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TJX[®] TJX Companies (TJX) Fiscal 2Q18 Results: Raises Guidance on Solid First Half, Traffic Continues to Drive Comps

Figure 1. TJX Companies Fiscal 2Q18 Key Metrics

	2Q18	2Q17	YoY Change
Revenues (USD Mil.)	\$8,357.7	\$7,882.1	6.0%
Gross Margin	28.5%	29.4%	(90) bps
SG&A/Sales	17.8%	17.7%	10 bps
Pretax Margin	10.7%	11.6%	(90) bps
EPS (USD)	\$0.85	\$0.84	1.2%

Source: Company reports/FGRT

- **TJX Companies reported fiscal 2Q18 EPS of \$0.85, above both the consensus estimate of \$0.84 and management's expectations.**
- **Total revenues increased by 6.0% year over year, to \$8.4 billion. Comps increased by 3.0%, versus expectations for a 2.2% increase. Marmaxx comps were up 2.0%, above expectations of 1.0%, while HomeGoods comps were up 7.0%, above expectations of 2.4%. TJX Canada comps were up 7.0% and TJX Europe comps were up 1% in the quarter.**
- **For the full year, management raised its EPS projections to \$3.89–\$3.93, versus prior guidance of \$3.71–\$3.78 and consensus of \$3.89. For the third quarter, the company expects EPS of \$0.98–\$1.00 versus consensus of \$1.00. That increase would represent growth of 18%–20% over the year-ago period's \$0.83.**

Fiscal 2Q18 Results

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Comps continued to be driven by strong traffic trends, and the overall merchandise margin was up.

During the quarter, TJX Companies increased its store count by 51, to a total of 3,913. Square footage was up 5% year over year.

Outlook

For the third quarter, the company expects EPS of \$0.98–\$1.00, versus consensus of \$1.00. That increase would represent growth of 18%–20% over the prior year period's EPS result of \$0.83. The guidance assumes that wage increases will negatively impact EPS growth by 1%. For the fourth quarter, the company also expects EPS of \$0.98–\$1.00, versus consensus of \$1.00. The guidance assumes that wage increases will negatively impact EPS growth by 1%, that changes in foreign currency will positively impact EPS



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growth by 3% and that a change in accounting rules for share-based compensation will positively impact EPS growth by an additional 2%. The outlook is based on expected comp growth of 1%–2%, which is below the consensus of 2.5%.

For the full year, management raised its EPS projections to \$3.89–\$3.93 from \$3.71–\$3.78 previously; consensus calls for full-year EPS of \$3.89. This full-year guidance includes an expected benefit of approximately \$0.11 per share from the 53rd week in fiscal year 2018. Full-year guidance assumes that wage increases will negatively impact EPS growth by 2%. The change in accounting rules for share-based compensation is expected to positively impact EPS growth by 2%. The guidance is based on an expected comp increase of 1%–2% for the full year.



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