

TJX COMPANIES INC /DE/
Form 10-Q
May 28, 2010

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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 May 1, 2010**

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 May 1, 2010: 407,979,188

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EX-10.8 The Settlement Agreement by and between The TJX Companies, Inc. and Mastercard International Incorporated, dated April 2, 2008

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EX-101 INSTANCE DOCUMENT

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

AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	Thirteen Weeks Ended	
	May 1, 2010	May 2, 2009
Net sales	\$ 5,016,540	\$ 4,354,224
Cost of sales, including buying and occupancy costs	3,648,674	3,273,346
Selling, general and administrative expenses	821,363	735,057
Interest expense, net	10,202	6,601
Income before provision for income taxes	536,301	339,220
Provision for income taxes	204,867	130,006
Net income	\$ 331,434	\$ 209,214
Basic earnings per share:		
Net income	\$ 0.81	\$ 0.51
Weighted average common shares basic	408,053	412,544
Diluted earnings per share:		
Net income	\$ 0.80	\$ 0.49
Weighted average common shares diluted	414,400	431,920
Cash dividends declared per share	\$ 0.15	\$ 0.12

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

	May 1, 2010 (unaudited)	January 30, 2010	May 2, 2009 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,833,270	\$ 1,614,607	\$ 1,012,495
Short-term investments	126,071	130,636	56,747
Accounts receivable, net	168,043	148,126	150,406
Merchandise inventories	2,615,079	2,532,318	2,817,711
Prepaid expenses and other current assets	240,415	255,707	231,067
Current deferred income taxes, net	122,539	122,462	138,487
Total current assets	5,105,417	4,803,856	4,406,913
Property at cost:			
Land and buildings	282,296	281,527	277,087
Leasehold costs and improvements	1,953,608	1,930,977	1,767,692
Furniture, fixtures and equipment	3,141,442	3,087,419	2,833,906
Total property at cost	5,377,346	5,299,923	4,878,685
Less accumulated depreciation and amortization	3,122,971	3,026,041	2,725,948
Net property at cost	2,254,375	2,273,882	2,152,737
Property under capital lease, net of accumulated amortization of \$19,916; \$19,357 and \$17,682, respectively	12,656	13,215	14,890
Other assets	202,161	193,230	184,734
Goodwill and tradename, net of amortization	179,901	179,794	179,593
TOTAL ASSETS	\$ 7,754,510	\$ 7,463,977	\$ 6,938,867
LIABILITIES			
Current liabilities:			
Current installments of long-term debt	\$	\$	\$ 742,227
Obligation under capital lease due within one year	2,434	2,355	2,218
Accounts payable	1,684,956	1,507,892	1,551,403
Accrued expenses and other liabilities	1,079,451	1,248,002	982,156
Federal, foreign and state income taxes payable	247,794	136,737	50,250
Total current liabilities	3,014,635	2,894,986	3,328,254
Other long-term liabilities	688,123	697,099	734,262
Non-current deferred income taxes, net	222,836	192,447	148,946

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Obligation under capital lease, less portion due within one year	15,194	15,844	17,628
Long-term debt, exclusive of current installments	774,344	774,325	374,303
Commitments and contingencies			
SHAREHOLDERS EQUITY			
Common stock, authorized 1,200,000,000 shares, par value \$1, issued and outstanding 407,979,188; 409,386,126 and 413,533,634, respectively	407,979	409,386	413,534
Additional paid-in capital			11,668
Accumulated other comprehensive (loss)	(137,298)	(134,124)	(188,834)
Retained earnings	2,768,697	2,614,014	2,099,106
Total shareholders equity	3,039,378	2,889,276	2,335,474
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 7,754,510	\$ 7,463,977	\$ 6,938,867

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

	Thirteen Weeks Ended	
	May 1, 2010	May 2, 2009
Cash flows from operating activities:		
Net income	\$ 331,434	\$ 209,214
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	113,613	104,147
Loss on property disposals	1,788	326
Deferred income tax provision	18,159	18,301
Amortization of stock compensation expense	13,313	12,404
Excess tax benefits from stock compensation expense	(15,475)	(166)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(19,894)	(6,077)
(Increase) in merchandise inventories	(79,328)	(183,812)
Decrease in prepaid expenses and other current assets	7,456	37,828
Increase in accounts payable	175,234	267,451
(Decrease) in accrued expenses and other liabilities	(13,502)	(100,765)
Other	(5,382)	2,180
Net cash provided by operating activities	527,416	361,031
Cash flows from investing activities:		
Property additions	(149,094)	(66,449)
Purchase of short-term investments	(29,192)	(56,747)
Sales and maturities of short-term investments	39,904	
Proceeds from repayments on note receivable	227	212
Net cash (used in) investing activities	(138,155)	(122,984)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		374,295
Cash payments for debt issuance expenses		(3,234)
Payments on capital lease obligation	(571)	(528)
Cash payments for repurchase of common stock	(230,222)	(32,424)
Proceeds from issuance of common stock	88,090	10,245
Excess tax benefits from stock compensation expense	15,475	166
Cash dividends paid	(49,092)	(45,408)
Net cash (used in) provided by financing activities	(176,320)	303,112
Effect of exchange rate changes on cash	5,722	17,809

Net increase in cash and cash equivalents	218,663	558,968
Cash and cash equivalents at beginning of year	1,614,607	453,527
Cash and cash equivalents at end of period	\$ 1,833,270	\$ 1,012,495

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 30, 2010	409,386	\$ 409,386	\$	\$ (134,124)	\$ 2,614,014	\$ 2,889,276
Comprehensive income:						
Net income				331,434	331,434	
Foreign currency translation adjustments				(4,712)	(4,712)	
Recognition of prior service cost and deferred gains				1,538	1,538	
Total comprehensive income						328,260
Cash dividends declared on common stock				(61,249)	(61,249)	
Amortization of share-based compensation expense			13,313			13,313
Issuance of common stock under stock incentive plan and related tax effect	3,993	3,993	96,007			100,000
Common stock repurchased	(5,400)	(5,400)	(109,320)		(115,502)	(230,222)
Balance, May 1, 2010	407,979	\$ 407,979	\$	\$ (137,298)	\$ 2,768,697	\$ 3,039,378

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 (U.S. 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 30, 2010 (fiscal 2010).

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.

Share-Based Compensation Total share-based compensation expense was \$13.3 million for the quarter ended May 1, 2010 and \$12.4 million for the quarter ended May 2, 2009. These amounts include stock option expense as well as restricted and deferred stock amortization. There were options to purchase 3.8 million shares of common stock exercised during the first quarter ended May 1, 2010. There were options to purchase 24.0 million shares of common stock outstanding as of May 1, 2010.

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 a year at the date of purchase are included in short-term investments. TJX's investments are primarily high-grade commercial paper, government and corporate bonds, 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 \$354.5 million at May 1, 2010, \$396.8 million at January 30, 2010 and \$317.3 million at May 2, 2009. A liability for a comparable amount is included in accounts payable for the respective periods.

New Accounting Standards There were no new accounting standards issued during the first quarter ended May 1, 2010 that are expected to have a material impact on TJX's financial condition, results of operations or cash flows.

Note B. Commitments and Contingencies

Provision for Computer Intrusion related costs TJX has a reserve for its estimate of the total 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 \$22.5 million at May 1, 2010. As an estimate, the reserve is subject to uncertainty, actual costs may vary from the current estimate and such variations may be material. TJX may decrease or increase the amount of the reserve to adjust for matters such as developments in litigation, claims and related expenses, insurance proceeds and changes in the estimate.

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Reserve for Discontinued Operations TJX has a reserve for future obligations of discontinued operations that relates primarily to real estate leases associated with 34 discontinued A.J. Wright stores that were closed in the fourth quarter of fiscal 2007, three leases related to the sale of Bob's Stores and leases of other TJX businesses. The balance in the reserve and the activity for respective periods are presented below:

In thousands	Thirteen Weeks Ended	
	May 1, 2010	May 2, 2009
Balance at beginning of year	\$ 35,897	\$ 40,564
Additions to the reserve charged to net income:		
Interest accretion	369	440
Cash charges against the reserve:		
Lease-related obligations	(2,996)	(1,320)
Termination benefits and all other	(51)	(35)
Balance at end of period	\$ 33,219	\$ 39,649

TJX may also be contingently liable on up to 15 leases of BJ's Wholesale Club, a former TJX business, and up to seven additional Bob's Stores leases. The reserve for discontinued operations does not reflect these leases because TJX does not believe that the likelihood of future liability to TJX is probable.

Note C. Other Comprehensive Income

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

In thousands	Thirteen Weeks Ended	
	May 1, 2010	May 2, 2009
Net income	\$ 331,434	\$ 209,214
Other comprehensive income (loss):		
Foreign currency translation adjustments	(4,712)	28,477
Recognition of unfunded post retirement obligations		(1,212)
Recognition of prior service cost and deferred gains	1,538	1,682
Total comprehensive income	\$ 328,260	\$ 238,161

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Capital Stock During the quarter ended May 1, 2010, TJX repurchased and retired 5.5 million shares of its common stock at a cost of \$234.1 million. TJX reflects stock repurchases in its financial statements on a settlement basis. TJX's expenditures for its repurchase programs were \$230.2 million for the three months ended May 1, 2010 and \$32.4 million for the three months ended May 2, 2009, funded primarily by cash generated from operations. As of May 1, 2010, on a trade date basis, TJX had repurchased 11.0 million shares of common stock at a cost of \$439.1 million under a \$1 billion stock repurchase program authorized in September 2009. All shares repurchased under the Company's stock repurchase programs during the first quarters of fiscal 2011 and fiscal 2010 were retired. In February 2010, TJX's Board of Directors approved a new stock repurchase program that authorizes the repurchase of up to an additional \$1 billion of TJX common stock from time to time.

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

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	
	May 1, 2010	May 2, 2009
<i>Basic earnings per share</i>		
Net income	\$ 331,434	\$ 209,214
Weighted average common shares outstanding for basic EPS	408,053	412,544
Basic earnings per share – continuing operations	\$ 0.81	\$ 0.51
<i>Diluted earnings per share</i>		
Net income	\$ 331,434	\$ 209,214
Add back: Interest expense on zero coupon convertible subordinated notes, net of income taxes		1,072
Net income used for diluted EPS calculation	\$ 331,434	\$ 210,286
Shares for basic and diluted earnings per share calculations:		
Weighted average common shares outstanding for basic EPS	408,053	412,544
Assumed conversion/exercise/vesting of:		
Stock options and awards	6,347	4,224
Zero coupon convertible subordinated notes		15,152
Weighted average common shares outstanding for diluted EPS	414,400	431,920
Diluted earnings per share	\$ 0.80	\$ 0.49

In April 2009, TJX called for the redemption of its zero coupon convertible subordinated notes. There were 462,057 of such notes with a carrying value of \$365.1 million that were converted into 15.1 million shares of TJX common stock at a conversion rate of 32.667 shares per note, most during the second quarter of fiscal 2010. TJX paid \$2.3 million to redeem the remaining 2,886 notes outstanding that were not converted.

The weighted average common shares for the diluted earnings per share calculation excludes the impact of outstanding stock options if the assumed proceeds per share of the option is in excess of the related fiscal period's average price of TJX's common stock. Such options are excluded because they would have an antidilutive effect. No

such options were excluded for the thirteen weeks ended May 1, 2010. There were 14.3 million options excluded for the thirteen weeks ended May 2, 2009.

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TJX enters into financial instruments to manage its cost of borrowing and to manage its exposure to changes in fuel costs and foreign currency exchange rates. TJX recognizes all derivative instruments as either assets or liabilities in the statements of financial position and measures those instruments at fair value. Changes to the fair value of derivative contracts that do not qualify for hedge accounting are reported in earnings in the period of the change. For derivatives that qualify for hedge accounting, changes in the fair value of the derivatives are either recorded in shareholders' equity as a component of other comprehensive income or are recognized currently in earnings, along with an offsetting adjustment against the basis of the item being hedged. The fair values of the derivatives are classified as assets or liabilities, current or non-current, based upon valuation results and settlement dates of the individual contracts.

Interest Rate Contracts During fiscal 2004, TJX entered into interest rate swaps with respect to \$100 million of the \$200 million ten-year notes outstanding at that time. Under these interest rate swaps, which settled in December 2009, TJX paid a specific variable interest rate indexed to the six-month LIBOR rate and received a fixed rate applicable to the underlying debt, effectively converting the interest on a portion of the notes from fixed to a floating rate of interest. The interest income/expense on the swaps was accrued as earned and recorded as an adjustment to the interest expense accrued on the fixed-rate debt. The interest rate swaps were designated as fair value hedges on the underlying debt.

Diesel Fuel Contracts During fiscal 2010, TJX entered into agreements to hedge a portion of its notional diesel requirements for fiscal 2011 based on the diesel fuel consumed by independent freight carriers transporting the Company's inventory. These economic hedges relate to 10% of TJX's notional diesel requirements in the second quarter of fiscal 2011 and 20% of its notional diesel requirements in the third and fourth quarters of fiscal 2011. These diesel fuel hedge agreements will settle during the last three quarters of fiscal 2011 and expire in February 2011. During fiscal 2009, TJX entered into agreements to hedge approximately 30% of its notional diesel fuel requirements for fiscal 2010, which settled throughout the year and terminated in February 2010. Independent freight carriers transporting the Company's inventory charge TJX a mileage surcharge for diesel fuel price increases as incurred by the carrier. The hedge agreements are designed to mitigate the volatility of diesel fuel pricing (and the resulting per mile surcharges payable by TJX) by setting a fixed price per gallon for the year. TJX elected not to apply hedge accounting rules to these contracts.

Foreign Currency Contracts TJX enters into forward foreign currency exchange contracts to obtain economic hedges on portions of firm U.S. dollar and Euro denominated merchandise purchase commitments made by T.K. Maxx (United Kingdom, Ireland, Germany and Poland), Winners (Canada) and Marmaxx. These commitments are typically twelve months or less in duration. The contracts outstanding at May 1, 2010 cover certain commitments for the three remaining quarters of fiscal 2011. TJX elected not to apply hedge accounting rules to these contracts. TJX also enters into derivative contracts, generally designated as fair value hedges, to hedge intercompany debt and intercompany interest payable. The changes in fair value of these contracts are recorded in selling, general and administrative expenses and are offset by marking the underlying item to fair value in the same period. Upon settlement, the realized gains and losses on these contracts are offset by the realized gains and losses of the underlying item in selling, general and administrative expenses. There were no such contracts outstanding as of May 1, 2010.

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Following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at May 1, 2010:

In thousands	Pay	Receive	Blended Contract Rate	Current Sheet Location	Current Asset US\$	Current (Liability) US\$	Net Fair Value in US\$ at May 1, 2010
Hedge accounting not elected:							
Diesel contracts	Fixed on 260K - 520K gal per month	Float on 260K - 520K gal per month	N/A	Prepaid	Exp \$ 940	\$	\$ 940
Merchandise purchase commitments				Prepaid	Exp/ (Accrued		
	C\$ 313,797	US\$ 307,012	0.9784	Exp) 2,073	(3,149)	(1,076)	
	C\$ 6,379	4,650	0.7290	Exp)	(85)	(85)	
	£ 86,258	US\$ 132,236	1.5330	Prepaid			
				Exp/ (Accrued			
	£ 81,848	92,868	1.1346	Exp) 641	(109)	532	
				(Accrued			
	US\$ 1,639	1,167	1.4046	Exp)	(1,496)	(1,496)	
				(Accrued			
				Exp)	(88)	(88)	
Total fair value of all financial instruments					\$3,654	\$(4,927)	\$(1,273)

Following is a summary of TJX's derivative financial instruments, related fair value and balance sheet classification at May 2, 2009: