

# Ross Stores Inc

## Recommendation



Equity Analyst **T. Amobi, CPA, CFA**

## Price

\$55.56 (as of Aug 11, 2017 4:00 PM ET)

## 12-Mo. Target Price

\$70.00

## Report Currency

USD

## Investment Style

Large-Cap Growth

**GICS Sector** Consumer Discretionary  
**Sub-Industry** Apparel Retail

**Summary** This off-price retailer offers in-season branded apparel and other merchandise at over 1,300 stores in 33 states, the District of Columbia and Guam.

### Key Stock Statistics (Source CFRA, S&P Global Market Intelligence, Vickers, company reports)

52-Wk Range	<b>\$69.81– 52.91</b>	Oper. EPS 2018E	<b>3.15</b>	Market Capitalization(B)	<b>\$11.428</b>	Beta	<b>0.76</b>
Trailing 12-Month EPS	<b>\$2.92</b>	Oper. EPS 2019E	<b>3.49</b>	Yield (%)	<b>1.15</b>	3-Yr. Proj. EPS CAGR(%)	<b>12</b>
Trailing 12-Month P/E	<b>19.0</b>	P/E on Oper. EPS 2018E	<b>17.6</b>	Dividend Rate/Share	<b>\$0.64</b>	S&P Quality Ranking	<b>A+</b>
\$10K Invested 5 Yrs Ago	<b>\$17,369</b>	Common Shares Outstg. (M)	<b>205.7</b>	Institutional Ownership (%)	<b>NM</b>		

### Price Performance



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **T. Amobi, CPA, CFA** on Jun 05, 2017 10:04 AM, when the stock traded at **\$63.74**.

### Highlights

- With the additional benefit of a 53rd week, total sales are projected to rise 7.8% in FY 18 (Jan.), slightly above the higher end of ROST's target range of 6% to 7%. This assumes a projected 1% to 2% increase in comparable store sales on a 52-week basis, perhaps on stable customer traffic and moderately higher average ticket prices. Also, we note ROST's plans to add about 70 Ross and 20 dd's DISCOUNTS locations in FY 18 (versus a planned closure of about 10 stores), further expanding its domestic base of over 1,500 retail locations by the end of the year. We see sales up 4.7% in FY 18.
- We project operating margins of 14.1% in FY 18 (within management's target range of 13.9% to 14.1% and little changed versus 14.0% in FY 17) as slightly higher merchandise margins are mostly offset by some deleverage of operating costs and higher employee wages. ROST has recently maintained aggressive pricing in order to sustain its value proposition in a promotional retail environment.
- After higher interest expense, and with a recently replenished two-year \$1.75 billion buy-back plan, we see EPS of \$3.15 in FY 18, \$3.49 in FY 19, versus FY 17 operating EPS of \$2.83.

### Investment Rationale/Risk

- After a somewhat encouraging 3% increase in comparable store sales for an Apr-Q period that also benefited from improved merchandise margins, the company alluded to an uncertain retail environment even as it slightly raised its full-year EPS target range. Still, with its attractive value pricing and convenient off-mall store locations, the company has benefited from cost-conscious consumers in the off-price channel. By holding lean inventories and tailoring its assortments to local demand, we see ROST enhancing its customer shopping experience and improving margins through faster inventory turns and lower markdowns, while also balancing its total return initiatives.
- Risks to our recommendation and target price include adverse shifts in consumer spending and buying preferences; merchandise availability; intensifying price competition; and a lack of international diversification.
- Our 12-month target price is \$70, on P/E of 22.2X our FY 18 estimate, a notable premium versus apparel retail peers that seems to us partly warranted by potentially sustainable market share gains in the off-price retail channel. The stock recently offered a 1.0% dividend yield.

### Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects favorable growth prospects for both the Ross Stores and dd's DISCOUNTS chains, offset by our concerns over how expected apparel inflation will impact consumer spending.

### Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2017	3,089	3,181	3,087	3,510	12,867
2016	2,938	2,968	2,783	3,251	11,940
2015	2,681	2,730	2,599	3,033	11,042
2014	2,540	2,551	2,398	2,741	10,230
2013	2,357	2,341	2,263	2,761	9,721
2012	2,075	2,089	2,046	2,398	8,608

### Earnings Per Share (\$)

2017	0.73	0.71	0.62	0.77	2.80
2016	0.69	0.63	0.53	0.66	2.51
2015	0.57	0.57	0.47	0.60	2.21
2014	0.54	0.49	0.40	0.51	1.94
2013	0.47	0.41	0.36	0.54	1.77
2012	0.37	0.32	0.32	0.43	1.43

Fiscal year ended Jan. 31. Next earnings report expected: Mid August. EPS Estimates based on CFRA Operating Earnings; historical GAAP earnings are as reported in Company reports.

### Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.135	Aug 17	Aug 31	Sep 2	Sep 30 '16
0.135	Nov 16	Dec 5	Dec 7	Dec 30 '16
0.160	Feb 28	Mar 8	Mar 10	Mar 31 '17
0.160	May 17	Jun 2	Jun 6	Jun 30 '17

Dividends have been paid since 1994. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

# Ross Stores Inc

## Business Summary June 05, 2017

**CORPORATE OVERVIEW.** Ross Stores operated, as of January 28, 2017, 1,533 off-price retail stores that feature first-quality, in-season apparel, shoes, fragrances, and apparel-related accessories, as well as home furnishings and jewelry under the Ross (1,340) and dd's DISCOUNTS (193) names. Both chains target value-conscious 25- to 54-year-old men and women, with Ross targeting mainly middle-income households and dd's DISCOUNTS more moderate income households. Ross stores average 28,600 sq. ft. of selling space, and are located in 36 states (mainly warm weather), the District of Columbia and Guam. dd's DISCOUNTS stores average 23,300 sq. ft. of selling space, and are located in 15 states. Nearly all stores occupy leased facilities and are situated in neighborhood or strip shopping centers in heavily populated urban and suburban areas.

The company believes it derives a competitive advantage by offering a wide assortment of quality brand-name and fashion merchandise in an easy-to-shop environment at prices generally 20% to 60% below those charged by most department and specialty stores at Ross, and 20% to 70% below moderate department and discount store regular prices at dd's DISCOUNTS. Working with more than 7,900 vendors and manufacturers, ROST purchases later in the buying cycle than department and specialty stores, and can take advantage of supply/demand imbalances. The vast majority of merchandise is acquired through opportunistic purchases of cancellations and overruns. Most orders have one delivery, and generally exclude promotional and markdown allowances and return privileges, enabling buyers to obtain significant discounts on in-season purchases.

**PRIMARY BUSINESS DYNAMICS.** As a growth retailer, the company increases sales by opening new stores and new retail concepts and by same-store sales (or comp) increases. In FY 17 (Jan.), the company posted a 4% increase in comp sales, extending a streak of comp sales growth of 4% in FY 16 and 3% in FY 15, after increases of 3% and 6% in FY 14 and FY 13, respectively. ROST emphasizes its ROSS-Dress for Less theme via television, direct mail, radio and newspaper advertising. Shipments of new merchandise typically arrive three to six times a week at the stores. FY 17 sales were distributed as follows: ladies' 28%, home accents and bed and bath 25%, men's 13%, accessories, lingerie, fine jewelry and fragrances 13%, shoes 12% and children's 8%.

A key driver of margins, in our opinion, has been the opportunistic buying of packaway goods: end-of-season items held for sale the following year. The company regards packaway purchases (mainly fashion basics) as an effective way to increase the percentage of prestige and national brands in its merchandise assortments. ROST's labor costs are also generally lower than full-price department stores and specialty retailers due to the self-service focus.

We think the company, with a presence in 36 states, has ample opportunity for geographic expansion and market share gains. During FY 17, ROST opened 71 net new Ross stores, and 22 net new dd's stores. In FY 18, the company plans to add approximately 70 new Ross and 20 new dd's DISCOUNTS location. The dd's brand targets the needs of lower-income households, which ROST thinks is one of the fastest-growing demographic markets in the U.S., with moderately priced assortments of first quality in-season name brand apparel, footwear, accessories and home fashions. We are not concerned about cannibalization between the company's two retail chains given the different mix of brands and price points. ROST thinks its long-term projected store potential is 2,500 locations in the U.S.; 2,000 Ross stores and 500 dd's.

**FINANCIAL TRENDS.** Over the period from FY 13 to FY 17, the company generated a five-year compound annual growth rate (CAGR) of 8.4% in revenues and 11.1% in operating income. Meanwhile, its operating margins also improved through the period, to 14.0% in FY 17 (versus 13.1% in FY 13). However, its return on equity (ROE) was 42.8% in FY 17 versus 48.3% in FY 13.

## Corporate Information

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investor.relations1@ros.com

**Website**  
<http://www.rossstores.com>

### Officers

<b>Chrmn</b> M. Balmuth	<b>SVP, CFO &amp; Chief Acctg Officer</b> M.J. Hartshorn
<b>CEO</b> B. Rentler	<b>CTO</b> M.K. Kobayashi
<b>Pres &amp; COO</b> M.B. O'Sullivan	

### Board Members

M. Balmuth	K. G. Bjorklund
N. A. Ferber	S. D. Garrett
S. D. Milligan	M. B. O'Sullivan
G. P. Orban	L. S. Peiros
G. L. Quesnel	B. Rentler

**Domicile**  
Delaware

**Founded**  
1957

**Employees**  
78,600

**Stockholders**  
841

# Ross Stores Inc

## Quantitative Evaluations

<b>Fair Value Rank</b>	5+	1	2	3	4	5
		LOWEST				HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

**Fair Value Calculation** **\$73.30** Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that ROST is Undervalued by \$17.74 or 31.9%.

<b>Investability Quotient Percentile</b>	100
	LOWEST = 1 HIGHEST = 100

ROST scored higher than 100% of all companies for which a Report is available.

<b>Volatility</b>	LOW	AVERAGE	HIGH
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**Technical Evaluation** **BEARISH** Since June, 2017, the technical indicators for ROST have been BEARISH.

<b>Insider Activity</b>	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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## Expanded Ratio Analysis

	2016	2015	2014	2013
Price/Sales	2.23	2.04	1.99	1.72
Price/EBITDA	14.04	13.07	13.13	11.46
Price/Pretax Income	16.54	15.15	15.14	13.20
P/E Ratio	26.12	24.33	24.29	21.22
Avg. Diluted Shares Outstg (M)	406.4	418.1	431.6	445.6

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	8.14	7.18	8.59	9.14
Net Income	10.38	9.20	12.54	19.04

## Ratio Analysis (Annual Avg.)

Net Margin (%)	8.55	8.37	8.17	7.01
% LT Debt to Capitalization	13.81	11.88	10.52	10.97
Return on Equity (%)	42.96	43.49	45.05	41.08

## Company Financials Fiscal Year Ended Jan. 31

Per Share Data (\$)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tangible Book Value	NA	6.14	5.49	4.70	4.00	3.29	2.82	2.35	1.94	1.81
Cash Flow	NA	3.19	2.77	2.42	2.18	1.78	1.49	1.20	0.85	0.70
Earnings	NA	2.51	2.21	1.94	1.77	1.43	1.16	0.89	0.58	0.48
Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dividends	NA	0.41	0.40	0.34	0.28	0.19	0.16	0.11	0.10	0.06
Payout Ratio	NA	16%	18%	18%	16%	11%	11%	10%	11%	13%
Calendar Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Prices:High	NA	56.68	48.10	41.00	35.41	24.58	16.65	12.63	10.39	8.79
Prices:Low	NA	43.47	30.92	26.52	23.53	15.04	10.58	7.02	5.31	6.11
P/E Ratio:High	NA	23	22	21	20	17	14	14	18	19
P/E Ratio:Low	NA	17	14	14	13	11	9	8	9	13

## Income Statement Analysis (Million \$)

Revenue	NA	11,940	11,042	10,230	9,721	8,608	7,866	7,184	6,486	5,975
Operating Income	NA	1,899	1,721	1,549	1,457	1,223	1,067	885	637	542
Depreciation	NA	275	233	206	185	160	161	159	142	121
Interest Expense	NA	13.3	3.39	0.30	7.50	11.0	9.57	9.40	11.5	10.7
Pretax Income	NA	1,612	1,485	1,343	1,265	1,053	897	719	495	425
Effective Tax Rate	NA	36.7%	37.7%	37.7%	37.8%	37.6%	38.2%	38.4%	38.3%	38.6%
Net Income	NA	1,021	925	837	787	657	555	443	305	261
Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

## Balance Sheet & Other Financial Data (Million \$)

Cash	NA	763	697	435	648	650	837	770	322	264
Current Assets	NA	2,372	2,263	1,867	2,031	1,924	2,043	1,745	1,314	1,398
Total Assets	NA	4,869	4,703	3,897	3,671	3,301	3,116	2,769	2,356	2,371
Current Liabilities	NA	1,603	1,659	1,393	1,423	1,346	1,352	1,191	955	1,011
Long Term Debt	NA	396	398	150	150	150	150	150	150	150
Common Equity	NA	2,472	2,279	2,007	1,767	1,493	1,333	1,157	996	971
Total Capital	NA	2,868	2,678	2,157	1,917	1,643	1,483	1,307	1,244	1,200
Capital Expenditures	NA	367	647	551	424	416	199	158	224	236
Cash Flow	NA	1,295	1,158	1,043	972	817	715	602	447	382
Current Ratio	NA	1.5	1.4	1.3	1.4	1.4	1.5	1.5	1.4	1.4
% Long Term Debt of Capitalization	NA	13.8	14.9	7.0	7.8	9.1	10.1	11.5	12.1	12.5
% Net Income of Revenue	NA	8.6	8.4	8.2	8.1	7.6	7.1	6.2	4.7	4.4
% Return on Assets	NA	21.3	21.5	22.1	22.6	20.5	18.9	17.3	12.9	11.0
% Return on Equity	NA	43.0	43.2	44.4	48.3	46.5	44.6	41.1	31.1	27.8

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Ross Stores Inc

## Sub-Industry Outlook

Our fundamental outlook for apparel retailers is neutral. According to the U.S. Census Bureau, sales at clothing and clothing accessories stores edged up 1.7% in 2015, to \$255.0 billion, versus 0.8%, 3.8%, and 5.5% gains in 2014, 2013, and 2012, respectively. Through the first half of 2016, sales were essentially flat at \$127.4 billion. While consumer spending has benefited from sharply lower gasoline prices, we believe a shift in spending from nondurables to durables (e.g., cars and household goods) and, to some extent luxury goods, has negatively impacted apparel sales. We also see increasing competition for share of customer wallet from international retailers expanding in the U.S.

In the near term, we look for relatively stagnant growth in apparel sales -- potentially through the 2016 holiday selling season and into 2017 -- amid some persisting promotional activity and despite a constant influx of new fashion assortments. We believe off-price retailers are best positioned to gain market share, given their attractive value pricing, frequent inflow of new merchandise, and ability to quickly move in and out of product categories based on customer demand.

Conversely, certain companies that cater to teens and young adults have seemed relatively vulnerable to demographic shifts and intense competition from "fash fashion" retailers, resulting in a major rationalization of their stores base, particularly in North America. Meanwhile, the adults apparel market also remains intensely competitive in a highly promotional retail environment.

Nonetheless, with continued acceleration in direct-to-consumer sales via e-commerce development and a focus on omni-channel initiatives, we believe companies that use customer feedback from social media sites as a tool to

improve their products and services will gain a competitive edge. We also expect apparel retailers to focus their expansion on outlet centers in order to reach cost-conscious consumers who might otherwise not shop their brands and to raise brand awareness among international shoppers.

Given a relatively soft but gradually improving outlook for consumer spending, as well as a relatively promotional retail environment amid some lingering weakness in customer traffic, we believe several companies have planned their inventories cautiously to limit their markdown exposure through the holiday selling season. We also look for apparel retailers to maintain expense discipline in support of higher earnings.

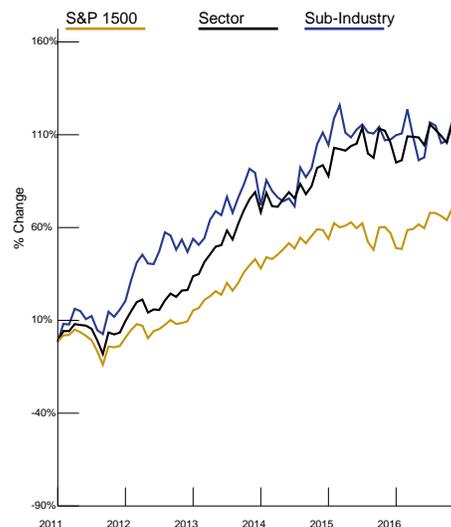
Year to date in 2016 through November 18, the S&P Apparel Retail Index was up 5.5%, versus a 7.7% advance for the S&P 1500 Composite Index. In 2015, the sub-industry index dipped 1.8%, versus a 1.0% decline for the broader market benchmark.

--Tuna N. Amobi, CFA, CPA

## Industry Performance

**GICS Sector: Consumer Discretionary**  
**Sub-Industry: Apparel Retail**

Based on S&P 1500 Indexes  
Five-Year market price performance through Aug 12, 2017



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

## Sub-Industry : Apparel Retail Peer Group\*: Off-Price Apparel Retailers

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	S&P Quality Ranking	IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Ross Stores</b>	<b>ROST</b>	<b>11,428</b>	<b>55.56</b>	<b>69.81/52.91</b>	<b>0.76</b>	<b>1.2</b>	<b>19</b>	<b>73.30</b>	<b>A+</b>	<b>100</b>	<b>8.6</b>	<b>13.8</b>
Ascena Retail Group	ASNA	427	2.19	9.12/1.65	1.45	Nil	NM	2.40	C	25	NM	45.4
Stein Mart	SMRT	54	1.24	9.23/1.00	1.85	24.2	NM	NA	B-	77	1.7	67.6
TJX Companies	TJX	48,355	71.07	83.64/66.66	0.66	1.8	20	89.00	A+	100	7.4	27.4

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

# Ross Stores Inc

## Analyst Research Notes and other Company News

### May 19, 2017

05:00 pm ET ... CFRA KEEPS BUY OPINION ON SHARES OF ROSS STORES, INC. (ROST 61.07\*\*\*\*): We cut our 12-month target price by \$4 to \$70 (1.0% yield) on P/E of 22.2X our FY 18 (Jan.) estimate, still a notable premium vs. peers and its historical averages, on likely further market share gains for the off-price retail channel. Apr-Q EPS of \$0.82 vs. \$0.73, was \$0.02 above consensus estimate. Net sales rose 8%, with new store openings and 3% higher comp sales. Despite improved merchandise margins, EBIT margins narrowed 20 basis points on higher SG&A costs. ROST notes an uncertain retail climate but modestly raises its FY 18 EPS target range, with ongoing share buybacks. /T. Amobi, CPA, CFA

### May 18, 2017

05:00 pm ET ... CFRA KEEPS BUY OPINION ON SHARES OF ROSS STORES, INC. (ROST 61.07\*\*\*\*): We cut our 12-month target price by \$4 to \$70 (1.0% yield) on P/E of 22.2X our FY 18 (Jan.) estimate, still a notable premium vs. peers and its historical averages, on likely further market share gains for the off-price retail channel. Apr-Q EPS of \$0.82 vs. \$0.73, was \$0.02 above consensus estimate. Net sales rose 8%, with new store openings and 3% higher comp sales. Despite improved merchandise margins, EBIT margins narrowed 20 basis points on higher SG&A costs. ROST notes an uncertain retail climate but modestly raises its FY 18 EPS target range, with ongoing share buybacks. /T. Amobi, CPA, CFA

### March 1, 2017

10:43 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF ROSS STORES, INC. (ROST 65.95\*\*\*\*): We raise our 12-month target price by \$2 to \$74 (0.9% implied yield on 19% dividend increase), on premium P/E of 23.5X our FY 18 (Jan.) estimate vs. peers and historical averages. With a replenished \$1.75 billion 2-year buyback plan, we raise our FY 18 EPS estimate by \$0.09 to \$3.15 and set FY 19's at \$3.49. Q4 EPS of \$0.77 vs. \$0.66, was \$0.02 above Capital IQ consensus estimate. Sales rose 8%, with new store openings, and 4% higher comp sales. Q4 EBIT margins widened 90 basis points. ROST cautiously sees 1% to 2% higher comp sales in FY 18, which could prove conservative. /T. Amobi, CPA, CFA

### November 17, 2016

04:57 pm ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF ROSS STORES INC. (ROST 65.53\*\*\*\*): We raise our 12-month target price by \$2 to \$72 (0.8% yield), on premium P/E of 23.6X our FY 18 estimate vs. peers and historical averages. We raise FY 17 and FY 18 EPS estimates by \$0.07 and \$0.04 to \$2.80 and \$3.06. Oct-Q EPS of \$0.62 vs. \$0.53, was \$0.05 above our estimate. Amid retail expansion, sales rose 11%, with a stronger-than-expected 7% gain in comp sales, which could bode well for the holiday selling season (despite tough comparisons), even as ROST sees a "very promotional" environment. Still, with improved merchandise margins, EBIT margins gained 55 basis points. /T. Amobi, CPA, CFA

### August 18, 2016

05:05 pm ET ... S&P GLOBAL KEEPS BUY OPINION ON SHARES OF ROSS STORES, INC. (ROST 62.88\*\*\*\*): We raise our 12-month target price by \$10 to \$70 (0.8% yield), on FY 17 (Jan.) P/E of 25.6X a notable premium vs. peers and 10-year average of 17.5X. With ongoing share buybacks, we raise our FY 17 EPS estimate by \$0.03 to \$2.73, and keep FY 18's at \$3.02. Jul-Q EPS of \$0.71 vs. \$0.63, was \$0.04 higher than our and Capital IQ consensus estimates. Jul-Q sales rose 7%, with comp sales still up a relatively healthy 4%, as ROST seemed to successfully navigate an "uncertain" retail environment, slightly raising its Oct-Q and FY 17 targets. Jul-Q EBIT margins gained 50 basis points. /T. Amobi, CPA, CFA

### May 19, 2016

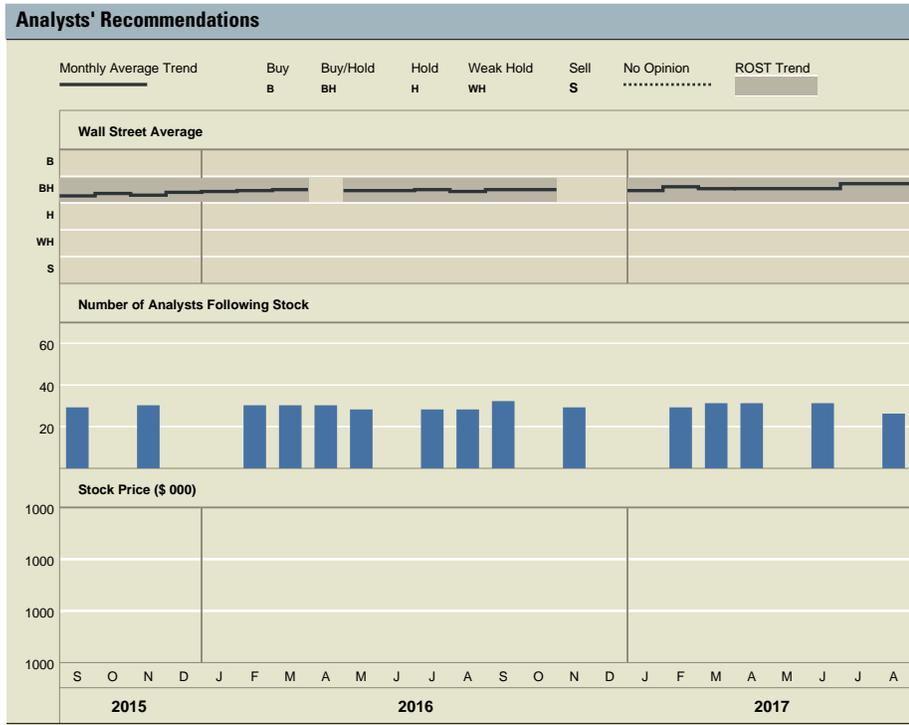
05:24 pm ET ... S&P GLOBAL KEEPS BUY OPINION ON SHARES OF ROSS STORES (ROST 55.52\*\*\*\*): We raise our FY 17 and FY 18 EPS estimates by \$0.02 and \$0.06 to \$2.70 and \$3.02. Apr-Q EPS of \$0.73 vs. \$0.69, was \$0.01 shy of our estimate, matched Capital IQ consensus. Sales rose 5%, on 2% higher comp store sales, seen relatively encouraging against difficult comparisons (and uncertain retail/macro environment), and tracking the Q2 and full year outlook for this off-price retailer. EBIT rose 3% as margins narrowed 30 basis points. We keep our 12-month target price of \$60 (1.0% yield), on FY 17 (Jan.) P/E of 22.2X a notable premium vs. peers and 10-year average of 17.5X. /T. Amobi, CPA, CFA

### March 1, 2016

05:03 pm ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF ROSS STORES, INC. (ROST 56.23\*\*\*\*): We raise our 12-month target price by \$4 to \$60

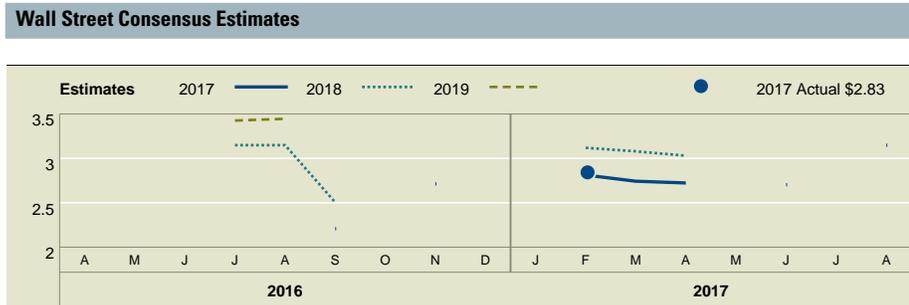
(1.0% yield on 15% dividend hike), on premium FY 17 (Jan.) P/E of 22.4X vs. peers. We trim FY 17 EPS estimate by \$0.04 to \$2.68 (with share buybacks), and set FY 18's at \$2.96. Jan-Q EPS of \$0.66 vs. \$0.60, was \$0.02 above our estimate. Net sales and comps rose 7% and 4%, even as ROST cited a "highly promotional" environment and tough comparisons. EBIT margins dipped 40 basis points. ROST offers a relatively tempered FY 17 outlook for 1%-2% higher comps, citing "uncertain" macro and retail environments, and difficult comparisons. /T. Amobi, CPA, CFA

# Ross Stores Inc



Of the total 25 companies following ROST, 25 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	13	52	15	0
Buy/Hold	3	12	3	0
Hold	9	36	9	0
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>25</b>	<b>100</b>	<b>27</b>	<b>0</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2019	3.46	3.93	3.28	23	16.1
2018	3.16	3.27	3.07	25	17.6
<b>2019 vs. 2018</b>	<b>▲ 9%</b>	<b>▲ 20%</b>	<b>▲ 7%</b>	<b>▼ -8%</b>	<b>▼ -9%</b>
Q2'19	0.86	0.90	0.82	24	64.6
Q2'18	0.77	0.79	0.74	24	72.2
<b>Q2'19 vs. Q2'18</b>	<b>▲ 12%</b>	<b>▲ 14%</b>	<b>▲ 11%</b>	<b>0%</b>	<b>▼ -11%</b>

A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- BMO Capital Markets Equity Research
- BofA Merrill Lynch
- Citigroup Inc
- Cowen and Company
- Credit Suisse
- Deutsche Bank
- Evercore ISI
- Goldman Sachs
- Guggenheim Securities, LLC
- JP Morgan
- Jefferies LLC
- MKM Partners LLC
- Morgan Stanley
- Morningstar Inc.
- Nomura Securities Co. Ltd.
- Northcoast Research
- RBC Capital Markets
- Roe Equity Research, LLC
- SunTrust Robinson Humphrey, Inc.
- Susquehanna Financial Group, LLLP
- Telsey Advisory Group LLC
- UBS Investment Bank
- Wells Fargo Securities, LLC
- William Blair & Company L.L.C.
- Wolfe Research, LLC.

### Wall Street Consensus vs. Performance

For fiscal year 2018, analysts estimate that ROST will earn US\$ 3.16. For the 1st quarter of fiscal year 2018, ROST announced earnings per share of US\$ 0.82, representing 26% of the total annual estimate. For fiscal year 2019, analysts estimate that ROST's earnings per share will grow by 9% to US\$ 3.46.

# Ross Stores Inc



## Glossary

### STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### Core Earnings

Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### 12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

### CFRA Equity Research

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### Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value

FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

### Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

### Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★☆ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★☆☆ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★☆☆☆ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

#### ★☆☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

# Ross Stores Inc



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Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

### Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

### STARS Stock Reports and Quantitative Stock Reports:

The methodologies used in STARS Stock Reports and Quantitative Stock Reports (collectively, the "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations. The methodologies and data used to generate the different types of Research Reports are believed by the author and distributor reasonable and appropriate. Generally, CFRA does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. CFRA reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

### STARS Stock Reports:

#### Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100%	100%	100%	100%

### Analyst Certification

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## Ross Stores Inc

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