Costco Wholesale Corporation Ecosystem

Costco Wholesale Corporation
999 Lake Drive
Issaquah, WA 98027
Phone: 425-313-8100; www.costco.com

Outside Relationships

Regulators | Capital | Suppliers | Customers

Capital
- Public Debt Holders
- Commercial Banks

Regulators
- Subjects of Regulation
- Environment
- Warehouse and Depot Operation
- Privacy and Information
- Payment
- Product
- Price of Products
- Carbon Dioxide and Greenhouse Gasses
- Gasoline
- Foreign Currency
- Hazardous Materials
- Construction
- Land Use
- Employment Law (including California Wage and Hour)

Suppliers
- Selected Kirkland Suppliers
- Starbucks Coffee Company (Coffee)
- Jelly Belly (Jelly Beans)
- Duracell (Batteries)
- Formaggi Zanetti (Cheese)
- Reynolds (Aluminum Foil)
- Chinet (Plastic Cups)
- Bumble Bee (Tuna)
- Blommer (Milk Chocolate Almonds)
- Niagra (Water)
- Diamond Pet Foods (Dog and Cat Food)
- Perriogo (Infant Formula)
- Acetum (Balsamic Vinegar)
- Kimberly-Clark (Diapers)
- Warren (Motor Oil)
- Sonova (Hearing Aids)

Bond Financing
Working Capital Financing
Business Regulation
Suppliers of Packaged Foods and Beverages, Fresh Vegetables and Fruit, Hardlines, Softlines and Ancillary Goods

Costco Wholesale (Washington Corporation)

Debt Structure

Debt ($6.824 Billion @ December 31, 2019) Credit Ratings (Long Term): Moodys—Aa3: S&P--A+

- Bank Credit Facilities: $865 Million
- 1.70% Senior Notes Due 2019: $1.2 Billion
- 1.75% Senior Notes Due 2020: $500 Million
- 2.15% Senior Notes Due 2021: $1 Billion
- 2.25%-2.30% Senior Notes Due 2022: $1.3 Billion
- 2.75% Senior Notes Due 2024: $1 Billion
- 3.00% Senior Notes Due 2027: $1 Billion
- Other Long-term Debt: $852 Million

Equity Structure

Equity
- Stock Repurchase Program: *$4 Billion (expires April 2023)*
- Preferred Stock: *Authorized: 100 Million Outstanding: 0 Record Holders: 0*
- Common Stock: *Authorized: 900 Million Outstanding: 439.625 Million Record Holders: 9,115*

Governance

Board of Directors

Hamilton E. James (Chair)	Sally Jewell	Committees: Audit (A), Compensation (C), Nominating and Governance (G)
Susan Decker (A)	Charles T. Munger (A,C)	
Kenneth D. Denman (A, G)	Jeff Raikes (G)	
Richard A. Galanti	John W. Stanton (C)	
W. Craig Jelinek	Maggie Wilderotter (C,G)	

Executive Management Team

W. Craig Jelinek (President, CEO)	Paul G. Moulton (EVP, CIO)	Joseph P. Portera (EVP, CDO, COO – Eastern and Canada Division)
Richard A. Galanti (EVP, CFO)	James P. Murphy (COO – International Division)	Timothy L. Rose (EVP, Ancilliary, Manufacturing, and Business Centers)
Ron Vachris (EVP, COO – Merchandise)	Pat Callans (EVP, Administration)	Russ Miller (EVP, COO – Southwest + Mexico Division
Jim Klauer (EVP, COO – Northern Division)	John Sullivan (SVP, General Counsel & Secretary)	

Administration
- Recruiting, Hiring and Training
- Compensation
- Benefits
- Talent Development
- Culture and Employee Engagement
- Pension and Retirement Plans

Information Technology
- Software Licenses
- IT Equipment
- Procurement Management Systems
- Data Processing Systems
- E Commerce Platforms
- Inventory Management Systems
- Help Desk / Hotline

Finance and Accounting
- Financial Planning
- Investor Relations
- Accounting
- Treasury
- Financial Reporting
- Tax
- Insurance

Construction and Real Estate
- Land Acquisition
- Leasing
- Building Construction

Business and Development
- Meat Plant, Packaging Operations, Optical Labs, Jewelry Trading Businesses
- New Business Suppliers
- Pharmacy
- Gasoline, Optical and Hearing Aids

Corporate Matters

Marketing
- Membership
- Marketing & Services
- Publishing

Merchandise
- Non-Foods
- E-commerce
- Foods and Sundries
- Fresh Foods

Legal
- Real Estate
- Transactions
- Contract Management
- Corporate Governance
- Secretarial Matters
- IP Management
- Subsidiary Management
- Litigation Management
- Securities Compliance
- Employment Law

Operations

United States
Revenue: $111.751 Billion
Operating Income: $3.063 Billion

Facilities and Resources
- 546 Warehouses
- $2.186 Billion in Additions to Property and Equipment
- $8.415 Billion in Merchandise Inventory
- $14.367 Billion in Net Property and Equipment
- $32.162 Billion in Total Assets

Canada
Revenue: $21.366 Billion
Operating Income: $924 Million

Facilities and Resources
- 100 Warehouses
- $ 303 Million in Additions to Property and Equipment
- $1.123 Billion in Merchandise Inventory
- $ 2.044 Billion in Net Property and Equipment
- $ 4.369 Billion in Total Assets

Other International
Revenue: $ 19.586 Billion
Operating Income: $ 750 Million

Facilities and Resources
- 139 Warehouses (France, Iceland, Spain, UK, China, Japan, South Korea, Taiwan and China)
- $ 509 Million in Additions to Property and Equipment
- $ 1.857 Billion in Merchandise Inventory
- $ 4.479 Billion in Net Property and Equipment
- $ 8.869 Billion in Total Assets

Products and Services
(2019 Net Sales = $149.335 Billion)

Food and Sundries (2019 Revenue: $59.672 Billion)	Hardlines (2019 Revenue: $24.57 Billion)	Fresh Foods (2019 Revenue: $19.948 Billion)	Softlines (2019 Revenue: $28.571 Billion)	Ancillary Goods and Services (2019 Revenue: $28.571 Billion)
Snacks and Beverages	Appliances	Fruits	Clothing	Optical
Gourmet Food	Luggage	Vegetables	Beauty Supplies	Pharmacy
Home and Kitchen	Electronics	Dairy	Books	Photos
Floral and Gift Baskets	Toys and Books	Meat and Fish	Handbags	Travel
Home Improvement and Installations	Office Products	Grains and Seeds	Baby	Gas
	Sports and Fitness	Bread	Jewelry, Watches and Sunglasses	Tire and Auto
	Patio, Lawn and Garden			Gift Cards and Tickets

Membership Services

Health and Life Insurance	Installed Products	Business	Home
DeltaCare Dental Plan	Residential Solar System	Business Phone Services	Identity Protection
Auto and Home Insurance	Amarr Custom Garage Doors	Payment Processing	Checks and Accessories
Identity Protection	Graber Custom Window Treatments	Bottled Water Delivery	Costco Auto Program
The Costco Member Prescription Program	Closet Factory Custom Home Organization	Custom Logo Products	Home Purchase Mortgages and Refinancings
Business Health Insurance Marketplace	Shaw Carpets and Hardwood Flooring	Business Health Insurance Marketplace	Audi Sales Events
Vision Insurance for Business	EcoWater Water Treatment Systems	Business Printing, Checks, Forms and Accessories	Auto Parts and Servicing Discounts
	Generac Automatic Standby Generators	Vision Insurance for Business	Bottled Water Delivery
	Lennox Heating and Air Conditioning Systems		Budget Truck Rental
			Auto and Home Insurance
			Costco Travel Services
			Recreational Vehicles

Memberships

Overview
- Total Card Holders: 98.5 Million (55% Paid; 45% Free)
- Renewal Rate: 91% (US) and 88% (Worldwide)
- Membership Fees: $3.352 Billion in 2019 (7% Increase over Prior Year)

Membership Statistics

Paid Memberships: 53.9 Million (55%)
- Gold Star Member: 42.9 Million ($60 Annual Registration Fee)
- Business Members: 11.0 Million ($60 Annual Registration Fee)

Executive Members: 20.8 Million (or 39%) of All Paid Members Upgraded (i.e., Paid the $60 Upgrade Fee) to Executive Membership (Can Earn a 2% Reward on Certain Purchases, with a Maximum Reward of $1,000, Various Discounts and Savings)

Free Memberships: 44.6 Million (45%)

Competition
Walmart | Kroger | BJ's Wholesale Club | Target | Amazon.com | Walmart's Sam's Club

Outside Relationships

Customers | Suppliers | Capital | Regulators

Securities Regulation and Quotation Rules of NASDAQ Global Select Market
Common Stock Repurchases
Equity Capital
Professional Services
Costco Wholesale-Branded Visa Credit Card and Rewards Program
Costco Wholesale-Branded Visa Credit Card Applications
Costco Memberships
Sales of Packaged Foods, Beverages, Appliances and Other Hardlines, Fresh Produce and Meat, Apparel and Other Softlines, Gas, Prescription Drugs, and Other Ancillary Products and Services

Capital
- Significant Shareholders
- The Vanguard Group (8.11%)
- BlackRock Fund Advisors (4.61%)
- SSgA Funds Management (4.17%)
- Fidelity Management & Research Corporation (2.61 %)
- Geode Capital Management LLC (1.49 %)
- Northern Trust Investment (1.38 %)
- Institutional Ownership: 70.36%

Regulators
- Securities Regulators
- US Securities and Exchange Commission
- The NASDAQ Global Select Market

Professional Service Providers
- KPMG (Audit Services)
- Seyfarth Shaw (Employment Litigation)
- Fishman McIntyre (Litigation Services)
- Morrison & Foerster (Fraud-Related Litigation)
- Perkins Coie (Patent and Antitrust Litigation)

Citi

Members
- Individual Customers
- Business Customers

Key Company Data

Share Information
Symbol: *COST*
Exchange: *NASDAQ Global Select Market*
Quarterly Dividend: *$0.70*
Share Price: *$354.74 (10/2/20)*
Earning Per Share: *$9.02*

Total Revenue
Total: *$152.703 B*
Profit: *100%*
Comes from Club Memberships

Assets
Current Assets: *$25.254 Billion*
Property and Equipment: *$21.527 Billion*
Operating Lease and Right-of-Use Assets: *$2.749 Billion*
Other Long-Term Assets: *$2.202 Billion*
TOTAL: *$51.732 Billion*

Resources: (8/28/20)
Employees: 24,300
795 Warehouses Worldwide

Operating Expenses
Merchandise Costs: *$32.249 B*
SG&A: *$3.83 B*
Preopening Expenses: *8 M*
Total: *$36.087 M*
(May 10, 2020)

Obligations
Purchase Obligations: *$8.752 Billion*
Long-term Debt: *$1.828 Billion*
Operating Leases: *$239 Million*
Construction and Land Obligations: *$606 Million*
Capital Lease Obligations: *$51 Million*
Purchase Obligations: *$538 Million*
Other: *$18 Million*

Kirkland Private Label
- Introduced as Costco's Private Label Since 1992
- Accounts for a 33% of Costco's Net Sales
- Provides High Quality Goods at Low Prices

Recent Developments

COVID-19
Due to the COVID-19 pandemic, Costco has implemented multiple changes. For example, warehouse hours have been reduced, employee pay has increased, and many employees are working remotely. To keep the warehouses open, maximum capacity has been decreased and social distancing measures have been implemented.

Quarterly Cash Dividend and Possible Special Dividend
On April 15, 2020, the quarterly dividend was increase to $0.70 per share and is predicted to continue to rise. In light of strong fourth quarter 2020 earnings of $3.13 per share, analysts expect Costco to declare a special dividend of as much as $10 per share.

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