

COSTCO WHOLESAL NDQ-COST RECENT PRICE **298.39** P/E RATIO **35.6** (Trailing: 37.4 Median: 24.0) RELATIVE P/E RATIO **2.11** DIV'D YLD **0.9%** VALUE LINE

TIMELINESS 1 Raised 8/9/19	High: 75.2	61.3	73.2	88.7	106.0	126.1	146.8	169.7	169.6	195.4	245.2	307.3								Target Price	Range	
SAFETY 1 Raised 2/6/09	Low: 43.9	38.2	53.4	69.5	78.8	98.9	109.5	117.0	138.6	150.0	175.8	199.9								2022	2023	2024
TECHNICAL 3 Lowered 10/18/19	LEGENDS --- 20.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession																					
BETA .85 (1.00 = Market)																					400	

18-Month Target Price Range
 Low-High Midpoint (% to Mid)
 \$235-\$380 \$308 (5%)

2022-24 PROJECTIONS
 Price Gain Ann'l Total
 High 335 (+10%) 4%
 Low 275 (-10%) -1%

Institutional Decisions			Percent	30
to Buy	4Q2018	1Q2019	2Q2019	shares
	764	837	798	traded
to Sell	700	642	684	
Hlds(000)	314025	313106	318224	

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC		22-24	
93.00	103.98	112.04	130.12	148.53	167.59	163.88	179.80	204.75	229.30	240.72	257.36	265.32	271.34	295.11	323.09	347.34	374.20	Revenues per sh ^{A D}		461.90	
2.43	2.86	3.12	3.50	4.05	4.48	4.25	4.85	5.34	6.13	6.69	7.05	7.90	8.24	9.00	10.43	11.65	12.25	"Cash Flow" per sh		14.20	
1.53	1.86	2.04	2.31	2.63	2.89	2.57	2.93	3.30	3.97	4.49	4.65	5.27	5.33	5.85	7.09	8.19	8.50	Earnings per sh ^B		10.20	
--	.20	.43	.49	.55	.61	.68	.77	.89	1.03	1.17	1.33	1.51	1.70	1.90	2.14	2.44	2.65	Div'ds Decl'd per sh ^C		3.30	
14.33	16.48	18.80	19.78	19.73	21.25	22.98	24.98	27.64	28.59	24.80	28.11	24.24	27.61	24.65	29.21	34.67	40.20	Book Value per sh		51.00	
457.48	462.64	472.48	462.28	437.01	432.51	435.97	433.51	434.27	432.35	436.84	437.68	437.95	437.52	437.20	438.19	439.63	438.00	Common Shs Outst'g		420.00	
21.2	20.0	22.3	22.1	21.0	23.1	19.5	19.9	22.1	21.9	23.4	25.1	26.7	29.0	27.6	26.8			Bold figures are Value Line estimates	Avg Ann'l P/E Ratio		30.0
1.21	1.06	1.19	1.19	1.11	1.39	1.30	1.27	1.39	1.39	1.31	1.32	1.34	1.52	1.39	1.43			Relative P/E Ratio		1.65	
--	.5%	.9%	1.0%	1.0%	.9%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.2%	1.1%			Avg Ann'l Div'd Yield		1.1%	

CAPITAL STRUCTURE as of 9/1/19
 Total Debt \$6823 mill. Due in 5 Yrs \$5752.0 mill.
 LT Debt \$5124 mill. LT Interest \$130 mill.
 (25% of Cap'l)

Leases, Uncapitalized Annual rentals \$239 mill. No Defined Benefit Pension Plan	1124.2	1307.5	1462.0	1741.0	1977.0	2058.0	2334.0	2350.0	2564.0	3134.0	3629.0	3760	Net Profit (\$mill)	4160
Pfd Stock None	36.7%	36.1%	35.3%	34.5%	34.5%	34.7%	34.4%	34.3%	35.7%	28.4%	24.5%	27.0%	Income Tax Rate	27.0%
Common Stock 439,656,950 shs. as of 10/3/19	1.6%	1.7%	1.6%	1.8%	1.9%	1.8%	2.0%	2.0%	2.0%	2.2%	2.4%	2.3%	Net Profit Margin	2.1%
MARKET CAP: \$131.2 billion (Large Cap)	1056.0	1645.0	1656.0	1266.0	2583.0	3176.0	759.0	d357.0	d178.0	363.0	248.0	400	Working Cap'l (\$mill)	1100
CURRENT POSITION	2206.0	2141.0	1253.0	1381.0	4998.0	5093.0	4864.0	4061.0	6573.0	6487.0	5124.0	4650	Long-Term Debt (\$mill)	4500
2017	10018	10829	12002	12361	10833	12303	10617	12079	10778	12799	15243	17600	Shr. Equity (\$mill)	21425
2018	9.6%	10.5%	11.4%	13.0%	12.8%	12.2%	15.5%	15.0%	15.2%	16.7%	17.8%	17.0%	Return on Total Cap'l	15.0%
2019	11.2%	12.1%	12.2%	14.1%	18.2%	16.7%	22.0%	19.5%	23.8%	24.5%	23.8%	21.5%	Return on Shr. Equity	19.5%
2020	8.3%	9.0%	8.9%	10.5%	13.5%	12.0%	15.7%	13.3%	16.1%	19.1%	16.6%	14.5%	Retained to Com Eq	15.5%
2017	26%	26%	27%	26%	26%	28%	28%	32%	33%	22%	30%	31%	All Div'ds to Net Prof	30%

Cash Assets	5779	7259	9444
Receivables	1432	1669	1535
Inventory (LIFO)	9834	11040	11395
Other	272	321	1111
Current Assets	17317	20289	23485
Accts Payable	9608	11237	11679
Debt Due	86	--	1699
Other	7801	8689	9859
Current Liab.	17495	19926	23237

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18
of change (per sh)	10 Yrs.	5 Yrs.	to '22-'24
Revenues	7.0%	5.5%	7.0%
"Cash Flow"	8.5%	9.0%	7.0%
Earnings	9.0%	9.0%	9.0%
Dividends	13.5%	13.0%	9.5%
Book Value	3.0%	--	9.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) A E				Full Fiscal Year
	Nov.Per	Feb.Per	May Per	Aug.Per	
2016	27220	28170	26769	36560	118719
2017	28099	29766	28860	42300	129025
2018	31809	32995	32361	44411	141576
2019	35069	35396	34740	47498	152703
2020	37470	38100	37400	50930	163900

Fiscal Year Ends	EARNINGS PER SHARE A B E				Full Fiscal Year
	Nov.Per	Feb.Per	May Per	Aug.Per	
2016	1.09	1.24	1.24	1.76	5.33
2017	1.17	1.17	1.40	2.08	5.85
2018	1.45	1.59	1.70	2.36	7.09
2019	1.61	2.01	1.89	2.69	8.19
2020	1.75	2.05	2.00	2.70	8.50

Cal-endar	QUARTERLY DIVIDENDS PAID ^C				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015	.355	.40	.40	.40	1.56
2016	.40	.45	.45	.45	1.75
2017	.45	.50	.50	.50	1.95
2018	.50	.57	.57	.57	2.21
2019	.57	.65	.65		

Costco Wholesale ended fiscal 2019 in good form. Warehouse sales of \$46.5 billion rose 7% year over year. U.S. same-store sales grew 5.2% excluding gas deflation and currency/revenue recognition changes. Traffic was up 3.6%, while the average transaction amount advanced 1.4%. The worldwide comp was 5.1%. The e-commerce business grew 22%, but still only makes up around 5% of total sales. Notably, inflation has been mild lately, and competitive pricing is somewhat tepid. **Costco's footprint continues to expand at its usual pace.** The company started the fiscal year with 762 clubs, opened 25, and closed five due to relocation. During the fourth quarter, eight were opened in the U.S., one in the U.K., and the first location in China (Shanghai). Costco now has 200,000 members signed up at the China location, which is nearly three times the 68,000 worldwide average. The next opening in China is planned for 2021, and the first store probably won't be profitable for another few years. Overall, Costco plans to open another 20 or so warehouses this fiscal year. **A new state-of-the-art chicken pro-**

cessing facility is now on line. Costco is looking to keep its famous rotisserie chickens at the \$4.99 price point, so it decided to vertically integrate by bringing production in house. This should save the company around \$0.35 per chicken. The plant should be churning out two million birds a week in about a year's time. **Tariffs pose a moderate threat.** Costco is trying to mitigate the impact by accelerating shipments before the taxes start, working with suppliers, and sourcing from other countries. Costco will absorb the tariffs where this makes sense, but probably pass them on for big-ticket items. Since Costco only sells around 3,800 products, it should have an easier time managing tariffs than other retailers. **The company's cash hoard is rising.** Around \$1.7 billion of debt is coming due over the next four months, but Costco has "nothing specific" planned for the rest. Three special dividends have been executed in the past, and another seems likely based on management's commentary. **These timely, high-quality shares are top ranked for Safety.**
 Kevin Downing
 October 25, 2019