

# TheStreet Quant Ratings

# COSTCO WHOLESALE CORP

BUY					HOLD					SELL					<b>BUY</b>	RATING SINCE	03/24/2023
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+	E	E-		F	TARGET PRICE
Annual Dividend Rate <b>\$4.08</b>		Annual Dividend Yield <b>0.55%</b>			Beta <b>0.77</b>			Market Capitalization <b>\$324.6 Billion</b>			52-Week Range <b>\$473.00-\$787.08</b>			Price as of 3/14/2024 <b>\$731.95</b>			

Sector: **Retail Trade** | Industry Group: **Warehouse Clubs, Supercenters, General Merchandise Retailers**

### COST BUSINESS DESCRIPTION

Costco Wholesale Corporation, together with its subsidiaries, engages in the operation of membership warehouses in the United States, Puerto Rico, Canada, Mexico, Japan, the United Kingdom, Korea, Australia, Taiwan, China, Spain, France, Iceland, New Zealand, and Sweden.

### STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	16.04	51.88	30.26

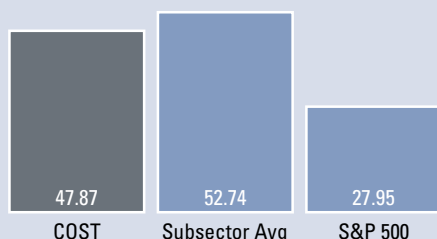
### GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	5.74	6.15	11.68
Net Income	18.89	12.27	16.07
EPS	18.78	12.34	16.06

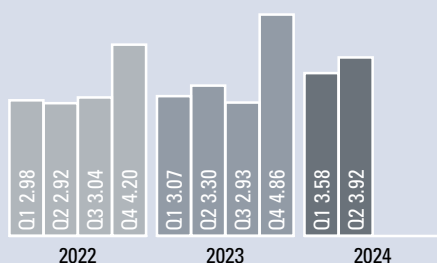
### RETURN ON EQUITY (%)

	COST	Subsector Avg	S&P 500
Q2 2024	32.73	24.63	17.66
Q2 2023	26.55	15.85	19.00
Q2 2022	28.39	22.67	18.28

### P/E COMPARISON

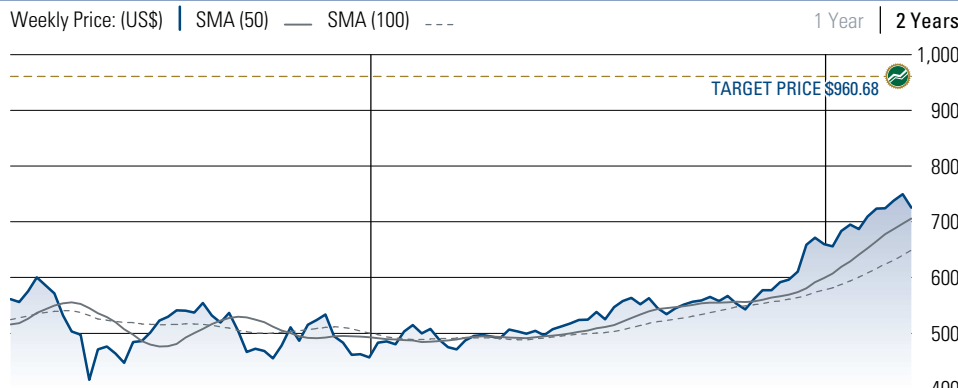


### EPS ANALYSIS<sup>1</sup> (\$)



NA = not available NM = not meaningful

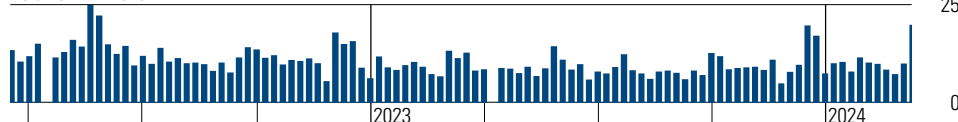
1 Compustat fiscal year convention is used for all fundamental data items.



### Rating History



### Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

### RECOMMENDATION

We rate COSTCO WHOLESALE CORP (COST) a BUY. This is driven by a number of strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its solid stock price performance, growth in earnings per share, revenue growth, notable return on equity and largely solid financial position with reasonable debt levels by most measures. We feel its strengths outweigh the fact that the company shows weak operating cash flow.

### HIGHLIGHTS

Investors have apparently begun to recognize positive factors similar to those we have mentioned in this report, including earnings growth. This has helped drive up the company's shares by a sharp 51.88% over the past year, a rise that has exceeded that of the S&P 500 Index. Regarding the stock's future course, although almost any stock can fall in a broad market decline, COST should continue to move higher despite the fact that it has already enjoyed a very nice gain in the past year.

COSTCO WHOLESALE CORP has improved earnings per share by 18.8% in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past two years. We feel that this trend should continue. During the past fiscal year, COSTCO WHOLESALE CORP increased its bottom line by earning \$14.16 versus \$13.14 in the prior year. This year, the market expects an improvement in earnings (\$16.11 versus \$14.16).

Despite its growing revenue, the company underperformed as compared with the subsector average of 15.0%. Since the same quarter one year prior, revenues slightly increased by 5.7%. Growth in the company's revenue appears to have helped boost the earnings per share.

Current return on equity exceeded its ROE from the same quarter one year prior. This is a clear sign of strength within the company. When compared to other companies in the General Merchandise Retailers subsector and the overall market, COSTCO WHOLESALE CORP's return on equity exceeds that of the subsector average and significantly exceeds that of the S&P 500.

The current debt-to-equity ratio, 0.45, is low and is below the subsector average, implying that there has been successful management of debt levels. Even though the company has a strong debt-to-equity ratio, the quick ratio of 0.38 is very weak and demonstrates a lack of ability to pay short-term obligations.

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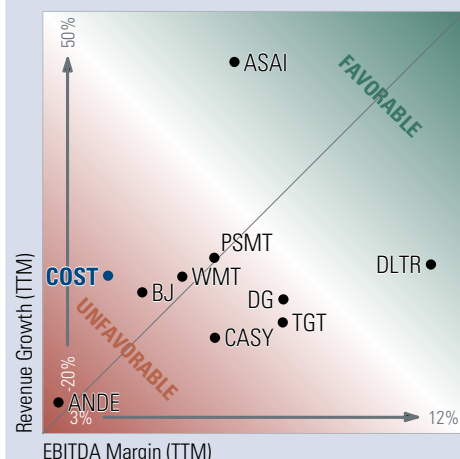
# COSTCO WHOLESALE CORP

Sector: Retail Trade | Warehouse Clubs, Supercenters, General Merchandise Retailers

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## PEER GROUP ANALYSIS

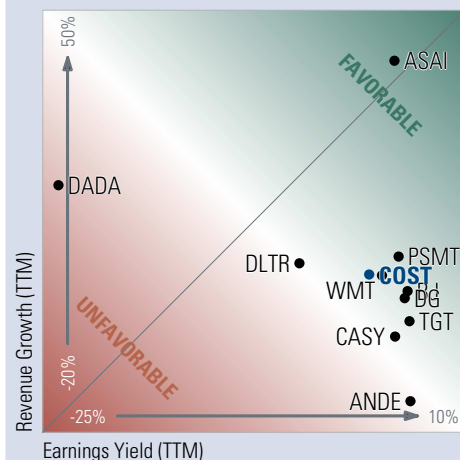
### REVENUE GROWTH AND EBITDA MARGIN\*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$652.4 Million and \$491.4 Billion. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

### REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -14.9% and 41.6%. Companies with NA or NM values do not appear.

## SUBSECTOR ANALYSIS

COSTCO WHOLESALE CORP falls within the Retail Trade sector and the Warehouse Clubs, Supercenters, General Merchandise Retailers industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Warehouse Clubs and Supercenters .

TheStreet Quant Ratings is currently tracking 189 companies in the Retail Trade sector that total around \$4,309 billion in market capitalization as well as \$3,320 billion in annual sales.

The General Merchandise Retailers subsector accounts for 54.1% of those revenues.

Industries in the General Merchandise Retailers subsector retail new general merchandise. This subsector includes new and used general merchandise auction retailers and establishments generally known as department stores, warehouse clubs, superstores, or supercenters.

### PEER GROUP: General Merchandise Retailers

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
<b>COST</b>	<b>COSTCO WHOLESALE CORP</b>	<b>731.95</b>	<b>324,623</b>	<b>47.87</b>	<b>248,828.00</b>	<b>6,794.00</b>
BJ	BJ'S WHSL CLUB HLDGS INC	73.60	9,817	19.02	19,968.69	523.74
TGT	TARGET CORP	164.31	75,860	18.40	107,412.00	4,138.00
DADA	DADA NEXUS LIMITED	2.49	652	NM	1,561.91	-153.50
WMT	WALMART INC	61.02	491,381	31.89	648,125.00	15,511.00
ASAI	SENDAS DISTRIBUIDORA S.A.	14.60	3,947	23.93	12,814.86	163.07
DG	DOLLAR GENERAL CORP	150.06	32,938	19.85	38,691.61	1,661.27
DLTR	DOLLAR TREE INC	125.23	27,284	NM	30,603.80	-998.40
PSMT	PRICESMART INC	81.24	2,479	22.02	4,523.51	114.35
ANDE	ANDERSONS INC	53.25	1,802	18.11	14,750.11	101.19
CASY	CASEYS GENERAL STORES INC	297.52	11,013	23.65	14,591.60	471.04

The peer group comparison is based on Major General Merchandise Retailers companies of comparable size.

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COSTCO WHOLESALE CORP  
999 Lake Drive  
Issaquah, WA 98027  
USA  
Phone: 425 313 8100  
http://www.costco.com  
Employees: 316000

## STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of COST shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
<b>Growth</b>	<b>4.5 out of 5 stars</b>	★	★	★	★	★
Measures the growth of both the company's income statement and cash flow. On this factor, COST has a growth score better than 80% of the stocks we rate.		weak				strong
<b>Total Return</b>	<b>5.0 out of 5 stars</b>	★	★	★	★	★
Measures the historical price movement of the stock. The stock performance of this company has beaten 90% of the companies we cover.		weak				strong
<b>Efficiency</b>	<b>5.0 out of 5 stars</b>	★	★	★	★	★
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.		weak				strong
<b>Price volatility</b>	<b>5.0 out of 5 stars</b>	★	★	★	★	★
Measures the volatility of the company's stock price historically. The stock is less volatile than 90% of the stocks we monitor.		weak				strong
<b>Solvency</b>	<b>4.5 out of 5 stars</b>	★	★	★	★	★
Measures the solvency of the company based on several ratios. The company is more solvent than 80% of the companies we analyze.		weak				strong
<b>Income</b>	<b>3.0 out of 5 stars</b>	★	★	★	☆	☆
Measures dividend yield and payouts to shareholders. The company's dividend is higher than 50% of the companies we track.		weak				strong

## THESTREET QUANT RATINGS RESEARCH METHODOLOGY

TheStreet Quant Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

# TheStreet Quant Ratings

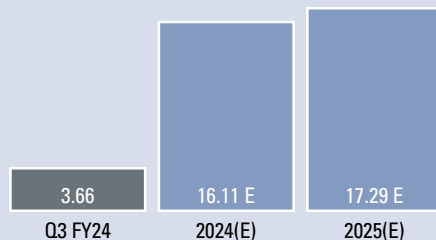
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## Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



## INCOME STATEMENT

	Q2 FY24	Q2 FY23
Net Sales (\$mil)	58,442.00	55,266.00
EBITDA (\$mil)	2,576.00	2,373.00
EBIT (\$mil)	2,062.00	1,903.00
Net Income (\$mil)	1,743.00	1,466.00

## BALANCE SHEET

	Q2 FY24	Q2 FY23
Cash & Equiv. (\$mil)	10,321.00	13,705.00
Total Assets (\$mil)	66,323.00	66,848.00
Total Debt (\$mil)	9,433.00	9,139.00
Equity (\$mil)	20,760.00	22,794.00

## PROFITABILITY

	Q2 FY24	Q2 FY23
Gross Profit Margin	13.37%	13.23%
EBITDA Margin	4.40%	4.29%
Operating Margin	3.53%	3.44%
Sales Turnover	3.75	3.51
Return on Assets	10.24%	9.05%
Return on Equity	32.73%	26.55%

## DEBT

	Q2 FY24	Q2 FY23
Current Ratio	0.93	1.06
Debt/Capital	0.31	0.29
Interest Expense	41.00	34.00
Interest Coverage	50.29	55.97

## SHARE DATA

	Q2 FY24	Q2 FY23
Shares outstanding (mil)	444	444
Div / share	16.02	0.90
EPS	3.92	3.30
Book value / share	46.80	51.39
Institutional Own %	NA	NA
Avg Daily Volume	2,392,716	1,930,342

<sup>2</sup> Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

## FINANCIAL ANALYSIS

COSTCO WHOLESALE CORP's gross profit margin for the second quarter of its fiscal year 2024 is essentially unchanged when compared to the same period a year ago. The company has grown sales and net income during the past quarter when compared with the same quarter a year ago, however, it was unable to keep up with the growth of the average competitor within its subsector. COSTCO WHOLESALE CORP has very weak liquidity. Currently, the Quick Ratio is 0.38 which clearly shows a lack of ability to cover short-term cash needs. The liquidity decreased from the same period a year ago, despite already having weak liquidity to begin with. This would indicate deteriorating cash flow.

During the same period, stockholders' equity ("net worth") has decreased by 8.92% from the same quarter last year. The key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the near future.

**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit [www.TheStreetRatings.com](http://www.TheStreetRatings.com).

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# COSTCO WHOLESALE CORP

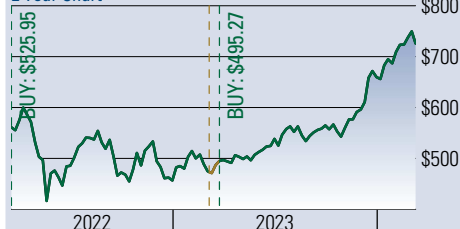
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## RATINGS HISTORY

Our rating for COSTCO WHOLESALE CORP has not changed since 3/24/2023. As of 3/14/2024, the stock was trading at a price of \$731.95 which is 7.0% below its 52-week high of \$787.08 and 54.7% above its 52-week low of \$473.00.

2 Year Chart



## MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
3/24/23	\$495.27	Upgrade	Hold	Buy
3/7/23	\$485.15	Downgrade	Buy	Hold
3/14/22	\$525.95	No Change	Buy	Buy

Price reflects the closing price as of the date listed, if available

## RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET RATINGS

(as of 3/14/2024)

**31.74% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**30.61% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**37.64% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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## VALUATION

BUY. COSTCO WHOLESALE CORP's P/E ratio indicates a discount compared to an average of 52.74 for the General Merchandise Retailers subsector and a significant premium compared to the S&P 500 average of 27.95. For additional comparison, its price-to-book ratio of 15.64 indicates a significant premium versus the S&P 500 average of 4.68 and a significant premium versus the subsector average of 9.46. The price-to-sales ratio is well below both the S&P 500 average and the subsector average, indicating a discount. The valuation analysis reveals that, COSTCO WHOLESALE CORP seems to be trading at a discount to investment alternatives.

Price/Earnings	1	2	3	4	5
			premium		discount

**COST 47.87** Peers **52.74**

- Average. An average P/E ratio can signify an subsector neutral price for a stock and an average growth expectation.
- COST is trading at a valuation on par with its peers.

Price/Projected Earnings	1	2	3	4	5
			premium		discount

**COST 42.33** Peers **31.66**

- Premium. A higher price-to-projected earnings ratio than its peers can signify a more expensive stock or higher future growth expectations.
- COST is trading at a significant premium to its peers.

Price/Book	1	2	3	4	5
			premium		discount

**COST 15.64** Peers **9.46**

- Premium. A higher price-to-book ratio makes a stock less attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- COST is trading at a significant premium to its peers.

Price/Sales	1	2	3	4	5
			premium		discount

**COST 1.30** Peers **2.53**

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- COST is trading at a significant discount to its subsector on this measurement.

Price/CashFlow	1	2	3	4	5
			premium		discount

**COST 30.44** Peers **20.52**

- Premium. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- COST is trading at a significant premium to its peers.

Price to Earnings/Growth	1	2	3	4	5
			premium		discount

**COST 3.48** Peers **1.88**

- Premium. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- COST trades at a significant premium to its peers.

Earnings Growth	1	2	3	4	5
	lower				higher

**COST 12.34** Peers **759.84**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, COST is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5
	lower				higher

**COST 6.15** Peers **10.39**

- Lower. A sales growth rate that trails the subsector implies that a company is losing market share.
- COST significantly trails its peers on the basis of sales growth.

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