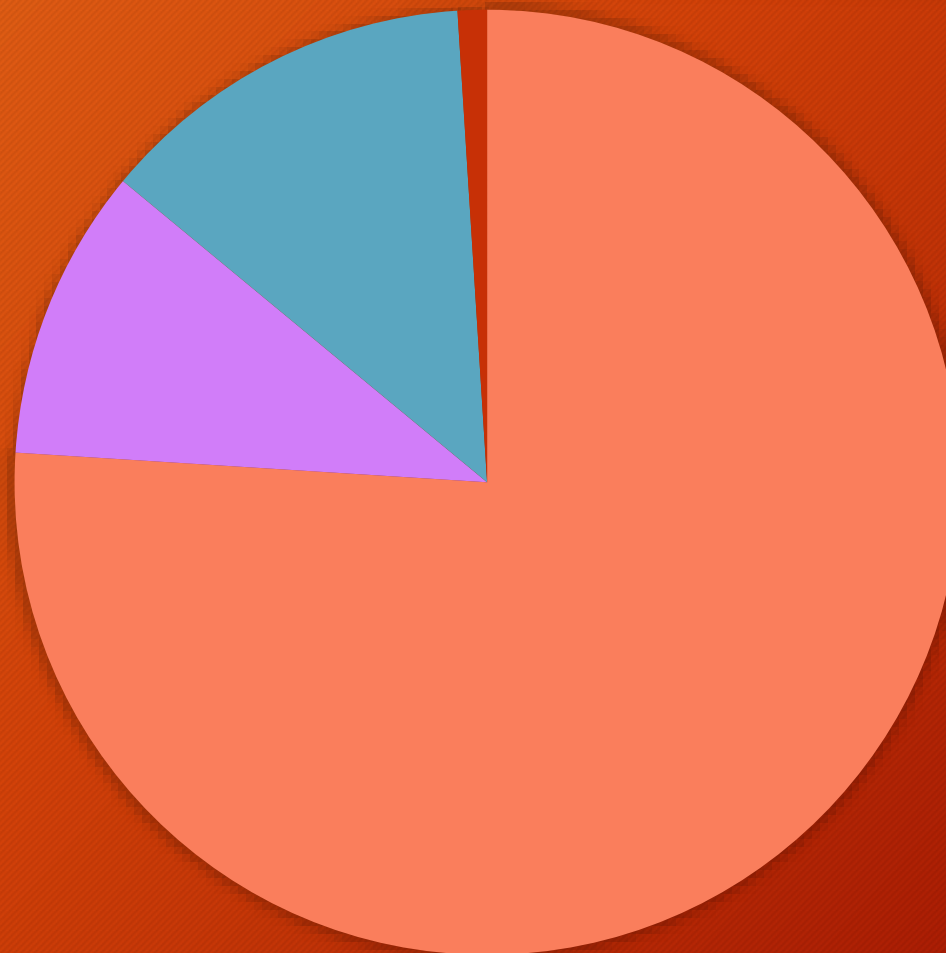
Revenues by Geography

Europe
13%

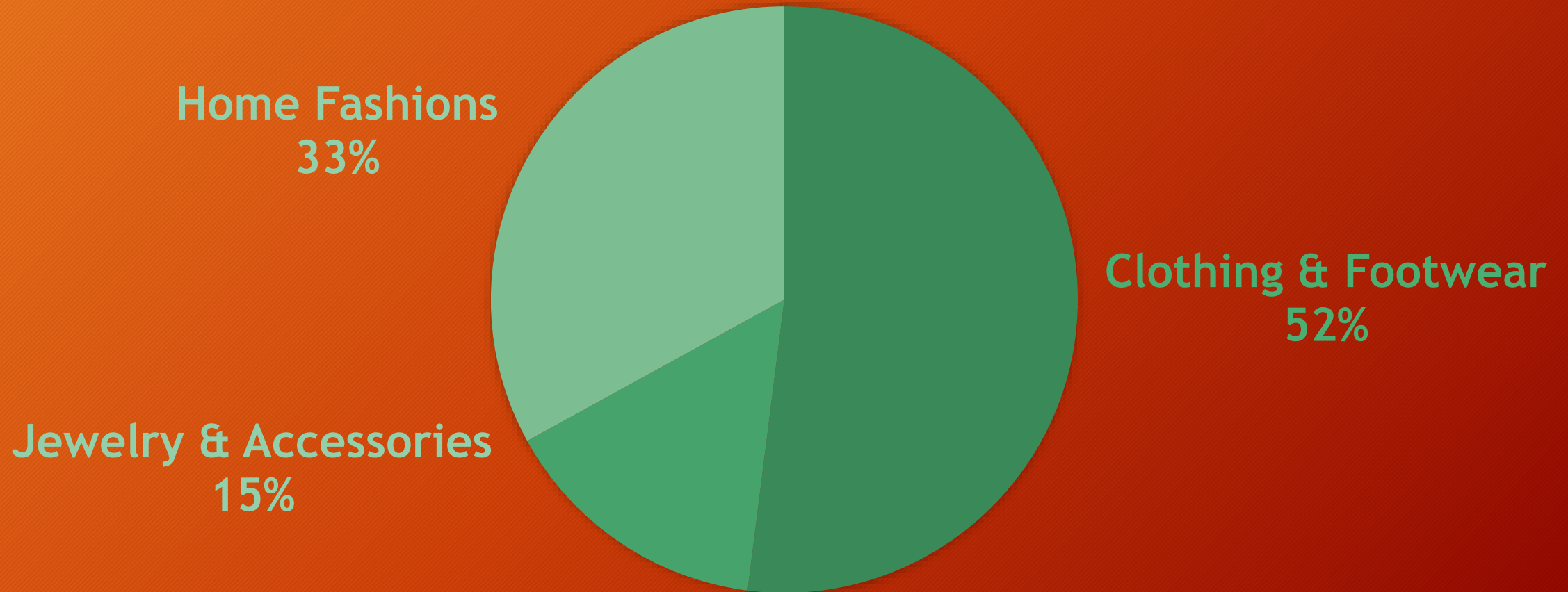
Australia
1%

Canada
10%

United States
76%



Revenues by Product



Competitive Advantages

Cost Advantages

- Quality brand name and designer merchandise
- Regular prices are 20% to 60% below full-price retailers

Inventory Management

- Rapidly changing selection of merchandise
- Treasure hunt experience
- Tailor stores to local preferences and demographics
- Achieve rapid in-store inventory turnover

Low Cost Operations

- Advertising: Promoting all retail banners not individual products
- Do not spend heavily on store fixtures
- Distribution network designed to run cost effectively

Opportunistic Buying

- Global Buying Strategy: Acquire merchandise on an ongoing basis
- Buy merchandise for the current or next selling season
- Network of over 20,000 vendors
- Opportunities to acquire merchandise at discounts that arise regularly
 - Order cancellations
 - Manufacturer overruns
 - Closeouts from brands/manufacturers/retailers
 - Special production directly from brands and factories

Risk Factors

Risk Factors

- High competition in apparel and home fashions industries
- Unexpected changes in the level of consumer spending
- Digital competition
 - Amazon & other online stores

2019 Expected Store Growth

- Marmaxx: 650 new stores
- HomeGoods: 100 new stores
- TJX Canada: 120 new stores
- TJX International: 400 new stores

Growth Opportunities

- New store openings internationally & domestically
 - Currently in Canada, Europe, Australia, and the U.S.
- Other acquisitions
 - Sierra Trading Post



Company Specific Metrics

Business Segment	Approximate Average Store Size (square feet)	Number of Stores Percent Change (2017 to 2018)
Marmaxx	28,500	+ 3 %
HomeGoods	24,500	+ 16 %
TJX Canada	26,000	+ 9 %
TJX International	23,500	+ 9 %

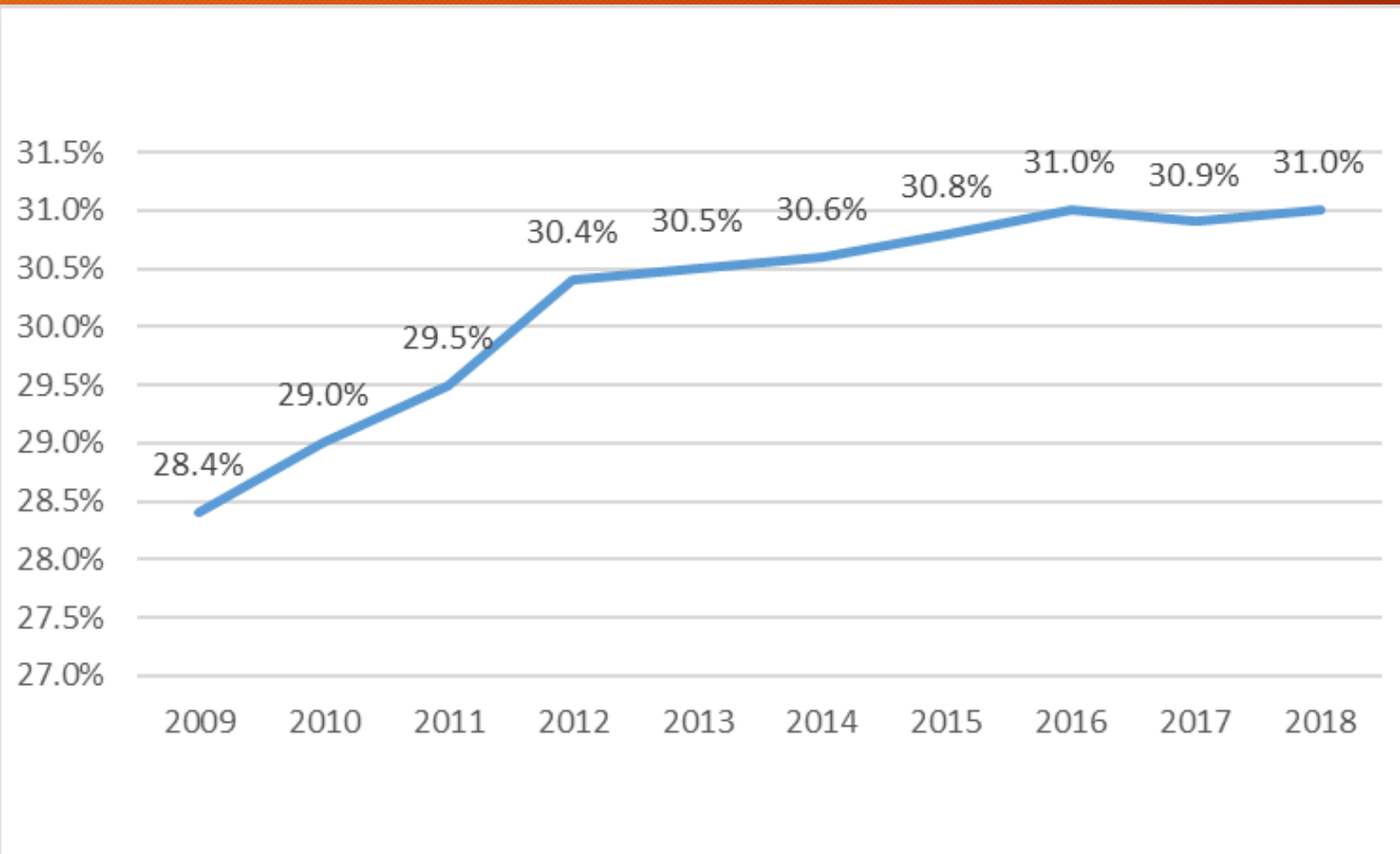
Qualitative Analysis

Criteria	Yes/No
Can you easily explain what the business does?	Yes
Does it have a sustained competitive advantage?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research & development?	No
Can inventory become obsolete?	Yes
Chronic "one-time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor?	Yes

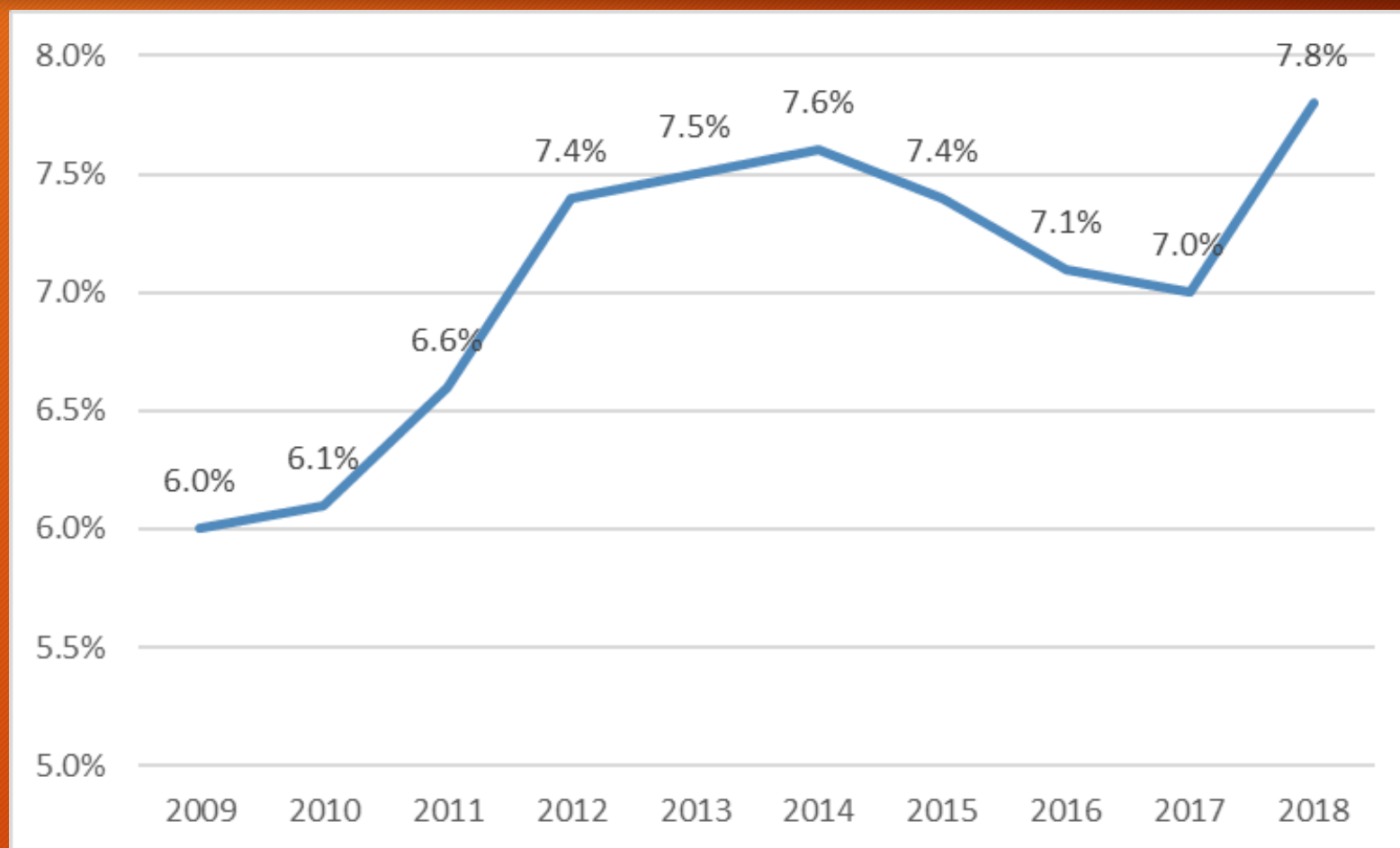
Interpretation of Financial Statements

TTM	Value	Threshold	Pass?
Gross Profit Margin	31.00%	≥ 20%	Pass
% SGA	62%	≤ 80%	Pass
% Depreciation	7%	≤ 10%	Pass
Interest % of OP	2%	<15%	Pass
Net Profit Margin	7.80%	≥ 10%	Fail
Current Ratio	1.66	≥ 1	Pass
Obligation Ratio	5.23	< 5 years	Fail*
Debt to Shareholder's Equity	0.48	< 0.8	Pass
ROE	51.27%	≥ 15%	Pass
ROC	37.58%	≥ 15%	Pass
Dividend Payout Ratio	30.45%	≤ 60%	Pass
Capital Expenditures of GP	10.21%	≤ 25%	Pass
Preferred Stock	None	None	Pass
Net Earning Trend	Up	Up	Pass
Retained Earnings Trend	Up	Up	Pass

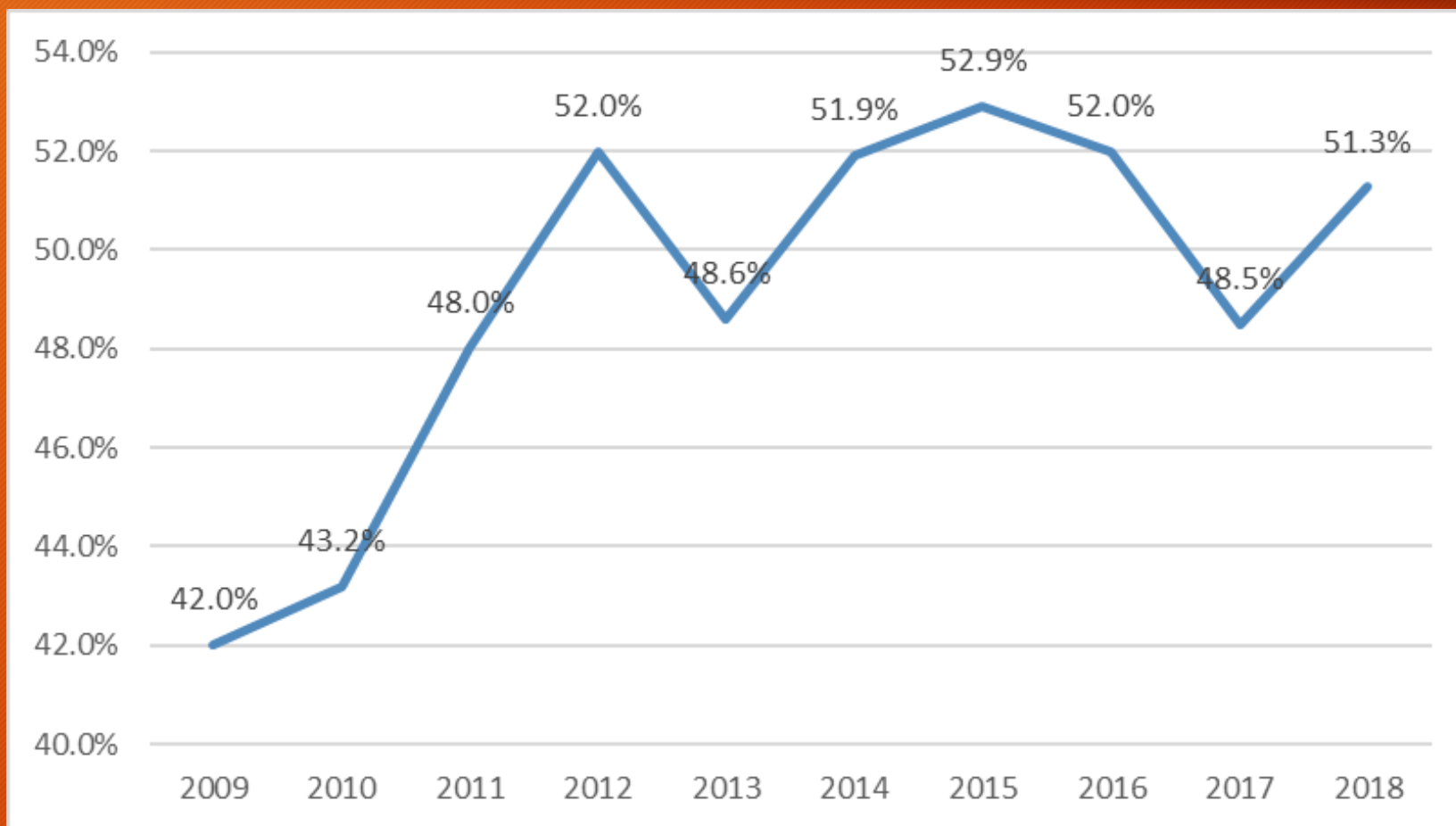
Gross Profit Margin



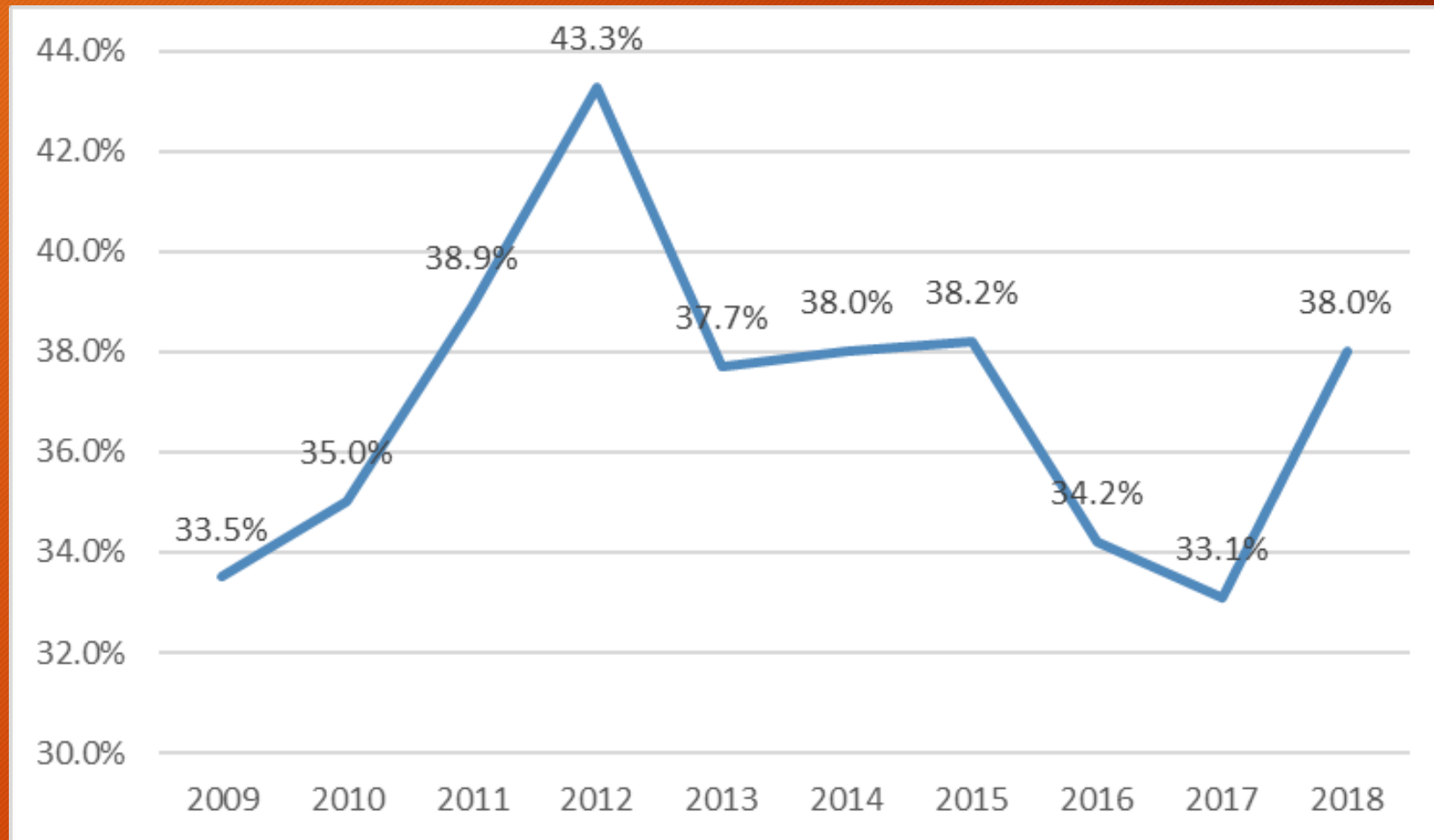
Net Profit Margin



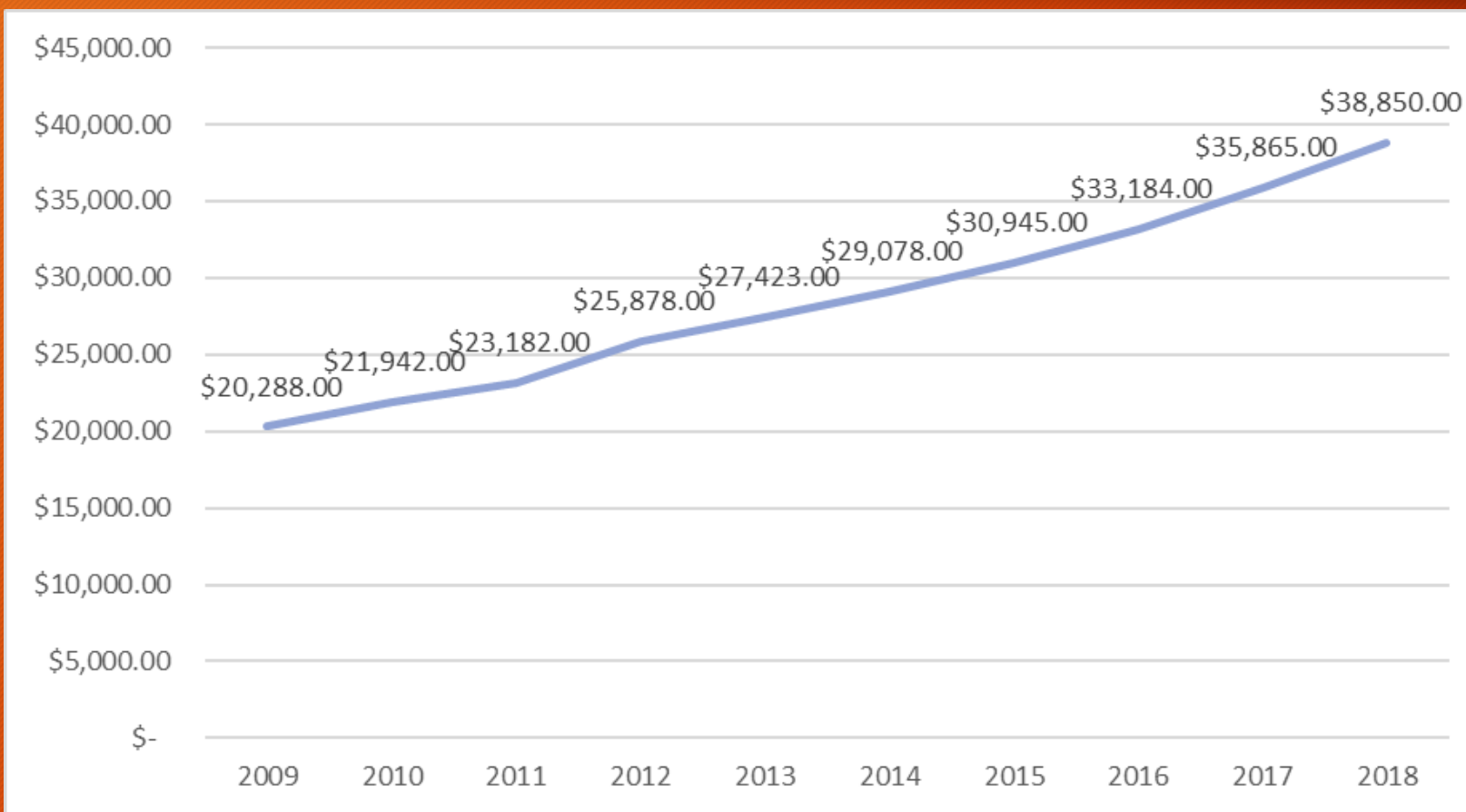
Return on Equity



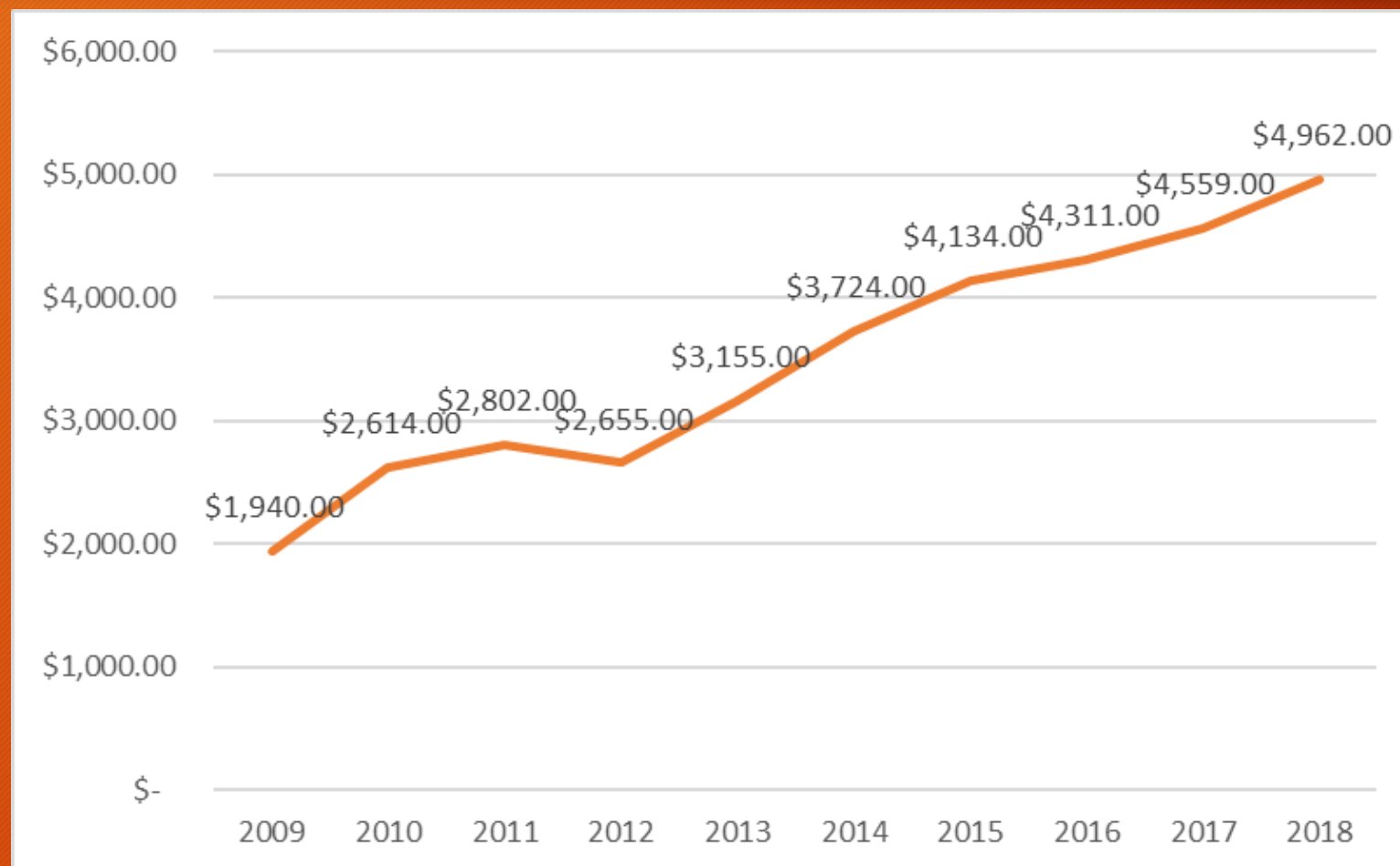
Return on Capital



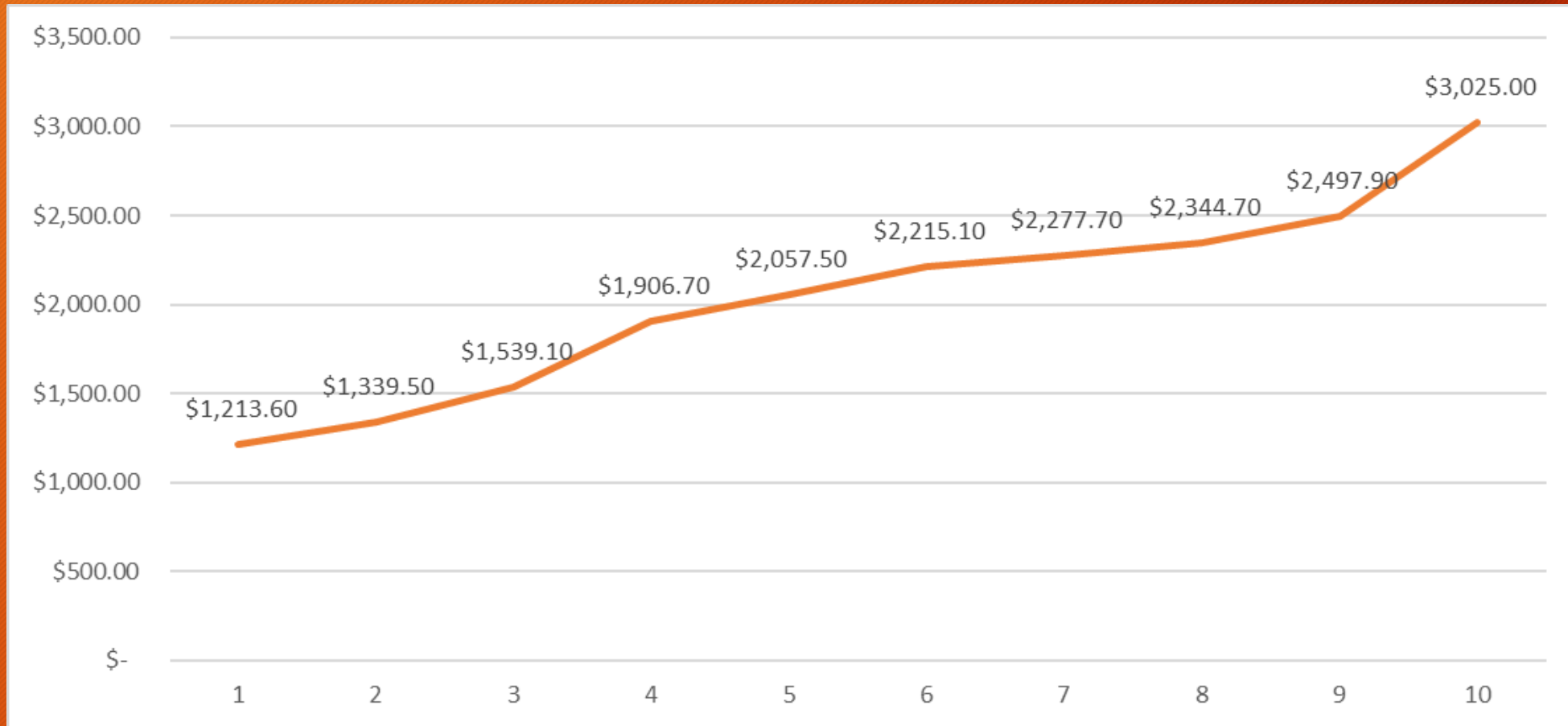
Revenue



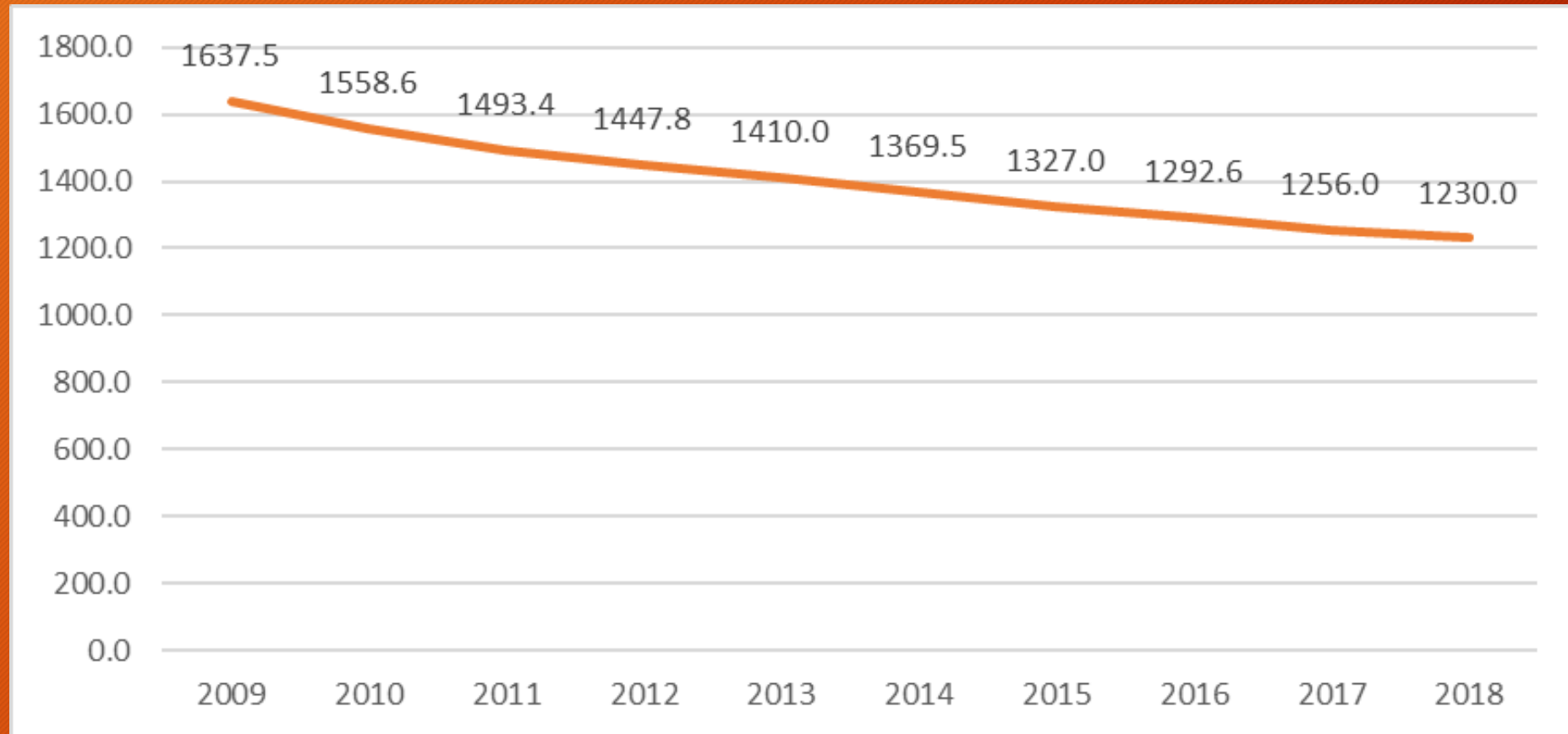
Retained Earnings



Net Income



Total Shares Outstanding



Statistical Array Analysis

Statistical Array Analysis	Trend
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends per Share	Increasing
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Consistent
Number of Stores	Increasing
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing
Common Shares Outstanding	Decreasing
Long-Term Debt	Increasing
Same Store Sales	Increasing

DuPont Historical

DuPont Historical				
Years	NPM	TAT	FLM	ROE
2018	7.27%	2.55	2.73	50.66%
2017	6.93%	2.58	2.86	50.95%
2016	7.36%	2.69	2.67	52.88%
2015	7.62%	2.61	2.61	51.95%
2014	7.79%	2.69	2.41	50.53%

DuPont Industry

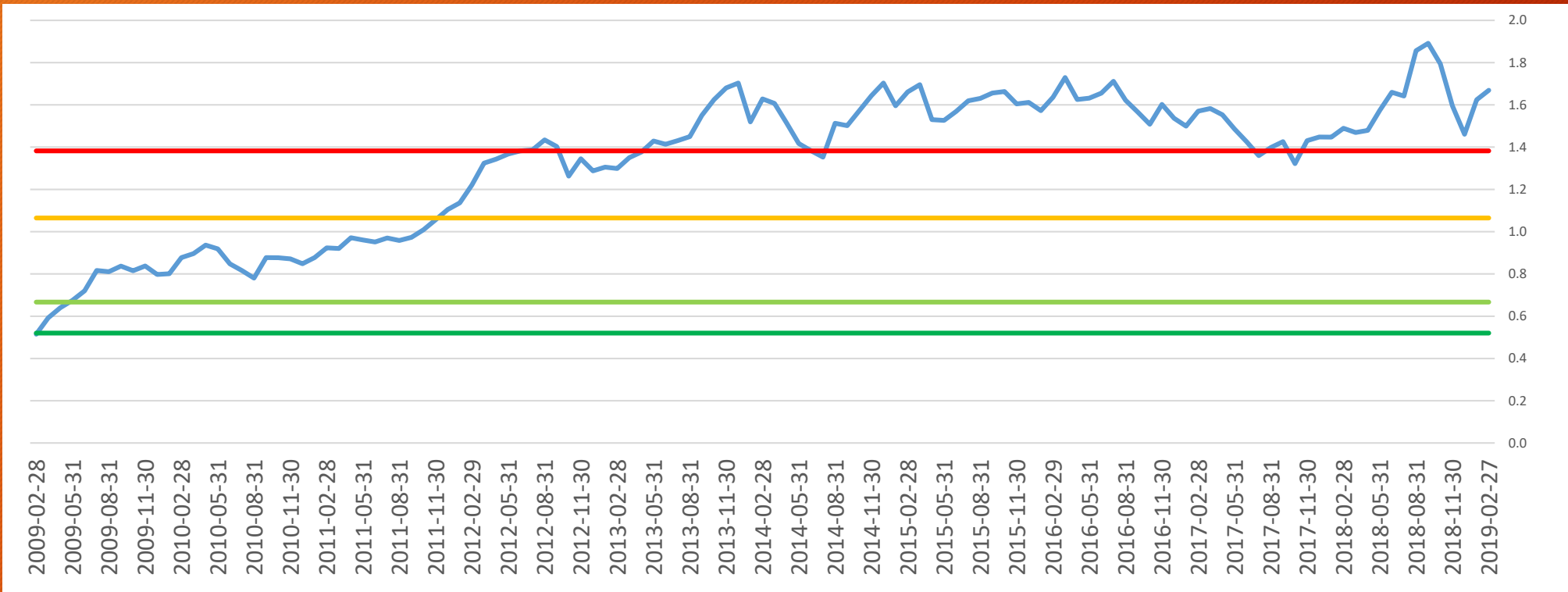
DuPont Industry				
Company	NPM	TAT	FLM	ROE
TJX	7.27%	2.55	2.73	50.66%
ROST	9.64%	2.47	1.88	44.69%
KSS	4.50%	1.43	2.46	15.83%
AMZN	4.33%	1.43	3.73	23.13%

Industry Breakdown

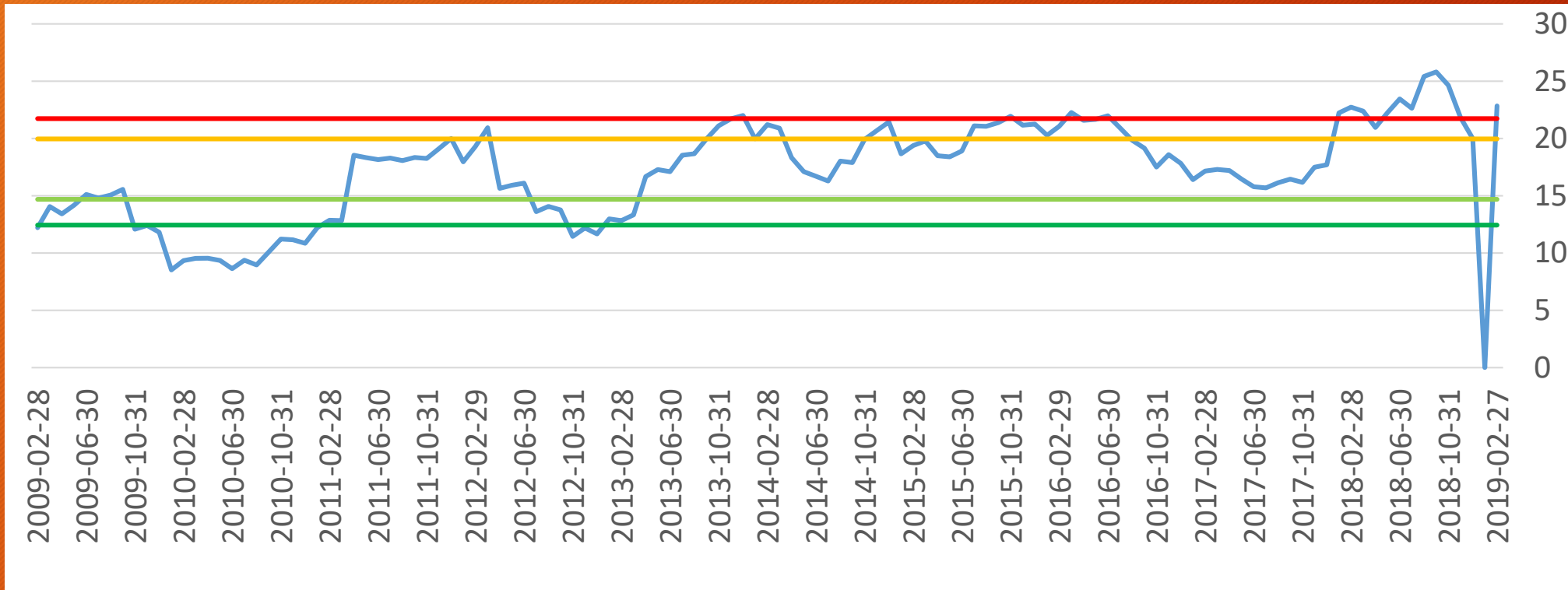
Industry Breakdown	T.J. Maxx	Ross	Kohl's	Amazon
Market Cap(Bil)	\$58.4	\$ 33.7	\$ 11.1	\$ 779
Revenue (Mil)	\$38,850	\$ 14,950	\$ 19,225	\$ 232,887
P/E	18.8	20.9	11.9	81.1
P/S	1.56	2.31	0.56	31.55
ROE	51.27%	48.50%	16%	23.10%
ROA	19.40%	24.71%	6.38%	6.85%
EV/EBIT	9.95	14.75	9.95	58.05
Operating Margin	12.70%	16.00%	12.50%	12.00%
Net Margin	7.80%	10.50%	4.70%	4.30%

Value Bands

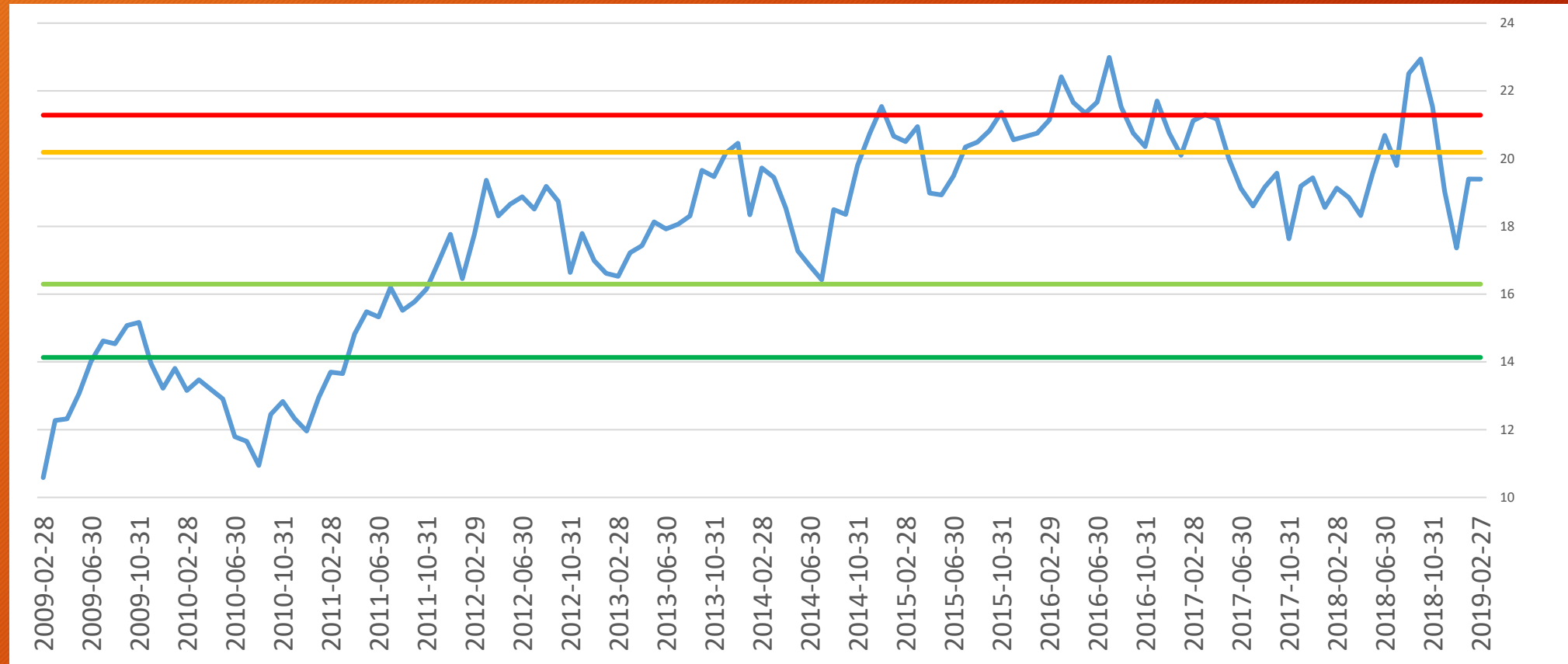
Price/Sales



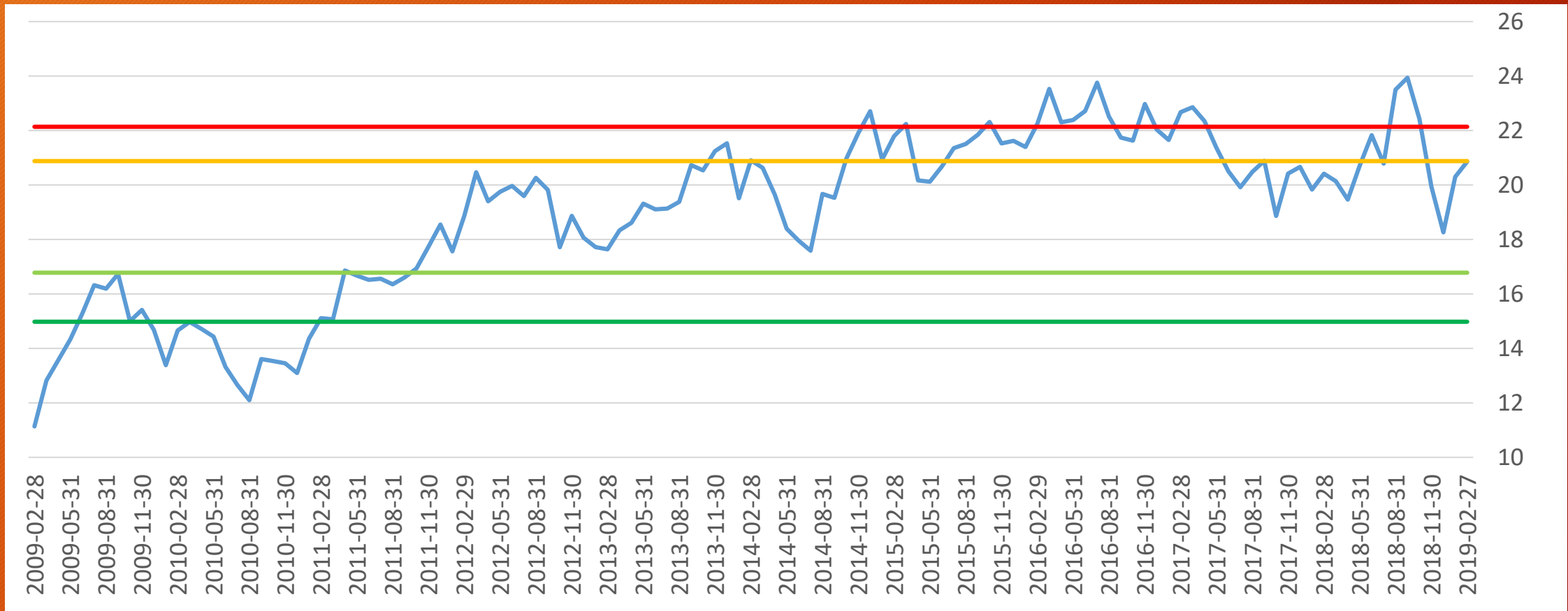
Price/Owner's Earnings



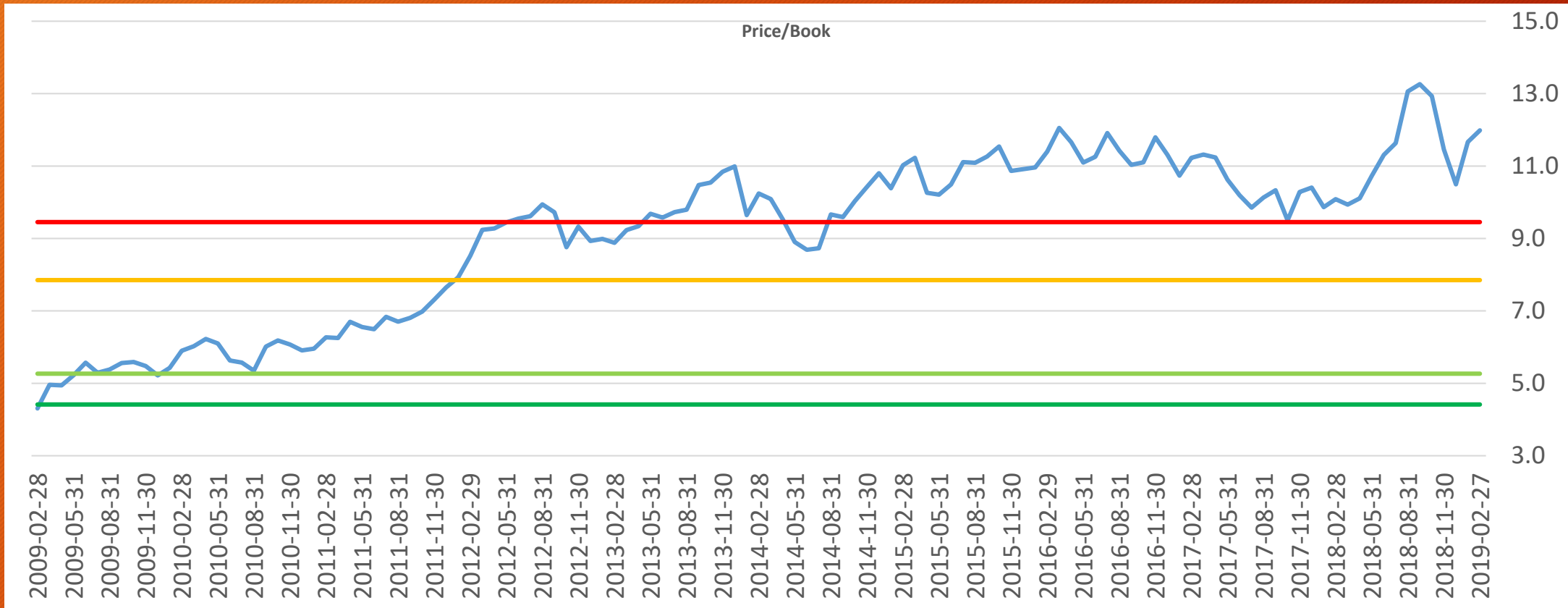
Price/Earnings less Cash



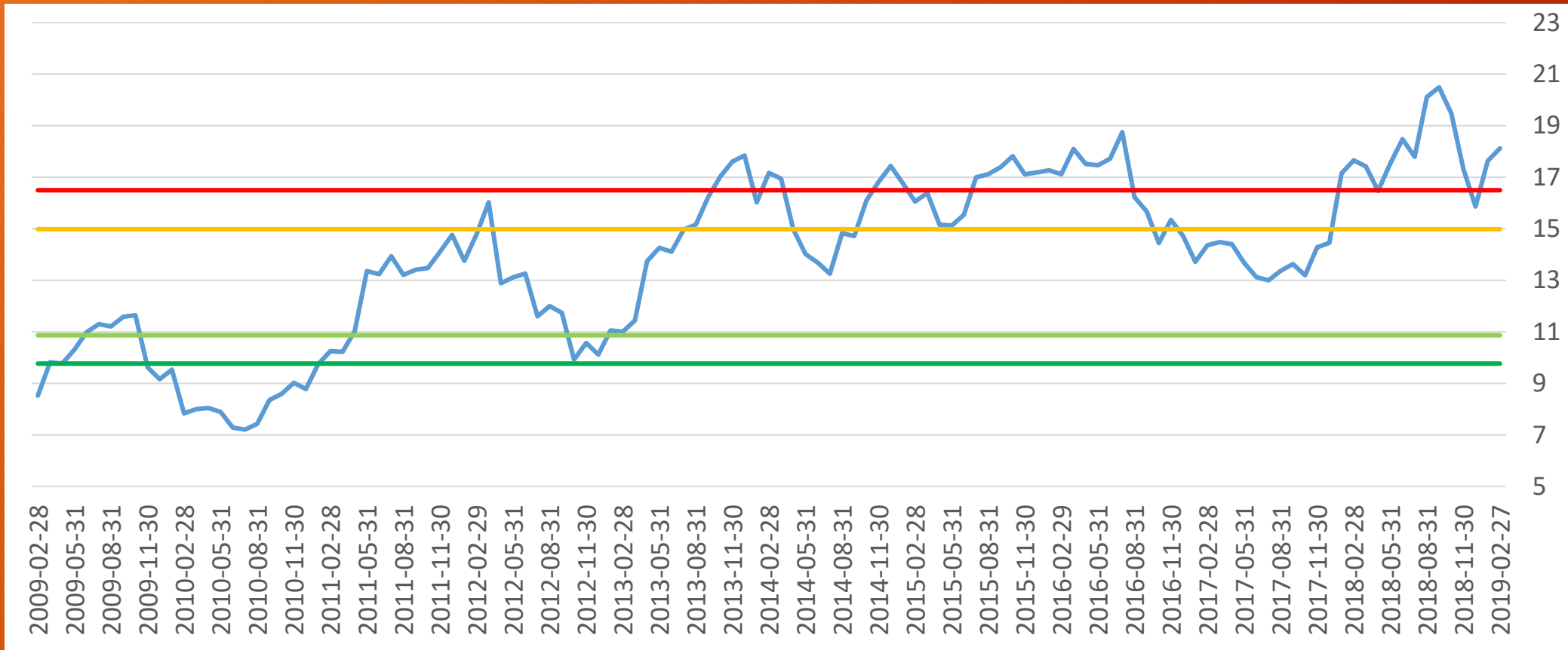
Price/Earnings



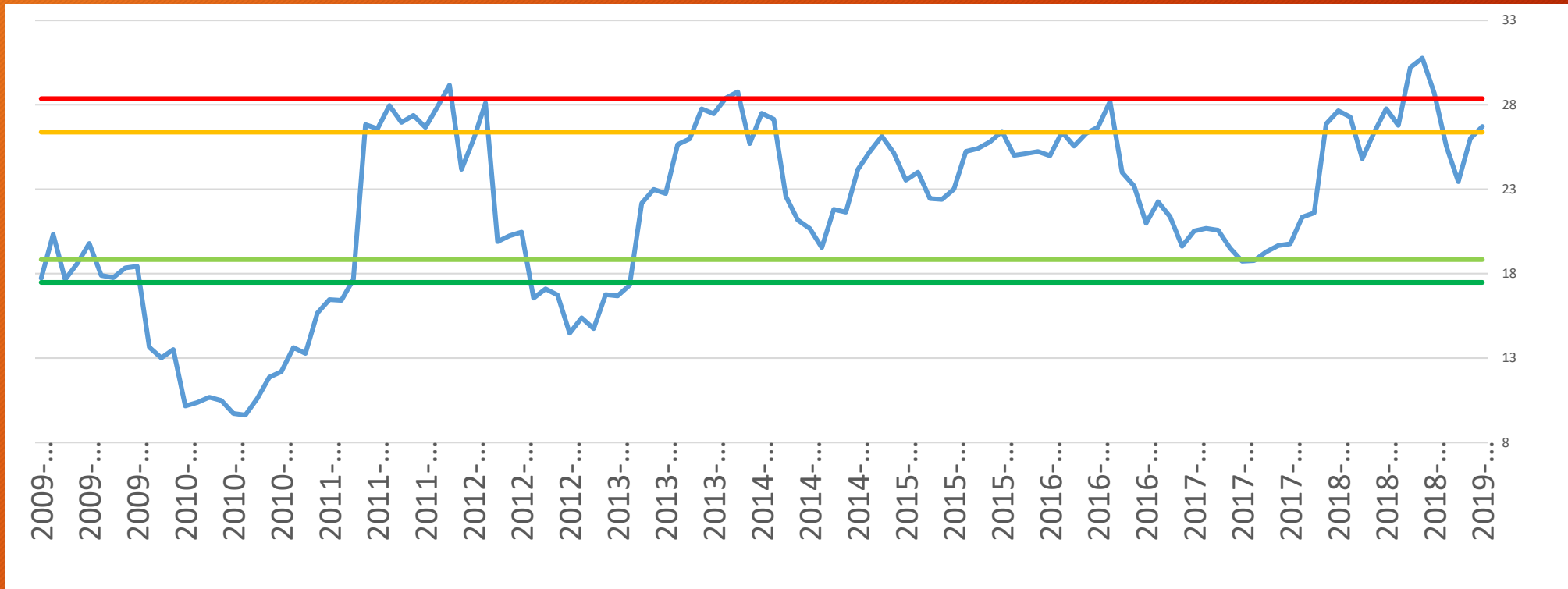
Price/Book



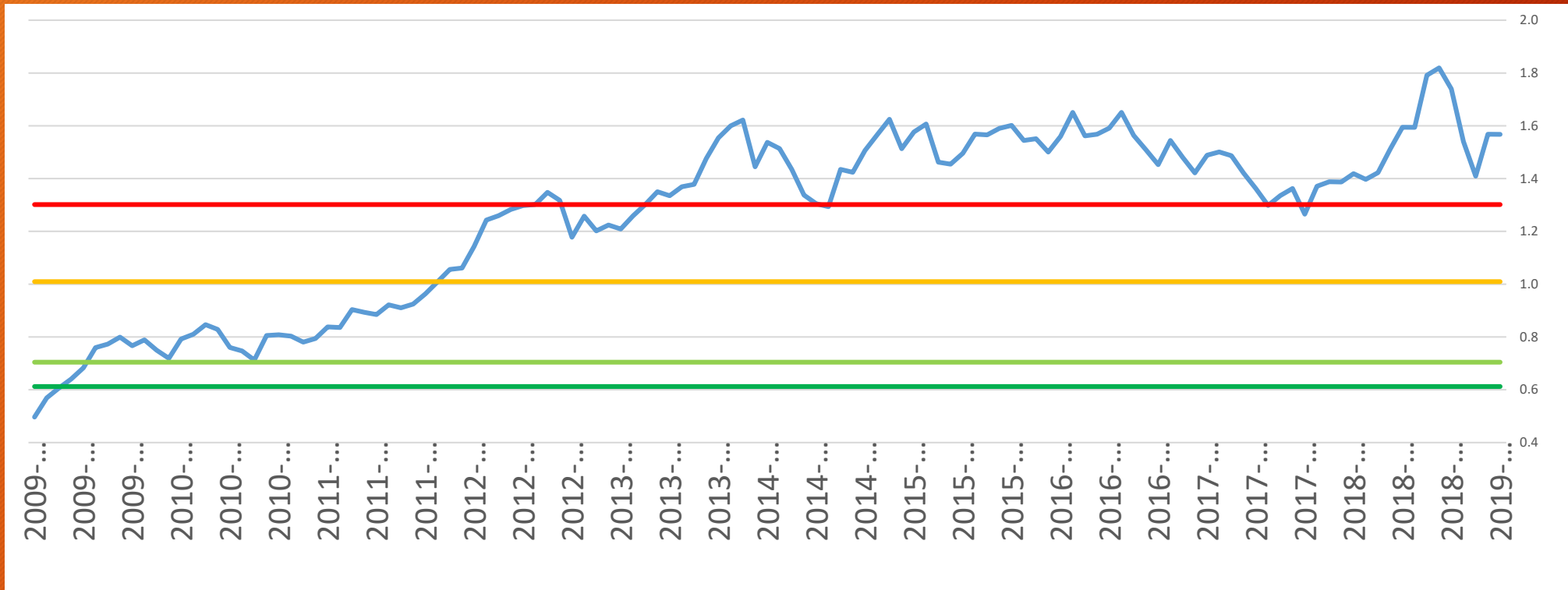
Price/Cash Flow



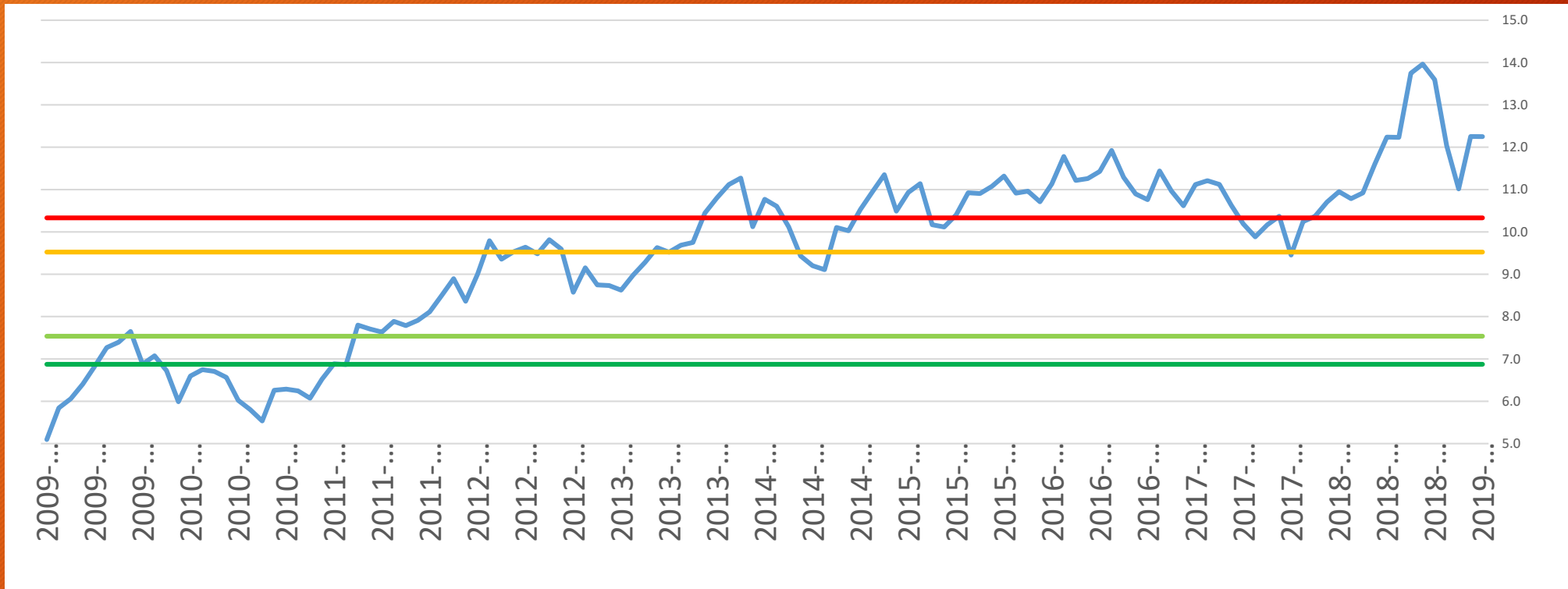
Price/Free Cash Flow



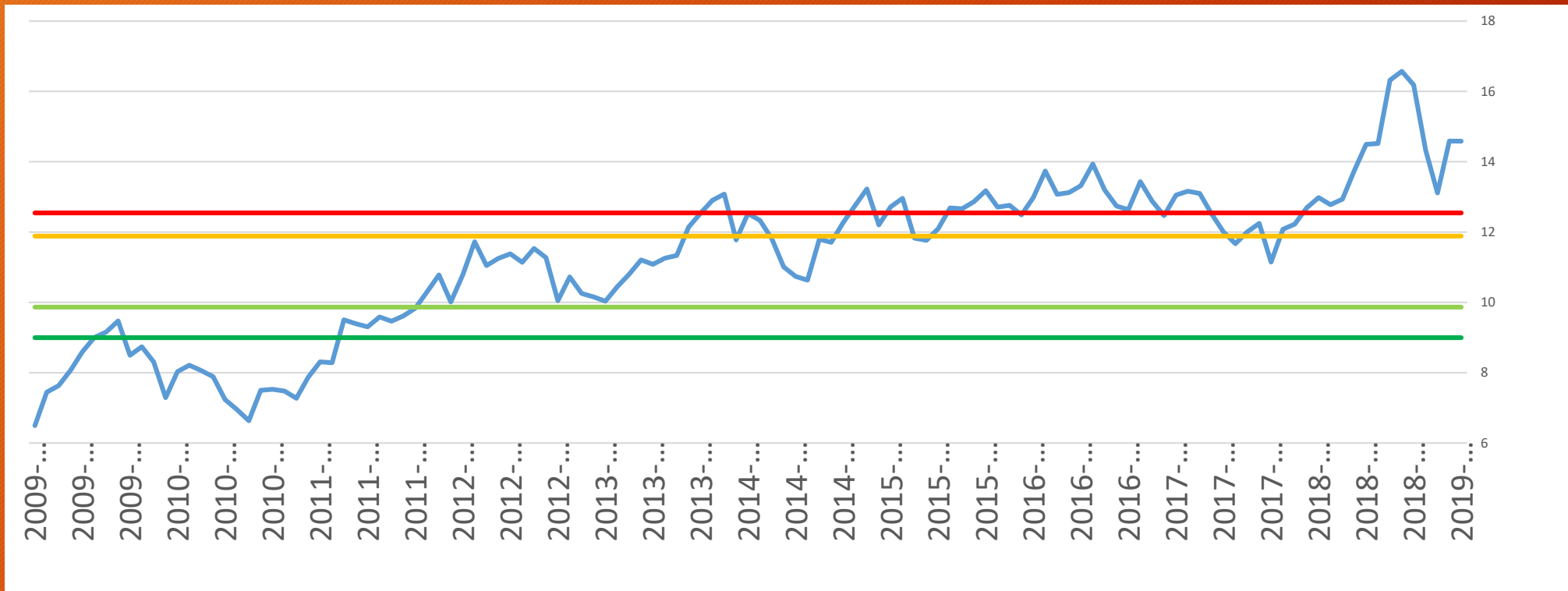
Enterprise Value/Revenue



Enterprise Value/EBITDA



Enterprise Value/EBIT



Conscious Investor

10 Year

	1/09	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	1/18	EP Sttm	Years
EPS (\$)	0.500	0.710	0.825	0.965	1.275	1.470	1.575	1.665	1.730	2.020	\$2.440	10
SPS (\$)	11.506	12.390	14.078	15.529	17.743	19.279	21.233	23.320	25.671	28.360		10

HGROWTH	STAEGR [®]
15.43%	88.93%
10.67%	99.12%

6 Year

	1/09	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	1/18	EPSttm	Years
EPS (\$)	0.500	0.710	0.825	0.965	1.275	1.470	1.575	1.665	1.730	2.020	\$2.440	6
SPS (\$)	11.506	12.390	14.078	15.529	17.743	19.279	21.233	23.320	25.671	28.360		6

HGROWTH	STAEGR [®]
8.55%	97.72%
9.89%	99.78%

4 Year

	1/09	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	1/18	EP Sttm	Years
EPS (\$)	0.500	0.710	0.825	0.965	1.275	1.470	1.575	1.665	1.730	2.020	\$2.440	4
SPS (\$)	11.506	12.390	14.078	15.529	17.743	19.279	21.233	23.320	25.671	28.360		4

HGROWTH	STAEGR [®]
8.16%	98.49%
10.12%	99.94%

Safety

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	49.72	\$2.440	20.85	8.16%	25.4%	9.76%
Safety	49.72	\$2.440	16.83	6.84%	21.8%	5.95%

Cut P/E by
19.3%

Cut Growth
by 16.2%

Cut Payout by
14.2%

Kill It

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	49.72	\$2.440	20.85	15.43%	25.4%	17.13%
Safety	49.72	\$2.440	16.83	10.05%	21.8%	9.13%
🔄 Saved 2019-02-28	49.72	\$2.440	13.00	5.12%	0.0%	0.00%

Cut P/E by
37.6%

Cut Growth
by 66.8%

Cut Payout
by 100%

Discounted Cash Flow (DCF)

Discounted Cash Flow- Default

Earnings Per Share ⓘ : \$ 2.45

Growth Rate In the Next ⓘ : 10 Years: 12 %

Terminal Growth Rate ⓘ : 4 %

Years of Terminal Growth ⓘ : 10

Discount Rate ⓘ : 10 %

Business Predictability ⓘ : ★★★★★ ⓘ

Save Parameters



DCF Reverse DCF **NEW** ⓘ

Fair Value ⓘ : 48.92

Tangible Book Value ⓘ : \$ 4.17
 Add to Fair Value

Growth Value ⓘ : 27.09

Terminal Value ⓘ : 21.83

Stock Price: \$ 51.56

Margin Of Safety: -5%

Discounted Cash Flow- Bear

Earnings Per Share  : \$ 2.45

Growth Rate In the Next  : 10 Years: **7.5** %

Terminal Growth Rate  : 4 %

Years of Terminal Growth  : 10

Discount Rate  : **12** %


Business Predictability  : 


Save Parameters




DCF [Reverse DCF](#) NEW

Fair Value  : 30.75

Tangible Book Value  : \$ 4.17
 Add to Fair Value

Growth Value  : 19.69

Terminal Value  : 11.08

Stock Price: \$ 51.56

Margin Of Safety: **-68%**

Discounted Cash Flow- Bull

Earnings Per Share ⓘ : \$ 2.45

Growth Rate In the Next ⓘ : 10 Years: 15 %

Terminal Growth Rate ⓘ : 4 %

Years of Terminal Growth ⓘ : 10

Discount Rate ⓘ : 10 %

Business Predictability ⓘ : ★★★★★ ⓘ

Save Parameters



DCF Reverse DCF **NEW**

Fair Value ⓘ : 64.15

Tangible Book Value ⓘ : \$ 4.17

Add to Fair Value

Growth Value ⓘ : 31.54

Terminal Value ⓘ : 28.44

Stock Price: \$ 51.56

Margin Of Safety: 20%

Discounted Cash Flow- Reverse

Earnings Per Share ? : \$ 2.45

Growth Rate In the Next ? : 10 Years

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★

➔

DCF Reverse DCF HELP

Growth Rate ? : 11.53%

Stock Price: \$ 51.56

Revenue Growth Rate ? : 11.00%(10y) 9.90%(5y) 16.00%(1y)

EBITDA Growth Rate ? : 15.10%(10y) 8.00%(5y) 10.90%(1y)

EPS without NRI Growth Rate ? : 16.60%(10y) 8.50%(5y) 32.40%(1y)

Free Cash Flow Growth Rate ? : 15.70%(10y) 6.20%(5y) 7.80%(1y)

Book Value Growth Rate ? : 12.40%(10y) 9.00%(5y) 15.60%(1y)

Intraportfolio Valuations

Return on Equity

SYMBOL	ROE %
MA	73.56
TJX	50.66
CHRW	41.69
ROST	40.48
TSCO	36.99
ULTA	36.96
PII	36.86
DG	29.48
UNP	27.06
PEP	25.64
DIS	23.46

SYMBOL	ROE %
OMC	20.21
MSFT	20.03
NKE	21.96
GOOG	18.68
BRK.B	17.83
NXPI	17.78
HD	17.38
QCOM	14.31
UHAL	10.79
ORCL	9.13
GNW	0.92

Return on Invested Capital

SYMBOL	ROIC %
GNW	2.97
UHAL	5.50
NXPI	12.50
ORCL	14.00
CNI	15.50
DIS	16.60
BRK.B	17.40
DG	17.50
UNP	17.50
GOOG	18.00
OMC	19.50
MSFT	20.40

SYMBOL	ROIC %
PEP	20.50
PII	24.00
CHRW	24.50
TSCO	25.00
NKE	30.30
ULTA	34.50
QCOM	35.80
TJX	38.00
ROST	44.50
HD	48.00
SBUX	57.50
MA	60.50

Price to Free Cash Flow

SYMBOL	Price-to-Free-Cash-Flow
UHAL	0
GNW	1.19
NXPI	8.22
SBUX	9.02
OMC	10.98
ORCL	15.52
CHRW	17.5
DIS	18.01
HD	21.57
DG	21.71
PII	22.05
ROST	22.58

SYMBOL	Price-to-Free-Cash-Flow
BRK.B	23.15
UNP	24.37
TJX	25.52
PEP	26.88
MSFT	27.38
TSCO	27.95
NKE	29.68
ULTA	29.9
CNI	35.06
GOOG	38.56
MA	40.97
QCOM	43.96

Price to Earnings

Symbol	PE Ratio
BRK.B	8.03
OMC	12.94
PEP	13.18
NXPI	13.7
DIS	15.52
PII	16.68
GNW	16.74
DG	17.54
CHRW	19.25
UHAL	19.34
CNI	19.39
TJX	20.29

Symbol	PE Ratio
HD	20.54
UNP	21.46
TSCO	21.98
ROST	22.17
GOOG	25.71
MSFT	26.07
ULTA	28.93
SBUX	31.46
QCOM	33.77
MA	40.01
ORCL	52.6
NKE	65.49

Price to Sales

Symbol	PS Ratio
GNW	0.25
CHRW	0.77
PII	0.94
OMC	1.14
DG	1.27
TSCO	1.48
TJX	1.65
UHAL	1.93
BRK.B	1.95
HD	2.04
ROST	2.37
PEP	2.54

Symbol	PS Ratio
DIS	2.86
ULTA	2.89
NXPI	3.28
QCOM	3.46
NKE	3.69
SBUX	3.8
ORCL	5.33
UNP	5.62
CNI	5.88
GOOG	5.98
MSFT	7.37
MA	15.7

Enterprise Value to Earnings Before Income Tax

Symbol	EV-to-EBIT
GNW	7.52
OMC	8.51
BRK.B	10.46
NXPI	12.32
DIS	12.55
ORCL	13.3
UHAL	13.92
TJX	14.59
PII	14.68
CHRW	14.8
HD	15.33
CNI	15.35

Symbol	EV-to-EBIT
DG	16.08
ROST	16.09
UNP	16.74
TSCO	16.88
PEP	17.39
MSFT	18.93
GOOG	19.21
ULTA	21.86
SBUX	23.36
NKE	28.46
MA	30.82
QCOM	37.94

Price to Book

Symbol	PB Ratio
SBUX	0
GNW	0.17
BRK.B	1.32
UHAL	1.99
NXPI	2.65
DIS	3.39
GOOG	4.42
CNI	4.68
DG	4.89
UNP	6.14
PII	6.26
ORCL	6.53

Symbol	PB Ratio
OMC	6.63
TSCO	7.42
CHRW	7.86
MSFT	9.37
ULTA	10.06
ROST	11.05
PEP	11.36
TJX	11.71
NKE	15.58
QCOM	17.74
MA	42.79
HD	163.19

Conclusion

- Largest off-brand and off-price retailer in the world
- Exceptional scale and international exposure creates cost advantages
- Targets a variety of customers and income levels
- Including Ross, allows us to own the two largest players in this market

Recommendation

- Put option at \$47.00 strike with premium of \$1.07

OR

- Limit order at \$45

Amount to be determined by the other team

ome
ujern

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