

TJX COMPANIES INC /DE/  
Form 10-Q  
December 01, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q**

**(mark one)**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended October 29, 2011**

**Or**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-4908**

**The TJX Companies, Inc.**

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

04-2207613

(I.R.S. Employer Identification No.)

770 Cochituate Road Framingham, Massachusetts

(Address of principal executive offices)

01701

(Zip Code)

(508) 390-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer       Accelerated Filer       Non-Accelerated Filer       Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of shares of registrant's common stock outstanding as of October 29, 2011: 377,140,120

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THE TJX COMPANIES, INC.  
STATEMENTS OF INCOME  
(UNAUDITED)

AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Thirteen Weeks Ended	
	October 29, 2011	October 30, 2010
Net sales	\$ 5,793,128	\$ 5,525,847
Cost of sales, including buying and occupancy costs	4,166,587	4,006,404
Selling, general and administrative expenses	954,238	912,808
Interest expense, net	8,551	9,518
Income before provision for income taxes	663,752	597,117
Provision for income taxes	257,265	224,808
Net income	\$ 406,487	\$ 372,309
Basic earnings per share:		
Net income	\$ 1.08	\$ 0.94
Weighted average common shares basic	377,137	397,217
Diluted earnings per share:		
Net income	\$ 1.06	\$ 0.92
Weighted average common shares diluted	383,026	403,040
Cash dividends declared per share	\$ 0.19	\$ 0.15

The accompanying notes are an integral part of the financial statements.

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THE TJX COMPANIES, INC.  
 STATEMENTS OF INCOME  
 (UNAUDITED)  
 AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010
Net sales	\$ 16,481,697	\$ 15,610,467
Cost of sales, including buying and occupancy costs	11,969,880	11,374,288
Selling, general and administrative expenses	2,832,405	2,587,972
Provision (credit) for Computer Intrusion related costs		(11,550)
Interest expense, net	26,577	29,992
Income before provision for income taxes	1,652,835	1,629,765
Provision for income taxes	632,059	621,038
Net income	\$ 1,020,776	\$ 1,008,727
Basic earnings per share:		
Net income	\$ 2.67	\$ 2.50
Weighted average common shares basic	382,324	402,969
Diluted earnings per share:		
Net income	\$ 2.63	\$ 2.46
Weighted average common shares diluted	388,489	409,284
Cash dividends declared per share	\$ 0.57	\$ 0.45

The accompanying notes are an integral part of the financial statements.

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THE TJX COMPANIES, INC.  
BALANCE SHEETS  
IN THOUSANDS, EXCEPT SHARE DATA

	October 29, 2011 (unaudited)	January 29, 2011	October 30, 2010 (unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 956,932	\$ 1,741,751	\$ 1,339,065
Short-term investments	71,737	76,261	129,967
Accounts receivable, net	235,975	200,147	229,318
Merchandise inventories	3,706,022	2,765,464	3,272,960
Prepaid expenses and other current assets	366,183	249,832	290,465
Current deferred income taxes, net	81,202	66,072	34,867
<b>Total current assets</b>	<b>5,418,051</b>	<b>5,099,527</b>	<b>5,296,642</b>
Property at cost:			
Land and buildings	344,880	320,633	289,158
Leasehold costs and improvements	2,300,188	2,112,151	2,121,958
Furniture, fixtures and equipment	3,406,787	3,256,446	3,345,501
<b>Total property at cost</b>	<b>6,051,855</b>	<b>5,689,230</b>	<b>5,756,617</b>
Less accumulated depreciation and amortization	3,352,877	3,239,429	3,286,189
<b>Net property at cost</b>	<b>2,698,978</b>	<b>2,449,801</b>	<b>2,470,428</b>
Property under capital lease, net of accumulated amortization of \$23,266; \$21,591 and \$21,032, respectively	9,306	10,981	11,540
Other assets	224,687	231,518	223,641
Goodwill and tradename, net of amortization	179,958	179,936	179,897
<b>TOTAL ASSETS</b>	<b>\$ 8,530,980</b>	<b>\$ 7,971,763</b>	<b>\$ 8,182,148</b>
<b>LIABILITIES</b>			
Current liabilities:			
Obligation under capital lease due within one year	\$ 2,912	\$ 2,727	\$ 2,627
Accounts payable	2,048,362	1,683,929	1,974,272
Accrued expenses and other liabilities	1,328,226	1,347,951	1,253,053
Federal, foreign and state income taxes payable		98,514	
<b>Total current liabilities</b>	<b>3,379,500</b>	<b>3,133,121</b>	<b>3,229,952</b>
Other long-term liabilities	720,399	709,321	746,860
Non-current deferred income taxes, net	462,384	241,905	307,810
Obligation under capital lease, less portion due within one year	10,912	13,117	13,823

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Long-term debt, exclusive of current installments	774,457	774,400	774,381
Commitments and contingencies			
<b>SHAREHOLDERS EQUITY</b>			
Common stock, authorized 1,200,000,000 shares, par value \$1, issued and outstanding 377,140,120; 389,657,340 and 395,802,044, respectively	377,140	389,657	395,802
Additional paid-in capital			
Accumulated other comprehensive (loss)	(82,685)	(91,755)	(101,494)
Retained earnings	2,888,873	2,801,997	2,815,014
Total shareholders equity	3,183,328	3,099,899	3,109,322
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 8,530,980</b>	<b>\$ 7,971,763</b>	<b>\$ 8,182,148</b>

The accompanying notes are an integral part of the financial statements.

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THE TJX COMPANIES, INC.  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
IN THOUSANDS

	Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010
Cash flows from operating activities:		
Net income	\$ 1,020,776	\$ 1,008,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	356,943	341,069
Loss on property disposals	4,498	6,991
Deferred income tax provision	197,286	142,607
Share-based compensation	49,799	44,913
Excess tax benefits from share-based compensation	(34,063)	(23,410)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(35,518)	(43,943)
(Increase) in merchandise inventories	(931,492)	(719,710)
(Increase) in prepaid expenses and other current assets	(106,999)	(41,536)
Increase in accounts payable	358,899	454,738
(Decrease) in accrued expenses and other liabilities	(46,695)	(81,030)
Other	(2,604)	9,776
Net cash provided by operating activities	830,830	1,099,192
Cash flows from investing activities:		
Property additions	(661,419)	(540,351)
Purchase of short-term investments	(112,826)	(102,879)
Sales and maturities of short-term investments	117,696	108,844
Proceeds from sale of fixed assets	10,647	
Proceeds from repayments on note receivable	747	695
Net cash (used in) investing activities	(645,155)	(533,691)
Cash flows from financing activities:		
Cash payments for debt issuance expenses	(2,299)	(3,089)
Payments on capital lease obligation	(2,021)	(1,749)
Cash payments for repurchase of common stock	(974,756)	(845,522)
Proceeds from issuance of common stock	168,004	141,880
Excess tax benefits from share-based compensation	34,063	23,410
Cash dividends paid	(203,518)	(170,042)
Net cash (used in) financing activities	(980,527)	(855,112)



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Effect of exchange rate changes on cash	10,033	14,069
Net (decrease) in cash and cash equivalents	(784,819)	(275,542)
Cash and cash equivalents at beginning of year	1,741,751	1,614,607
Cash and cash equivalents at end of period	\$ 956,932	\$ 1,339,065

The accompanying notes are an integral part of the financial statements.

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THE TJX COMPANIES, INC.  
STATEMENT OF SHAREHOLDERS' EQUITY  
(UNAUDITED)  
IN THOUSANDS

	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	
	Shares	\$1				
Balance, January 29, 2011	389,657	\$ 389,657	\$	\$ (91,755)	\$ 2,801,997	\$ 3,099,899
Comprehensive income:						
Net income					1,020,776	1,020,776
Foreign currency translation adjustments				5,446		5,446
Recognition of prior service cost and deferred gains				3,624		3,624
Total comprehensive income						1,029,846
Cash dividends declared on common stock					(217,179)	(217,179)
Recognition of share-based compensation			49,799			49,799
Issuance of common stock under stock incentive plan and related tax effect	6,233	6,233	189,486			195,719
Common stock repurchased	(18,750)	(18,750)	(239,285)		(716,721)	(974,756)
Balance, October 29, 2011	377,140	\$ 377,140	\$	\$ (82,685)	\$ 2,888,873	\$ 3,183,328

The accompanying notes are an integral part of the financial statements.

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## THE TJX COMPANIES, INC.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**Note A. Summary of Significant Accounting Policies**

*Basis of Presentation:* The consolidated interim financial statements are unaudited and, in the opinion of management, reflect all normal recurring adjustments, the use of retail statistics, and accruals and deferrals among periods required to match costs properly with the related revenue or activity, considered necessary by The TJX Companies, Inc. (together with its subsidiaries, TJX) for a fair presentation of its financial statements for the periods reported, all in conformity with accounting principles generally accepted in the United States of America (GAAP) consistently applied. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes, contained in TJX's Annual Report on Form 10-K for the fiscal year ended January 29, 2011 (fiscal 2011).

These interim results are not necessarily indicative of results for the full fiscal year, because TJX's business, in common with the businesses of retailers generally, is subject to seasonal influences, with higher levels of sales and income generally realized in the second half of the year.

The January 29, 2011 balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

*Fiscal Year:* During fiscal 2010, TJX amended its bylaws to change its fiscal year end to the Saturday nearest to the last day of January of each year. Previously, TJX's fiscal year ended on the last Saturday of January. This change shifted the timing of TJX's next 53-week fiscal year to the year ending February 2, 2013. Fiscal 2011 and the fiscal year ending January 28, 2012 (fiscal 2012) are each 52-week fiscal years.

*Share-Based Compensation:* Total share-based compensation expense was \$18.1 million for the quarter ended October 29, 2011 and \$16.9 million for the quarter ended October 30, 2010. Total share-based compensation expense was \$49.8 million for the nine months ended October 29, 2011 and \$44.9 million for the nine months ended October 30, 2010. These amounts include stock option expense as well as restricted and deferred stock amortization. There were options to purchase 1.8 million shares of common stock exercised during the quarter ended October 29, 2011 and options to purchase 6.1 million shares of common stock exercised during the nine months ended October 29, 2011, leaving options to purchase 22.3 million shares of common stock outstanding as of October 29, 2011.

*Cash and Cash Equivalents:* TJX generally considers highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. Investments with maturities greater than three months but less than one year at the date of purchase are included in short-term investments. TJX's investments are primarily high-grade commercial paper, institutional money market funds and time deposits with major banks.

*Merchandise Inventories:* TJX accrues for inventory purchase obligations at the time of shipment by the vendor. As a result, merchandise inventories on TJX's balance sheet include an accrual for in-transit inventory of \$504.3 million at October 29, 2011, \$445.7 million at January 29, 2011 and \$493.8 million at October 30, 2010. Comparable amounts were reflected in accounts payable at those dates.

*New Accounting Standards:* There were no new accounting standards issued during the third quarter ended October 29, 2011 that are expected to have a material impact on TJX's financial condition, results of operations or cash flows.

**Note B. Provision (credit) for Computer Intrusion Related Costs**

TJX has a reserve for its estimate of the remaining probable losses arising from an unauthorized intrusion or intrusions (the intrusion or intrusions, collectively, the Computer Intrusion) into portions of its computer system, which was discovered late in fiscal 2007 and in which TJX believes customer data were stolen. The reserve balance was \$16.4 million at October 29, 2011 and \$18.8 million at October 30, 2010. As an estimate, the reserve is subject

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to uncertainty, and actual costs may vary from the current estimate, although such variations are not expected to be material.

**Note C. Dispositions and Reserves related to Former Operations**

*Consolidation of A.J. Wright:* On December 8, 2010, TJX's Board of Directors approved the consolidation of TJX's A.J. Wright division, converting 90 A.J. Wright stores into T.J. Maxx, Marshalls or HomeGoods stores and closing A.J. Wright's remaining 72 stores, two distribution centers and home office. The liquidation process commenced in the fourth quarter of fiscal 2011 and 20 stores had been closed as of January 29, 2011. The first quarter and the first nine months of fiscal 2012 include a \$49 million A.J. Wright segment loss which includes operating losses and the cost to close the remaining stores. The first nine months of fiscal 2012 also includes \$20 million of costs to convert the 90 A.J. Wright stores to other banners, with \$17 million incurred by the Marmaxx segment and \$3 million incurred by the HomeGoods segment. The consolidation of A.J. Wright was completed during the first quarter of fiscal 2012. The A.J. Wright consolidation was not classified as a discontinued operation due to TJX's expectation that a significant portion of the sales of the A.J. Wright stores would migrate to other TJX stores.

*Reserves Related to Former Operations:* TJX has a reserve for its estimate of future obligations of business operations it has closed, sold or otherwise disposed of. The reserve activity is presented below:

In thousands	Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010
Balance at beginning of year	\$ 54,695	\$ 35,897
Additions to the reserve charged to net income:		
A.J. Wright closing costs	32,686	
Interest accretion	646	1,106
Charges against the reserve:		
Lease-related obligations	(18,952)	(5,661)
Termination benefits and all other	(16,761)	(116)
Balance at end of period	\$ 52,314	\$ 31,226

In the first quarter of fiscal 2012, TJX increased this reserve by \$33 million for the estimated costs of closing the A.J. Wright stores that were not converted to other banners or closed in fiscal 2011 including lease-related obligations and severance and termination benefits. The lease-related obligations included in the reserve reflect TJX's estimation of lease costs, net of estimated subtenant income, and the cost of probable claims against TJX for liability, as an original lessee or guarantor of the leases of A.J. Wright and other former TJX businesses, after mitigation of the number and cost of these lease obligations. The actual net cost of these lease-related obligations may differ from TJX's estimate. TJX estimates that the majority of the former operations reserve will be paid in the next three to five years. The actual timing of cash outflows will vary depending on how the remaining lease obligations are actually settled.

In addition to the lease-related obligations included in the reserve, TJX may also be contingently liable on up to 13 leases of BJ's Wholesale Club, and up to seven leases of Bob's Stores, both former TJX businesses. The reserve for discontinued operations does not reflect these leases because TJX believes that the likelihood of future liability to TJX is remote.

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TJX's comprehensive income information, net of related tax effects, is presented below:

In thousands	Thirteen Weeks Ended	
	October 29, 2011	October 30, 2010
Net income	\$ 406,487	\$ 372,309
Other comprehensive income (loss):		
Foreign currency translation adjustments	(37,851)	30,399
Recognition of prior service cost and deferred gains	1,640	840
Total comprehensive income	\$ 370,276	\$ 403,548

In thousands	Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010
Net income	\$ 1,020,776	\$ 1,008,727
Other comprehensive income (loss):		
Foreign currency translation adjustments	5,446	28,716
Recognition of prior service cost and deferred gains	3,624	3,914
Total comprehensive income	\$ 1,029,846	\$ 1,041,357

**Note E. Capital Stock and Earnings Per Share**

*Capital Stock:* During the quarter ended October 29, 2011, TJX repurchased and retired 5.5 million shares of its common stock at a cost of \$295.1 million. For the nine months ended October 29, 2011, TJX repurchased and retired 18.6 million shares of its common stock at a cost of \$967.7 million. TJX reflects stock repurchases in its financial statements on a settlement basis. TJX had cash expenditures under its repurchase programs of \$974.8 million for the nine months ended October 29, 2011 and \$845.5 million for the nine months ended October 30, 2010. These expenditures were funded primarily by cash generated from operations. In June 2011, TJX completed the \$1 billion stock repurchase program authorized in February 2010 under which TJX repurchased 20.6 million shares of common stock.

In February 2011, TJX's Board of Directors approved another stock repurchase program that authorizes the repurchase of up to \$1 billion of TJX common stock from time to time. Under this program, on a trade date basis at October 29, 2011, TJX repurchased 6.9 million shares of common stock at a cost of \$373.4 million and \$626.6 million remained available under this plan. All shares repurchased under the stock repurchase programs have been retired.

TJX has five million shares of authorized but unissued preferred stock, \$1 par value.

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*Earnings per share:* The following schedule presents the calculation of basic and diluted earnings per share ( EPS ) for net income:

In thousands, except per share data	Thirteen Weeks Ended	
	October 29, 2011	October 30, 2010
<i>Basic earnings per share</i>		
Net income	\$ 406,487	\$ 372,309
Weighted average common shares outstanding for basic EPS	377,137	397,217
Basic earnings per share	\$ 1.08	\$ 0.94
<i>Diluted earnings per share</i>		
Net income	\$ 406,487	\$ 372,309
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	377,137	397,217
Assumed exercise/vesting of:		
Stock options and awards	5,889	5,823
Weighted average common shares outstanding for diluted EPS	383,026	403,040
Diluted earnings per share	\$ 1.06	\$ 0.92
In thousands, except per share data	Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010
<i>Basic earnings per share</i>		
Net income	\$ 1,020,776	\$ 1,008,727
Weighted average common shares outstanding for basic EPS	382,324	402,969
Basic earnings per share	\$ 2.67	\$ 2.50
<i>Diluted earnings per share</i>		
Net income	\$ 1,020,776	\$ 1,008,727
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	382,324	402,969
Assumed exercise/vesting of:		
Stock options and awards	6,165	6,315
Weighted average common shares outstanding for diluted EPS	388,489	409,284
Diluted earnings per share	\$ 2.63	\$ 2.46

The weighted average common shares for the diluted earnings per share calculation would exclude the impact of any outstanding stock options for which the assumed proceeds per share are in excess of the related fiscal period's average price of TJX's common stock because they would have an antidilutive effect. There were no such options for the thirteen weeks ended October 29, 2011. There were 3.9 million options excluded for the thirty-nine weeks ended October 29, 2011. There were no such options for the thirteen weeks or the thirty-nine weeks ended October 30, 2010.