Ross Stores (ROST)

Updated March 5th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$135	**5 Year CAGR Estimate:**	8.7%	**Market Cap:**	$44.7 B
Fair Value Price:	$120	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	3/18/2025
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.3%	**Dividend Payment Date:**	3/31/2025
Dividend Yield:	1.2%	**5 Year Price Target**	$194	**Years Of Dividend Growth:**	5
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Ross Stores operates 1,831 stores with off-price apparel and home fashion in 43 states. It also operates 355 dd's DISCOUNTS stores in 22 states and has a market cap of $44.7 billion. The retailer offers attractive merchandise at a 20%-60% discount compared to the regular prices of department and specialty stores. Prior to 2020, Ross Stores had grown its revenue and its earnings-per-share every single year for more than a decade. This record is a testament to the strength of its business model and the quality of its management, which executes its growth plan in an exemplary way.

In early March, Ross Stores reported (3/4/25) financial results for the fourth quarter of fiscal 2024. Sales dipped -2% over the prior year's quarter due to tough comparisons. Earnings-per-share fell -2%, from $1.82 to $1.79, but exceeded the analysts' estimates by $0.13. The relatively weak performance resulted primarily from inflationary pressures, which took their toll on consumer spending and led the company to reduce its margins. Management stated that it was satisfied with its performance but issued lackluster guidance for 2025. It expects earnings-per-share of $5.95-$6.55. As the retailer has exceeded the analysts' estimates in 15 of the last 16 quarters and tends to issue cautious guidance, we expect earnings-per-share of $6.40, above the mid-point of the guidance, but still just 1% above the prior year's bottom line. We still view the headwind of cost inflation as temporary and remain confident in the bright long-term outlook of Ross Stores.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.51	$2.83	$3.55	$4.26	$4.60	$0.78	$4.87	$4.38	$5.56	$6.32	***$6.40***	***$10.31***
DPS	$0.47	$0.54	$0.64	$0.90	$1.02	$0.29	$1.14	$1.24	$1.34	$1.47	***$1.62***	***$2.84***
Shares[1]	402.3	391.9	379.7	368.4	356.9	355.2	351.2	342.0	335.0	329.0	***325.0***	***310.0***

Ross Stores has grown its earnings-per-share more than 7-fold since 2009, from $0.89 to $6.32 in 2023. Moreover, it still has growth prospects ahead. The company currently has 2,186 stores while management is confident for a potential of 3,600 stores in the U.S. It has raised this number, from 2,900 previously, thanks to the large number of retail bankruptcies caused by the pandemic. As a result, the company can still grow its store count meaningfully. As the retailer normally opens about 100 new stores per year, it is evident that it has at least a decade of growth ahead.

Ross Stores has missed the analysts' estimates only four times in the last 44 quarters. Moreover, it has grown its earnings-per-share by 10.8% per year on average over the last decade. We expect 10.0% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.3	21.4	19.7	20.1	22.2	125.6	24.4	20.8	20.5	22.9	***21.1***	***18.8***
Avg. Yld.	0.9%	0.9%	1.0%	1.0%	1.0%	0.3%	1.0%	1.4%	1.2%	1.0%	***1.2%***	***1.5%***

[1] In millions.

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Ross Stores is currently trading at a price-to-earnings ratio of 21.1, which is higher than its 10-year average price-to-earnings ratio of 18.8. If the stock trades at its historical valuation level in five years, it will incur a -2.3% annualized valuation drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	18.7%	19.1%	19.2%	21.1%	22.2%	37.2%	23.4%	28.3%	24.1%	23.3%	***25.3%***	***27.6%***

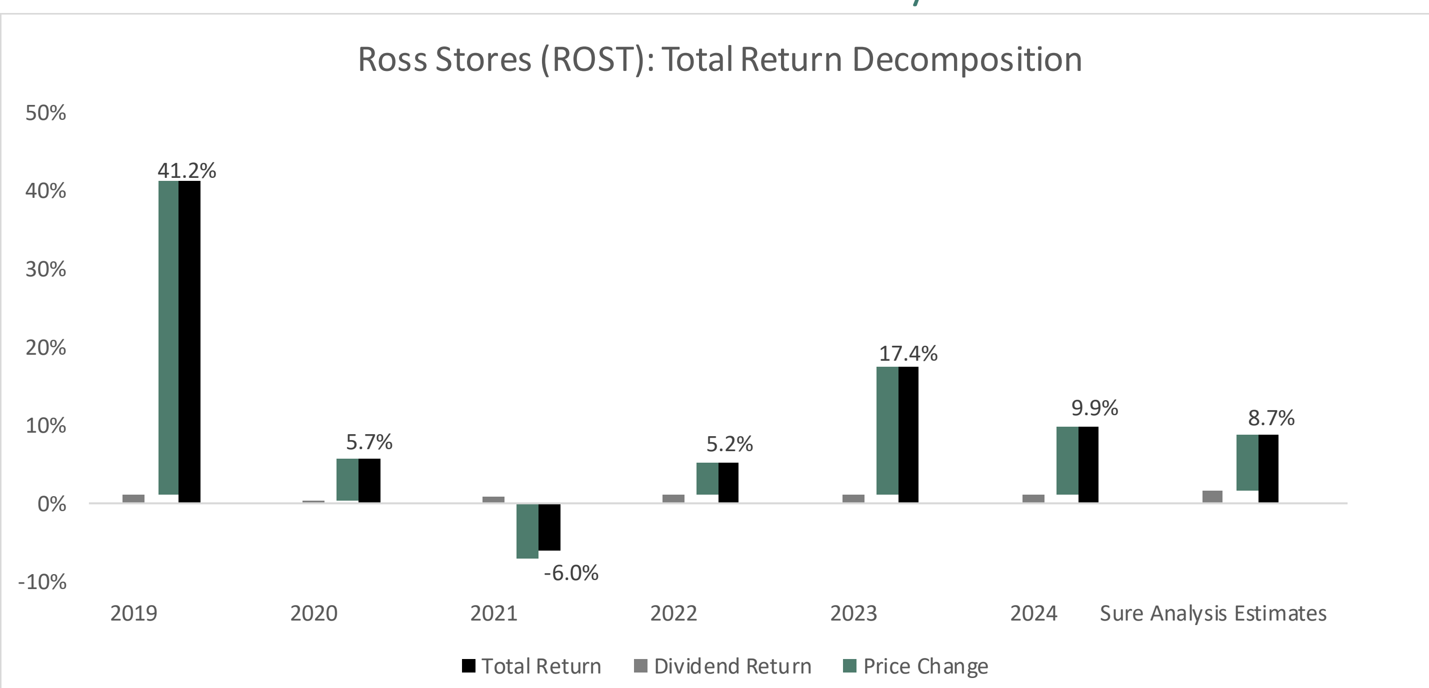
The key behind the exceptional growth record of Ross Stores is the fact that it offers great discounts on popular brands. It creates a treasure-hunting experience, which is appealing to consumers and constitutes a moat. This unique shopping experience helps explain why Ross Stores is one of the few retailers that have not been affected by Amazon. Moreover, while the U.S. economy has been growing for more than a decade, consumers have become increasingly price-conscious in recent years. Therefore, Ross Stores appeals to a wide range of consumers. With that said, competition has become increasingly heated in the retail sector.

Ross Stores had raised its dividend for 25 consecutive years until 2020. Its capital expenses have remained below half of its operating cash flows every year in the last decade, resulting in high free cash flows. However, the retailer was forced to suspend its dividend in 2020 due to the pandemic. Ross Stores proved resilient in previous recessions, as consumers were particularly price-sensitive. However, this downturn was much fiercer, as it forced the company to close its stores for nearly two months and social distancing was a strong headwind for this business. Nevertheless, the retailer has fully recovered from the pandemic, with record earnings-per-share in each of the last two years.

Final Thoughts & Recommendation

Ross Stores is a high-quality discount retailer with a wide moat and solid growth prospects over the next several years. The stock could offer an 8.7% average annual return over the next five years thanks to 10.0% growth of earnings-per-share and a 1.2% dividend, partly offset by a -2.3% valuation headwind. The stock has become attractive and receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	11940	12867	14135	14984	16,039	12,532	18,916	18,696	20,377	21,129
Gross Profit	3363	3693	4092	4257	4,503	2,693	5,207	4,750	5,575	5,869
Gross Margin	28.2%	28.7%	29.0%	28.4%	28.1%	21.5%	27.5%	25.4%	27.4%	27.8%
SG&A Exp.	1739	1890	2044	2217	2,357	2,503	2,874	2,759	3,268	3,283
D&A Exp.	275	303	313	330	351	364	361	395	419	447
Operating Profit	1624	1803	2048	2041	2,146	190	2,333	1,990	2,308	2,586
Operating Margin	13.6%	14.0%	14.5%	13.6%	13.4%	1.5%	12.3%	10.6%	11.3%	12.2%
Net Profit	1021	1118	1363	1587	1,661	85	1,723	1,512	1,875	2,091
Net Margin	8.5%	8.7%	9.6%	10.6%	10.4%	0.7%	9.1%	8.1%	9.2%	9.9%
Free Cash Flow	959	1261	1310	1653	1,616	1,841	1,181	1,035	1,752	1,637
Income Tax	591	669	678	463	503	21	536	475	597	666

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4869	5309	5722	6074	9,348	12,718	13,640	13,416	14,300	14,905
Cash & Equivalents	762	1112	1290	1413	1,351	4,819	4,922	4,552	4,872	4,731
Accounts Receivable	74	75	88	97	102	115	119	146	131	144
Inventories	1419	1513	1642	1750	1,832	1,509	2,262	2,023	2,192	2,445
Total Liabilities	2397	2561	2673	2768	5,989	9,427	9,580	9,128	9,429	9,396
Accounts Payable	946	1022	1060	1177	1,296	2,257	2,372	2,010	1,956	2,126
Long-Term Debt	396	396	397	312	313	2,513	2,452	2,457	2,461	2,215
Shareholder's Equity	2472	2748	3049	3306	3,359	3,291	4,060	4,289	4,871	5,509
LTD/E Ratio	0.16	0.14	0.13	0.09	0.09	0.76	0.60	0.57	0.51	0.40

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	21.4%	22.0%	24.7%	26.9%	21.5%	0.8%	13.1%	11.2%	13.5%	14.3%
Return on Equity	43.0%	42.8%	47.0%	50.0%	49.8%	2.6%	46.9%	36.2%	40.9%	40.3%
ROIC	36.8%	37.2%	41.4%	44.9%	45.6%	1.8%	28.0%	22.8%	26.6%	27.8%
Shares Out.	402.3	391.9	379.7	368.4	356.9	355.2	351.2	345.2	337.4	331.0
Revenue/Share	29.38	32.58	36.78	40.21	44.41	35.34	53.48	54.16	60.39	63.84
FCF/Share	2.36	3.19	3.41	4.43	4.47	5.19	3.34	3.00	5.19	4.95

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.