

# ModernGraham Valuation

## Company Name:

Company Ticker COST  
Date of Analysis 7/17/2016

Costco Wholesale Corporation



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$72,667,053,902	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.97	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	97.41%	Pass
6. Moderate PEmg Ratio	PEmg < 20	33.38	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	6.38	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.97	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-8.58	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$4.99
MG Growth Estimate	7.78%
<b>MG Value</b>	<b>\$119.95</b>
MG Value based on 3% Growth	\$72.29
MG Value based on 0% Growth	\$42.38
Market Implied Growth Rate	12.44%

### MG Opinion

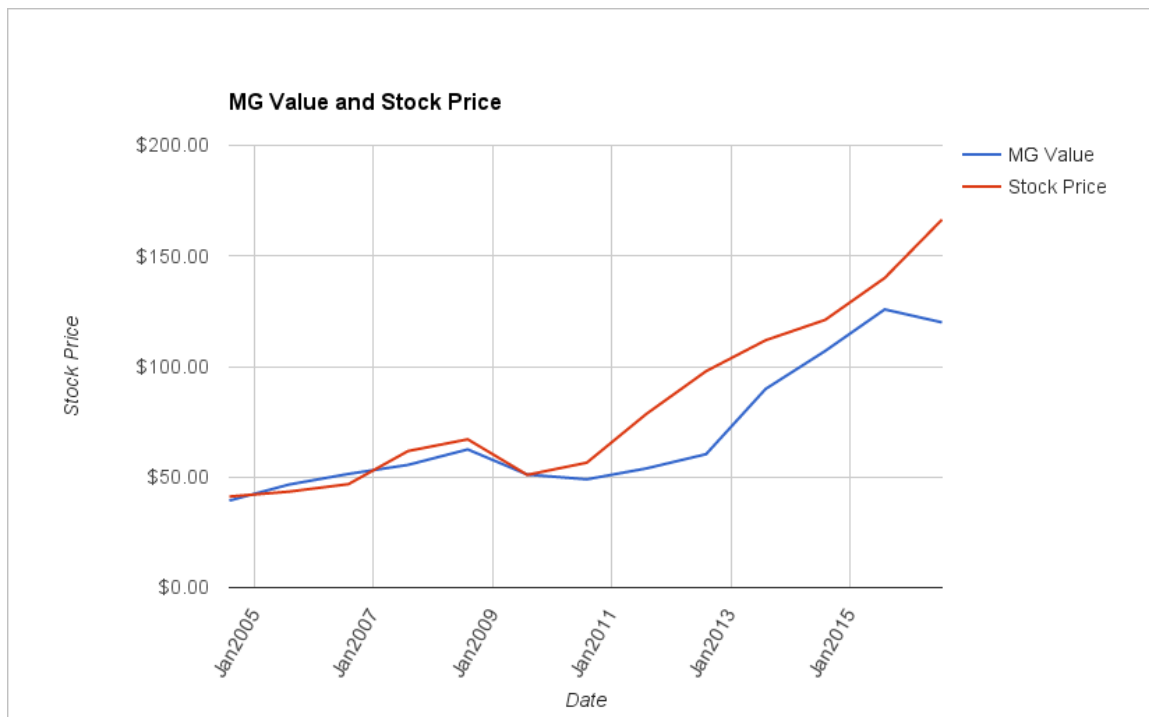
Current Price	\$166.41
% of Intrinsic Value	138.73%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>D</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$13.21
Graham Number	\$55.63
PEmg	33.38
Current Ratio	0.97
PB Ratio	6.38
Current Dividend	\$1.65
Dividend Yield	0.99%
Number of Consecutive Years of Dividend Growth	13

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.24	Next Fiscal Year Estimate	\$4.99
Aug2015	\$5.37	Aug2015	\$4.69
Aug2014	\$4.65	Aug2014	\$4.20
Aug2013	\$4.63	Aug2013	\$3.79
Aug2012	\$3.89	Aug2012	\$3.28
Aug2011	\$3.30	Aug2011	\$2.92
Aug2010	\$2.92	Aug2010	\$2.68
Aug2009	\$2.47	Aug2009	\$2.52
Aug2008	\$2.89	Aug2008	\$2.47
Aug2007	\$2.37	Aug2007	\$2.19
Aug2006	\$2.30	Aug2006	\$2.02
Aug2005	\$2.18	Aug2005	\$1.81
Aug2004	\$1.85	Aug2004	\$1.58
Aug2003	\$1.53	Aug2003	\$1.40
Aug2002	\$1.48	Aug2002	\$1.29
Aug2001	\$1.29	Aug2001	\$1.15
Aug2000	\$1.35	Aug2000	\$1.02
Aug1999	\$0.87	<b>Balance Sheet Information 5/1/2016</b>	
Aug1998	\$1.02	Total Current Assets	\$16,542,000,000
Aug1997	\$0.73	Total Current Liabilities	\$16,999,000,000
Aug1996	\$0.61	Long-Term Debt	\$3,921,000,000
		Total Assets	\$33,873,000,000
		Intangible Assets	\$0
		Total Liabilities	\$22,368,000,000
		Shares Outstanding (Diluted Average)	441,066,000





**Disclaimer:**

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

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[Costco Wholesale Corporation Annual Valuation – 2015 \\$COST](#)  
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