

The TJX Companies, Inc.
Financial Reconciliations

Explanation of Non-GAAP Financial Measures

The Company reports its financial results in accordance with generally accepted accounting principles in the U.S. (GAAP). However, management believes that certain non-GAAP financial measures used in managing the business may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods and between results in prior periods and expectations for future periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance.

The tables below provide supplemental non-GAAP financial data and corresponding reconciliations to GAAP financial measures. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

Table 1: Reconciliation of Reported Earnings Per Share from Continuing Operations

	FY	
	<u>FY19</u>	<u>FY20</u>
EPS from continuing operations	\$2.43	\$2.67
<i>Y/Y EPS Growth</i>		10%
<u>Adjustments for items impacting comparability</u>		
Pension settlement charge ⁽¹⁾	0.02	
Adjusted EPS excluding charges	<u>\$2.45</u>	<u>\$2.67</u>
<i>Adjusted Y/Y EPS Growth</i>		9%

Note: Figures may not foot due to rounding.

(1) In Q3 FY19, the Company purchased a group annuity contract under which the pension benefit obligations for certain U.S. retirees and beneficiaries under the Company's pension plan were transferred to an insurer. As a result of this transaction, the pension plan's total liability has been re-measured, resulting in a non-cash settlement charge to the Company that reduced third quarter Fiscal 2019 pretax income by \$36 million.

Table 2: Reconciliation of Q4 FY19 to Q4 FY20 Margins ⁽¹⁾

<u>FY19 Q4:</u>	Total TJX	Marmaxx	HomeGoods	TJX Canada	TJX International
FY19 Q4 profit margin	10.6%	13.3%	12.5%	10.1%	6.2%
<i>Impact of foreign currency ⁽²⁾</i>	<u>0.1</u>	-	-	<u>0.6</u>	<u>0.7</u>
FY19 Q4 adjusted profit margin ex-fx	<u>10.7%</u>	13.3%	12.5%	10.7%	6.9%

<u>FY20 Q4:</u>	Total TJX	Marmaxx	HomeGoods	TJX Canada	TJX International
FY20 Q4 profit margin	10.9%	13.5%	12.4%	11.5%	7.5%
<i>Impact of foreign currency ⁽²⁾</i>	<u>(0.1)</u>	-	-	<u>(0.4)</u>	<u>(0.5)</u>
FY20 Q4 adjusted profit margin ex-fx	10.8%	13.5%	12.4%	11.1%	7.0%

Note: Figures may not foot due to rounding.

(1) Profit margin is pretax profit margin for total TJX and segment profit margin for each of our business segments.

(2) Foreign currency includes the impact of translation as well as the mark-to-market adjustment of our inventory derivatives. Foreign currency translation only impacts year over year comparisons, therefore Q4 FY19 does not include an adjustment for translation.

Table 3: Reconciliation of FY19 to FY20 Margins ⁽¹⁾

<u>FY19 Full Year Actual:</u>	Total TJX	Marmaxx	HomeGoods	TJX Canada	TJX International
FY19 profit margin	10.7%	13.5%	11.6%	14.3%	5.4%
<i>Pension settlement charge ⁽²⁾</i>	<u>0.1</u>	-	-	-	-
FY19 adjusted profit margin excluding charge	10.8%	13.5%	11.6%	14.3%	5.4%
<i>Impact of foreign currency ⁽³⁾</i>	<u>(0.0)</u>	-	-	<u>0.0</u>	<u>(0.1)</u>
FY19 adjusted profit margin ex-fx and charge	10.8%	13.5%	11.6%	14.3%	5.4%
 <u>FY20 Full Year Actual:</u>					
FY20 profit margin	10.6%	13.5%	10.7%	12.8%	5.4%
<i>Impact of foreign currency ⁽³⁾</i>	<u>(0.0)</u>	-	-	<u>(0.1)</u>	<u>(0.1)</u>
FY20 adjusted profit margin ex-fx	10.5%	13.5%	10.7%	12.6%	5.4%

Note: Figures may not foot due to rounding.

(1) Profit margin is pretax profit margin for total TJX and segment profit margin for each of our business segments.

(2) In Q3 FY19, the Company purchased a group annuity contract under which the pension benefit obligations for certain U.S. retirees and beneficiaries under the Company's pension plan were transferred to an insurer. As a result of this transaction, the pension plan's total liability has been re-measured, resulting in a non-cash settlement charge to the Company that reduced third quarter Fiscal 2019 pretax income by \$36 million.

(3) Foreign currency includes the impact of translation as well as the mark-to-market adjustment of our inventory derivatives. Foreign currency translation only impacts year over year comparisons, therefore FY19 does not include an adjustment for translation.

Table 4: Reconciliation of FY20 to FY21 Estimated Margins ⁽¹⁾

FY20 Full Year Actual:	Total TJX	Marmaxx	HomeGoods	TJX Canada	TJX International
FY20 profit margin	10.6%	13.5%	10.7%	12.8%	5.4%
<i>Impact of foreign currency ⁽²⁾</i>	<u>(0.0)</u>	-	-	<u>(0.2)</u>	<u>0.0</u>
FY20 adjusted profit margin ex-fx	10.5%	13.5%	10.7%	12.6%	5.4%
FY21 Full Year Guidance:					
FY21 estimated profit margin	10.2% - 10.4%	13.0% - 13.2%	9.8% - 10.0%	11.9%- 12.1%	5.4%- 5.6%
<i>Estimated impact of foreign currency ⁽²⁾</i>	<u>(0.0)</u>	-	-	<u>0.0</u>	<u>(0.1)</u>
FY21 estimated adjusted profit margin ex-fx	10.1% - 10.3%	13.0% - 13.2%	9.8% - 10.0%	12.0%- 12.2%	5.4% - 5.6%

Note: Figures may not foot due to rounding.

(1) Profit margin is pretax profit margin for total TJX and segment profit margin for each of our business segments.

(2) Foreign currency includes the impact of translation as well as the mark-to-market adjustment of our inventory derivatives. Foreign currency translation only impacts year over year comparisons, therefore FY20 does not include an adjustment for translation.

Table 5: Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

	Full Year	
	<u>FY19</u> (In millions)	<u>FY20</u> (In millions)
Net cash provided by operating activities	\$ 4,088	\$ 4,067
Capital spending	\$(1,125)	\$(1,223)
Free cash flow	<u><u>\$ 2,963</u></u>	<u><u>\$ 2,843</u></u>

Note: Figures may not foot due to rounding.

Table 6: Calculation of Return on Invested Capital

Although ROIC is a standard financial measure, numerous methods exist for calculating a company's ROIC. The method used by management to calculate our ROIC may differ from the methods used by other companies to calculate their ROIC.

In FY20, in light of new lease accounting rules, management adopted a new methodology which replaces rent expense with balance sheet lease liability and its implied interest expense. We believe that this methodology is more closely aligned with current industry and third party retail analyst methods. This methodology is different from the methods of calculating ROIC for FY19 shown below that we use for internal purposes.

Details of our FY20 and FY19 ROIC calculations are shown below under each year's respective methodologies.

Calculation for Adjusted PreTax Income

	Full Year	
	<u>FY19</u> (In millions)	<u>FY20</u> (In millions)
Pretax Income		
	\$4,173	\$4,406
Pension settlement charge ⁽¹⁾	\$36	
Adjusted Pretax Income	<u>\$4,209</u>	<u>\$4,406</u>

Calculation of Return on Invested Capital

	<u>FY19</u> (In millions)	<u>FY20</u> (In millions)
	Numerator	
Adjusted pretax income	\$4,209	\$4,406
Add interest expense	\$9	\$10
Add rent expense	\$1,659	N/A
Add interest on operating lease liabilities ⁽²⁾	N/A	\$269
Income tax rate	26.7%	25.7%
Income tax adjustment	(\$1,568)	(\$1,204)
Adjusted Operating Income	<u>\$4,309</u>	<u>\$3,481</u>
Denominator		
Average long term debt	\$2,232	\$2,235
Average shareholder's equity	\$5,098	\$5,498
Average 8x rent	\$13,002	N/A
Average operating lease liability	N/A	\$9,034
Average ending cash and short term investments	(\$3,147)	(\$3,123)
Average Invested Capital	<u>\$17,185</u>	<u>\$13,643</u>
Return on Invested Capital (ROIC)	25%	26%

Note: Figures may not foot due to rounding.

(1) In Q3 FY19, the Company purchased a group annuity contract under which the pension benefit obligations for certain U.S. retirees and beneficiaries under the Company's pension plan were transferred to an insurer. As a result of this transaction, the pension plan's total liability has been re-measured, resulting in a non-cash settlement charge to the Company that reduced third quarter Fiscal 2019 pretax income by \$36 million.

(2) Represents the Company's estimate of the interest expense we would incur if the Company's operating leases were owned or accounted for as finance leases. The interest is calculated using the implied discount rate for each lease and is recorded as a component of rent expense included within cost of sales, including buying and occupancy costs.