Costco Wholesale Corporation (COST)

Updated December 15th, 2025, by Josh Arnold

Key Metrics

Current Price:	$884	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$393 B
Fair Value Price:	$768	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	02/02/26[1]
% Fair Value:	115%	**5 Year Valuation Multiple Estimate:**	-2.8%	**Dividend Payment Date:**	02/16/26
Dividend Yield:	0.6%	**5 Year Price Target**	$1,236	**Years Of Dividend Growth:**	22
Dividend Risk Score:	A	**Sector:**	Consumer Staples	**Rating:**	Hold

Overview & Current Events

Costco's humble beginning in a converted airplane hangar has given way to a powerhouse in an industry it helped create. Today, Costco is a diversified warehouse retailer that operates over 920 warehouses that collectively generate almost $300 billion in annual sales. Costco's leadership in this industry has rewarded shareholders handsomely over the years as it sports a $393 billion market capitalization.

Costco posted first quarter earnings on December 11th, 2025, and results were better than expected, but shares fell after the announcement on fears of slowing growth. The company saw earnings-per-share of $4.50 during the quarter, which was 22 cents ahead of estimates. Revenue was up 8.2% year-over-year to $67.31 billion, beating expectations by $190 million.

Comparable sales were up 6.4% year-over-year to best consensus by 60 basis points. In the US, comparable sales rose 5.9% versus 5.4% consensus when backing out forex translation and gas sales, while they were up 6.5% in Canada and 8.8% in the International segment. E-commerce sales were up 20.5%.

Membership fee income was $1.33 billion, up from $1.17 billion a year ago, and estimates for $1. 29 billion. Net income on a dollar basis was $2 billion, up from $1.80 billion in the year-ago period. Executive membership reached 39.7 million, up 9.1% year-over-year. Total paid members were up 5.2% to 81.4 million. Renewal rate was 92.2% in the US and Canada, while it was 89.7% globally, both off 10 basis points.

Gross margin was 11.32% of revenue up just four basis points. SG&A was flat at 9.6% of revenue. Capex was $1.53 billion. We have fractionally boosted earnings estimates for this year to $20.20 per-share.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$5.33	$5.82	$7.09	$8.26	$9.02	$10.97	$13.14	$14.16	$16.12	$18.21	***$20.20***	***$32.53***
DPS	$1.70	$1.90	$2.14	$2.44	$2.70	$2.98	$3.38	$3.84	$4.38	$4.92	***$5.20***	***$8.76***
Shares[2]	438	437	442	443	444	444	444	443	443	443	***443***	***443***

We see Costco's forecasted growth as straightforward; sales growth will continue to make up most of its predicted earnings growth. Its model does not allow for much in the way of expanding profit margins because its retail pricing is intended to be as low as possible for consumers. We are forecasting 10% earnings-per-share growth annually in the coming years as strong sales numbers help drive incremental gains in operating margins.

The vast majority of Costco's operating margin dollars come from its membership fees, which continue to grow at strong rates, but are a very small fraction of total revenue. This is 100% margin revenue and fuels higher comparable sales, as well as more members and more people in the stores buying. The company does not buy back stock in any sort of meaningful quantity, so that is not a source of earnings growth. Steadily higher comparable sales should be enough to keep earnings growing at our forecast rate of 10% annually. Comparable sales gains were better in Q1, but certainly weakened. Given Costco's profits are due almost entirely to membership revenue, that is the key thing to watch. Costco

[1] Estimated date
[2] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

finally raised its membership fee, effective September 1st, 2024. Fees rose anywhere from $5 to $10 per year depending upon membership type, which should drive increased revenue and margins in the years to come. Given the company's history on this topic, it is likely to be years before another increase is announced.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	29.0	27.6	28.1	27.8	33.9	34.2	40.4	34.7	55.4	51.8	***43.8***	***38.0***
Avg. Yld.	1.1%	1.2%	1.1%	1.0%	0.9%	0.8%	0.6%	0.7%	0.5%	0.5%	***0.6%***	***0.7%***

Costco's price-to-earnings multiple has been elevated for some time as investors have applied a premium to the stock due to the company's excellent performance. Costco shares are extremely expensive still, trading for a staggering 43.8 times earnings. That's well ahead of our estimate of our fair value at 38 times earnings, so we continue to see a meaningful headwind to returns from the valuation. The boost in earnings estimates, as well as a weak share price, have the valuation much lower than our last several updates.

We see the yield as remaining under 1% given the valuation and rising dividend payment. We don't believe Costco will be a high-income stock anytime in the foreseeable future, but its payout growth should be robust. We note the $10 per share special dividend paid in December of 2020, as well as the $15 special dividend declared for January 2024.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	32%	33%	30%	30%	30%	27%	26%	27%	27%	27%	***26%***	***27%***

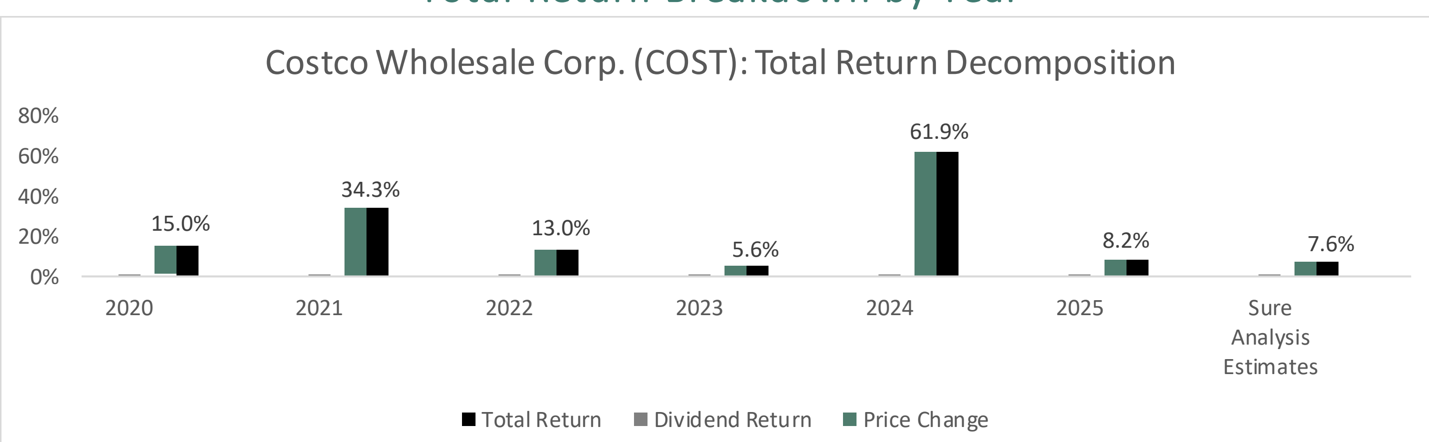
Costco's payout ratio is quite low at 26% for this year, and we believe it will remain near or under 30% going forward. The company has the ability to boost the dividend at a much higher rate but has thus far chosen not to. Regardless, Costco's dividend is ultra-safe, but of course, the yield is unattractive given the enormous valuation.

Costco's competitive advantage is in its leadership position in a category it created and as Sam's Club closes stores, that position should strengthen. It is not immune from a recession, but damage during the Great Recession was slight. Costco thrived during the worst of the pandemic recession and exited the recession in a stronger competitive position.

Final Thoughts & Recommendation

Costco is a decent growth stock that is trading well ahead of our estimate of fair value. We forecast 7.6% total annual returns over the next five years, as the company's impressive growth rate of 10% drives returns, with the 0.6% yield and offsetting 2.8% valuation headwind. Total returns are roughly the same as our prior update and we're maintaining a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue ($B)	119	129	142	153	167	196	227	242	254	275
Gross Profit	15818	17143	18424	19817	21,822	25,245	27,572	29,704	32,095	35,349
Gross Margin	13.3%	13.3%	13.0%	13.0%	13.1%	12.9%	12.1%	12.3%	12.6%	12.8%
SG&A Exp.	12068	12950	13876	14994	16,332	18,461	19,779	21,590	22,810	24966
D&A Exp.	1255	1370	1437	1492	1,645	1,781	1,900	2,077	2,237	2426
Operating Profit	3672	4111	4480	4737	5,435	6,708	7,793	8,114	9,285	10383
Op. Margin	3.1%	3.2%	3.2%	3.1%	3.3%	3.4%	3.4%	3.3%	3.6%	3.8%
Net Profit	2350	2679	3134	3659	4,002	5,007	5,844	6,292	7,367	8,099
Net Margin	2.0%	2.1%	2.2%	2.4%	2.4%	2.6%	2.6%	2.6%	2.9%	2.9%
Free Cash Flow	643	4224	2805	3358	6,051	5,370	3,501	6,745	6,629	7837
Income Tax	1243	1325	1263	1061	1,308	1,601	1,925	2,195	2,373	2719

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	33163	36347	40830	45400	55,556	59,268	64,166	68,994	69,831	77,099
Cash & Equivalents	3379	4546	6055	8384	12,277	11,258	10,203	13,700	9,906	15,284
Inventories	8969	9834	11040	11395	12,242	14,215	17,907	16,651	2,721	18,116
Total Liabilities	20831	25268	27727	29816	36,851	41,190	43,519	43,936	46,209	47,935
Accounts Payable	7612	9608	11237	11679	14,172	16,278	17,848	17,483	19,421	19,783
Long-Term Debt	5161	6573	6487	6823	7,609	7,491	6,557	6,458	5,897	9,727
Total Equity	12079	10778	12799	15243	18,284	17,564	20,642	25,058	23,622	29,164
D/E Ratio	0.43	0.61	0.51	0.45	0.42	0.43	0.32	0.26	0.25	0.34

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.1%	7.7%	8.1%	8.5%	7.9%	8.7%	9.5%	9.5%	10.6%	11.0%
Return on Equity	20.7%	23.4%	26.6%	26.1%	23.9%	27.9%	30.6%	27.5%	30.3%	30.7%
ROIC	13.6%	15.2%	16.8%	17.4%	16.4%	19.3%	22.1%	21.4%	24.1%	22.3%
Shares Out.	438	437	442	443	444	444	445	444	445	445
Revenue/Share	269.04	292.62	320.43	344.76	375.67	440.94	510.29	545.14	572.11	618.78
FCF/Share	1.46	9.58	6.35	7.58	13.63	12.09	7.87	15.18	14.90	17.62

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