

ModernGraham Valuation

Costco Wholesale
Corporation



Company Name:

Company Ticker COST

Date of Analysis

3/20/2019

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	\$103,811,680,000	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.96	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	106.73%	Pass
6. Moderate PEmg Ratio	PEmg < 20	34.96	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	7.36	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	0.96	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-5.98	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	\$6.75
MG Growth Estimate	6.57%
MG Value	\$146.16
MG Value based on 3% Growth	\$97.90
MG Value based on 0% Growth	\$57.39
Market Implied Growth Rate	13.23%

MG Opinion

Current Price	\$236.07
% of Intrinsic Value	161.52%
Opinion	Overvalued
MG Grade	F

Stage 3: Information for Further Research

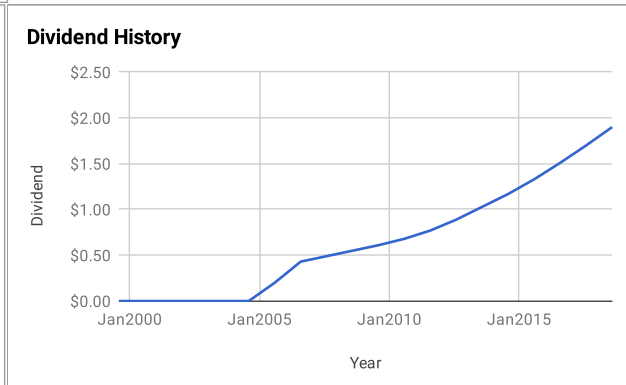
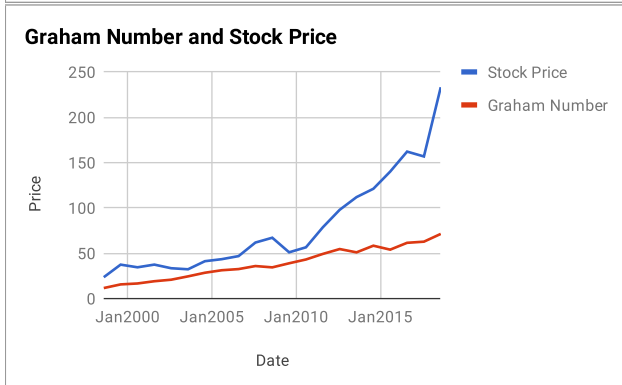
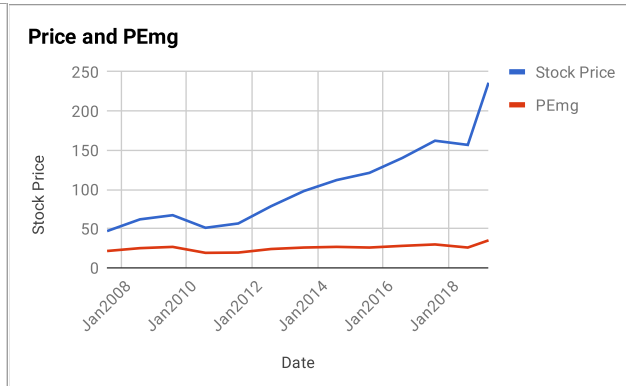
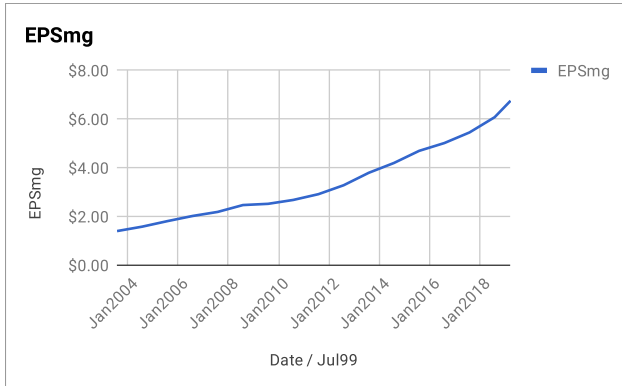
Net Current Asset Value (NCAV)	-\$15.75
Graham Number	\$71.28
PEmg	34.96
Current Ratio	0.96
PB Ratio	7.36
Current Dividend	\$2.14
Dividend Yield	0.91%
Number of Consecutive Years of Dividend Growth	15

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	\$7.73	Next Fiscal Year Estimate	\$6.75
Aug2018	\$7.09	Aug2018	\$6.08
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	Balance Sheet Information 2/1/2019	
Aug2001	\$1.29	Total Current Assets	\$21,648,000,000
Aug2000	\$1.35	Total Current Liabilities	\$22,450,000,000
Aug1999	\$0.87	Long-Term Debt	\$4,794,000,000
		Total Assets	\$42,799,000,000
		Intangible Assets	\$0
		Total Liabilities	\$28,616,000,000
		Shares Outstanding (Diluted Average)	442,337,000





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 – June 2018 \\$COST](#)
 - [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](#)

- Other ModernGraham posts about related companies**
- [Dollar Tree Inc Valuation – March 2019 #DLTR](#)
 - [TJX Companies Inc Valuation – February 2019 \\$TJX](#)
 - [Tractor Supply Co Valuation – February 2019 \\$TSCO](#)
 - [Tapestry Inc Valuation – February 2019 \\$TPR](#)
 - [Dollar General Corp Valuation – February 2019 \\$DG](#)
 - [Tiffany & Co Valuation – February 2019 \\$TIF](#)
 - [Best Buy Co Inc Valuation – February 2019 \\$BBY](#)
 - [Macy's Inc Valuation – January 2019 \\$M](#)
 - [Ross Stores Inc Valuation – January 2019 \\$ROST](#)
 - [Walgreens Boots Alliance Inc Valuation – December 2018 \\$WBA](#)