

ModernGraham Valuation

Costco Wholesale
Corporation



Company Name:

Company Ticker COST

Date of Analysis

6/10/2018

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	\$89,414,017.639	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.01	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	107.83%	Pass
6. Moderate PEmg Ratio	PEmg < 20	34.36	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	7.23	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	1.01	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	23.02	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.93
MG Growth Estimate	6.19%
MG Value	\$123.84
MG Value based on 3% Growth	\$85.99
MG Value based on 0% Growth	\$50.41
Market Implied Growth Rate	12.93%

MG Opinion

Current Price	\$203.76
% of Intrinsic Value	164.53%
Opinion	Overvalued
MG Grade	D

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$16.90
Graham Number	\$60.63
PEmg	34.36
Current Ratio	1.01
PB Ratio	7.23
Current Dividend	\$1.90
Dividend Yield	0.93%
Number of Consecutive Years of Dividend Growth	14

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$6.65	Next Fiscal Year Estimate	\$5.93
Aug2017	\$6.08	Aug2017	\$5.45
Aug2016	\$5.33	Aug2016	\$5.02
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	Balance Sheet Information 5/1/2018	
Aug2000	\$1.35	Total Current Assets	\$19,693,000,000
Aug1999	\$0.87	Total Current Liabilities	\$19,411,000,000
Aug1998	\$1.02	Long-Term Debt	\$6,492,000,000
		Total Assets	\$39,605,000,000
		Intangible Assets	\$0
		Total Liabilities	\$27,158,000,000
		Shares Outstanding (Diluted Average)	441,715,000





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.

Recommended Reading:

Other ModernGraham posts about the company

- [Costco Wholesale Corp Valuation – September 2017 \\$COST](#)
- [Costco Wholesale Corp Valuation – July 2016 \\$COST](#)
- [58 Companies in the Spotlight This Week – 1/31/15](#)
- [Costco Wholesale Corporation Annual Valuation – 2015 \\$COST](#)
- [14 Companies in the Spotlight This Week – 1/18/14](#)

Other ModernGraham posts about related companies

- [Stamps.com Inc Valuation – June 2018 \\$STMP](#)
- [Kirkland's Inc Valuation – June 2018 \\$KIRK](#)
- [Stein Mart Inc Valuation – June 2018 \\$SMRT](#)
- [J.C. Penney Company Valuation – June 2018 \\$JCP](#)
- [Shoe Carnival Inc Valuation – June 2018 \\$SCVL](#)
- [Aaron's Inc Valuation – June 2018 \\$AAN](#)
- [GameStop Corp Valuation – June 2018 \\$GME](#)
- [Urban Outfitters Inc Valuation – June 2018 \\$URBN](#)
- [Ulta Beauty Inc Valuation – June 2018 \\$ULTA](#)
- [Kohl's Corporation Valuation – June 2018 \\$KSS](#)