

Costco Wholesale Corporation Pre-recorded March Sales Conference Call

Company Participants

- Jeff Elliott, Assistant VP Financial Planning & IR

Presentation

Jeff Elliott {BIO 16179577 <GO>}

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 our sales results for the 5-week retail month of March, which started on Monday, March 3. And ended on Sunday, April 6.

For comparable sales results, this 5-week period is compared to the same 5-week period last year, specifically Monday, March 4, through Sunday, April 7. March included 35 selling days this year versus 34 days last year, reflecting the timing of the Easter holiday.

Before I begin, let me start out 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 are not 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; breaches of security or privacy of member or business information; conditions affecting the acquisition, development, ownership, or use of real estate; amounts expected to be spent on expansion; actions of vendors; the 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 March came in at \$10.43 billion for the 5 weeks ended April 6, up 8% compared to the \$9.67 billion reported for the same period last year. This year's 5-week period included 35 selling days compared to 34 days last year, reflecting the

timing of the Easter holiday, which is observed in many of the countries where we operate.

This calendar shift positively impacted this year's total and comparable sales by an estimated plus 1% to plus 1.5%. Thus, the positive of the extra day was more meaningful than the negative shift of holiday and preholiday sales into April.

For the 31 weeks ended April 6, the Company reported net sales of \$64.65 billion, an increase of 6% from the \$61.02 billion reported in the similar period last year.

Comparable sales results for the 5; and 31-week periods were as follows. US 5 weeks plus 6%; US 31 weeks, plus 4%. International 5 weeks plus 4%; international 31 weeks plus 1%. Total Company 5 weeks plus 5%; total Company 31 weeks plus 3%.

Comparable sales for the 5-week and 31-week periods, excluding the negative impacts of gasoline price deflation and foreign exchange, were as follows. US 5 weeks plus 6%; US 31 weeks plus 5%. International 5 weeks plus 9%; international 31 weeks plus 7%. Total Company 5 weeks plus 7%; total Company 31 weeks plus 5%.

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

The strong comp sales results in Japan were largely driven by an increased consumer demand, prior to a 3% increase in the nationwide sales tax which went into effect April 1. This benefited total international comps by approximately 1%.

Moving on to merchandising 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 mid to high single-digit range. Within food and sundries, the departments with the strongest results were candy, cooler. And frozen foods.

Comp sales results for hardlines were positive low to mid single-digit for the month. Better performing departments were office, automotive. And hardware. Consumer electronics comp sales were flat year-over-year.

Softlines experienced positive comp sales results in the low double-digit range. Better performing departments within softlines include small appliances, housewares, domestics. And apparel for both men and women.

Fresh foods experienced positive comp sales in the high single-digit range for the month. Produce, deli. And meat all experienced strong results.

Within the ancillary businesses, hearing aid and optical produced the best comp sales increases. Gasoline comp sales were up in the low single-digit range year-over-year. The average sale price per gallon was down 4.5%: \$3.55 this year compared to \$3.71 last year. Overall, gasoline pricing deflation had a negative impact on March sales of a little over minus 0.5%.

Weakening foreign currencies year-over-year relative to the US dollar resulted in a detriment to our reported March sales of approximately minus 1.5%. Total international comps for the 5-week period came in at plus 9% local currencies. But resulted in a reported comp of plus 4% when converted to US dollars.

The average transaction was flat year-over-year, which includes a minus 2-point drag impact for the foreign exchange and gas deflation combined. Comparable traffic frequency was up just a little bit over 5%; and of course, that includes the traffic from the extra sales day.

Looking ahead, the 4-week April sales month will include 27 selling days this year compared to 28 days last year, due to the timing of the Easter holiday. March was a 5-week reporting period that benefited by about plus 1% to 1.5% for the extra day.

I would expect the loss of the day in April -- during the 4 weeks of April, that is -- reporting period would be more impactful: 4 weeks instead of 5 weeks. So probably the range of minus 1.5% to minus 2% is my best guess for April, the detriment from the loss of a day.

The April reporting period will end on Sunday, May 4. And will be compared to the 4 weeks ended Sunday, May 5, last year. We plan to announce April sales results on Thursday, May 8.

Costco currently operates 650 warehouses, including 462 in the United States and Puerto Rico; 33 in Mexico; 87 in Canada; 25 in the UK; 19 in Japan; 10 in Taiwan; 9 in Korea; and 5 in Australia. Costco also operates electronic commerce websites in the US, Canada, United Kingdom. And Mexico.

If you have any questions regarding our March sales results or any other investor relation question, do not hesitate to 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 5 PM Pacific Time Friday, April 11. Thanks for calling Costco and have a great day.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it

solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2024, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.