BLUEGRASS CAPITAL RESEARCH

Thomas Chevalier | *Analyst*
Consumer Cyclical | *Apparel Retail*
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The TJX Companies, Inc.

Off Price, On Point

The TJX Companies Inc. has weathered a competitive retail environment, supported by its attractive off-price strategy and self-identified *Flexible Business Model*. With management prioritizing store expansion and international growth alongside consistent buybacks and dividends to shareholders, we see a clear opportunity for upside. **We initiate TJX as a BUY rating and a PT of $162.00.**

Opportunistic Buying:

The flexible business model of TJX includes *opportunistic buying,* inventory management, and flexible store layouts are designed to deliver competitive name brand value to customers. Opportunistic buying is the thought philosophy that TJX is not committed to any certain product or brand, only the best deals that meet their customers' needs. Opportunistic buying allowed TJX the flexibility to seek out and take advantage of opportunities while combating the newly imposed tariffs. Under the circumstances that a particular apparel or home good was subjected to a significant rise in price due to tariffs, TJX would downplay that category and find opportunity elsewhere. This was not a problem for consumers, because the expectation of TJX customers is to find something new every time you enter one of their stores.

Expansion Opportunities:

Expansion of The TJX Companies Inc. through the addition of new stores continues to be a large part of their global growth strategy. Management has set a target of 7,000 stores worldwide, compared to 5,085 stores at Fiscal Year End 2025. TJX intends to expand its operations within their current geographies (United States, Canada, United Kingdom, Ireland, Germany, Poland, Austria, and Netherlands) and expand into Spain. TJX's successful strategy of opportunistic buying, localized vendor relationships, and flexible store formats reduce execution risk when entering new regions. Their "treasure hunt" shopping experience is marketable across borders, which TJX has found success with outside the US. We believe the continuous expansion of TJX will drive steady revenue growth over the coming years.

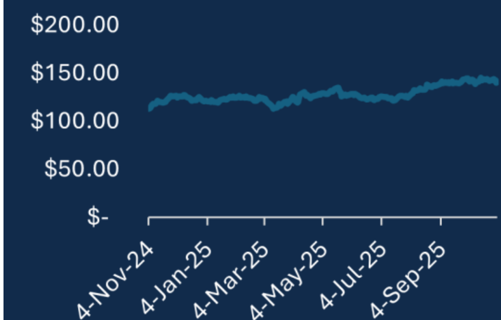
Company Overview

The TJX Companies, Inc. is the leading off-price apparel and home fashions retailer in the United States. They offer a rapidly changing assortment of brand name and designer merchandise at discounts typically 20%-60% below full-price retailers. Their inventory turnover runs at about 6 times per year, indicating strong demand and efficiency. They reach a larger demographic of age groups and income levels. They leverage the substantial buying power of their businesses with their global vendor relationships. They operate their business in four segments: Marmaxx and HomeGoods, both in the U.S., TJX Canada, and TJX International, including Europe and Australia.

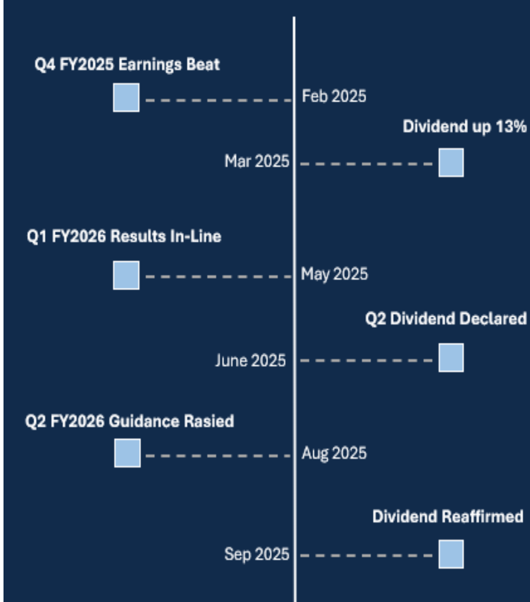
TJX THE TJX COMPANIES, INC.

TICKER:	$TJX
RATING:	BUY
PRICE:	$139.70
PRICE TARGET:	$162.00
MARKET CAP:	$158.58 B
52-W RANGE:	$111.73 - $146.46
P/E:	32.34x
IMPLIED UPSIDE:	16.05%

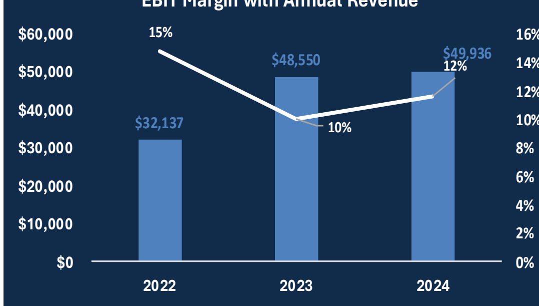
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk 1

TJX aims to open over 1,800 stores globally in the next five years. There is an execution risk in maintaining good brand image and product quality. Expanding too quickly could lead to supply shortages and uneven store performance. Meanwhile, their biggest competitors like Ross and Urban Outfitters are fighting for market share. If TJX fails to maintain its 'treasure hunt" appeal, especially in Europe and Canada, projected revenue growth could be hindered. Additionally, there is a risk capital expenditures associated with opening new stores may not directly translate to proportional revenue growth.

Risk 2

TJX sources its inventory through a network of thousands of vendors, but a significant portion of the products in their stores comes from a select pool of key vendors. As more retailers continue to optimize their own inventories the volume of excess goods available to off-price retailers dwindles. If the availability of brand name overstock decreases, TJX will have to sacrifice quality, quantity, and/or favorable discounts which will directly decrease their margins.

Catalysts

TJX continues to benefit from strong traffic trends as consumers look for discounted name brand items. Continued demand through the holidays could lead to another quarterly earnings beat. Ongoing share buybacks and dividend growth showcase management's confidence in the business. International expansion and domestic store growth provide a consistent path for revenue growth. If TJX can continue to deliver fresh name brand inventory to maintain its treasure hunt appeal, the stock could see growth.

Valuation

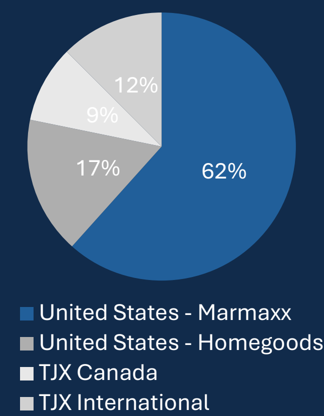
DCF Analysis ($mm)	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Stub	0.84	1.84	2.84	3.84	4.84	5.84
Discount Period	0.08	0.66	1.66	2.66	3.66	4.66
Revenue	59,229	64,569	69,882	75,084	80,086	84,799
Revenue Growth	*9%*	*9%*	*8%*	*7%*	*7%*	*6%*
United States - Marmaxx	36,754	40,062	43,267	46,296	49,074	51,527
United States - Homegoods	9,799	10,681	11,589	12,516	13,455	14,397
TJX Canada	5,298	5,563	5,814	6,046	6,258	6,445
TJX International	7,377	8,262	9,213	10,226	11,300	12,430
EBIT	6,800	7,425	8,106	8,785	9,450	10,091
EBIT Margin	*11%*	*12%*	*12%*	*12%*	*12%*	*12%*
Tax Expense	1,700	1,856	2,027	2,196	2,363	2,523
Effective Tax Rate	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
NOPAT	5,100.00	5,569.06	6,079.75	6,588.61	7,087.58	7,568.30
D&A	1,185	1,291	1,398	1,502	1,602	1,696
Capex	2,300	2,583	2,708	2,816	2,903	2,968
Changes in NWC	50	323	349	375	400	424
UFCF	3,935	3,955	4,420	4,899	5,386	5,872
PV of FCF	3,910	3,760	3,893	3,998	4,072	4,113

Our base case DCF valuation is based on revenue growth primarily driven by continued store expansion, especially internationally. Our DCF assumes a 12.7x EV/EBITDA exit multiple and a 7% revenue CARG through FY2030. These projections are based on our optimistic outlook on TJX, and their solid long term value creation.

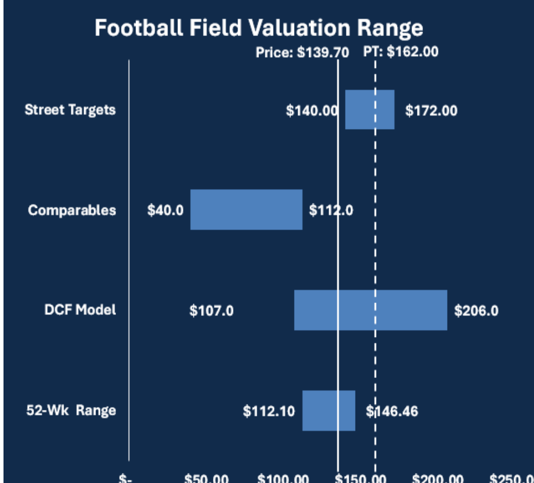
Conclusion

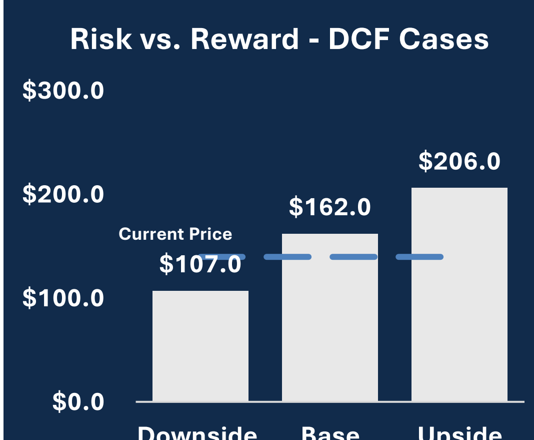
The TJX Companies, Inc. has a resilient off-price model, and strong free cash flow generation. The company's flexible opportunistic buying strategy and expansion opportunities position them well for steady growth. With durable margins, a competent management team, and clear opportunities for earnings growth, **we initiate TJX with a BUY rating and a PT of $162.00, representing 16.05% upside in the next year.**

Revenue Segments



Terminal Value	
Exit Multiple Method	
2034 EBITDA	$11,787
EV/EBITDA Exit Multiple	20.0x
Terminal Value	$235,741
PV of Terminal Value	$169,151
PV of Projection Period	$24,040
PV of Terminal Value	$169,151
Implied TEV	$193,191
(-) Debt	$13,121
(+) Cash	$4,639
Implied Equity Value	$184,709
Diluted Shares Outstanding	1,113
Implied Share Price	$165.96
Upside/Downside	14.8%





Bluegrass Capital Research

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	54,217	59,229	65,309	71,712	78,415	9.7%
EBITDA	7,406	7,985	9,143	10,022	10,939	10.2%
EBIT	6,302	6,800	7,837	8,588	9,371	10.4%
NOPAT	4,683	5,100	5,878	6,441	7,028	10.7%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	13.7%	13.5%	14.0%	14.0%	14.0%	13.8%
EBIT Margin	11.6%	11.5%	12.0%	12.0%	12.0%	11.8%
Revenue Growth	8.6%	9.2%	10.3%	9.8%	9.3%	9.4%
EBIT Growth	8.7%	7.9%	15.3%	9.6%	9.1%	10.1%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	42.2x	40.9x	37.9x	34.0x	30.6x	37.1x
EV/Sales	3.1x	2.9x	2.6x	2.4x	2.2x	2.6x
EV/EBITDA	22.9x	21.2x	18.5x	16.9x	15.5x	19.0x
FCF Yield	2.4%	2.4%	2.6%	2.9%	3.3%	2.7%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
The Gap, Inc. (NYSE:GAP)	$8,478	$11,638	13.5x	$15,166	$1,698
Ross Stores, Inc. (NasdaqGS:ROST)	$51,685	$52,906	25.8x	$21,498	$3,051
Urban Outfitters, Inc. (NasdaqGS:URBN)	$5,795	$6,007	13.1x	$5,832	$680
Target Corporation (NYSE:TGT)	$42,132	$58,193	14.9x	$105,640	$8,668
The TJX Companies, Inc.	$155,967	$164,449	33.7x	$57,925	$7,655

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
The Gap, Inc. (NYSE:GAP)	6.9x	41.1%	11.2%	7.9%	(0.1%)
Ross Stores, Inc. (NasdaqGS:ROST)	17.3x	32.6%	14.2%	12.0%	1.9%
Urban Outfitters, Inc. (NasdaqGS:URBN)	8.8x	35.6%	11.7%	9.5%	9.6%
Target Corporation (NYSE:TGT)	6.7x	27.8%	8.2%	5.3%	(1.6%)
The TJX Companies, Inc.	21.5x	30.6%	13.2%	11.2%	4.1%

High	21.48x	41.1%	14.2%	12.0%	9.6%
75th Percentile	17.34x	35.6%	13.2%	11.2%	4.1%
Average	12.24x	33.5%	11.7%	9.2%	2.8%
Median	8.83x	32.6%	0.0%	9.5%	1.9%
25th Percentile	6.85x	30.6%	11.2%	7.9%	-0.1%
Low	6.71x	27.8%	8.2%	5.3%	-1.6%

The TJX Companies, Inc.		
Implied Enterprise Value (25th Percentile)	$	52,469
Implied Enterprise Value (Median)	**$**	**67,629**
Implied Enterprise Value (75th Percentile)	$	132,729
Implied Share Price (25th Percentile)	$	39.52
Implied Share Price (Median)	**$**	**53.15**
Implied Share Price (75th Percentile)	$	111.64

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.89
Risk Free Rate	4.39%
Cost of Equity	7.62%
Weighted Average Cost of Debt	5.40%
Tax Rate	25.00%
Cost of Debt	0.31%
Total Equity	$155,967
Total Debt	$8,482
Equity/Total Capitalization	92.24%
Debt/Total Capitalization	7.76%
WACC	7.94%

Downside Case: Tighter inventory availability, weaker US demand unsuccessful international expansion. 15x EV/EBITDA multiple implies a fair value of $107.

Upside Case: Upside derives from stronger discretionary spending and faster international growth. 23x EV/EBITDA multiple implies a fair value of $206.