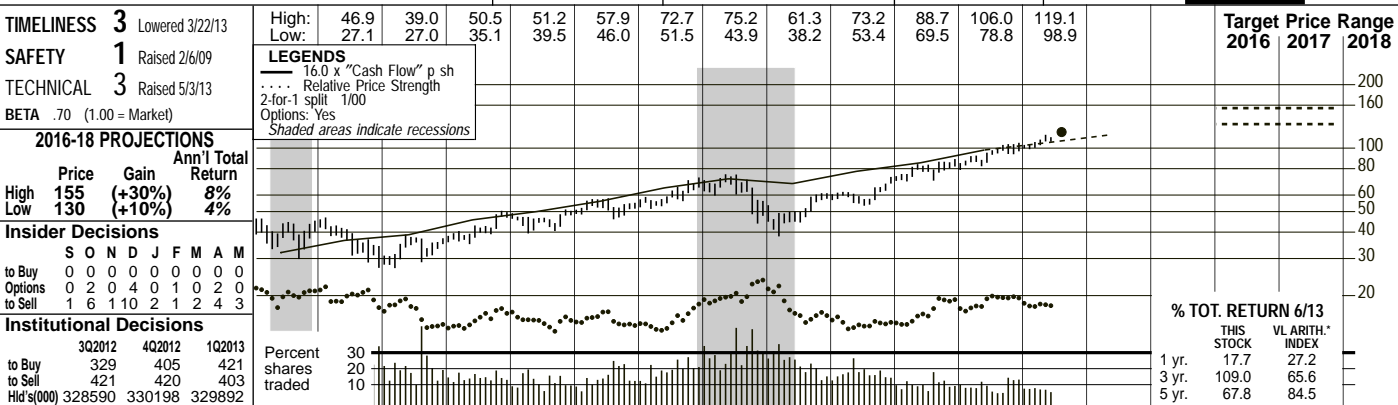


# COSTCO WHOLESALE NDQ-COST

RECENT PRICE **119.10** P/E RATIO **25.6** (Trailing: 26.6; Median: 22.0) RELATIVE P/E RATIO **1.41** DIV'D YLD **1.0%** **VALUE LINE**



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
51.21	55.77	62.01	71.83	77.03	85.13	93.00	103.98	112.04	130.12	148.53	167.59	163.88	179.80	204.75	229.30	<b>244.40</b>	<b>270.00</b>	Revenues per sh <sup>A E</sup>	<b>335.25</b>
1.25	1.51	1.74	1.98	2.00	2.29	2.43	2.86	3.12	3.50	4.05	4.48	4.25	4.85	5.34	6.13	<b>6.65</b>	<b>7.25</b>	"Cash Flow" per sh	<b>9.15</b>
.82	1.02	1.18	1.35	1.29	1.48	1.53	1.86	2.04	2.31	2.63	2.89	2.57	2.93	3.30	3.97	<b>4.55</b>	<b>5.05</b>	Earnings per sh <sup>B</sup>	<b>6.50</b>
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5.78	6.82	7.98	9.47	10.81	12.51	14.33	16.48	18.80	19.78	19.73	21.25	22.98	24.98	27.64	28.59	<b>25.00</b>	<b>28.00</b>	Book Value per sh	<b>39.00</b>
427.19	435.18	442.74	447.76	451.75	455.33	457.48	462.64	472.48	462.28	437.01	432.51	435.97	433.51	434.27	432.35	<b>437.00</b>	<b>427.00</b>	Common Shs Outst'g <sup>D</sup>	<b>420.00</b>
16.9	24.4	30.7	31.1	29.7	26.8	21.2	20.0	22.3	22.1	21.0	23.1	19.5	19.9	22.1	21.9	<b>21.9</b>	<b>21.9</b>	Avg Ann'l P/E Ratio	<b>22.0</b>
.97	1.27	1.75	2.02	1.52	1.46	1.21	1.06	1.19	1.19	1.11	1.39	1.30	1.27	1.39	1.39	<b>1.39</b>	<b>1.39</b>	Relative P/E Ratio	<b>1.45</b>
--	--	--	--	--	--	--	.5%	.9%	1.0%	1.0%	.9%	1.4%	1.3%	1.2%	1.2%	<b>1.2%</b>	<b>1.2%</b>	Avg Ann'l Div'd Yield	<b>1.3%</b>

CAPITAL STRUCTURE as of 5/12/13				2011	2012	5/12/13	© VALUE LINE PUB. LLC											16-18
Total Debt \$4887 mill. Due in 5 Yrs \$3397.0 mill.				42546	48107	52935	60151	64909	72483	71449	77946	88915	99137	<b>106800</b>	<b>115300</b>	Revenues (\$mill) <sup>A E</sup>	<b>140800</b>	
LT Debt \$4887 mill. LT Interest \$85 mill. (31% of Cap'l)				12.5%	12.5%	12.4%	12.3%	12.5%	12.4%	12.8%	12.8%	12.6%	12.4%	<b>12.5%</b>	<b>12.5%</b>	Gross Margin <sup>E</sup>	<b>12.5%</b>	
Leases, Uncapitalized Annual rentals \$162.0 mill.				3.6%	3.8%	3.7%	3.6%	3.6%	3.6%	3.6%	3.7%	3.7%	3.7%	<b>3.8%</b>	<b>3.8%</b>	Operating Margin <sup>E</sup>	<b>4.0%</b>	
No Defined Benefit Pension Plan				397	417	433	458	488	512	527	540	592	608	<b>636</b>	<b>650</b>	Number of Stores	<b>715</b>	
Pfd Stock None				721.0	882.4	998.3	1103.2	1202.3	1282.7	1124.2	1307.5	1462.0	1741.0	<b>2000</b>	<b>2190</b>	Income Tax Rate	<b>2840</b>	
Common Stock 436,684,233 shs. as of 6/4/13				37.8%	37.0%	36.2%	37.0%	36.7%	35.8%	36.7%	36.1%	35.3%	35.4%	<b>35.0%</b>	<b>35.0%</b>	Net Profit Margin	<b>2.0%</b>	
MARKET CAP: \$46.8 billion (Large Cap)				1.7%	1.8%	1.9%	1.8%	1.9%	1.8%	1.6%	1.7%	1.6%	1.8%	<b>1.9%</b>	<b>1.9%</b>	Working Cap'l (\$mill)	<b>1700</b>	
CURRENT POSITION				700.4	1098.5	1477.4	412.9	742.4	587.9	1056.0	1645.0	1656.0	1266.0	<b>1200</b>	<b>1200</b>	Long-Term Debt (\$mill)	<b>1300</b>	
Cash Assets				1289.6	993.7	710.7	215.4	2108.0	2206.0	2141.0	1253.0	1381.0	<b>4800</b>	<b>4800</b>	Shr. Equity (\$mill)	<b>16380</b>		
Receivables				6555.0	7624.8	8881.1	9143.4	8623.3	9192.1	10018	10829	12002	12361	<b>13825</b>	<b>15025</b>	Return on Total Cap'l	<b>16.0%</b>	
Inventory (LIFO)				9.4%	10.4%	10.6%	11.9%	11.5%	11.7%	9.6%	10.5%	11.4%	13.0%	<b>13.0%</b>	<b>13.5%</b>	Return on Shr. Equity	<b>17.5%</b>	
Other				11.0%	11.6%	11.2%	12.1%	13.9%	14.0%	11.2%	12.1%	12.2%	14.1%	<b>14.5%</b>	<b>14.5%</b>	Retained to Com Eq	<b>12.0%</b>	
Current Assets				11.0%	10.4%	8.9%	9.5%	11.1%	11.1%	8.3%	9.0%	8.9%	10.5%	<b>14.0%</b>	<b>13.5%</b>	All Div'ds to Net Prof	<b>28%</b>	
Debt Due				--	10%	20%	21%	20%	21%	26%	26%	27%	26%	<b>25%</b>	<b>25%</b>			
Other																		
Current Liab.				12050	12260	13509												

**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. (448 as of 1/13), Canada (85), United Kingdom. (23) Japan (13), Korea (9), Taiwan (9), Australia (3), and 32 warehouses in Mexico. Sells merchandise directly from warehouses to a restricted membership. Food and sundries account for 52% of sales. Employs around 147,000 people. Officers & Directors own 1.1% of common stock; Capital World Investors, 6.5% (12/12 proxy). Chairman: Jeffrey H. Brotman. President & CEO: W. Craig Jelinek. Incorporated: Washington. Address: 999 Lake Drive, Issaquah, Washington 98027. Telephone: 425-313-8100. Internet: www.costco.com.

**Costco Wholesale continues to attract shoppers with its compelling value proposition.** Net sales for the five-week period ended July 7th rose a strong 8%. This result was identical for the 11-month period ended on the same day. Same-store sales were 6% for both time periods and for both international and domestic locations. The average transaction amount for the five-week period rose 1%, while traffic climbed an impressive 5%. We credit strong customer satisfaction and excellent merchandise decisions for the advance. On a regional basis, standouts in the U.S. included Texas, the Southeast, and Midwest. Canada, Mexico, and Japan were the best on the international stage. Sales of food & sundries and hardlines were up in the mid-single-digit range, while fresh foods did slightly better. All food categories experienced mild inflation.

**The company is executing well on its footprint expansion initiative.** Through the end of the fiscal third quarter, Costco opened 19 new locations, putting its worldwide total at 627. It plans to open an additional nine in the current quarter, which would allow it to nearly reach its goal of 30 for fiscal 2013. This is a change of pace, since COST has struggled to meet its expansion objectives in the past (16 in 2012). Importantly, around half of the new locations are being opened overseas. We have confidence that it can open 25-30 new locations annually in the coming years.

**A membership fee increase has not hurt renewal rates.** This important metric has stayed at an industry-leading 89%, despite \$5 and \$10 membership fee increases that began in early 2012. The fee hikes kick in during the time of year that the customer originally signed up, so COST's membership income should remain elevated for the next six months.

**These shares do not stand out at recent price levels.** The aforementioned same-store sales growth and appealing store-expansion opportunities have hardly gone unnoticed by investors. Thus, the stock is trading at a premium to most of the other "value" retailers like Target and Wal-Mart. We think most investors would be best served waiting for a pullback in the share price before committing funds to the equity of this well-run company.

*Kevin Downing*  
August 2, 2013

(A) Fiscal year ends on Sunday nearest Aug. 31st. Interim periods cover 12, 12, 12, and 16 weeks.	15c; '07, (26c); '09 (9c); '10, (1c); '12, (7c). Next earnings report due early Oct.	Special div'd of \$7.00 paid in 12/12.	Company's Financial Strength	A+
(B) Excludes n/r gains/(losses): '99, 64c; '05, 15c.	(C) Div'ds historically paid in early Oct., May, Aug., Nov. ■ Div'd reinvestment plan available.	(D) In mill. adjusted for split.	Stock's Price Stability	95
(E) Incl. membership fees.	(F) Totals may not sum due to rounding.		Price Growth Persistence	95
			Earnings Predictability	95