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INVESTORS EDGE

TJ Maxx delivers bargains and growth

"I buy expensive suits. They just look cheap on me." — Warren Buffet

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Back in February of this year, I recommended Ollie's Bargain Outlets, a discount retail chain with locations in DeWitt and Cicero. Since then, Ollie's is up a whopping 65 percent while the S&P 500 index is roughly flat.

Merry Christmas, my readers!

Now, given the hustle and bustle of the holiday season, I thought I would write to you about another discount retailer that I am willing to bet most of our readers shop at: TJ Maxx.

In fact, every year around the 20th of December, my wife asks me if my Christmas shopping is done and if I got something nice for my in-laws. My answer, of course, is no.

But this reminder usually sends me straight to the Fayetteville TJ Maxx. There, I can always find quality gifts at cheap prices, and everyone is reminded what a great son-in-law I am.

As we are all aware, traditional retailers have been shredded in the age of Amazon, Alibaba, and Overstock.com. ShoppingTown mall is now a ghost town, JC Penney continues to rapidly close stores, and Sears, once the world's largest retailer, is now in bankruptcy.

But discount retail chains, such as Ollie's and TJ Maxx, have surged, growing in popularity and effectively competing with online shopping.

Headquartered in Framingham, Massachusetts, TJX Companies (ticker symbol: TJX) is a multinational off-price department store company, sporting roughly 4,000 stores in half a dozen countries. With several stores in the Syracuse area, you likely know this company by other names including Marshalls, HomeGoods, and Sierra Trading Post.

TJX has a long history of delivering strong returns to its shareholders.

Currently selling at $45 per share after recently completing a 2-for-1 stock split, TJX has a long history of delivering strong returns to its shareholders. Despite now being roughly 18 percent off its all-time high, TJX is up 20 percent year-to-date with the S&P 500 Index being slightly up at the time of this writing.

The allure of TJX should be no secret to most readers. The company sells quality, name-brand merchandise at reduced prices

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of 20 to 60 percent. TJX buys excess inventory from manufacturers and ailing "Amazoned" department stores at rock-bottom prices, and passes on the savings to the consumer.

In fact, TJX now buys its merchandise from more than 20,000 vendors in more than 100 countries. This powerful business model allows the company to sell many of its products at prices that are, in fact, lower than Amazon's.

At TJ Maxx, you can find brands such as Polo, Tommy Hilfiger, Calvin Klein, Michael Kors, and more. In addition to apparel, TJ Maxx holds a wide variety of name-brand furniture, jewelry, shoes, housewares, and cosmetics.

This business model has been a home run with consumers, holding steady during the Great Recession of 2008-2009 and thriving during the recovery. In fact, TJX has delivered more than 10 straight years of earnings growth including double digit growth the last five years.

Last year the company did more than $35 billion in sales, nearly $10 billion more than Macy's and the most of any discount retail chain.

While traditional department stores have closed many of their brick and mortar stores, consolidated inventory, and tried to compete with Amazon online, TJX has done the opposite. For the past five years, the company has opened on average 200 new stores! They have also raised their long-run store target to more than 6,000 locations, meaning significant additional expansion is likely.

As I have stated before, I like to invest in growing companies, with sustainable business models, that sell products I can use. For many of us, TJ Maxx and Marshalls fit the bill perfectly.

So while we will assuredly roam its aisles this holiday season, it might be a good idea to stuff your stocking with some TJX stock. Fresh off a 2-for-1 stock split, and more than 15 percent off its all-time high, local investors should buy in on this long-term bargain.

Happy Holidays!

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com.