

# Costco Wholesale Corporation Pre-recorded December Sales Conference Call

## Company Participants

- Jeff Elliott, Assistant VP of Finance & IR

## Presentation

### Jeff Elliott {BIO 16900598 <GO>}

Good morning. And thank you for calling Costco Wholesale Corporation. I'm Jeff Elliot, Assistant Vice President of Finance and Investor Relations. And this morning I will review with you our sales results for the five-week retail month of December, which started on Monday, December 2 and ended on Sunday, January 5.

For comparable sales results, this five-week period is compared to the same five-week period last year, specifically Monday, December 3 through Sunday, January 6.

December included 33 selling days, reflecting closure for the Christmas and New Year's Day holidays.

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 are not limited to, domestic and international economic conditions, including exchange rates; the effects of competition and regulation; uncertainties in 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 December came in at \$11.53 billion for the five weeks ended January 5; up 6% compared to the \$10.87 billion reported for the same period last year.

For the 18 weeks ended January 5, the Company reported net sales of \$38.33 billion; an increase of 6% from the \$36.26 billion reported in the similar period last year.

Comparable sales results for the 5-week and 18-week periods were as follows. US 5 weeks, plus 5%; US 18 weeks, plus 4%; international 5 weeks, plus 1%; international 18 weeks, plus 1%; total Company 5 weeks, plus 3%; total Company 18 weeks, plus 3%.

Comparable sales for the 5-week and 18-week periods, excluding the negative impacts from gasoline price deflation and foreign exchange were as follows. US 5 weeks, plus 5%; US 18 weeks, plus 4%; international 5 weeks, plus 7%; international 18 weeks, plus 7%; and then total Company for both 5 weeks and 18 weeks, plus 5%.

In terms of the regional merchandising categories, the general highlights for the month of December 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 Mexico, Taiwan, Korea and Canada.

Our e-commerce businesses, which are in the US, Canada and also the United Kingdom, all experienced strong comparable sales increases for the month.

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 low to mid-single-digit range. Within food and sundries, the departments with the strongest results were candy, liquor and frozen foods.

Comparable sales results for hard lines were positive mid-single digit for the month. Better performing departments were garden, automotive and health and beauty aids. Consumer electronics improved compared to recent months; was still slightly negative for the month of December.

Soft lines experienced positive comp sales results in the mid to high-single-digit range. Better performing departments within soft lines included apparel, small appliances, home furnishings, jewelry and domestics.

Fresh foods also experienced positive comps results in the mid to high-single-digit range for the month. Produce, deli and meat experienced the strongest results.

Within the ancillary businesses, hearing aid, pharmacy and garden produced the best comp sales increases.

Gasoline comp sales were up mid-single digit year over year. The average sale price per gallon was minus 1% lower at \$3.27 this year compared to \$3.29 last year. Overall, gasoline price inflation had little impact on December comp sales results.

Weakening foreign currencies year over year relative to the US dollar resulted in a detriment to our reported December sales of about minus 2%.

Total international comps for the five-week period came in at plus 7% local currencies. But resulted in a reported comp of plus 1% when compared to US dollars. The average transaction was down approximately 0.5% year over year, which includes a minus 2% drag or impact from foreign exchange.

Comparable traffic frequency was up. It was up about 4%.

Cannibalization for the month of December had a negative impact to the total Company comparable sales of about minus 0.75%; 75 basis points.

Looking ahead, the four-week January sales month will include 28 selling days for both years. The reporting period will end on Sunday, February 2 and will be compared to the four weeks ended Sunday, February 3 last year. We plan to announce January sales on Thursday, February 6, 2014.

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. Costco also operates electronic commerce websites in the US, Canada, United Kingdom and Mexico.

If you have any questions regarding our December sales results or any other investor relations question, please 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, January 10. Thanks for calling Costco Wholesale 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.*