

Costco Wholesale Corporation Pre-recorded November Sales Conference Call

Company Participants

- Jeff Elliott, Assistant VP of Finance & IR

Presentation

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Good morning. And thank you for calling Costco Wholesale Corporation. I'm Jeff Elliott, Assistant Vice President of Finance and Investor Relations. And this morning I will review with you our sales results for the four-week retail month of November, which started on Monday, November 4 and ended on Sunday, December 1.

For comparable sales results, this four-week period is compared to the same four-week period last year, specifically Monday, November 5 through Sunday, December 2. November included 27 selling days in the US for both years, reflecting closure for the Thanksgiving Day holiday.

Before I begin, let me start by stating that the following discussions will include 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. 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 not are limited to, domestic and international economic conditions including exchange rates; the effects of competition and regulation; uncertainties in the financial markets; consumer and small business spending patterns and debt levels; conditions affecting the acquisition, development, ownership or use of real estate; amounts expected to be spent on expansion plans; actions of vendors; rising costs associated with employees, including healthcare costs; energy and certain commodities; geopolitical conditions and other risks identified from time to time in the Company's public statements and reports filed with the SEC. The Company does not undertake any obligation to update these discussions due to subsequent events or circumstances.

Now with regard to sales, as reported in today's press release, net sales for the month of November came in at \$8.78 billion for the four weeks ended December 1, up 5% compared to the \$8.40 billion reported for the same period last year.

For the 12-week fiscal First Quarter ended November 24, 2013 the Company reported net sales of \$24.47 billion, an increase of 5% from the \$23.20 billion reported in the similar period last year.

For the 13 weeks ended December 1, 2013, the Company reported net sales of \$26.80 billion, an increase of 6% from the \$25.40 billion reported for the similar period last year.

Comparable sales results for the 4-week November retail month, the 12-week first fiscal quarter and the 13-week fiscal year to date were as follows. US 4 weeks, plus 2%; US 12 weeks, plus 3%; US 13 weeks, plus 3%. International 4 weeks, plus 1%; 12 weeks, plus 1%; and 13 weeks, plus 1%. Total Company 4 weeks, plus 2%; 12 weeks, plus 3%; and for the total Company 13 weeks, plus 3%.

Comparable sales for the 4-week, 12-week and 13-week periods, excluding the negative impacts from gasoline price deflation and foreign exchange, were as follows. US 4 weeks, plus 3%; US 12 weeks, plus 4%; and US 13 weeks, plus 4%. International for 4 weeks, 12 weeks and 13 weeks, 6% across the board; and total Company, 4 weeks, plus 4%. And for 12 weeks and 13 weeks plus 5% for the total Company.

In terms of regional and merchandising categories, the general highlights for the month of November were as follows. On a regional and country basis, the US regions with the strongest results were the Southeast, Midwest and Texas. On an international basis, in local currencies, we saw the strongest results in Canada, Mexico and Australia.

Moving on to our merchandise highlights, the following comparable sales results by category exclude the negative impact of foreign exchange.

Food and sundries comparable sales for the month were in the low to mid-single-digit range. Within food and sundries, the departments with the strongest results were deli, candy, frozen foods and liquor.

Comparable sales results for hardlines were negative mid single digit for the month. Better-performing departments were automotive and office, offset by negative comps in consumer electronics, lawn and garden and seasonal.

Softlines experienced positive comp sales results in the mid to high single-digit range. Better-performing departments within softlines include apparel, small appliances and domestics. Fresh foods experienced positive comp sales results in the high single-digit range. Produce and deli experienced the strongest results.

Within the ancillary businesses, hearing aid, optical and pharmacy produced the best comp sales increases. Gasoline comp sales were down low single digit year over year. The average sale price per gallon was minus 6% lower at \$3.24 this year,

compared to \$3.47 last year. Overall gasoline price deflation had a negative impact of a little more than negative 0.5% on November comp sales.

Weakening foreign currencies year over year relative to the US dollar resulted in a detriment to our reported November comp sales by a little more than minus 1.25%. Total international comps for the four-week period came in at plus 6% in local currencies. But resulted in a reported comp of plus 1% when converted to US dollars.

The average transaction was down a little over minus 2% year over year, which includes about 2% for the combined negative impact of foreign exchange and gasoline price deflation.

Comparable traffic frequency was up a little over 4.25% for the month. So that's positive traffic of 4.25%. Cannibalization for the month of November had a negative impact to total Company comparable sales of about minus 0.5%.

Looking ahead, the five-week December sales month will include 33 selling days for both years, reflecting closure for the Christmas and New Year's Day holidays. The reporting period will end on Sunday, January 5 and will be compared to the five weeks ended Sunday, January 6 last year.

We plan to announce December sales on Thursday, January 9, 2014. The Company plans to release its operating results for the First Quarter, the 12 weeks of fiscal 2014 ended November 24, 2013, on Wednesday, December 11. So the announcement will be on Wednesday, December 11. The conference call to discuss these results is scheduled for 8am Pacific time that day.

Costco currently operates 648 warehouses, including 461 in the United States and Puerto Rico, 87 in Canada, 33 in Mexico, 25 in the UK, 18 in Japan, 10 in Taiwan, 9 in Korea and 5 in Australia.

If you have any questions regarding our November sales results or any other investor relations questions, please do not hesitate to call Richard Galanti at 425-313-8203; Bob Nelson at 425-313-8255. You can call David Sherwood at 425-313-8239, or you can call me directly, Jeff Elliott, at 425-313-8264.

This recording will be available until 5pm Pacific Time Friday, December 6. Thanks for calling Costco Wholesale and have a great day.

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