

COSTCO WHOLESALE CORP /NEW
Form 10-Q
December 18, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended November 22, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission file number 0-20355

Costco Wholesale Corporation

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of
incorporation or organization)

999 Lake Drive, Issaquah, WA 98027

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): (425) 313-8100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the issuer's common stock as of December 10, 2015 was 439,777,272.

Table of Contents

COSTCO WHOLESALE CORPORATION
INDEX TO FORM 10-Q

	Page
PART I	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements</u> 3
	<u>Condensed Consolidated Balance Sheets</u> 3
	<u>Condensed Consolidated Statements of Income</u> 4
	<u>Condensed Consolidated Statements of Comprehensive Income</u> 5
	<u>Condensed Consolidated Statements of Cash Flows</u> 6
	<u>Notes to Condensed Consolidated Financial Statements</u> 7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 27
Item 4.	<u>Controls and Procedures</u> 27
PART II	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u> 27
Item 1A.	<u>Risk Factors</u> 27
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 28
Item 3.	<u>Defaults Upon Senior Securities</u> 28
Item 4.	<u>Mine Safety Disclosures</u> 28
Item 5.	<u>Other Information</u> 28
Item 6.	<u>Exhibits</u> 29
	<u>Signatures</u> 30

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in millions, except par value and share data)

(unaudited)

	November 22, 2015	August 30, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$5,054	\$4,801
Short-term investments	1,229	1,618
Receivables, net	1,359	1,224
Merchandise inventories	10,382	8,908
Deferred income taxes and other current assets	834	748
Total current assets	18,858	17,299
PROPERTY AND EQUIPMENT		
Land	5,079	4,961
Buildings and improvements	13,150	12,618
Equipment and fixtures	5,480	5,274
Construction in progress	647	811
	24,356	23,664
Less accumulated depreciation and amortization	(8,489)	(8,263)
Net property and equipment	15,867	15,401
OTHER ASSETS		
	726	728
TOTAL ASSETS	\$35,451	\$33,428
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$10,378	\$9,011
Current portion of long-term debt	1,281	1,283
Accrued salaries and benefits	2,436	2,468
Accrued member rewards	812	813
Deferred membership fees	1,350	1,269
Other current liabilities	2,036	1,696
Total current liabilities	18,293	16,540
LONG-TERM DEBT, excluding current portion	4,845	4,852
DEFERRED INCOME TAXES AND OTHER LIABILITIES	1,233	1,193
Total liabilities	24,371	22,585
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Preferred stock \$.005 par value; 100,000,000 shares authorized; no shares issued and outstanding	0	0
Common stock \$.005 par value; 900,000,000 shares authorized; 439,777,000 and 437,952,000 shares issued and outstanding	2	2
Additional paid-in capital	5,247	5,218
Accumulated other comprehensive loss	(1,105)	(1,121)
Retained earnings	6,704	6,518
Total Costco stockholders' equity	10,848	10,617

Noncontrolling interests	232	226
Total equity	11,080	10,843
TOTAL LIABILITIES AND EQUITY	\$35,451	\$33,428

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of ContentsCOSTCO WHOLESALE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in millions, except per share data)

(unaudited)

	12 Weeks Ended		
	November 22, 2015	November 23, 2014	
REVENUE			
Net sales	\$26,627	\$26,284	
Membership fees	593	582	
Total revenue	27,220	26,866	
OPERATING EXPENSES			
Merchandise costs	23,621	23,385	
Selling, general and administrative	2,806	2,696	
Preopening expenses	26	15	
Operating income	767	770	
OTHER INCOME (EXPENSE)			
Interest expense	(33) (26)
Interest income and other, net	28	35	
INCOME BEFORE INCOME TAXES	762	779	
Provision for income taxes	275	274	
Net income including noncontrolling interests	487	505	
Net income attributable to noncontrolling interests	(7) (9)
NET INCOME ATTRIBUTABLE TO COSTCO	\$480	\$496	
NET INCOME PER COMMON SHARE ATTRIBUTABLE TO COSTCO:			
Basic	\$1.10	\$1.13	
Diluted	\$1.09	\$1.12	
Shares used in calculation (000's):			
Basic	438,342	438,760	
Diluted	441,386	442,210	
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$0.40	\$0.355	

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

Table of Contents

COSTCO WHOLESALE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in millions)