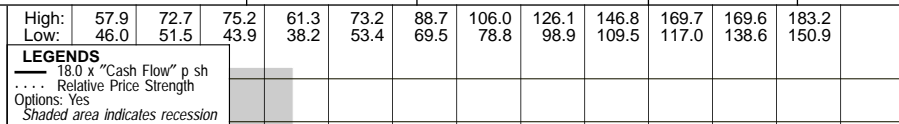


COSTCO WHOLESALE NDQ-COST

RECENT PRICE 151.50 **P/E RATIO** 25.8 (Trailing: 27.5; Median: 23.0) **RELATIVE P/E RATIO** 1.30 **DIV'D YLD** 1.3% **VALUE LINE**

TIMELINESS 3 Raised 6/9/17
SAFETY 1 Raised 2/6/09
TECHNICAL 1 Raised 7/21/17
BETA .80 (1.00 = Market)



High: 57.9 72.7 75.2 61.3 73.2 88.7 106.0 126.1 146.8 169.7 169.6 183.2
Low: 46.0 51.5 43.9 38.2 53.4 69.5 78.8 98.9 109.5 117.0 138.6 150.9

LEGENDS
 --- 18.0 x "Cash Flow" p sh
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession

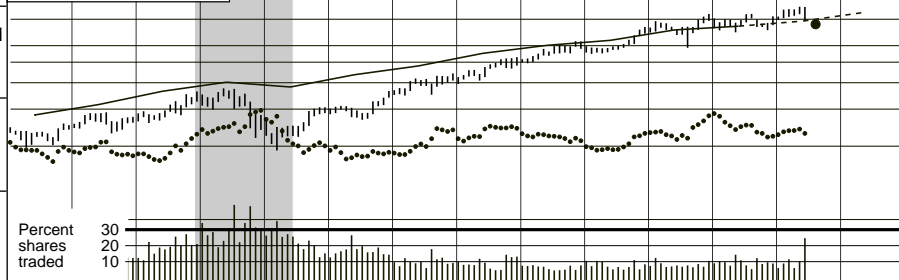
Target Price Range
 2020 2021 2022

2020-22 PROJECTIONS
 Price Gain Ann'l Total
 High 235 (+55%) 12%
 Low 190 (+25%) 7%

Insider Decisions
 S O N D J F M A M
 to Buy 0 0 0 0 0 0 0 0 0
 Options 0 22 0 0 0 0 0 1 23
 to Sell 0 3 2 4 2 1 2 0 0

Institutional Decisions
 3Q2016 4Q2016 1Q2017
 to Buy 506 633 542
 to Sell 567 530 652
 Hlds(000) 315469 322006 349907

Percent shares traded
 30
 20
 10



% TOT. RETURN 6/17
 THIS STOCK VLARITH: INDEX
 1 yr. 3.0 18.8
 3 yr. 48.4 20.3
 5 yr. 96.9 91.4

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
77.03	85.13	93.00	103.98	112.04	130.12	148.53	167.59	163.88	179.80	204.75	229.30	240.72	257.36	265.32	271.34	289.95	305.95	Revenues per sh ^{A D}	390.70
2.00	2.29	2.43	2.86	3.12	3.50	4.05	4.48	4.25	4.85	5.34	6.13	6.69	7.05	7.90	8.24	8.70	9.60	"Cash Flow" per sh	12.10
1.29	1.48	1.53	1.86	2.04	2.31	2.63	2.89	2.57	2.93	3.30	3.97	4.49	4.65	5.27	5.33	5.75	6.40	Earnings per sh ^B	8.50
--	--	--	.20	.43	.49	.55	.61	.68	.77	.89	1.03	1.17	1.33	1.51	1.70	1.83	2.00	Div'ds Decl'd per sh ^C	2.20
10.81	12.51	14.33	16.48	18.80	19.78	19.73	21.25	22.98	24.98	27.64	28.59	24.80	28.11	24.24	27.61	30.50	35.50	Book Value per sh	41.25
451.75	455.33	457.48	462.64	472.48	462.28	437.01	432.51	435.97	433.51	434.27	432.35	436.84	437.68	437.95	437.50	438.00	438.00	Common Shs Outst'g	430.00
29.7	26.8	21.2	20.0	22.3	22.1	21.0	23.1	19.5	19.9	22.1	21.9	23.4	25.1	26.7	29.0	29.0	29.0	Avg Ann'l P/E Ratio	25.0
1.52	1.46	1.21	1.06	1.19	1.19	1.11	1.39	1.30	1.27	1.39	1.39	1.31	1.32	1.34	1.52	1.52	1.52	Relative P/E Ratio	1.55
--	--	--	.5%	.9%	1.0%	1.0%	.9%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	Avg Ann'l Div'd Yield	1.1%
CAPITAL STRUCTURE as of 5/7/17																			
Total Debt \$3979 mill. Due in 5 Yrs \$3979.0 mill.																			
LT Debt \$2821 mill. LT Interest \$110 mill. (22% of Cap'l)																			
Leases, Uncapitalized Annual rentals \$200 mill.																			
No Defined Benefit Pension Plan																			
Pfd Stock None																			
Common Stock 438,593,340 shs. as of 5/24/17																			
MARKET CAP: \$66.4 billion (Large Cap)																			
CURRENT POSITION																			
(\$MILL)																			
2015 2016 5/7/17																			
Cash Assets 6419 4729 5725																			
Receivables 1224 1252 1462																			
Inventory (LIFO) 8908 8969 9736																			
Other 748 268 333																			
Current Assets 17299 15218 17256																			
Accts Payable 9011 7612 9425																			
Debt Due 1283 1100 1158																			
Other 6246 6863 10811																			
Current Liab. 16540 15575 21394																			

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 to '20-'22

Sales 8.5% 7.5% 6.5%
 "Cash Flow" 9.5% 10.0% 8.0%
 Earnings 9.5% 11.5% 9.0%
 Dividends 15.0% 14.0% 6.5%
 Book Value 4.0% 1.0% 7.5%

Fiscal Year Ends	Nov.	Per	Feb.	Per	May	Per	Aug.	Per	Full Fiscal Year
2014	25017	26306	25794	35523	112640				
2015	26866	27454	26101	35778	116199				
2016	27220	28170	26769	36560	118719				
2017	28099	29766	28860	40275	127000				
2018	30000	32000	30400	41600	134000				

Fiscal Year Ends	Nov.	Per	Feb.	Per	May	Per	Aug.	Per	Full Fiscal Year
2014	.96	1.05	1.07	1.57	4.65				
2015	1.12	1.25	1.17	1.73	5.27				
2016	1.09	1.24	1.24	1.76	5.33				
2017	1.17	1.17	1.40	2.01	5.75				
2018	1.30	1.40	1.50	2.20	6.40				

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.275	.31	.31	.31	1.21
2014	.31	.355	.355	.355	1.375
2015	.355	.40	.40	.40	1.56
2016	.40	.45	.45	.45	1.75
2017	.45	.50			

BUSINESS: Costco Wholesale Corporation was formed by the merger of Price Co. and Costco Wholesale in October '93. The company operates wholesale-membership warehouses in the U.S. (511 as of 7/5/17), Canada (95), Mexico (37), United Kingdom (28), Japan (25), Korea (13), Taiwan (13), Australia (8), Spain (2). Sells merchandise directly from warehouses to a restricted membership.

Costco Wholesale shares have taken a hit recently. The stock price has fallen over 16% since mid-June, one of the largest declines COST has experienced since the Great Recession. The culprit was the announcement that Amazon intends to buy Whole Foods Market. Investors soured on most companies with grocery exposure, and Costco in particular was hurt because some believe the potential merger will diminish the company's competitive advantages and lower membership renewal rates. We don't agree with that logic and think recent selling is overblown. Costco's business model is significantly differentiated from those of Whole Foods and Amazon, as neither currently specialize in bulk goods. Too, Costco shoppers are known to be some of the most loyal in all of retail. We do think that the company should add more products and innovative features to its e-commerce platform in order to stay relevant online. Management has resisted buy online, pick up in store capability, claiming its crowded stores make this difficult. Still, we think a solution will need to be reached as "click and collect" will likely become standard

Food and sundries account for 43% of sales. Employs around 218,000 people. Offs. & Dir's. own less than 1.0% of common stock; Vanguard Group, 7.0% (12/16 proxy). Chairman: Jeffrey H. Brotman. President & CEO: W. Craig Jelinek. Incorporated: Washington. Address: 999 Lake Drive, Issaquah, Washington 98027. Telephone: 425-313-8100. Internet: www.costco.com.

throughout the industry. Further, we like the idea of Costco making a rival bid for Whole Foods, but this seems like a stretch. **Meanwhile, the company is posting impressive results.** Revenue for the month of June rose 7% year over year. Domestic same-store sales grew 6.3% despite a negative impact from the timing of Independence Day. Traffic continued to be strong, rising 4.5% in the month. The average transaction amount increased 1.5%. The challenged state of the retail industry makes these figures all the more impressive. Nonetheless, the shares received no love from investors, which further illustrates the negative sentiment surrounding the Amazon threat. **These neutrally ranked shares are a solid choice for conservative, long-term investors.** The recent price weakness has made the stock more attractive from a valuation standpoint, even though they remain expensive relative to other companies in the retail industry. We expect Costco to continue delivering solid fundamentals and recommend the stock to most investors.

Kevin Downing
 July 28, 2017

(A) Fiscal year ends on Sunday nearest Aug. 31st. Interim periods cover 12, 12, 12, and 16 weeks. (B) Excludes n/r gains/(losses): '05, 15c; '07, (26c); '09 (9c); '10, (1c); '12, (8c); '13, (14c). Next egs. report due early Oct. (C) Div'ds historically paid in mid-Feb., mid-May, early Aug., and mid-Nov. Div'd reinvestment plan available. Special div'd of \$7.00 paid in 12/12; \$5.00 in 2/15. (D) Incl. membership fees. (E) Totals may not sum due to rounding.

Company's Financial Strength A+
Stock's Price Stability 100
Price Growth Persistence 90
Earnings Predictability 100

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