

Costco Wholesale Corporation Pre-recorded February 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. This morning I will review with you our sales results for the four-week retail month of February, which started on Monday, February 4. And ended on Sunday, March 3.

For comparable sales results, this four-week period is compared to the same four-week period last year, specifically Monday, February 6, through Sunday, March 4. February included 28 selling days, 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 financial markets; consumer and small business spending patterns and debt levels; conditions affecting the acquisition, development, ownership, or use of real estate; 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 the sales, as reported in today's press release, net sales for the month of February came in at \$7.58 billion for the four weeks ended March 3; up 8% compared to the \$7.01 billion reported in the similar period last year.

Net sales for the 26 weeks ended March 3, came in at \$51.35 billion this year; up 9% compared to the \$47.22 billion for the similar period last year.

Comparable sales results for the four-week February retail month and the 26-week fiscal year-to-date reporting periods were as follows. In the US, the four weeks was a plus 6%; 26 weeks, plus 6%. In International, the four weeks was a plus 4%; the 26 weeks was a plus 7%. Total Company, four weeks, plus 6%; 26 weeks, plus 6%

Inflation in gasoline prices had a slight positive impact on comparable sales for both the four-week period and 26-week periods.

Foreign currencies had a negative impact on the four weeks. But a positive impact on the 26-week period.

Excluding these effects, comparable sales were as follows. In the US, the four weeks was a plus 6%; 26 weeks, plus 6%. International, the four weeks was a plus 7%; 26 weeks, plus 5%. Total Company, four weeks, plus 6%; 26 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 Texas, Southeast, Northeast. And the Midwest.

On an International basis, in local currency, we saw the strongest results in Canada, Taiwan. And Mexico.

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

Food and Sundries comparable sales for the month were in the mid single-digit range. Within Foods and Sundries, the departments with the strongest results were cooler, frozen foods, liquor. And candy. We experienced a slight amount of inflation in Food and Sundries compared to last year.

Comp sales results for Hard Lines were slightly better than mid single-digits. Better performing departments were hardware, automotive, health and beauty aids. And consumer electronics.

Soft Lines experienced positive comp sales results in the high single-digit range. Better performing departments within Soft Lines included small appliances, home furnishings, jewelry. And domestics, all with double-digit comp increases.

Fresh Foods experienced positive comp results in the high single-digit range for the month. Produce and service deli experienced the strongest results. Fresh Foods also had slightly inflation for the month.

Within ancillary departments, hearing aids, gasoline. And food court showed the best sales results.

For gasoline, the average selling price per gallon was \$3.71 this year, compared to \$3.65 last year. Overall, gasoline price inflation had a slight positive impact, about plus 0.25%, on February comp sales. Comp gallons were up year over year.

Weakening foreign currencies year over year relative to the US dollar resulted in a detriment to our reported February comp sales of a little more than minus 0.5%.

Total International comps for the four-week period came in at plus 7% local currency. But resulted in a reported comp of plus 4% when converted to the US dollar.

The average transaction increase year over year in February was a little better than plus 1%, which includes the negative impact from foreign exchange and the positive impact from gasoline.

Comparable traffic frequency was up approximately 4.5%.

Cannibalization for the month of February had a negative impact to the total Company comparable sales of a little over minus 0.5%. Much of the cannibalization is stemming from recent the openings in Asia.

Looking forward, March sales will include 34 selling days for both years, Easter in both years. The reporting period will end on Sunday, April 7. And will be compared to the five weeks ended Sunday, April 8, last year. We plan to announce March sales on Thursday, April 11, 2013.

On Tuesday, March 12, 2013, the Company plans to report its operating results for the Second Quarter and first half of the fiscal 2013 ended February 17, 2013. A conference call to discuss these operating results is scheduled for 8am Pacific time that day. And will be available via webcast on costco.com.

Costco currently operates 622 warehouses, including 448 in the United States and Puerto Rico; 85 in Canada; 32 in Mexico; 23 in the United Kingdom; 13 in Japan; nine in Taiwan; nine in Korea; and three in Australia.

If you have any questions regarding February's sales results, or any other investor relations questions, please do not hesitate to call Jeff Elliott at 425 313 8264, or myself, David Sherwood, at 425 313 8239.

This recording will be available until 5pm Pacific time Friday, March 8. Thanks for calling. And have a great day.

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