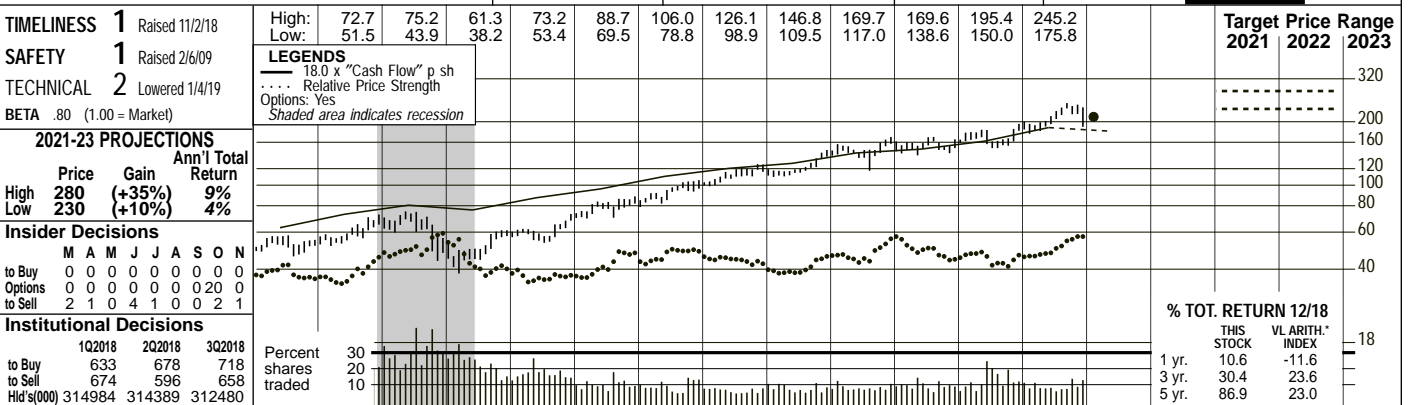


COSTCO WHOLESALE NDQ-COST

RECENT PRICE **211.03** P/E RATIO **28.3** (Trailing: 29.8 Median: 23.0) RELATIVE P/E RATIO **1.77** DIV'D YLD **1.2%**

VALUE LINE



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
85.13	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	336.35	Revenues per sh ^{A D}	438.10
2.29	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	10.00	"Cash Flow" per sh	12.70
1.48	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	7.70	Earnings per sh ^B	9.10
--	--	.20	.43	.49	.55	.61	.68	.77	.89	1.03	1.17	1.33	1.51	1.70	1.90	2.14	2.55	Div'ds Decl'd per sh ^C	3.30
12.51	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	28.35	Book Value per sh	42.25
455.33	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	440.00	Common Shs Outst'g	420.00
26.8	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		Avg Ann'l P/E Ratio	28.0
1.46	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	1.45
--	--	.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 11/25/18
 Total Debt \$6480 mill. Due in 5 Yrs \$4075.0 mill.
 LT Debt \$6480 mill. LT Interest \$140 mill. (33% of Cap'l)

Leases, Uncapitalized Annual rentals \$227 mill.
 No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 440,490,478 shs. as of 12/12/18

MARKET CAP: \$93.0 billion (Large Cap)

CURRENT POSITION (\$MILL.)	2017	2018	11/25/18
Cash Assets	5779	7259	7953
Receivables	1432	1669	1795
Inventory (LIFO)	9834	11040	12205
Other	272	321	1001
Current Assets	17317	20289	22954
Accts Payable	9608	11237	13133
Debt Due	86	--	--
Other	7801	8689	9340
Current Liab.	17495	19926	22473

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18
Sales	7.0%	5.5%	8.0%
"Cash Flow"	8.5%	9.0%	7.0%
Earnings	9.0%	9.0%	9.0%
Dividends	13.5%	13.0%	11.5%
Book Value	3.0%	--	9.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) A E E	Full Fiscal Year
	Nov.Per Feb.Per May Per Aug.Per	
2015	26866 27454 26101 35778	116199
2016	27220 28170 26769 36560	118719
2017	28099 29766 28860 42300	129025
2018	31809 32995 32361 44411	141576
2019	35069 35250 34500 45681	150500

Fiscal Year Ends	EARNINGS PER SHARE A B E	Full Fiscal Year
	Nov.Per Feb.Per May Per Aug.Per	
2015	1.12 1.25 1.17 1.73	5.27
2016	1.09 1.24 1.24 1.76	5.33
2017	1.17 1.17 1.40 2.08	5.82
2018	1.45 1.59 1.70 2.36	7.09
2019	1.61 1.70 1.80 2.59	7.70

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

72483	71449	77946	88915	99137	105156	112640	116199	118719	129025	141576	150500	Revenues (\$mill) ^{A D}	184000
12.4%	12.8%	12.8%	12.6%	12.4%	12.6%	13.0%	13.0%	13.3%	13.0%	13.0%	12.0%	Gross Margin ^D	13.0%
3.6%	3.6%	3.7%	3.7%	3.7%	3.8%	3.8%	4.1%	4.2%	4.2%	4.2%	4.2%	Operating Margin ^D	4.2%
512	527	540	592	608	634	663	686	715	741	762	785	Number of Stores	855
1282.7	1124.2	1307.5	1462.0	1741.0	1977.0	2058.0	2334.0	2350.0	2564.0	3134.0	3390	Net Profit (\$mill)	3870
35.8%	36.7%	36.1%	35.3%	35.4%	34.5%	34.7%	34.4%	34.3%	35.7%	28.4%	29.0%	Income Tax Rate	25.0%
1.8%	1.6%	1.7%	1.6%	1.8%	1.9%	1.8%	2.0%	2.0%	2.0%	2.2%	2.3%	Net Profit Margin	2.3%
587.9	1056.0	1645.0	1656.0	1266.0	2583.0	3176.0	759.0	d357.0	d178.0	363.0	1200	Working Cap'l (\$mill)	3100
2206.0	2206.0	2141.0	1253.0	1381.0	4998.0	5093.0	4864.0	4061.0	6573.0	6487.0	6000	Long-Term Debt (\$mill)	3500
9192.1	10018	10829	12002	12361	10833	12303	10617	12079	10778	12799	12475	Shr. Equity (\$mill)	17750
11.7%	9.6%	10.5%	11.4%	13.0%	12.8%	12.2%	15.5%	15.0%	15.2%	16.7%	15.5%	Return on Total Cap'l	18.0%
14.0%	11.2%	12.1%	12.2%	14.1%	18.2%	16.7%	22.0%	19.5%	23.8%	24.5%	23.0%	Return on Shr. Equity	22.0%
11.1%	8.3%	9.0%	8.9%	10.5%	13.5%	12.0%	15.7%	13.3%	16.1%	19.1%	16.0%	Retained to Com Eq	15.5%
21%	26%	26%	27%	26%	26%	28%	28%	32%	33%	22%	31%	All Div'ds to Net Prof	30%

BUSINESS: Costco Wholesale Corporation was formed by the merger of Price Co. and Costco Wholesale in October '93. The company operates wholesale-membership warehouses in the U.S. (527 as of 9/2/18), Canada (100), Mexico (39), United Kingdom (28), Japan (26), Korea (15), Taiwan (13), Australia (10), Spain (2), Iceland (1), France, (1). Sells merchandise directly from warehouses to a restricted membership. Food and sundries account for 43% of sales. Employs around 218,000 people. Offs. & Dirs. own less than 1.0% of common stock; Vanguard, 8.1%; BlackRock, 6.4% (12/18 proxy). Chrmn.: Jeffrey H. Brotman. Pres. & CEO: W. Craig Jelinek. Inc.: Washington. Adds: 999 Lake Drive, Issaquah, Washington 98027. Tel.: 425-313-8100. Internet: www.costco.com.

Costco Wholesale closed out calendar 2018 in admirable fashion. November-quarter revenue of \$35.1 billion rose 10.2% year over year. Domestic same-store sales grew 11% on a reported basis (8.3% excluding the impact of gas prices, currency translation, and a change in revenue recognition). Online sales expanded 32.3% (26.2%), and contributed around 70 basis points of the comp gain. Notably, e-commerce revenue still only made up around 4.8% of the total. Traffic on a global basis increased 4.9%, while the average transaction amount rose 2.4%. Over the holidays, the sales performance moderated somewhat, with domestic same-store sales up 7.5% and the companywide comp growing 6.1%. First-quarter earnings came in at \$1.61, beating our call by \$0.01 and rising 11% year over year.

Costco is investing in its omnichannel experience. Same-day grocery delivery is now available to members within a 20-minute driving distance of 99% of its U.S. locations. It has also expanded the selection of merchandise available for buy-online, pickup in-store, and is currently testing pickup lockers in 10 locations.

We are not anticipating much margin expansion over the intermediate term. Over the past two quarters, there has been some pressure related to the fresh food category (produce and protein specifically). The fiscal first-quarter gross margin was down 26 basis points. Competitive pricing from supermarkets and Walmart's Sam's Club appears to be the main cause. Too, the increased investment in e-commerce and higher fulfillment costs are offsetting operating cost leverage from the higher top line. All told, we expect the operating margin to be flat in fiscal 2019.

The store footprint continues to grow. The company plans to open 23 new warehouses in fiscal 2019, 75% in the U.S. and the rest internationally. Considering most other retailers are maintaining or reducing their store count, we view Costco's expansion as a testament to the strength of its business.

These timely shares are a safe bet. The stock lacks long-term price appreciation potential, but conservative investors willing to pay a premium may find COST to be a suitable selection.

Kevin Downing January 25, 2019

(A) Fiscal year ends on Sunday nearest Aug. 31st. Interim periods cover 12, 12, 12, and 16 weeks. (B) Excludes n/r gains/(losses): '05, 15c; '07, (26c); '09 (9c); '10, (1c); '12, (8c); '13, (14c). Next egs. report due early March. (C) Div'ds historically paid in mid-Feb., mid-May, early Aug., and mid-Nov. Div'd reinvestment plan available. Special div'd of \$7.00 paid in 12/12; \$5.00 in 2/15; \$7.00 paid in 5/17. (D) Incl. membership fees. (E) Totals may not sum due to rounding.

To subscribe call 1-800-VALUELINE