

Costco Wholesale Corporation Pre-recorded April Sales Conference Call

Company Participants

- Jeff Elliott, Asst VP of Finance & IR

Presentation

Jeff Elliott {BIO 16900598 <GO>}

Good morning. And thank you for calling Costco Wholesale Corporation. I'm Jeff Elliott, Assistant Vice President of Finance and Investor Relations. And this morning I will review with you our sales results for the four week retail month of April, which started on Monday, April 8 and ended on Sunday, May 5.

For comparable sales results, this four-week period is compared to the same four-week period last year, specifically Monday, April 9 through Sunday, May 6. April included 28 selling days for 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 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 sales. As reported in today's press release, net sales for the month of April came in at \$7.98 billion for the four weeks ended May 5, up 7% compared to the \$7.48 billion reported for the same period last year.

Net sales for the 35 weeks ended May 5 came in at \$69.0 billion this year, up 9% compared to the \$63.59 billion for the same period last year.

Comparable sales results for the four-week April retail month and the 35-week fiscal year-to-date reporting periods are as follows. US four weeks, plus 4%; US 35 weeks, plus 6%; International four weeks, plus 3%; International 35 weeks, plus 6%; total Company four weeks, plus 4%; total Company 35 weeks, plus 6%.

Changes in both gasoline prices year over year and foreign exchange had a negative impact on comparable sales for the four-week April reporting period. Conversely, gasoline and FX had a very slightly positive impact on the 35-week reporting period.

Excluding these effects, comparable sales were as follows. US four weeks, plus 6%; US 35 weeks, plus 6%; International four weeks, plus 6%; International 35 weeks, plus 6%; total Company four weeks, plus 6%; total Company 35 weeks, plus 6%.

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

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, cooler, liquor and frozen foods. We experienced a slight amount of inflation in Food and Sundries compared to last year.

Comp sales results for Hardlines were also up mid-single digit. Better performing departments were hardware, garden, health and beauty aids. And consumer electronics.

Softlines experienced positive comp sales results in the low double-digit range. Better performing departments within Softlines include small appliances, housewares. And apparel.

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 did not experience any meaningful inflation or deflation for the month.

Within the Ancillary businesses, optical and hearing aids produced the best comp sales increases. Gasoline sales were slightly negative year over year. The average sale price per gallon was 9% lower at \$3.57 this year compared to \$3.90 last year. Overall, gasoline price deflation had a negative impact of a little over 1% on April comparable sales. Comp gallons were up year over year.

Weakening foreign currencies, relative to the US dollar, primarily in Canada and Japan, resulted in a detriment to our reported April comparable sales of a little less than 1%.

Total international comps for the four-week period came in at plus 6% in local currencies. But resulted in a reported comp of plus 3% when converted to US dollars.

The average transaction decreased year over year in April approximately 0.5%, or about 50 basis points, which includes the minus 2% negative impact from foreign exchange and gasoline price deflation. Without these impacts, the average transaction would have been up approximately 1.5%.

Comparable traffic frequency was up about 4.5%. Cannibalization for the month of April had a negative impact to total Company comparable sales of a little over 0.5%.

Looking ahead, May sales will include 27 selling days in the US for both years, since Costco closes for the Memorial Day holiday. The reporting period will end on Sunday, June 2 and will be compared to the four weeks ended June 3 last year. We plan to announce May sales on Thursday, June 6, 2013.

The Company plans to release its operating results for the 12-week Third Quarter ending Sunday, May 12, 2013 on Thursday, May 30, 2013. A conference call to discuss these results is scheduled for 8 am Pacific Time that day and will be available via webcast at www.costco.com. Just click on Investor Relations and then webcasts.

Costco currently operates 627 warehouses, including 449 in United States and Puerto Rico, 85 in Canada, 33 in Mexico, 24 in the UK, 15 in Japan, 9 in Taiwan, 9 in Korea. And 3 in Australia.

If you have any questions regarding our April sales results or any other investor relations questions, please do not hesitate to call Bob Nelson at 425 313 8255, 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, May 10. Thanks for calling Costco. 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.