

# Costco Wholesale Corp Pre-recorded May Corporate Sales Call

## Company Participants

- David Sherwood, Director of Finance & IR

## Presentation

### David Sherwood {BIO 17654463 <GO>}

Good morning. And thank you for calling Costco Wholesale Corporation. I am David Sherwood, Director of Finance and Investor Relations and this morning I will review with you our sales results for the four-week retail month of May which started on Monday, May 5 and ended on Sunday, June 1.

For comparable sales results this four-week period is compared to the same four-week period last year, specifically Monday, May 6 through Sunday, June 2. May included 27 selling days in both years due to Memorial Day for our US operations and the Victoria Day holiday in Canada.

Before I begin let me start by stating that the following discussion 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; 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 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 Securities and Exchange Commission.

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 May came in at \$8.78 billion for the four weeks ended June 1, up 8% compared to the \$8.13 billion reported for the same period last year. For the 39 weeks ended June 1, the Company reported net sales of \$81.99 billion, an increase of 6% from the \$77.13 billion reported in a similar period last year.

Comparable sales results for the four-week and 39-week periods were as follows: in the US the four weeks was a plus 6, the 39 weeks plus 4; international four weeks plus 4, 39 weeks plus 2; total Company the four weeks was a plus 6, the 39 weeks was a plus 4.

Comparable sales for the four-week and 39 week periods, excluding impacts from gasoline price movement and foreign-exchange, were as follows: in the US the four weeks was a plus 6, 39 weeks plus 5; international the four weeks was a plus 7, 39 weeks plus 7; total Company the four weeks plus 6, 39 weeks plus 6.

In May gasoline pricing was relatively flat, it was very slightly inflationary while foreign-exchange continued to be a detriment to comps but to a lesser extent than we've seen in recent months. For the 39-week period both gasoline and foreign-exchange had a negative impact to sales.

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

Moving on to our merchandise highlights the following comparable sales results by category exclude the negative impacts of foreign-exchange. Food and sundries comparable sales for the month were in the mid-single-digit range. Within food and sundries the departments with the strongest results were cooler, deli, candy and liquor.

Comp sales results for hard lines were up low-single-digit year over year. Better performing departments were automotive, lawn and garden. And (auto). These results were largely offset by soft sales in electronics and hardware. Consumer electronics comp sales were a negative low-single-digit for the month.

Soft lines experienced positive comp sales results in the low-double-digit range. Better performing departments within soft lines included small appliances, apparel and housewares. Fresh foods experienced positive comp results in the high-single-digit range for the month. Meat, produce and deli all experienced strong results. Fresh foods continues to see inflation in the mid-single-digit range, the majority of which is coming from the protein category.

Within ancillary businesses gasoline, hearing aid and optical produced the best comp sales increases. Gasoline comp sales were up high-single-digits year over year.

The average selling price per gallon was 0.5% higher at \$3.77 this year compared to \$3.68 last year. Overall gasoline price inflation had a very slight positive impact on May sales.

Weakening foreign currencies year over year relative to the us dollar resulted in a detriment to our reported May sales of a little less than minus 1%, (inaudible) international comps for the four-week period came in at plus 7% in local currency but resulted in a reported comp of plus 4% when converted to the US dollar.

The average transaction was up slightly more than plus 1% year over year which includes the negative impact of about minus 75 basis points from the combined effect of foreign-exchange and gasoline inflation. Comparable traffic frequency was up a little under plus 4.5%.

Cannibalization for the month of May had a negative impact to total Company comparable sales of a little over minus 0.5%. Looking ahead the five-week June sales month will include 34 selling days for both years reflecting observance of the Independence Day holiday in the US and Canada Day in Canada.

Costco currently operates 657 warehouses including 464 in the United States and Puerto Rico, 87 in Canada, 33 in Mexico, 25 in the United Kingdom, 20 in Japan, 10 in Taiwan, 11 in Korea, six in Australia and one in Spain. Costco also operates electronic commerce websites in the US, Canada, UK and Mexico.

If you have any questions regarding our May sales results or any other Investor Relations questions, please do not hesitate to call Bob Nelson at 425-313-8255, Jeff Elliott at 425-313-8264, or you can call me, David Sherwood at 425-313-8239. This recording will be available until 5 PM Pacific Time Friday, June 6. Thanks for calling Costco Wholesale and have a great day.

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