

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 24, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-20355

**Costco Wholesale Corporation**

(Exact name of registrant as specified in its charter)

**Washington**

(State or other jurisdiction of  
incorporation or organization)

**91-1223280**

(I.R.S. Employer Identification No.)

**999 Lake Drive, Issaquah, WA 98027**

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): **(425) 313-8100**

**Securities registered pursuant to Section 12(b) of the Act:**

| <b>Title of each class</b>     | <b>Trading symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|--------------------------------|--------------------------|--|
| Common Stock, \$.005 Par Value | COST                     | The Nasdaq Global Select Market                  |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock as of December 11, 2024, was 443,898,870.

**COSTCO WHOLESALE CORPORATION**  
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**Item 1—Financial Statements**

**PART I—FINANCIAL INFORMATION**  
**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(amounts in millions, except per share data) (unaudited)

|                                     | 12 Weeks Ended       |                      |
|-------------------------------------|----------------------|----------------------|
|                                     | November 24,<br>2024 | November 26,<br>2023 |
| <b>REVENUE</b>                      |                      |                      |
| Net sales                           | \$ 60,985            | \$ 56,717            |
| Membership fees                     | 1,166                | 1,082                |
| Total revenue                       | 62,151               | 57,799               |
| <b>OPERATING EXPENSES</b>           |                      |                      |
| Merchandise costs                   | 54,109               | 50,457               |
| Selling, general and administrative | 5,846                | 5,358                |
| Operating income                    | 2,196                | 1,984                |
| <b>OTHER INCOME (EXPENSE)</b>       |                      |                      |
| Interest expense                    | (37)                 | (38)                 |
| Interest income and other, net      | 147                  | 160                  |
| <b>INCOME BEFORE INCOME TAXES</b>   | 2,306                | 2,106                |
| Provision for income taxes          | 508                  | 517                  |
| <b>NET INCOME</b>                   | \$ 1,798             | \$ 1,589             |
| <b>NET INCOME PER COMMON SHARE:</b> |                      |                      |
| Basic                               | \$ 4.05              | \$ 3.58              |
| Diluted                             | \$ 4.04              | \$ 3.58              |
| Shares used in calculation (000s):  |                      |                      |
| Basic                               | 443,988              | 443,827              |
| Diluted                             | 444,891              | 444,403              |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(amounts in millions) (unaudited)

|  | 12 Weeks Ended       |                      |
|--|----------------------|----------------------|
|  | November 24,<br>2024 | November 26,<br>2023 |
| <b>NET INCOME</b>                                      | \$ 1,798             | \$ 1,589             |
| Foreign-currency translation adjustment and other, net | (324)                | (38)                 |
| <b>COMPREHENSIVE INCOME</b>                            | <u>\$ 1,474</u>      | <u>\$ 1,551</u>      |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(amounts in millions, except par value and share data) (unaudited)

|  | November 24,<br>2024 | September 1,<br>2024 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>CURRENT ASSETS</b>  |                      |                      |
| Cash and cash equivalents  | \$ 10,907            | \$ 9,906             |
| Short-term investments   | 920                  | 1,238                |
| Receivables, net   | 2,963                | 2,721                |
| Merchandise inventories  | 20,979               | 18,647               |
| Other current assets   | 1,754                | 1,734                |
| Total current assets   | 37,523               | 34,246               |
| <b>OTHER ASSETS</b>  |                      |                      |
| Property and equipment, net  | 29,336               | 29,032               |
| Operating lease right-of-use assets  | 2,539                | 2,617                |
| Other long-term assets   | 3,988                | 3,936                |
| <b>TOTAL ASSETS</b>  | <b>\$ 73,386</b>     | <b>\$ 69,831</b>     |
| <b>LIABILITIES AND EQUITY</b>  |                      |                      |
| <b>CURRENT LIABILITIES</b>   |                      |                      |
| Accounts payable   | \$ 21,793            | \$ 19,421            |
| Accrued salaries and benefits  | 4,785                | 4,794                |
| Accrued member rewards   | 2,444                | 2,435                |
| Deferred membership fees   | 2,683                | 2,501                |
| Other current liabilities  | 6,584                | 6,313                |
| Total current liabilities  | 38,289               | 35,464               |
| <b>OTHER LIABILITIES</b>   |                      |                      |
| Long-term debt, excluding current portion  | 5,745                | 5,794                |
| Long-term operating lease liabilities  | 2,288                | 2,375                |
| Other long-term liabilities  | 2,613                | 2,576                |
| <b>TOTAL LIABILITIES</b>   | <b>48,935</b>        | <b>46,209</b>        |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                      |                      |
| <b>EQUITY</b>  |                      |                      |
| Preferred stock \$0.005 par value; 100,000,000 shares authorized; no shares issued and outstanding                       | —                    | —                    |
| Common stock \$0.005 par value; 900,000,000 shares authorized; 443,942,000 and 443,126,000 shares issued and outstanding | 2                    | 2                    |
| Additional paid-in capital   | 7,901                | 7,829                |
| Accumulated other comprehensive loss   | (2,152)              | (1,828)              |
| Retained earnings  | 18,700               | 17,619               |
| <b>TOTAL EQUITY</b>  | <b>24,451</b>        | <b>23,622</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>\$ 73,386</b>     | <b>\$ 69,831</b>     |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(amounts in millions) (unaudited)

| 12 Weeks Ended November 24, 2024                                       |               |        |                                  |  |                      |                 |
|--|---------------|--------|----------------------------------|--|----------------------|-----------------|
|  | Common Stock  |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive Loss | Retained<br>Earnings | Total<br>Equity |
|  | Shares (000s) | Amount |                                  |  |                      |                 |
| BALANCE AT SEPTEMBER 1, 2024   | 443,126       | \$ 2   | \$ 7,829                         | \$ (1,828)                                 | \$ 17,619            | \$ 23,622       |
| Net income   | —             | —      | —                                | —  | 1,798                | 1,798           |
| Foreign-currency translation adjustment and other, net                 | —             | —      | —                                | (324)                                      | —                    | (324)           |
| Stock-based compensation   | —             | —      | 465                              | —  | —                    | 465             |
| Release of vested restricted stock units (RSUs), including tax effects | 1,046         | —      | (389)                            | —  | —                    | (389)           |
| Repurchases of common stock  | (230)         | —      | (4)                              | —  | (202)                | (206)           |
| Cash dividend declared   | —             | —      | —                                | —  | (515)                | (515)           |
| BALANCE AT NOVEMBER 24, 2024   | 443,942       | \$ 2   | \$ 7,901                         | \$ (2,152)                                 | \$ 18,700            | \$ 24,451       |

  

| 12 Weeks Ended November 26, 2023                       |               |        |                                  |  |                      |                 |
|--|---------------|--------|----------------------------------|--|----------------------|-----------------|
|  | Common Stock  |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive Loss | Retained<br>Earnings | Total<br>Equity |
|  | Shares (000s) | Amount |                                  |  |                      |                 |
| BALANCE AT SEPTEMBER 3, 2023                           | 442,793       | \$ 2   | \$ 7,340                         | \$ (1,805)                                 | \$ 19,521            | \$ 25,058       |
| Net income   | —             | —      | —                                | —  | 1,589                | 1,589           |
| Foreign-currency translation adjustment and other, net | —             | —      | —                                | (38)                                       | —                    | (38)            |
| Stock-based compensation                               | —             | —      | 446                              | —  | —                    | 446             |
| Release of vested RSUs, including tax effects          | 1,282         | —      | (292)                            | —  | —                    | (292)           |
| Repurchases of common stock                            | (288)         | —      | (5)                              | —  | (157)                | (162)           |
| Cash dividend declared and other                       | —             | —      | —                                | —  | (454)                | (454)           |
| BALANCE AT NOVEMBER 26, 2023                           | 443,787       | \$ 2   | \$ 7,489                         | \$ (1,843)                                 | \$ 20,499            | \$ 26,147       |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(amounts in millions) (unaudited)

|   | 12 Weeks Ended       |                      |
|---|----------------------|----------------------|
|   | November 24,<br>2024 | November 26,<br>2023 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                      |                      |
| Net income  | \$ 1,798             | \$ 1,589             |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |
| Depreciation and amortization   | 548                  | 501                  |
| Non-cash lease expense  | 72                   | 74                   |
| Stock-based compensation  | 463                  | 444                  |
| Other non-cash operating activities, net  | (72)                 | 43                   |
| Changes in operating assets and liabilities:                                      |                      |                      |
| Merchandise inventories   | (2,541)              | (1,384)              |
| Accounts payable  | 2,601                | 2,854                |
| Other operating assets and liabilities, net                                       | 391                  | 530                  |
| Net cash provided by operating activities   | 3,260                | 4,651                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                      |                      |
| Purchases of short-term investments   | (247)                | (200)                |
| Maturities of short-term investments  | 541                  | 878                  |
| Additions to property and equipment   | (1,264)              | (1,040)              |
| Other investing activities, net   | (15)                 | (4)                  |
| Net cash used in investing activities   | (985)                | (366)                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                      |                      |
| Repayments of short-term borrowings   | (194)                | (173)                |
| Proceeds from short-term borrowings   | 133                  | 144                  |
| Proceeds from issuance of long-term debt  | —                    | 498                  |
| Tax withholdings on stock-based awards  | (389)                | (292)                |
| Repurchases of common stock   | (207)                | (162)                |
| Cash dividend payments  | (515)                | (905)                |
| Financing lease payments and other financing activities, net                      | (21)                 | (84)                 |
| Net cash used in financing activities   | (1,193)              | (974)                |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>               | (81)                 | —                    |
| Net change in cash and cash equivalents   | 1,001                | 3,311                |
| <b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>                                | 9,906                | 13,700               |
| <b>CASH AND CASH EQUIVALENTS END OF PERIOD</b>                                    | <u>\$ 10,907</u>     | <u>\$ 17,011</u>     |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                          |                      |                      |
| Cash paid during the first 12 weeks of the year for:                              |                      |                      |
| Interest  | \$ 44                | \$ 52                |
| Income taxes, net   | \$ 401               | \$ 210               |
| <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:</b>                            |                      |                      |
| Financing lease assets obtained in exchange for new or modified leases            | \$ 111               | \$ 29                |
| Operating lease assets obtained in exchange for new or modified leases            | \$ 15                | \$ 18                |
| Capital expenditures included in liabilities                                      | \$ 204               | \$ 203               |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**COSTCO WHOLESALE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(amounts in millions, except share, per share, and warehouse count data)  
(unaudited)

**Note 1—Summary of Significant Accounting Policies**

*Description of Business*

Costco Wholesale Corporation (Costco or the Company), a Washington corporation, and its subsidiaries operate membership warehouses based on the concept that offering members low prices on a limited selection of nationally-branded and private-label products in a wide range of merchandise categories will produce high sales volumes and rapid inventory turnover. At November 24, 2024, Costco operated 896 warehouses worldwide: 616 in the United States (U.S.) located in 47 states, Washington, D.C., and Puerto Rico, 109 in Canada, 41 in Mexico, 36 in Japan, 29 in the United Kingdom (U.K.), 19 in Korea, 15 in Australia, 14 in Taiwan, seven in China, five in Spain, two in France, and one each in Iceland, New Zealand, and Sweden. The Company operates e-commerce sites in the U.S., Canada, the U.K., Mexico, Korea, Taiwan, Japan, and Australia.

*Basis of Presentation*

The condensed consolidated financial statements include the accounts of Costco and its wholly-owned subsidiaries. All material inter-company transactions among the Company and its consolidated subsidiaries have been eliminated in consolidation.

These unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 1, 2024.

*Fiscal Year End*

The Company operates on a 52/53 week fiscal year basis, with the fiscal year ending on the Sunday closest to August 31. Fiscal 2025 is a 52-week year ending on August 31, 2025. References to the first quarter of 2025 and 2024 relate to the 12-week fiscal quarters ended November 24, 2024, and November 26, 2023.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect; the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions take into account historical and forward-looking factors that the Company believes are reasonable. Actual results could differ from those estimates and assumptions.

*Reclassification*

Reclassifications were made to the condensed consolidated balance sheet and statement of cash flows for the first quarter of fiscal 2024 to conform with current year presentation.



### Recent Accounting Pronouncements Not Yet Adopted By The Company

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, which is intended to improve reportable segment disclosure requirements, primarily about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements.

In December 2023, the FASB issued ASU 2023-09, which requires public business entities on an annual basis to disclose specific categories in the income-tax rate reconciliation, provide information for reconciling items that meet a quantitative threshold, and disclose certain information about income taxes paid. The standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted.

In November 2024, the FASB issued ASU 2024-03, which requires disaggregated disclosures of certain costs and expenses on the income statement on an annual and interim basis. The standard is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted.

The Company is evaluating these standards.

### Note 2—Investments

The Company's investments were as follows:

|                                  | Cost<br>Basis   | Unrealized<br>Losses, Net | Recorded<br>Basis |
|----------------------------------|-----------------|---------------------------|-------------------|
| <b>November 24, 2024:</b>        |                 |                           |                   |
| Available-for-sale:              |                 |                           |                   |
| Government and agency securities | \$ 702          | \$ (11)                   | \$ 691            |
| Held-to-maturity:                |                 |                           |                   |
| Certificates of deposit          | 229             | —                         | 229               |
| Total short-term investments     | <u>\$ 931</u>   | <u>\$ (11)</u>            | <u>\$ 920</u>     |
| <b>September 1, 2024:</b>        |                 |                           |                   |
| Available-for-sale:              |                 |                           |                   |
| Government and agency securities | \$ 689          | \$ (1)                    | \$ 688            |
| Held-to-maturity:                |                 |                           |                   |
| Certificates of deposit          | 550             | —                         | 550               |
| Total short-term investments     | <u>\$ 1,239</u> | <u>\$ (1)</u>             | <u>\$ 1,238</u>   |

Gross unrealized holding gains and losses on available-for-sale securities were not material for the periods ended November 24, 2024, or September 1, 2024. At those dates, there were no available-for-sale securities in a material continuous unrealized-loss position. There were no sales of available-for-sale securities during the first quarter of 2025 or 2024.

The maturities of available-for-sale and held-to-maturity securities at November 24, 2024, are as follows:

|                                       | Available-For-Sale |               | Held-To-Maturity |
|---------------------------------------|--------------------|---------------|------------------|
|                                       | Cost Basis         | Fair Value    |                  |
| Due in one year or less               | \$ 132             | \$ 132        | \$ 229           |
| Due after one year through five years | 414                | 408           | —                |
| Due after five years                  | 156                | 151           | —                |
| Total                                 | <u>\$ 702</u>      | <u>\$ 691</u> | <u>\$ 229</u>    |

### Note 3—Fair Value Measurement

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents information regarding the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis and indicates the level within the hierarchy reflecting the valuation techniques utilized.

|  | Level 2           |                   |
|--|-------------------|-------------------|
|  | November 24, 2024 | September 1, 2024 |
| Investment in government and agency securities                             | \$ 691            | \$ 688            |
| Forward foreign-exchange contracts, in asset position <sup>(1)</sup>       | 21                | 1                 |
| Forward foreign-exchange contracts, in (liability) position <sup>(1)</sup> | (2)               | (28)              |
| Total  | <u>\$ 710</u>     | <u>\$ 661</u>     |

(1) The asset and liability values are included in other current assets and other current liabilities, respectively, in the accompanying condensed consolidated balance sheets.

On November 24, 2024, and September 1, 2024, the Company did not hold any Level 1 or 3 financial assets or liabilities that were measured at fair value on a recurring basis. There were no transfers between levels during the first quarter of 2025 or 2024.

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized and disclosed at fair value on a nonrecurring basis include items such as financial assets measured at amortized cost and long-lived nonfinancial assets. These assets are measured at fair value if determined to be impaired. There were no fair value adjustments to these items during the first quarter of 2025 and no material fair value adjustments in 2024.

#### Note 4—Debt

The carrying value of the Company's long-term debt consisted of the following:

|  | November 24,<br>2024 | September 1,<br>2024 |
|--|----------------------|----------------------|
| 3.000% Senior Notes due May 2027                   | \$ 1,000             | \$ 1,000             |
| 1.375% Senior Notes due June 2027                  | 1,250                | 1,250                |
| 1.600% Senior Notes due April 2030                 | 1,750                | 1,750                |
| 1.750% Senior Notes due April 2032                 | 1,000                | 1,000                |
| Other long-term debt                               | 863                  | 919                  |
| Total long-term debt                               | 5,863                | 5,919                |
| Less unamortized debt discounts and issuance costs | 21                   | 22                   |
| Less current portion <sup>(1)</sup>                | 97                   | 103                  |
| Long-term debt, excluding current portion          | \$ 5,745             | \$ 5,794             |

(1) Net of unamortized debt discounts and issuance costs.

The fair value of the Senior Notes is estimated using Level 2 inputs. Other long-term debt consists of Guaranteed Senior Notes issued by the Company's Japan subsidiary, valued using Level 3 inputs. The fair value of the Company's long-term debt, including the current portion, was approximately \$5,273 and \$5,412 at November 24, 2024, and September 1, 2024.

#### Note 5—Equity

##### Dividends

A quarterly cash dividend of \$1.16 per share was declared on October 16, 2024, and paid on November 15, 2024. The dividend was \$1.02 per share in the first quarter of 2024.

##### Stock Repurchase Programs

The Company's stock repurchase program is conducted under a \$4,000 authorization by the Board of Directors, which expires in January 2027. At November 24, 2024, the remaining amount available under the program was \$2,659. The following table summarizes the repurchase activity:

|                       | Shares Repurchased (000s) | Average Price per<br>Share | Total Cost |
|-----------------------|---------------------------|----------------------------|------------|
| First quarter of 2025 | 230                       | \$ 899.23                  | \$ 206     |
| First quarter of 2024 | 288                       | \$ 564.06                  | \$ 162     |

These amounts may differ from the accompanying condensed consolidated statements of cash flows due to changes in unsettled stock repurchases at the end of each quarter. Purchases are made from time to time, as conditions warrant, in the open market or in block purchases and pursuant to plans under SEC Rule 10b5-1.

## Note 6—Stock-Based Compensation

The 2019 Incentive Plan authorizes the issuance of up to a maximum of 15,885,000 RSUs. To preserve the value of outstanding awards, the number of RSUs that may be granted under this Plan is subject to adjustments from changes in capital structure. The Company issues new shares of common stock upon vesting of RSUs. Shares for vested RSUs are generally delivered to participants annually, net of shares withheld for taxes.

### Summary of Restricted Stock Unit Activity

At November 24, 2024, 6,195,000 shares were available to be granted as RSUs, and the following awards were outstanding:

- 2,280,000 time-based RSUs, which vest upon continued employment over specified periods and accelerate upon achievement of a long-service term;
- 51,000 performance-based RSUs granted to executive officers, for which the performance targets have been met. The awards vest upon continued employment over specified periods of time and upon achievement of a long-service term; and
- 70,000 performance-based RSUs granted to executive officers, subject to achievement of performance targets for 2025, as determined by the Compensation Committee of the Board of Directors after the end of the fiscal year. These awards are not included in the table below or in the amount of unrecognized compensation cost.

The following table summarizes RSU transactions during the first quarter of 2025:

|                                  | Number of<br>Units (in 000s) | Weighted-Average<br>Grant Date Fair Value |
|----------------------------------|------------------------------|---|
| Outstanding at September 1, 2024 | 2,799                        | \$ 463.24                                 |
| Granted                          | 1,025                        | 883.78                                    |
| Vested and delivered             | (1,481)                      | 557.85                                    |
| Forfeited                        | (12)                         | 502.86                                    |
| Outstanding at November 24, 2024 | 2,331                        | \$ 534.69                                 |

The remaining unrecognized compensation cost related to RSUs unvested at November 24, 2024, was \$1,277, and the weighted-average period over which this cost will be recognized is 1.8 years.

### Summary of Stock-Based Compensation

The following table summarizes stock-based compensation expense and the related tax benefits:

|                                       | 12 Weeks Ended       |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | November 24,<br>2024 | November 26,<br>2023 |
| Stock-based compensation expense      | \$ 463               | \$ 444               |
| Less recognized income tax benefits   | 101                  | 95                   |
| Stock-based compensation expense, net | \$ 362               | \$ 349               |

## Note 7—Net Income per Common and Common Equivalent Share

The following table shows the amounts used in computing net income per share and the weighted average number of shares of basic and of potentially dilutive common shares outstanding (shares in 000s):

|                                 | 12 Weeks Ended       |                      |
|---------------------------------|----------------------|----------------------|
|                                 | November 24,<br>2024 | November 26,<br>2023 |
| Net income                      | \$ 1,798             | \$ 1,589             |
| Weighted average basic shares   | 443,988              | 443,827              |
| RSUs                            | 903                  | 576                  |
| Weighted average diluted shares | 444,891              | 444,403              |

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated based on the dilutive effect of RSUs using the treasury stock method.

## Note 8—Commitments and Contingencies

### Legal Proceedings

The Company is involved in many claims, proceedings and litigations arising from its business and property ownership. In accordance with accounting guidance, the Company establishes an accrual for legal proceedings if and when those matters present loss contingencies that are both probable and reasonably estimable. There may be actual losses in excess of amounts accrued. The Company monitors those matters for developments that would affect the likelihood of a loss (taking into account where applicable indemnification arrangements concerning suppliers and insurers) and the accrued amount, if any, thereof, and adjusts the amount as appropriate. The Company has recorded an immaterial accrual with respect to one matter described below, in addition to other immaterial accruals for matters not described below. If the loss contingency at issue is not both probable and reasonably estimable, the Company does not establish an accrual, but monitors for developments that make the contingency both probable and reasonably estimable. In each case, there is a reasonable possibility that a loss may be incurred, including a loss in excess of the applicable accrual. For matters where no accrual has been recorded, the possible loss or range of loss (including any loss in excess of the accrual) cannot, in the Company's view, be reasonably estimated because, among other things: the remedies or penalties sought are indeterminate or unspecified; the legal and/or factual theories are not well developed; and/or the matters involve complex or novel legal theories or a large number of parties.

In November 2023, a former employee filed a class action against the Company alleging claims under California law for failure to pay minimum wage, failure to pay overtime, failure to provide meal and rest breaks, failure to provide accurate wage statements, failure to reimburse expenses, failure to pay wages when due, and failure to pay sick pay. *Martin Reyes v. Costco Wholesale Corporation*, Sacramento County Superior Court (No. 23cv011351), removed to federal court, No. 2:24-cv-00300 (E.D. Cal.). A second amended complaint was filed, which the Company has moved to dismiss. In January 2024, the same plaintiff filed a related Private Attorneys General Act (PAGA) representative action, seeking civil penalties and asserting the same alleged underlying Labor Code violations and an additional suitable seating claim. In May 2024, the plaintiff filed an amended PAGA complaint; the Company has denied the material allegations of the complaint and filed a motion to stay the action.

In August 2024, an employee filed an action under PAGA against the Company, alleging claims for penalties for alleged violations of the California Labor Code regarding: off-the-clock work, incorrect and untimely payment of wages. *Nader v. Costco* (No. CV-24-006198; Stanislaus County Superior Court). An amended complaint was filed in November 2024, as to which the Company has yet to respond.

Beginning in December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases concerning the impacts of opioid abuses filed against various defendants by counties, cities, hospitals, Native American tribes, third-party payors, and others. In re National Prescription Opiate Litigation (MDL No. 2804) (N.D. Ohio). Included are cases filed against the Company by counties and cities in Michigan, New Jersey, Oregon, Virginia and South Carolina, a third-party payor in Ohio, and a hospital in Texas, class actions filed on behalf of infants born with opioid-related medical conditions in 40 states, and class actions and individual actions filed on behalf of individuals seeking to recover alleged increased insurance costs associated with opioid abuse in 43 states and American Samoa. Claims against the Company filed in federal court outside the MDL by one county in Georgia are pending, and claims filed by certain cities and counties in New York are pending in state court, as are claims by certain county district attorneys in Pennsylvania. Claims against the Company in state courts in New Jersey, Oklahoma, Utah, and Arizona have been dismissed. Claims against the Company in federal court in Georgia and Florida have been dismissed. The Company is defending all of the pending matters.

Between September 25 and October 31, 2023, five class action suits were filed against the Company alleging privacy law violations stemming from pixel trackers on Costco.com: Birdwell v. Costco Wholesale Corp., No. T23-1405, Contra Costa County Superior Court; and Scott v. Costco Wholesale Corp., No. 2:23-cv-08808 (C.D. Cal.), now consolidated with R.S. v. Costco Wholesale Corp., No. 2:23-cv-01628 (W.D. Wash.); Groves, et al., v. Costco Wholesale Corp., No. 2:23-cv-01662 (W.D. Wash.), and Castillo v. Costco Wholesale Corp., under No. 2:34-cv-01548 (W.D. Wash.). The Castillo plaintiffs filed a consolidated complaint on January 26, 2024, which seeks damages, equitable relief and attorneys' fees under various statutes, including the Washington Consumer Protection Act, Washington Privacy Act, Washington Uniform Health Care Information Act, Electronic Communications Privacy Act, California Invasion of Privacy Act, and California Confidentiality of Medical Information Act. The consolidated complaint also alleges breach of implied contract, invasion of privacy, conversion, and unjust enrichment. The Company filed a motion to dismiss the Castillo complaint on March 11, 2024. In November 2024 the court denied the motion to dismiss in substantial part. On May 16, 2024, the parties stipulated to stay Birdwell pending resolution of Castillo. On January 2, and August 22, 2024, the Company received related civil investigative demands from the Washington Attorney General's Office. On January 3, 2024, the Company received a related pre-litigation letter from the Los Angeles Office of the County Counsel. The Company is in the process of responding to both agencies.

On June 20, 2024, a class-action lawsuit was filed against the Company and Nice-Pak Products, Inc., alleging that Kirkland Signature Fragrance Free Baby Wipes contain 3.7 parts per billion of per-and polyfluoroalkyl substances. The complaint alleges that the label claim that the wipes are "made with naturally derived ingredients" thus violates various state consumer protection and false advertising laws. The complaint seeks unspecified damages, including punitive damages, as well as equitable relief and attorneys' fees and costs. The defendants filed a motion to dismiss on August 9, 2024. Bullard, et al., v. Costco Wholesale Corp., et al., No. 3:24-cv-03714 (N.D. Cal.).

The Company has been served in over seventy product liability cases in California and Oregon related to its alleged sale of artificial and natural stone countertops. These lawsuits allege strict liability, negligence, breach of warranty, fraud, and failure to warn claims on the grounds that the fabricators and cutters of the stone slabs used to fabricate countertops offered for sale by Costco are exposed to silica particulates in the air while performing such work, allegedly causing lung diseases, including, but not limited to, silicosis. The defendants in these cases include the manufacturers, distributors, and retailers. The Company has denied all claims, has filed cross-claims pertaining to indemnity and contribution, and otherwise sought indemnity from responsible parties.

In January 2023 the Company received a Civil Investigative Demand from the U.S. Attorney's Office, Western District of Washington, requesting documents. The government is conducting a False Claims Act investigation concerning whether the Company presented or caused to be presented to the federal government for payment false claims relating to prescription medications.

In May 2024 the Company received a Notice of Intent to File Administrative Complaint for Violations of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) from the U.S. Environmental Protection Agency. The EPA is seeking administrative fines for importation, sale and distribution of misbranded devices and unregistered products the government asserts are pesticides under FIFRA.

The Company does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows; it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual fiscal quarter or year.

#### Note 9—Segment Reporting

The Company is principally engaged in the operation of membership warehouses through wholly owned subsidiaries in the U.S., Canada, Mexico, Japan, the U.K., Korea, Australia, Taiwan, China, Spain, France, Iceland, New Zealand, and Sweden. Reportable segments are largely based on management's organization of the operating segments for operational decisions and assessments of financial performance, which consider geographic locations. The material accounting policies of the segments are as described in the notes to the consolidated financial statements included in the Company's Annual Report filed on Form 10-K for the fiscal year ended September 1, 2024, and [Note 1](#) above. Inter-segment net sales and expenses have been eliminated in calculating total revenue and operating income.

The following table provides information for the Company's reportable segments:

|   | United States | Canada    | Other<br>International | Total      |
|---|---------------|-----------|------------------------|------------|
| <b>12 Weeks Ended November 24, 2024</b> |               |           |                        |            |
| Total revenue                           | \$ 45,088     | \$ 8,404  | \$ 8,659               | \$ 62,151  |
| Operating income                        | 1,498         | 362       | 336                    | 2,196      |
| <b>12 Weeks Ended November 26, 2023</b> |               |           |                        |            |
| Total revenue                           | \$ 41,833     | \$ 7,901  | \$ 8,065               | \$ 57,799  |
| Operating income                        | 1,358         | 325       | 301                    | 1,984      |
| <b>52 Weeks Ended September 1, 2024</b> |               |           |                        |            |
| Total revenue                           | \$ 184,143    | \$ 34,874 | \$ 35,436              | \$ 254,453 |
| Operating income                        | 6,217         | 1,648     | 1,420                  | 9,285      |

#### Disaggregated Revenue

The following table summarizes net sales by merchandise category; sales from e-commerce sites and business centers have been allocated to the applicable merchandise categories:

|  | 12 Weeks Ended       |                      |
|--|----------------------|----------------------|
|  | November 24,<br>2024 | November 26,<br>2023 |
| Foods and Sundries                       | \$ 25,062            | \$ 23,024            |
| Non-Foods                                | 16,171               | 14,766               |
| Fresh Foods                              | 8,218                | 7,328                |
| Warehouse Ancillary and Other Businesses | 11,534               | 11,599               |
| Total net sales                          | \$ 60,985            | \$ 56,717            |

## **Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations**

(amounts in millions, except per share, share, percentages and warehouse count data)

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For these purposes, forward-looking statements are statements that address activities, events, conditions or developments that the Company expects or anticipates may occur in the future and may relate to such matters as net sales growth, changes in comparable sales, cannibalization of existing locations by new openings, price or fee changes, earnings performance, earnings per share, stock-based compensation expense, warehouse openings and closures, capital spending, the effect of adopting certain accounting standards, future financial reporting, financing, margins, return on invested capital, investments in technology, strategic direction, expense controls, membership renewal rates, shopping frequency, litigation, attainment of sustainability goals, and the demand for our products and services. In some cases, forward-looking statements can be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. These risks and uncertainties include, but are not limited to, domestic and international economic conditions, including exchange rates, inflation or deflation, the effects of competition and regulation, uncertainties in the financial markets, consumer and small business spending patterns and debt levels, breaches of security or privacy of member or business information, conditions affecting the acquisition, development, ownership or use of real estate, capital spending, actions of vendors, rising costs associated with employees (generally including health-care costs and wages), workforce interruptions, energy and certain commodities, geopolitical conditions (including tariffs), the ability to maintain effective internal control over financial reporting, regulatory and other impacts related to environmental and social matters, public-health related factors, and other risks identified from time to time in the Company's public statements and reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

### **OVERVIEW**

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to promote understanding of the results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q), as well as our consolidated financial statements, the accompanying Notes to Financial Statements, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations in our fiscal year 2024 Form 10-K, filed with the United States Securities and Exchange Commission on October 9, 2024.

We operate membership warehouses and e-commerce sites based on the concept that offering our members low prices on a limited selection of nationally-branded and private-label products in a wide range of categories will produce high sales volumes and rapid inventory turnover. When combined with the operating efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouse facilities, these volumes and turnover enable us to operate profitably at significantly lower gross margins (net sales less merchandise costs) than most other retailers. We often sell inventory before we are required to pay for it, even while taking advantage of early payment discounts.

We believe that the most important driver of our profitability is increasing net sales, particularly comparable sales. Net sales includes our core merchandise categories (foods and sundries, non-foods, and fresh foods), warehouse ancillary (gasoline, pharmacy, optical, food court, hearing aids, and tire



installation) and other businesses (e-commerce, business centers, travel, and other). E-commerce and business center sales are allocated to the appropriate merchandise categories in the Net Sales discussion. Comparable sales is defined as net sales from warehouses open for more than one year, including remodels, relocations and expansions, and sales related to e-commerce sites operating for more than one year. The measure is intended as supplemental information and is not a substitute for net sales presented in accordance with U.S. GAAP and should be reviewed in conjunction with results reported in accordance with U.S. GAAP. Comparable sales growth is achieved through increasing shopping frequency from new and existing members and the amount they spend on each visit (average ticket). Sales comparisons can also be particularly influenced by certain factors that are beyond our control: fluctuations in currency exchange rates (with respect to our international operations) and inflation or deflation in the cost of gasoline and associated competitive conditions. The higher our comparable sales exclusive of these items, the more we can leverage our selling general and administrative (SG&A) expenses, reducing them as a percentage of sales and enhancing profitability. Generating comparable sales growth is foremost a question of making available the right merchandise at the right prices, a skill that we believe we have repeatedly demonstrated over the long-term. Another substantial factor in net sales growth is the health of the economies in which we do business, including the effects of inflation or deflation, especially the United States. Net sales growth and gross margins are also impacted by our competition, which is vigorous and widespread, across a wide range of global, national and regional wholesalers and retailers, including those with e-commerce operations. While we cannot control or reliably predict general economic health or changes in competition, we believe that we have been successful historically in adapting our business to these changes, such as through adjustments to our pricing and merchandise mix, including increasing the penetration of our private-label items, and through online offerings.

Our philosophy is to provide our members with quality goods and services at competitive prices. We do not focus in the short-term on maximizing prices charged, but instead seek to maintain what we believe is a perception among our members of our “pricing authority” – consistently providing the most competitive values. Our net sales and gross margin are influenced in part by our merchandising and pricing strategies in response to cost increases. Those strategies can include, but are not limited to, working with our suppliers to share in absorbing cost increases, earlier-than-usual purchasing and in greater volumes, as well as passing cost increases on to our members. Our investments in merchandise pricing may include reducing prices on merchandise to drive sales or meet competition and holding prices steady despite cost increases instead of passing the increases on to our members, negatively impacting gross margin and gross margin as a percentage of net sales (gross margin percentage) in the near term. Our e-commerce business, domestically and internationally, has a lower gross-margin percentage than our warehouse operations.

We believe our gasoline business enhances traffic in our warehouses; it generally has a lower gross margin percentage and lower SG&A expense relative to our non-gasoline businesses. A higher penetration of gasoline sales will generally lower our gross margin percentage. Generally, rising gasoline prices benefit net sales growth which, given the higher sales base, negatively impacts our gross margin percentage but decreases our SG&A expenses as a percentage of net sales. A decline in gasoline prices has the inverse effect.

Government actions in various countries relating to tariffs, particularly China and the United States, affect the costs of some of our merchandise. The degree of our exposure is dependent on (among other things) the type of goods, rates imposed, and timing of the tariffs. Higher tariffs could adversely impact our results.

We also achieve net sales growth by opening new warehouses. As our warehouse base grows, available and desirable sites become more difficult to secure, and square footage growth becomes a comparatively less substantial component of growth. Negative aspects of such growth include lower initial operating profitability relative to existing warehouses and cannibalization of sales at existing warehouses when openings occur in existing markets. Our rate of square footage growth is generally higher in many of our foreign markets, due to the smaller base in those markets, and we expect that to continue.

The membership format is an integral part of our business and profitability. This format is designed to reinforce member loyalty and provide continuing fee revenue. The extent to which we achieve growth in our membership base, increase the penetration of Executive memberships, and sustain high renewal rates materially influences our profitability. Our paid-membership growth rate may be adversely impacted when warehouse openings occur in existing markets as compared to new markets. Our worldwide renewal rate may be adversely impacted by memberships in newer international markets and a higher penetration of memberships sold online, both of which typically renew at a lower rate.

Our financial performance depends heavily on controlling costs. While we believe that we have achieved successes in this area, some significant costs are partially outside our control, particularly health care and utility expenses. With respect to the compensation of our employees, our philosophy is not to seek to minimize their wages and benefits. Rather, we believe that achieving our longer-term objectives of reducing employee turnover, increasing productivity and enhancing employee satisfaction requires maintaining compensation levels that are better than the industry average for much of our workforce. This may cause us, for example, to absorb costs that other employers might seek to pass through to their workforces. Because our business operates on very low margins, modest changes in various items in the consolidated statements of income, particularly merchandise costs and SG&A expenses, can have substantial impacts on net income.

Our operating model is generally the same across our U.S., Canadian, and Other International operating segments (see [Note 9](#) to the consolidated financial statements included in Part I, Item 1, of this Report). Certain operations in the Other International segment have relatively higher rates of square footage growth, lower wage and benefit costs as a percentage of sales, less or no direct membership warehouse competition, or lack e-commerce or business delivery.

In discussions of our consolidated operating results, we refer to the impact of changes in foreign currencies relative to the U.S. dollar, which are differences between the foreign-exchange rates we use to convert the financial results of our international operations from local currencies into U.S. dollars. This impact is calculated based on the difference between the current and prior period's exchange rates. The impact of changes in gasoline prices on net sales is calculated based on the difference between the current and prior period's average price per gallon. Results expressed excluding the impacts of foreign exchange and gasoline prices are intended as supplemental information and are not a substitute for net sales presented in accordance with U.S. GAAP and should be reviewed in conjunction with results reported in accordance with U.S. GAAP.

Our fiscal year ends on the Sunday closest to August 31. References to the first quarter of 2025 and 2024 relate to the 12-week fiscal quarters ended November 24, 2024, and November 26, 2023. Certain percentages presented are calculated using actual results prior to rounding.

Highlights for the first quarter of 2025 versus 2024 include:

- Net sales increased 8% to \$60,985, driven by an increase in comparable sales and sales at 26 net new warehouses opened since the end of the first quarter of 2024;
- Membership fee revenue increased 8% to \$1,166, driven by new member sign-ups and upgrades to Executive Membership;
- Gross margin percentage increased 24 basis points; seven basis points excluding the impact of gasoline price deflation on net sales;
- SG&A expenses as a percentage of net sales increased 14 basis points and was flat excluding the impact of gasoline price deflation;
- The provision for income taxes was positively impacted by a benefit related to stock compensation of \$100, \$0.22 per diluted share, compared to \$44, \$0.10 per diluted share, in 2024;
- Net income was \$1,798, \$4.04 per diluted share, compared to \$1,589, \$3.58 per diluted share in 2024; and
- A quarterly cash dividend of \$1.16 per share was declared on October 16, 2024, and paid on November 15, 2024.

## RESULTS OF OPERATIONS

### Net Sales

|  | 12 Weeks Ended       |                      |
|--|----------------------|----------------------|
|  | November 24,<br>2024 | November 26,<br>2023 |
| Net Sales  | \$ 60,985            | \$ 56,717            |
| Increases in net sales:  |                      |                      |
| U.S.   | 8 %                  | 4 %                  |
| Canada   | 6 %                  | 7 %                  |
| Other International  | 7 %                  | 16 %                 |
| Total Company  | 8 %                  | 6 %                  |
| Increases in comparable sales <sup>(1)</sup> :   |                      |                      |
| U.S.   | 5 %                  | 2 %                  |
| Canada   | 6 %                  | 6 %                  |
| Other International  | 5 %                  | 11 %                 |
| Total Company  | 5 %                  | 4 %                  |
| E-commerce   | 13 %                 | 6 %                  |
| Increases in comparable sales excluding the impact of changes in foreign-currency and gasoline prices <sup>(1)</sup> : |                      |                      |
| U.S.   | 7 %                  | 3 %                  |
| Canada   | 7 %                  | 8 %                  |
| Other International  | 7 %                  | 7 %                  |
| Total Company  | 7 %                  | 4 %                  |
| E-commerce   | 13 %                 | 6 %                  |

(1) Comparable sales for the first quarter of 2024 were calculated using comparable retail weeks.

### Net Sales

Net sales increased \$4,268 or 8% during the first quarter of 2025. The improvement was attributable to an increase in comparable sales and sales at the 26 net new warehouses opened since the end of the first quarter of 2024. Sales increased \$4,333 or 10% in core merchandise categories during the first quarter of 2025. Sales in warehouse ancillary and other businesses decreased less than 1% during the first quarter of 2025, due to lower gasoline prices, partially offset by pharmacy and all other warehouse ancillary businesses. Lower gasoline prices negatively impacted net sales by \$908, 160 basis points, compared to 2024, with a 12% decrease in the average price per gallon. The volume of gasoline sold increased approximately 1%. Changes in foreign currencies relative to the U.S. dollar negatively impacted net sales by approximately \$164, 29 basis points, attributable to our Other International and Canadian operations.

### Comparable Sales

Comparable sales increased 5% in the first quarter of 2025 and were positively impacted by increased shopping frequency and a slightly higher average ticket.

### Membership Fees

|                           | 12 Weeks Ended       |                      |
|---------------------------|----------------------|----------------------|
|                           | November 24,<br>2024 | November 26,<br>2023 |
| Membership fees           | \$ 1,166             | \$ 1,082             |
| Membership fees increase  | 8 %                  | 8 %                  |
| Total paid members (000s) | 77,400               | 72,000               |
| Total cardholders (000s)  | 138,800              | 129,500              |

Membership fee revenue increased 8% in the first quarter of 2025, driven by new member sign-ups and upgrades to Executive Membership. At the end of the first quarter of 2025, our renewal rates were 92.8% in the U.S. and Canada and 90.4% worldwide. Our renewal rate, which excludes affiliates of Business members, is a trailing calculation that captures renewals during the period seven to eighteen months prior to the reporting date.

As previously reported, we increased our annual membership fees in the U.S. and Canada, effective September 1, 2024. We account for membership fee revenue on a deferred basis, recognized ratably over the one-year membership period. Due to this deferral, the increases had an immaterial impact in the first quarter of 2025.

### Gross Margin

|                         | 12 Weeks Ended       |                      |
|-------------------------|----------------------|----------------------|
|                         | November 24,<br>2024 | November 26,<br>2023 |
| Net sales               | \$ 60,985            | \$ 56,717            |
| Less merchandise costs  | 54,109               | 50,457               |
| Gross margin            | \$ 6,876             | \$ 6,260             |
| Gross margin percentage | 11.28 %              | 11.04 %              |

### Quarterly Results

Gross margin percentage increased 24 basis points. Excluding the impact of gasoline price deflation on net sales, gross margin percentage was 11.11%, an increase of seven basis points. This increase was positively impacted by: 17 basis points in our core merchandise categories, primarily due to sales mix and our co-branded credit card program, and six basis points related to 2% rewards. This increase was partially offset by 16 basis points due to warehouse ancillary and other businesses, primarily gasoline, partially offset by e-commerce.

The gross margin in core merchandise categories, when expressed as a percentage of core merchandise sales (rather than total net sales), increased three basis points. The increase was primarily due to fresh foods, partially offset by non-foods. This measure eliminates the impact of changes in sales penetration and gross margin from our warehouse ancillary and other businesses.

Gross margin percentage on a segment basis, when expressed as a percentage of the segment's own sales and excluding the impact of changes in gasoline prices on net sales (segment gross margin percentage), increased in all segments. Our U.S. segment performed similarly to the consolidated results above. Our Canadian and Other International segment's gross margin percentage increased, primarily due to increases in core merchandise categories, partially offset by increased 2% rewards.

### ***Selling, General and Administrative Expenses***

|  | 12 Weeks Ended       |                      |
|--|----------------------|----------------------|
|  | November 24,<br>2024 | November 26,<br>2023 |
| SG&A expenses                              | \$ 5,846             | \$ 5,358             |
| SG&A expenses as a percentage of net sales | 9.59 %               | 9.45 %               |

### ***Quarterly Results***

SG&A expenses as a percentage of net sales increased 14 basis points. Excluding the impact of gasoline price deflation that measure was flat. The comparison to last year was favorably impacted by four basis points due to lower preopening costs and three basis points due to stock compensation expense. SG&A was negatively impacted by four basis points due to warehouse operations and other businesses, which included the impact of the wage increase in July 2024, partially offset by sales leverage and improved productivity. Central operating costs were also higher by three basis points. SG&A expenses as a percentage of net sales were lower in our U.S. segment and higher in our Canadian and Other International segments.

### ***Interest Expense***

|                  | 12 Weeks Ended       |                      |
|------------------|----------------------|----------------------|
|                  | November 24,<br>2024 | November 26,<br>2023 |
| Interest expense | \$ 37                | \$ 38                |

Interest expense is primarily related to Senior Notes and financing leases.

### ***Interest Income and Other, Net***

|   | 12 Weeks Ended       |                      |
|---|----------------------|----------------------|
|   | November 24,<br>2024 | November 26,<br>2023 |
| Interest income                         | \$ 96                | \$ 154               |
| Foreign-currency transaction gains, net | 43                   | 3                    |
| Other, net                              | 8                    | 3                    |
| Interest income and other, net          | <u>\$ 147</u>        | <u>\$ 160</u>        |

The decrease in interest income in the first quarter was due to lower average cash and investment balances, following the special dividend in January 2024, and lower interest rates. Foreign-currency transaction gains, net, include mark-to-market adjustments for forward foreign-exchange contracts and revaluation or settlement of monetary assets and liabilities by our Canadian and Other International operations. See Derivatives and Foreign Currency sections in Item 8, Note 1 of our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024.

### ***Provision for Income Taxes***

|                            | 12 Weeks Ended       |                      |
|----------------------------|----------------------|----------------------|
|                            | November 24,<br>2024 | November 26,<br>2023 |
| Provision for income taxes | \$ 508               | \$ 517               |
| Effective tax rate         | 22.0 %               | 24.5 %               |

The effective tax rate for the first quarter of 2025 and 2024 was favorably impacted by discrete tax benefits of \$100 and \$44 of excess tax benefits related to stock compensation.

## LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our significant sources and uses of cash and cash equivalents:

|   | 12 Weeks Ended       |                      |
|---|----------------------|----------------------|
|   | November 24,<br>2024 | November 26,<br>2023 |
| Net cash provided by operating activities | \$ 3,260             | \$ 4,651             |
| Net cash used in investing activities     | (985)                | (366)                |
| Net cash used in financing activities     | (1,193)              | (974)                |

Our primary sources of liquidity are cash flows from operations, cash and cash equivalents, and short-term investments. Cash and cash equivalents and short-term investments were \$11,827 and \$11,144 at November 24, 2024, and September 1, 2024. Of these balances, unsettled credit and debit card receivables represented approximately \$2,789 and \$2,519 at November 24, 2024, and September 1, 2024. These receivables generally settle within four days.

Material contractual obligations arising in the normal course of business primarily consist of purchase obligations, long-term debt and related interest payments, leases, and construction and land purchase obligations. Purchase obligations consist of contracts primarily related to merchandise, equipment, and third-party services, the majority of which are due in the next 12 months. Construction and land-purchase obligations consist of contracts primarily related to the development and opening of new and relocated warehouses, the majority of which (other than leases) are due in the next 12 months.

We believe that our cash and investment position and operating cash flow, with capacity under existing and available credit agreements, will be sufficient to meet our liquidity and capital requirements for the foreseeable future and our U.S. current and projected asset position is sufficient to meet our U.S. liquidity requirements.

### ***Cash Flows from Operating Activities***

Net cash provided by operating activities totaled \$3,260 in the first quarter of 2025, compared to \$4,651 in the first quarter of 2024. The decrease in net cash provided by operating activities was due to an increase in our net investment in merchandise inventories. Our cash flow provided by operations is primarily from net sales and membership fees. Cash flow used in operations generally consists of payments to merchandise suppliers, warehouse operating costs, including wages and employee benefits, utilities, credit and debit card processing fees, and operating leases. Cash used in operations also includes payments for income taxes. Changes in our net investment in merchandise inventories (the difference between merchandise inventories and accounts payable) is impacted by several factors, including inventory levels and turnover, payment terms with suppliers, early payments to obtain discounts, and the shift in timing of the seasonal holiday to the second quarter of 2025.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities totaled \$985 in the first quarter of 2025, compared to \$366 in the first quarter of 2024, and is primarily related to capital expenditures. Net cash from investing activities also includes purchases and maturities of short-term investments.

### ***Capital Expenditure Plans***

Our primary requirements for capital are acquiring land, buildings, and equipment for new and remodeled warehouses, information systems and manufacturing and distribution facilities. In the first quarter of 2025, we spent \$1,264 on capital expenditures, and it is our current intention to spend a total of approximately \$5,000 during fiscal 2025. These expenditures are expected to be financed with cash from operations, cash and cash equivalents, and short-term investments. We opened seven new warehouses, including one relocation, in the first quarter of 2025 and plan to open 22 additional new warehouses, including two

relocations, in the remainder of fiscal 2025. There can be no assurance that current expectations will be realized, and plans are subject to change upon further review of our capital expenditure needs and the economic environment.

### ***Cash Flows from Financing Activities***

Net cash used in financing activities totaled \$1,193 in the first quarter of 2025, compared to \$974 in the first quarter of 2024. Cash flow used in financing activities during the first quarter of 2025 was primarily related to the payment of dividends, withholding taxes on stock-based awards, repurchases of common stock, and repayments of short-term borrowings. Cash flow provided by financing activities included proceeds from short-term borrowings.

#### ***Dividends***

A quarterly cash dividend of \$1.16 per share was declared on October 16, 2024, and paid on November 15, 2024.

#### ***Share Repurchase Program***

On January 19, 2023, the Board of Directors authorized a share repurchase program in the amount of \$4,000, which expires in January 2027. During the first quarter of 2025 and 2024, we repurchased 230,000 and 288,000 shares of common stock, at an average price per share of \$899.23 and \$564.06, totaling approximately \$206 and \$162. These amounts may differ from the accompanying condensed consolidated statements of cash flows due to changes in unsettled repurchases at the end of a quarter. Purchases are made from time to time, as conditions warrant, in the open market or in block purchases, pursuant to plans under SEC Rule 10b5-1. Repurchased shares are retired, in accordance with the Washington Business Corporation Act. The remaining amount available to be purchased under our approved plan was \$2,659 at the end of the first quarter.

### ***Bank Credit Facilities and Commercial Paper Programs***

We maintain bank credit facilities for working capital and general corporate purposes. At November 24, 2024, we had borrowing capacity under these facilities of \$1,184. Our international operations maintain \$689 of this capacity under bank credit facilities, of which \$159 is guaranteed by the Company. Short-term borrowings outstanding under the bank credit facilities, which are included in other current liabilities on the consolidated balance sheets, were immaterial at the end of the first quarter of 2025 and at the end of fiscal 2024.

We have letter of credit facilities, for commercial and standby letters of credit, totaling \$222. The outstanding commitments under these facilities at the end of the first quarter of 2025 totaled \$202, most of which were standby letters of credit that do not expire or have expiration dates within one year. The bank credit facilities have various expiration dates, most within one year, and we generally intend to renew these facilities. The amount of borrowings available at any time under our bank credit facilities is reduced by the amount of standby and commercial letters of credit outstanding.

### ***Critical Accounting Estimates***

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires that we make estimates and judgments. We base these on historical experience and on assumptions that we believe to be reasonable. Our critical accounting policies are discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024. There have been no material changes to the critical accounting estimates previously disclosed in that Report.

### ***Recent Accounting Pronouncements***

See discussion of Recent Accounting Pronouncements in [Note 1](#) to the condensed consolidated financial statements included in Part I, Item 1 of this Report.

### **Item 3—Quantitative and Qualitative Disclosures about Market Risk**

Our direct exposure to financial market risk results from fluctuations in foreign-currency exchange rates and interest rates. There have been no material changes to our market risks as disclosed in our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024.

### **Item 4—Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of November 24, 2024, and, based on their evaluation, have concluded the disclosure controls and procedures were effective as of such date.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the first quarter of fiscal 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1—Legal Proceedings**

See discussion of Legal Proceedings in [Note 8](#) to the condensed consolidated financial statements included in Part I, Item 1 of this Report.

### **Item 1A—Risk Factors**

In addition to the other information set forth in the Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K, for the fiscal year ended September 1, 2024. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K.



## Item 2—Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information on our common stock repurchase activity for the first quarter of 2025 (amounts in millions, except share and per share data):

| Period                                 | Total Number of<br>Shares Purchased | Average Price<br>Paid Per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Programs <sup>(1)</sup> | Maximum Dollar Value of<br>Shares that May Yet be<br>Purchased Under the<br>Programs <sup>(1)</sup> |
|--|-------------------------------------|---------------------------------|---|---|
| September 2, 2024 — September 29, 2024 | 74,000                              | \$ 897.54                       | 74,000  | \$ 2,799  |
| September 30, 2024 — October 27, 2024  | 79,000                              | 888.35                          | 79,000  | 2,729   |
| October 28, 2024 — November 24, 2024   | 77,000                              | 912.04                          | 77,000  | 2,659   |
| Total first quarter                    | 230,000                             | \$ 899.23                       | 230,000   |   |

(1) Our share repurchase program is conducted under a \$4,000 authorization approved by our Board of Directors in January 2023, which expires in January 2027.

## Item 3—Defaults Upon Senior Securities

None.

## Item 4—Mine Safety Disclosures

Not applicable.

## Item 5—Other Information

None.

**Item 6—Exhibits**

The following exhibits are filed as part of this Quarterly Report on Form 10-Q or are incorporated herein by reference.

| Exhibit Number | Exhibit Description  | Filed Herewith | Incorporated by Reference |               |             |
|----------------|--|----------------|---------------------------|---------------|-------------|
|                |  |                | Form                      | Period Ending | Filing Date |
| 3.1            | <a href="#">Articles of Incorporation as amended of Costco Wholesale Corporation</a>   |                | 10-K                      | 8/28/2022     | 10/5/2022   |
| 3.2            | <a href="#">Bylaws as amended of Costco Wholesale Corporation</a>  |                | 8-K                       |               | 9/20/2024   |
| 10.1*          | <a href="#">Fiscal 2025 Executive Bonus Plan</a>   |                | 8-K                       |               | 11/7/2024   |
| 10.2*          | <a href="#">Executive Employment Agreement effective January 1, 2025, between Ron Vachris and Costco Wholesale Corporation</a> | x              |                           |               |             |
| 10.3#          | <a href="#">Thirteenth Amendment to Citi, N.A. Co-Branded Credit Card Agreement</a>  | x              |                           |               |             |
| 31.1           | <a href="#">Rule 13(a) – 14(a) Certifications</a>  | x              |                           |               |             |
| 32.1           | <a href="#">Section 1350 Certifications</a>  | x              |                           |               |             |
| 101.INS        | Inline XBRL Instance Document  | x              |                           |               |             |
| 101.SCH        | Inline XBRL Taxonomy Extension Schema Document   | x              |                           |               |             |
| 101.CAL        | Inline XBRL Taxonomy Extension Calculation Linkbase Document   | x              |                           |               |             |
| 101.DEF        | Inline XBRL Taxonomy Extension Definition Linkbase Document  | x              |                           |               |             |
| 101.LAB        | Inline XBRL Taxonomy Extension Label Linkbase Document   | x              |                           |               |             |
| 101.PRE        | Inline XBRL Taxonomy Extension Presentation Linkbase Document  | x              |                           |               |             |
| 104            | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)                                       | x              |                           |               |             |

\* Management contract, compensatory plan or arrangement.

# Certain information in this exhibit has been omitted because it is (i) immaterial and (ii) customarily and actually treated by the registrant as private or confidential.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

COSTCO WHOLESALE CORPORATION  
(Registrant)

|                   |    |   |
|-------------------|----|---|
| December 18, 2024 | By | /s/ RON M. VACHRIS  |
| Date              |    | Ron M. Vachris  |
|                   |    | <i>Chief Executive Officer, President and Director</i>      |
| December 18, 2024 | By | /s/ GARY MILLERCHIP   |
| Date              |    | Gary Millerchip   |
|                   |    | <i>Executive Vice President and Chief Financial Officer</i> |