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## Costco F3Q09 (Qtr End 5/10/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from the line of Chuck Grom with J.P. Morgan.

#### Chuck Grom - J.P. Morgan

Thanks. Good morning, Richard. If I look at your reported comp down 7% in the quarter, backing into the first eight days of May, I arrive at roughly a down 10% comp, which suggests a core comp of roughly flat or maybe even negative, which I don't think is the case. I'm just wondering if you could flesh that -- I know there's some rounding going on there but could you give us a little bit of color on May sales?

#### Richard A. Galanti

There's not a whole big change. Again, I think as -- you know, the trend during -- taking out Easter and taking out [inflation], the trend in Q -- back in April was a shade weaker than in March. I don't think we saw any big improvement from April, so not a lot -- a little bit of a change. I mean, there's some rounding in there but maybe a shade further negative -- not negative negative, but you know -- but not earth shattering.

#### Chuck Grom - J.P. Morgan

Okay. And then for the upcoming -- looking back at the last fourth quarter, if I recall there's the four key parts of your business were up about 20 basis points on gross profit. Can you give us a sense for what you are thinking this upcoming fourth quarter will be? I know you just said that the core businesses were up about five basis points, gas was 42 for the 47 but what do you think for this upcoming fourth quarter? Should we think a little bit better than five?

#### Richard A. Galanti

I wouldn't predict at this point, since we are not giving predictions. Clearly at the end of Q2 -- on the Q2 conference call, again the big issue was wow, there was this aggressive pricing and seasonal markdowns, both of which could continue to impact Q3 and Q4. You know, I am pleased with what we saw in Q3. Again, the feeling in Q4 at least as it relates to lawn and garden, the merchants feel that markdowns are fine, so that won't be an issue in Q4.

Again, it's hard to predict what Q4 brings in overall core but I'm more comfortable with Q3 than I was in Q2.

**Chuck Grom - J.P. Morgan**

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