

# Costco Wholesale Corporation Pre-recorded January Sales Conference Call

## Company Participants

- David Sherwood, Director of Finance and IR

## Presentation

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

Good morning. And thank you for calling Costco Wholesale Corporation. I'm David Sherwood, Director of Finance and Investor Relations. And this morning I will review with you our sales results for the 4-week retail month of January, which started on Monday, January 6 and ended on Sunday, February 2.

For comparable sales results, this 4-week period is compared to the same 4-week period last year, specifically Monday, January 7 through Sunday, February 3. January included 28 selling days for both years.

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 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 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, as regards to sales, as reported in today's press release, net sales for the month of January came in at \$7.99 billion for the 4 weeks ended February 2, up 6% compared to the \$7.51 billion reported for the same period last year. For the 22 weeks ended February 2, the Company reported net sales of \$46.32 billion, an increase of 6% from the \$43.77 billion reported in the similar period last year.

Comparable sales results for the 4; and 22-week periods were as follows. In the US, the 4 weeks was a plus 5; 22 weeks, plus 4. International, the 4 weeks, plus 1; 22 weeks, plus 1. Total company, 4 weeks, plus 4; 22 weeks, plus 3.

Comparable sales for the 4-week and 22-week periods, excluding the negative impacts from gasoline price deflation and foreign exchange, were as follows. In the US, the 4 weeks was a plus 5; 22 weeks, plus 5. International, 4 weeks, plus 8; 22 weeks, plus 7. Total company, the 4 weeks was a plus 6; 22 weeks, plus 5.

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

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

Comp sales results for hardlines were positive low single-digit for the month. Better-performing departments were office, automotive and hardware. Consumer electronics was negative in the mid to high single-digit range for January.

Softlines experienced positive comp sales results in the mid to high single-digit range. Better-performing departments within softlines included small appliances, housewares, domestics and women's apparel.

Fresh foods experienced positive comp results in the low double-digit range for the month. Produce, deli and meat all experienced strong results for the month.

Within the ancillary businesses, hearing aid and optical produced the best comp sales increases. Gasoline comp sales were up low single digit year over year. The average selling price per gallon was minus 1.5%, lower at \$3.28 this year compared to \$3.33 last year. Overall gasoline price deflation had a slight negative impact on January comp sales results.

Weakening foreign currencies year over year relative to the US dollar resulted in a detriment to our reported January sales, a little over minus 2%. Total international

comps for the 4-week period came in at plus 8% in local currencies but resulted in a reported comp of plus 1% when converted to the US dollar. The average transaction was down minus 0.5% year over year, which includes the minus 2.25% impact from foreign exchange and gas deflation. Comparable traffic frequency was up a little over plus 4.5%.

Cannibalization for the month of January had a negative impact to total company comparable sales of about minus 0.5%.

Looking ahead, the 4-week February sales month will include 28 selling days for both years. The reporting period will end on Sunday, March 2 and will be compared to the 4 weeks ended Sunday, March 3 last year. We plan to announce operating results for the Second Quarter, 12-week quarter of fiscal 2014 ending February 16, 2014 along with February sales on Thursday, March 6. A conference call to discuss these results is scheduled for 8am Pacific time that day and will be available via webcast on [costco.com](http://costco.com).

Costco currently operates 649 warehouses, including 462 in the United States and Puerto Rico, 87 in Canada, 33 in Mexico, 25 in the United Kingdom, 18 in Japan, 10 in Taiwan, 9 in Korea and 5 in Australia. Costco also operates electronic commerce websites in the US, Canada, the United Kingdom and Mexico.

If you have any questions regarding our January 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 myself, David Sherwood at 425-313-8239.

This recording will be available until 5 pm Pacific Time Friday, February 7. Thanks for calling and have a great day.

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