

Costco Wholesale Corporation Pre-recorded March Sales Conference Call

Company Participants

- David Sherwood, Director of Finance and IR

Presentation

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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 five-week retail month of March, which started on Monday, March 4 and ended on Sunday, April 7.

For comparable sales results, this five-week period is compared to the same five-week period last year, specifically Monday, March 5 through Sunday, April 8. February (sic) included 34 selling days both years.

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, regulation, uncertainties and 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 March came in at \$9.67 billion for the five weeks ended April 7, up 7% compared to the \$9.07 billion reported for the similar period last year. Net sales for the 31 weeks ended April 7 came in at \$61.02 billion this year, up 8% compared to the \$56.34 billion for the similar period last year.

Comparable sales results for the five-week retail month of March and the 31-week fiscal year-to-date reporting periods were as follows. In the US, the five weeks was at plus 5%, 31 weeks plus 6%; international, the five weeks was at plus 2%, 31 weeks plus 6%. For the total Company, five weeks was at plus 4%. And the 31 weeks was at plus 6%.

Changes in both gasoline prices year over year and FX had a negative impact on the comparable sales for the five-week March reporting period. Conversely, gasoline and FX still had a positive impact on the 31-week reporting period.

Excluding these effects, comparable sales were as follows. In the US, the five weeks was at plus 6%, 31 weeks plus 5%; international, five weeks was at plus 5%, 31 weeks plus 5%; and for the total Company, five weeks plus 6%. And 31 weeks plus 5%.

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

When we do our merchandise highlights, the following comparable sales results by category exclude the negative effective of foreign exchange. Food & Sundries' comparable sales for the month were in the mid single-digit range. Within Food & Sundries, the departments with the strongest results were cooler, liquor, deli and sundries. We experienced a slight amount of inflation in Food & Sundries compared to last year.

Comp sales results for Hardlines were up mid single digits. Better performing departments were hardware, consumer electronics, automotive. And health and beauty.

Softlines experienced positive comp sales results in the high single-digit range. Better performing departments within Softlines include small appliances, jewelry and domestics, all with double-digit comp increases.

Fresh Foods experienced positive comp results in the mid to high single-digit range for the month. Produce and service deli experienced the strongest results. Fresh Foods was slightly deflationary for the month.

Within the Ancillary businesses, hearing aids, photo lab and optical showed the best sales results. For gasoline, the average selling price per gallon was \$3.71 this year, compared to \$3.93 last year. Overall gasoline price deflation had a negative impact approximately minus 0.75% on March comp sales. Comp gallons continued to be up year over year.

Weakening foreign currencies year over year, relative to the US dollar, resulted in a detriment to our reporting March comp sales of a little more than minus 0.75%. Total international comps for the five-week period came in at plus 5% in local currency. But resulted in a reported comp of plus 2% when converted to the US dollar.

The average transaction decrease year over year in March -- I'm sorry, the average transaction decreased year over year in March by approximately minus 1%, which included the minus 1.5% negative impact from foreign exchange and gasoline price deflation. Without these impacts, the average transaction would have been positive.

Comparable traffic frequency was up a little over plus 5%. Cannibalization for the month of March had a negative impact to total Company comparable sales of a little over minus (0.5%). Much of the cannibalization is stemming from recent openings in Asia.

Looking ahead, April sales will include 28 selling days for both years. The reporting period will end on Sunday, May 5 and will be compared to the four weeks ended Sunday, May 6 last year. We plan to announce April sales on Thursday, May 9, 2013.

Costco currently operates 626 warehouses, including 449 in the United States and Puerto Rico, 85 in Canada, 33 in Mexico, 23 in the United Kingdom, 15 in Japan, nine in Taiwan, nine in Korea. And three in Australia.

If you have any questions regarding our March sales results or any other investor relations questions, please do not hesitate to call Bob Nelson at 425 313 8255, or Jeff Elliott at 425 313 8264.

This recording will be available until 5pm Pacific time Friday, April 12. Thanks for calling Costco and have a great day.

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