BED BATH & BEYOND

2/22/2013 Billy Beane Dream Team

Billy Beane Dream Team

- Emily: Marketing and Administrative
- Ryan: Historic Trend Analysis
- Eric: Van Den Berg and Competitive Analysis
- Nate: Buffettology
- April: Conscious Investor
- Kevin: Discounted Cash Flow

Basic Company Info

- NASDAQ- BBBY
- Industry- Specialty Retail
- Founded- 1971
- Founders- Warren Eisenberg, Leonard Feinstein
- HQ- Union, NJ
- Number of Locations- 1280
- Market Cap- $12.8 Billion
- Shares Outstanding- 220 Million
- 52 Week Range- $54.30 - $75.84

Business

- Domestics Merchandise:
  - Bed linens, bath items, kitchen textiles
- Home Furnishings:
  - Kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products
- Offers a selection that exceeds what is usually available in other department or retail stores

Subsidiaries & Acquisitions

- Bed Bath & Beyond (BBB)
- buybuy BABY
- Christmas Tree Shops (CTS)
- Harmon and Harmon Face Values
- Home and More
- Cost Plus World Market*
- Linen Holdings*

*Recently Acquired


Labrador Sea
AB
MB
BC
SK
NL
ON
QC
Gulf of St Lawrence
ND
MN
NB
PE
VT
ME
NS
SD
NH
OR
WY
NE
MA
NV
UT
CT
RI
KS
WV
DE
NJ
NM
MD
TX
North Atlantic Ocean
Gulf of California
Gulf of Mexico
México
Cuba
PR
Guatemala
Caribbean Sea
Ocean
Nicaragua
Map Data - Terms of Use

Competitors

- Department Stores
  - Macy's
- Specialty Stores
  - Pier 1 Imports, Williams-Sonoma, Inc.
- National Chains
  - Walmart
- Online only
  - Amazon

Competitive Advantage

- Over department stores & national chains because:
  - Bed Bath & Beyond specializes in home furnishings, carries a "breadth and depth" of products and also has strong pricing control over them
- Over online retailers:
  - Bed Bath & Beyond gives consumers to touch, see, and smell the products before they buy
- Differentiated itself in the competitive retail industry by developing a niche
- Wedding & Gift Registry
- Campus & Beyond

Qualitative Review

- Type of Business

  Competitive Advantage
- What Does It Do?

  Sells Household Furnishing and Appliances
- Unionized?

  No
- Heavy Capital Infusion Required?

  No
- Heavy R & D Required?

  No

Qualitative Review cont.

- Any Chronic "One Time" Write Offs?

  No
- Can Inflation be Offset by Raised Prices?

  Yes
- Will there be future sales?

  Yes
- Can a competitor be developed?

  No

Quantitative Review

- Current Price per Share

  $57.60

- 52 Week High

  $75.84

- 52 Week Low

  $54.33

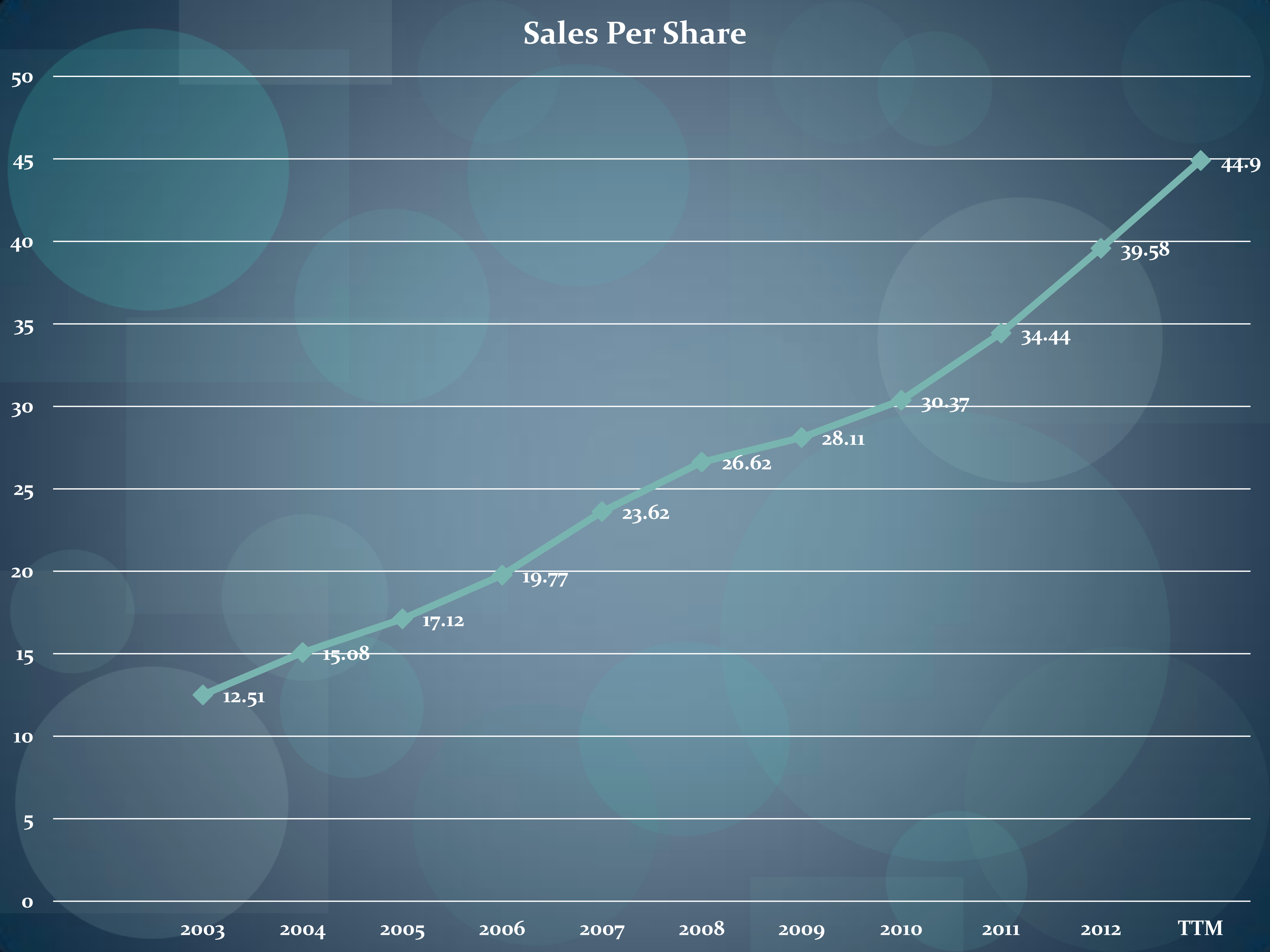
Quantitative Review cont.

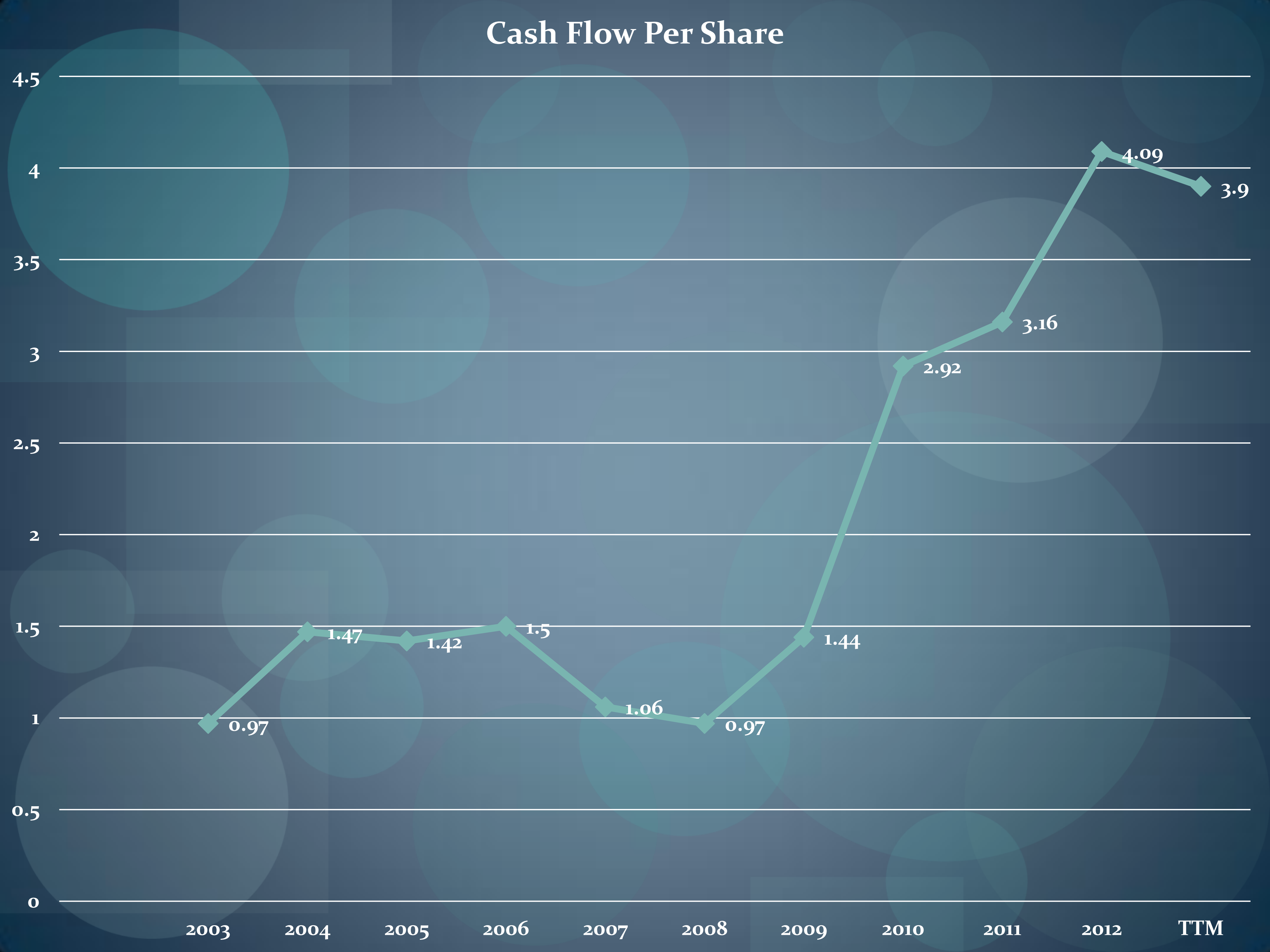
- **P/E Ratios:**
- Current

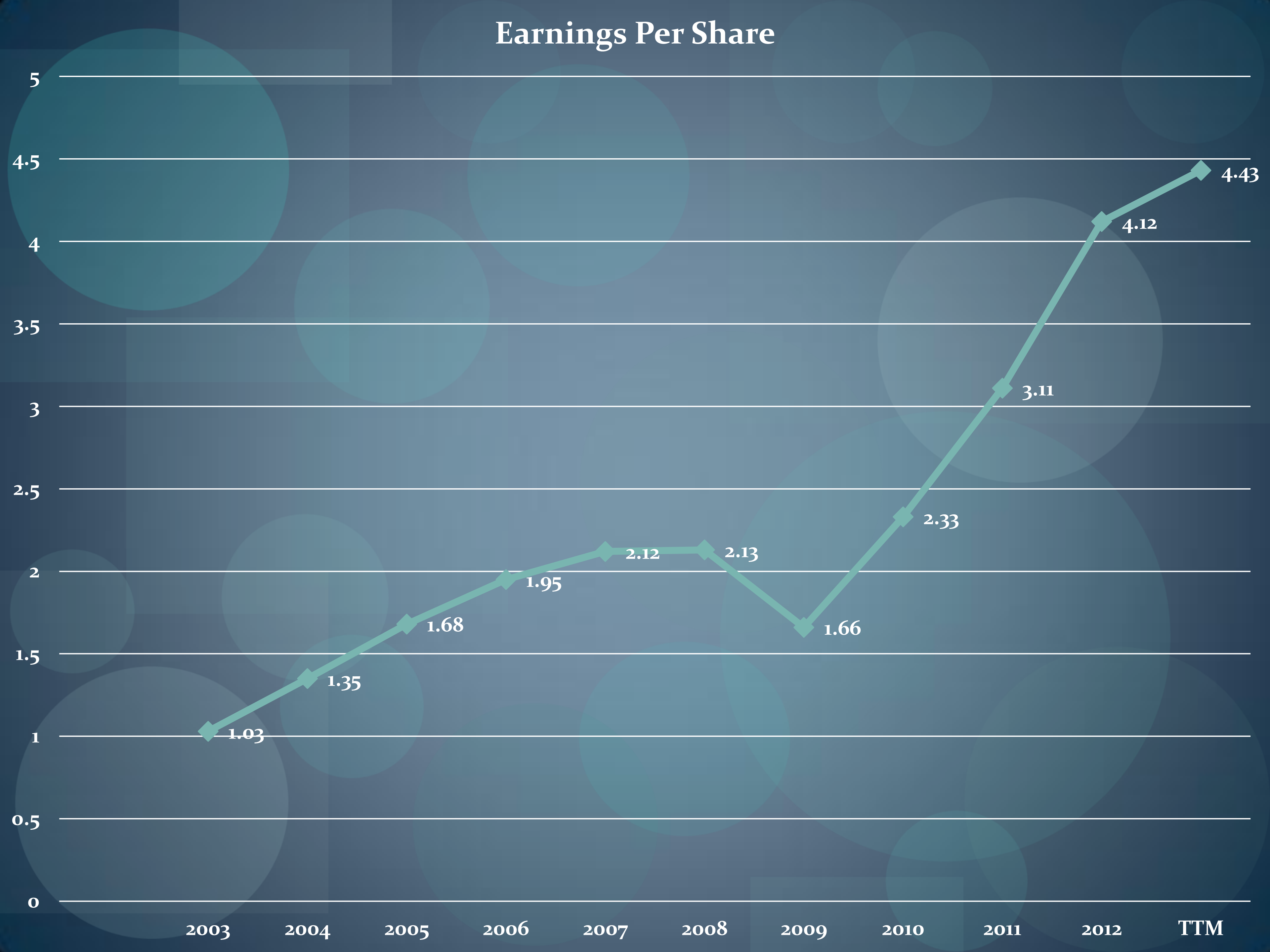
  13.2
- Trailing

  12.9
- Forward

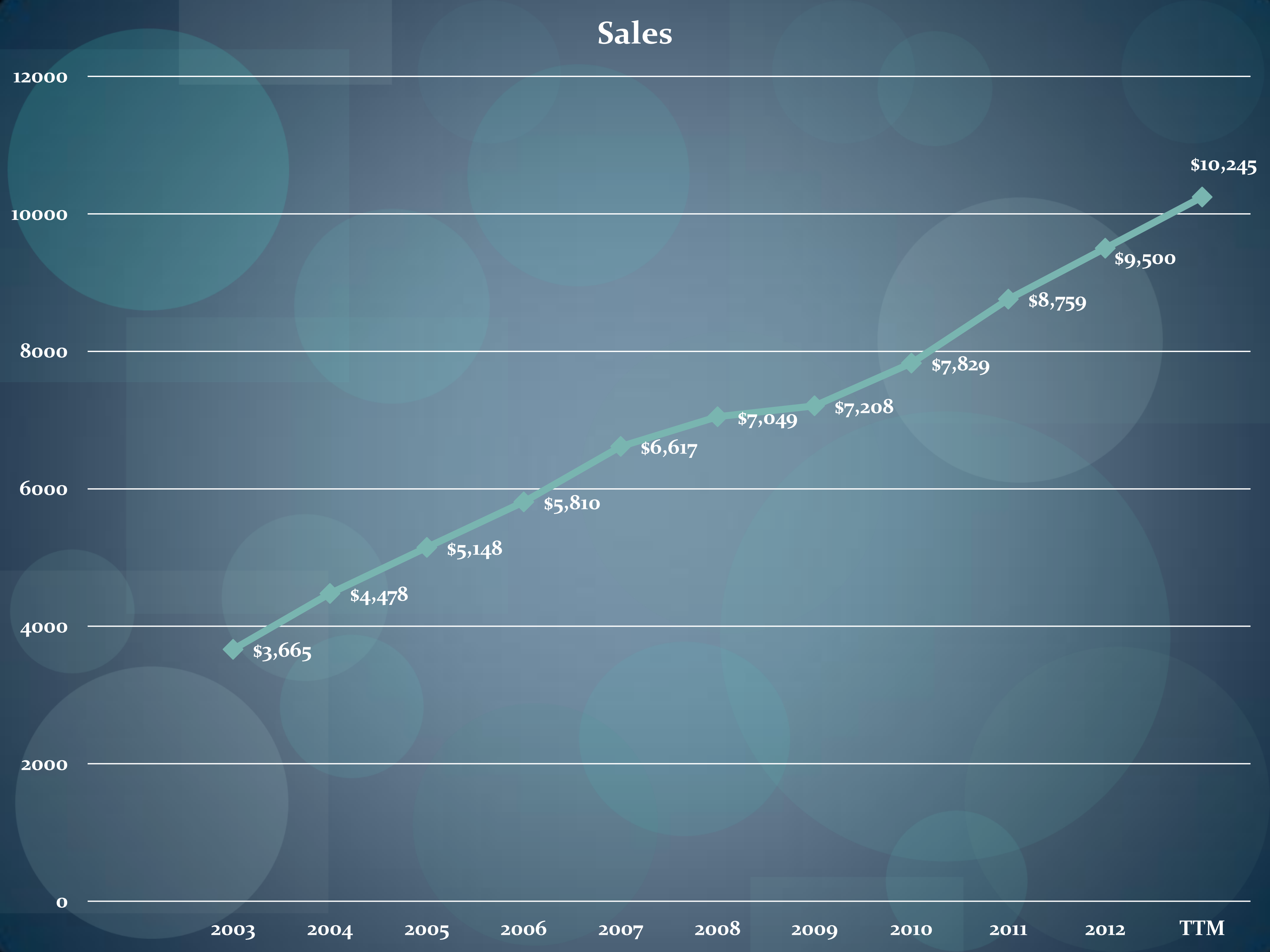
  11.4

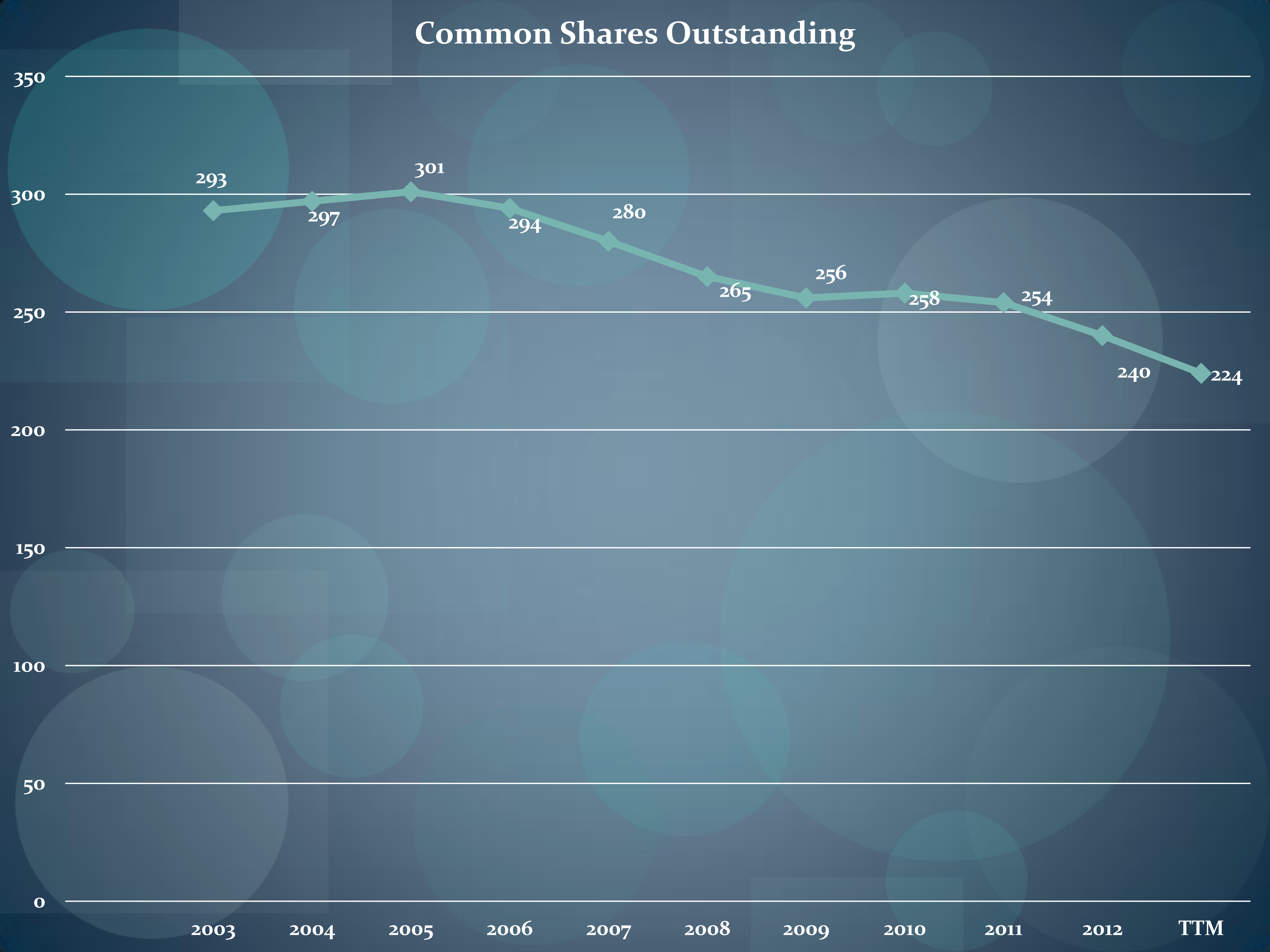

Sales Per Share
50
45
40
35
30
25
20
15
10
5
0
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
TTM
12.51
15.08
17.12
19.77
23.62
26.62
28.11
30.37
34.44
39.58
44.9

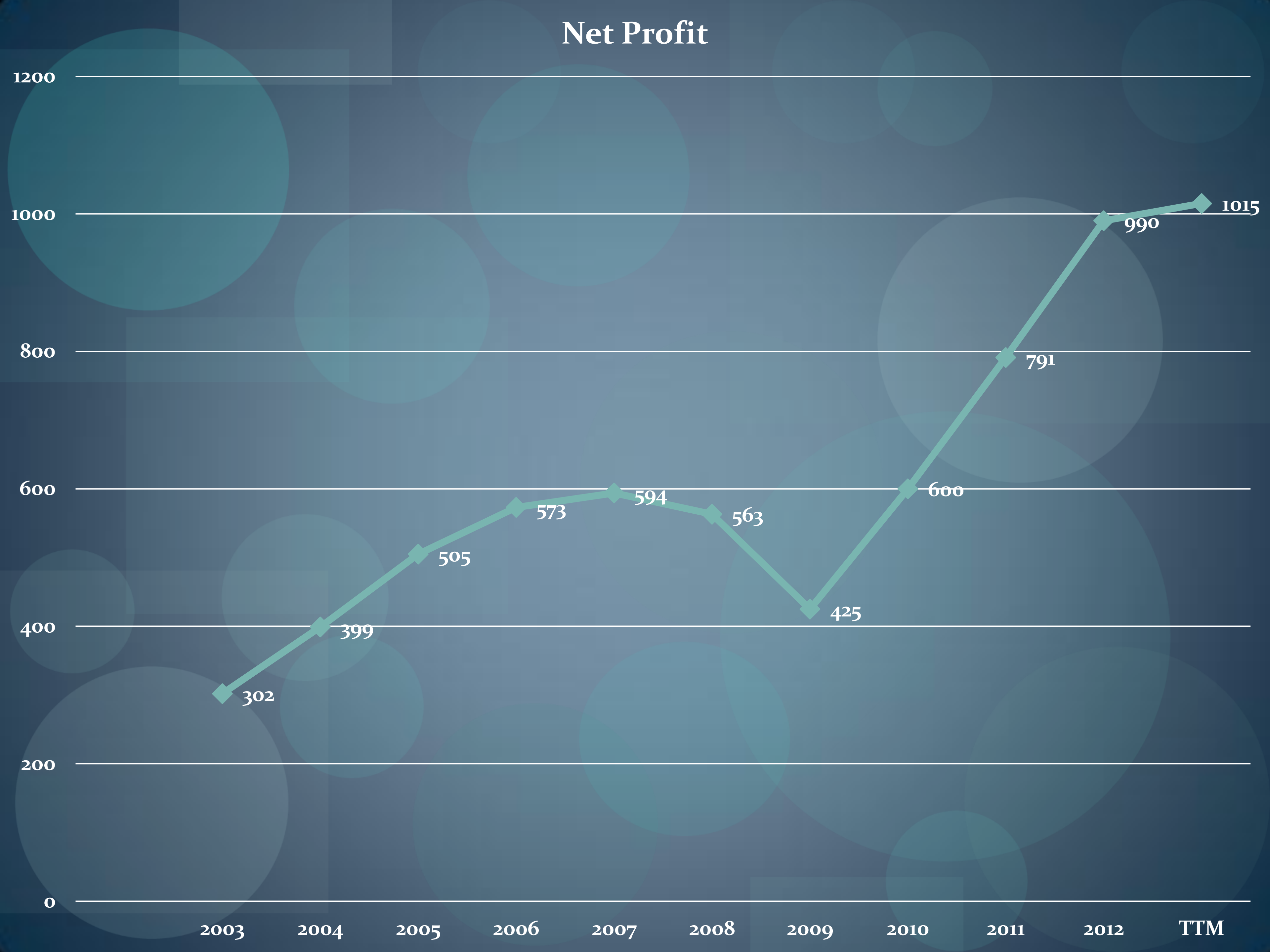

Cash Flow Per Share
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
0.97
1.47
1.42
1.5
1.06
0.97
1.44
2.92
3.16
4.09
3.9
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
TTM


Earnings Per Share
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
1.03
1.35
1.68
1.95
2.12
2.13
1.66
2.33
3.11
4.12
4.43
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
TTM

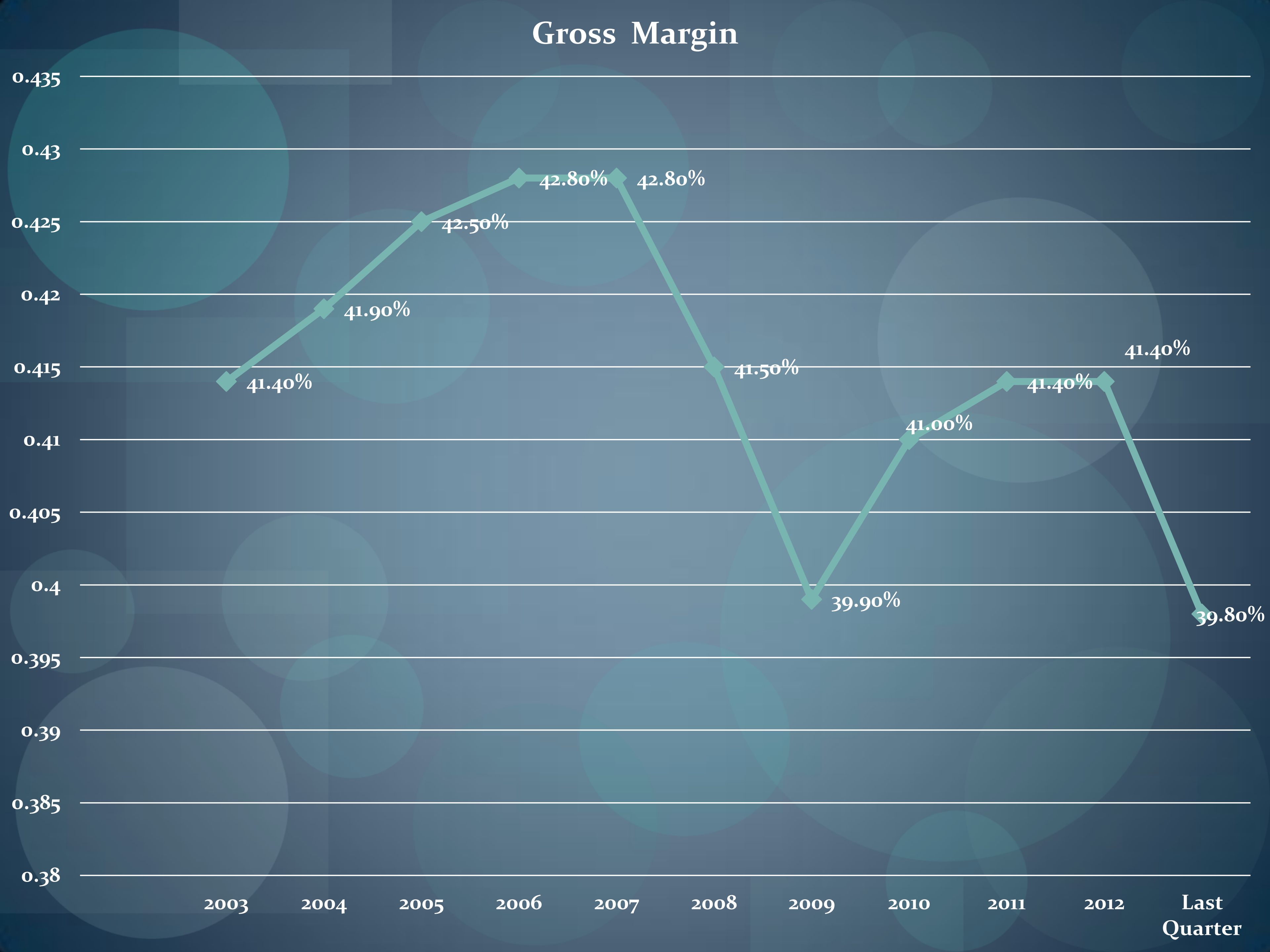
Book Value Per Share

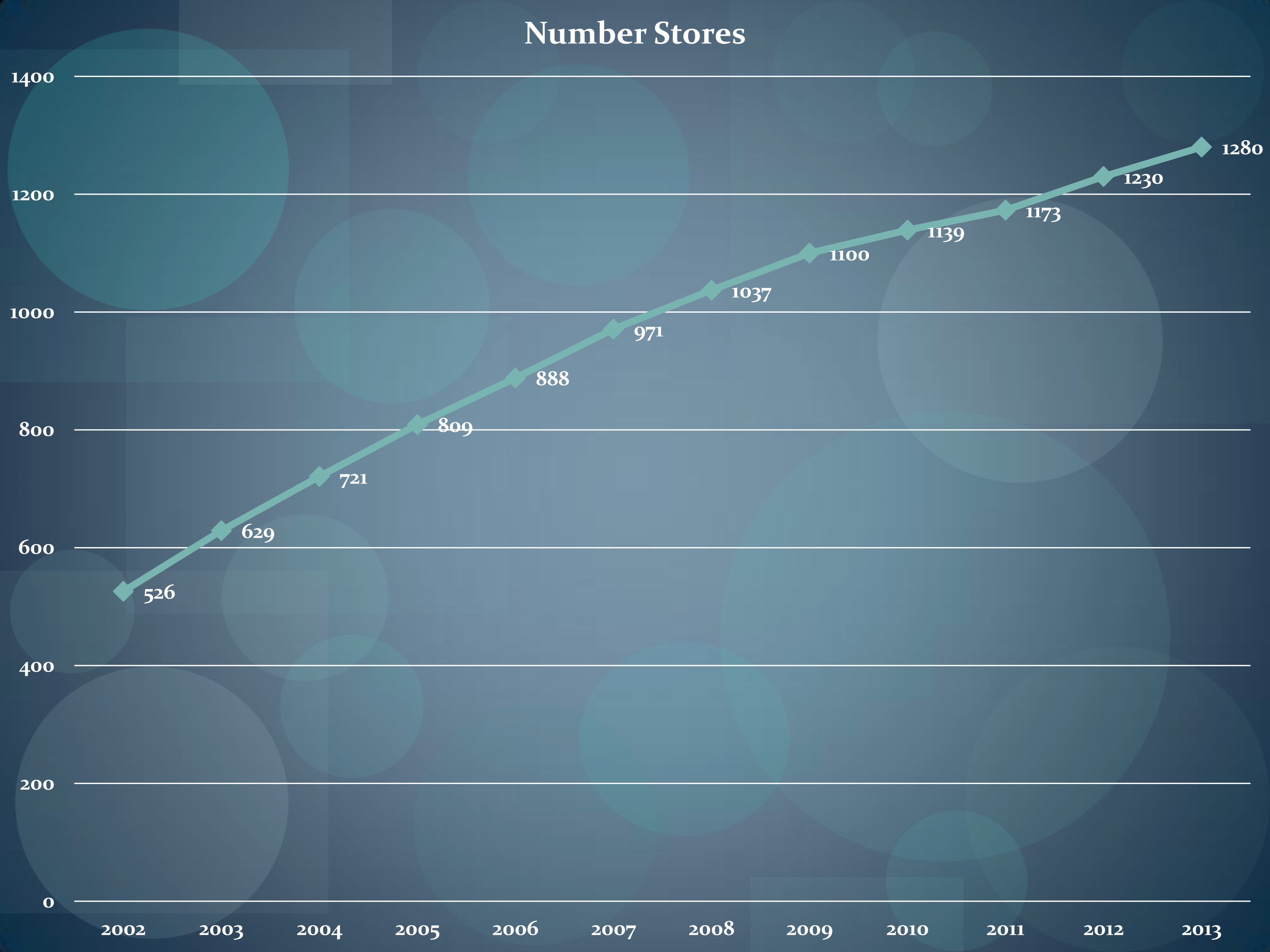

Sales
12000
10000
8000
6000
4000
2000
0
$3,665
$4,478
$5,148
$5,810
$6,617
$7,049
$7,208
$7,829
$8,759
$9,500
$10,245
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
TTM

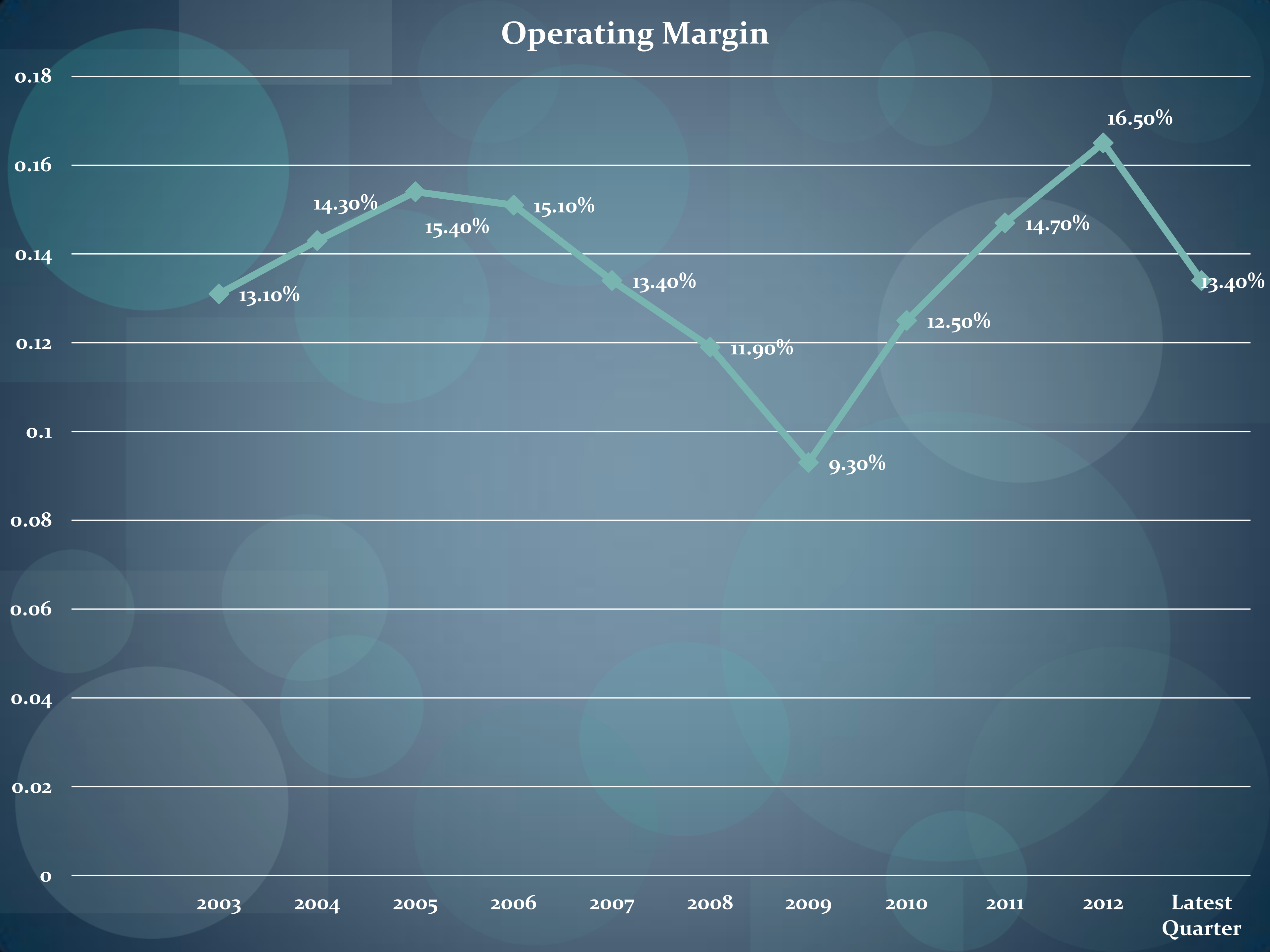

Common Shares Outstanding
350
300
250
200
150
100
50
0
293
297
301
294
280
265
256
258
254
240
224
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
TTM

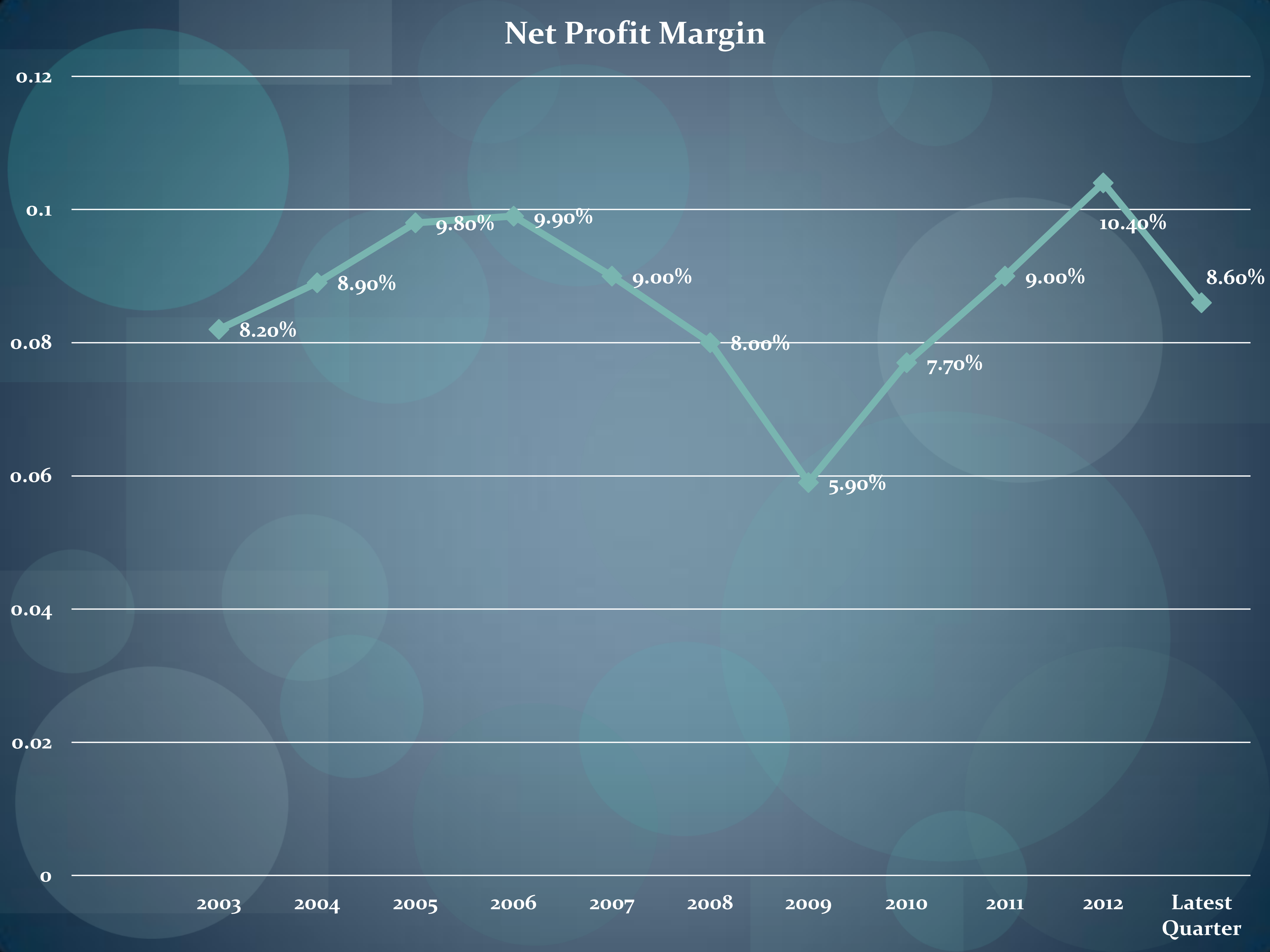


Net Profit
1200
1000
800
600
400
200
0
302
399
505
573
594
563
425
600
791
990
1015
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
TTM

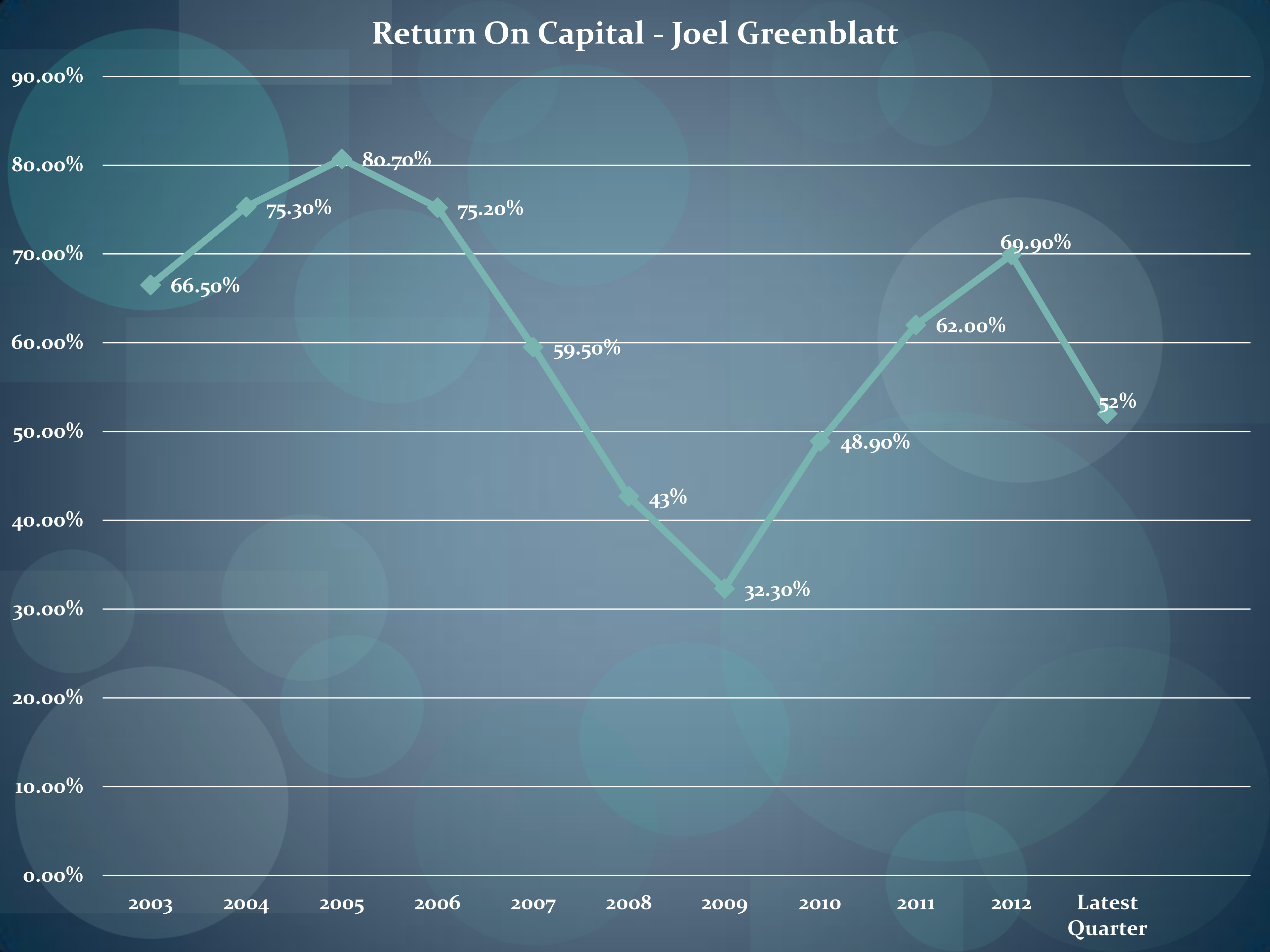

Gross Margin
0.435
0.43
0.425
0.42
0.415
0.41
0.405
0.4
0.395
0.39
0.385
0.38
41.40%
41.90%
42.50%
42.80%
42.80%
41.50%
39.90%
41.00%
41.40%
41.40%
39.80%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Last Quarter

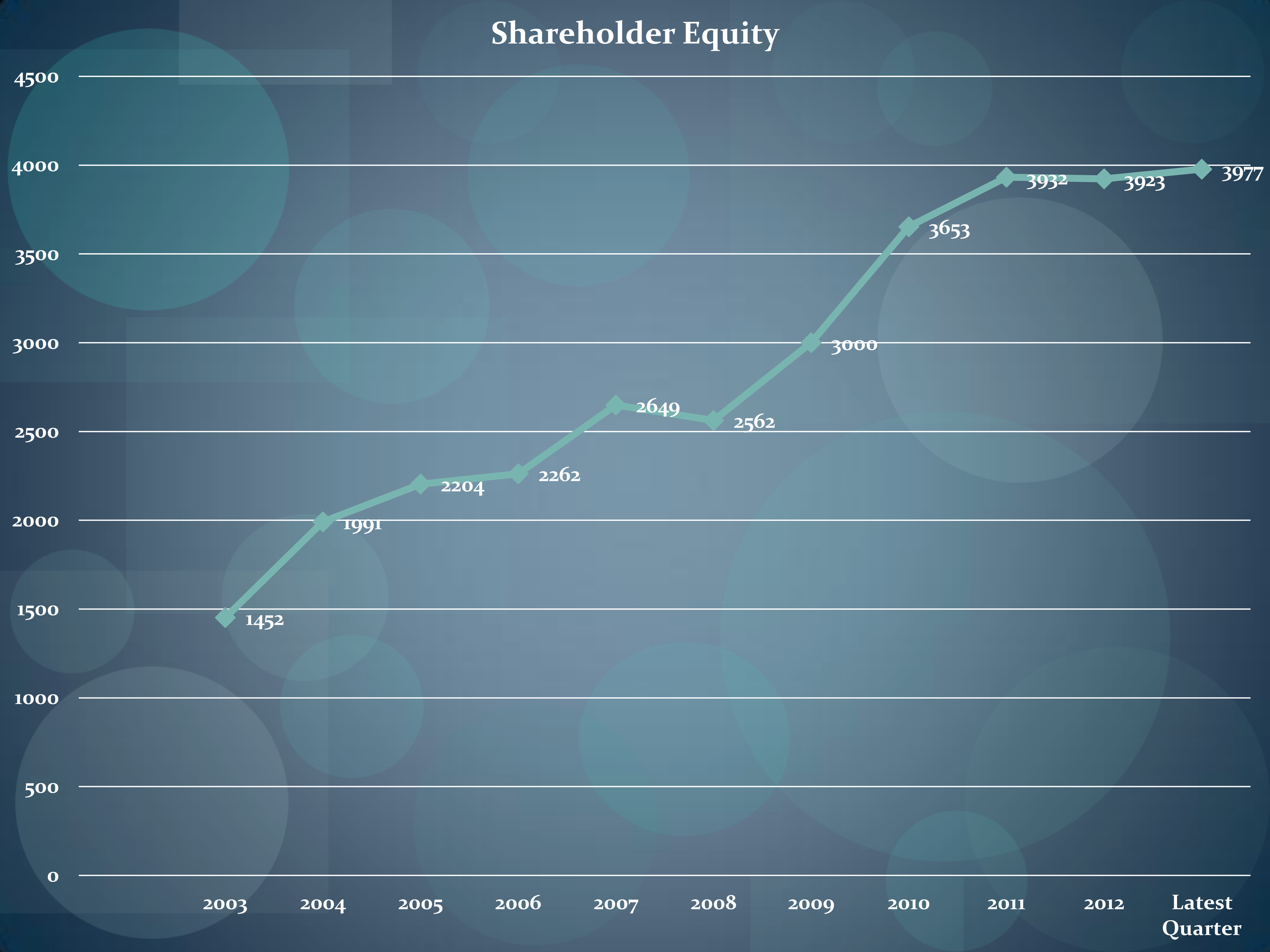

Number Stores
1400
1200
1000
800
600
400
200
0
526
629
721
809
888
971
1037
1100
1139
1173
1230
1280
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013


Operating Margin
0.18
0.16
0.14
0.12
0.1
0.08
0.06
0.04
0.02
0
13.10%
14.30%
15.40%
15.10%
13.40%
11.90%
9.30%
12.50%
14.70%
16.50%
13.40%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Latest Quarter

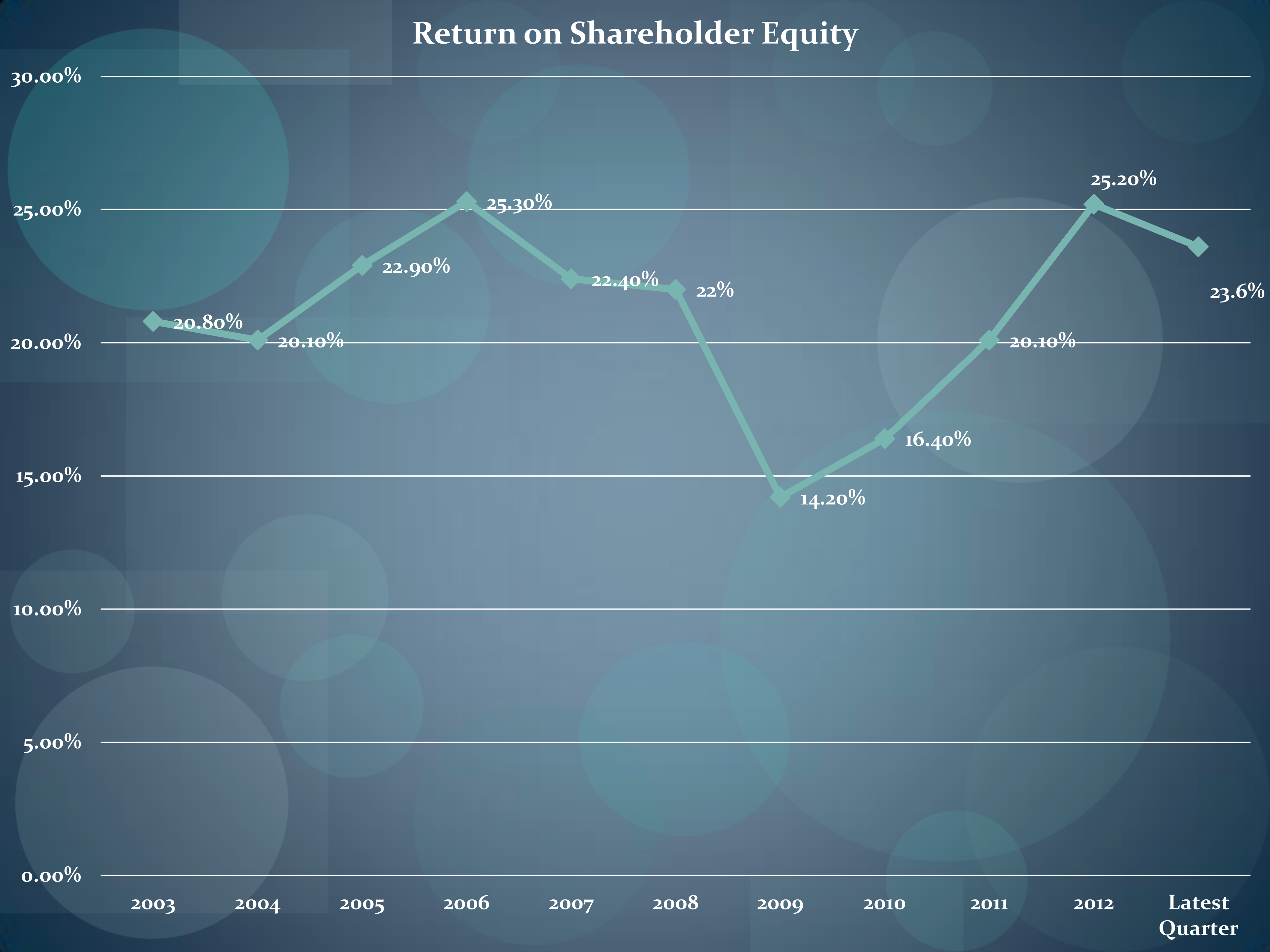

Net Profit Margin
0.12
0.1
0.08
0.06
0.04
0.02
0
8.20%
8.90%
9.80%
9.90%
9.00%
8.00%
5.90%
7.70%
9.00%
10.40%
8.60%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Latest Quarter


Working Capital
3000
2500
2000
1500
1000
500
0
914.2
1199.8
1223.4
1082.4
1553.5
1065.6
1609.8
2413.8
2751.4
2803.8
2500
2500
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013


Return On Capital - Joel Greenblatt
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
66.50%
75.30%
80.70%
75.20%
59.50%
43%
32.30%
48.90%
62.00%
69.90%
52%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Latest Quarter



Shareholder Equity
4500
4000
3500
3000
2500
2000
1500
1000
500
0
1452
1991
2204
2262
2649
2562
3000
3653
3932
3923
3977
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Latest Quarter


Return on Shareholder Equity
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Latest Quarter
20.80%
20.10%
22.90%
25.30%
22.40%
22%
14.20%
16.40%
20.10%
25.20%
23.6%

Van Den Berg Metrics

Valuation Ratios	Fiscal Period									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Latest Q.
P / E(ttm)	31.77	30.32	22.47	18.48	18.73	13.31	12.91	17.78	15.38	14.43	13.26
P / TB	6.7	6.64	5.48	4.61	4.2	2.85	1.82	2.94	3.04	3.56	3.3
P / FCF	34.06	28.03	26.61	23.71	37.63	28.92	14.79	14.3	15.14	14.46	15.06
P / S	2.64	2.71	2.19	1.82	1.69	1.06	0.76	1.37	1.4	1.51	1.31
EV / Rev	2.48	2.54	2.02	1.68	1.53	1.01	0.66	1.18	1.16	1.29	1.21
EV / EBITDA	16.38	15.7	11.69	9.85	9.88	7.11	5.63	7.91	6.91	6.97	6.93
EV / EBIT	18.97	17.81	13.15	11.13	11.4	8.46	7.1	9.4	7.9	7.79	7.76

Buffettology

							Threshold
Gross Profit Margin:	Gross Profit / Revenue	=	$4,158 / $10,245	=	40.59%	Y	≥ 40%
SG&A Costs as a % of GP:	SG&A Exp. / Gross Profit	=	$2,567 / $4,158	=	61.74%	N	≤ 30%
Depreciation as a % of Gross Profit:	Depreciation Exp. / Gross Profit	=	$191 / $4,158	=	4.59%	Y	≤ 10%
Interest Payouts:	Interest Exp. / Operating Income	=	$3.12 / $1,591	=	0.20%	Y	≤ 15%
Net Earnings Trend:	2010: $600		2011: $791		2012: $990	Y	Up Trend
Net Earnings/Total Revenues:	$1,015 / $4,158	=	24.41%			N	10≤X≤20%

*Data in millions, recorded from GuruFocus

Buffettology

							Threshold
High Cash Balances:	2010 $1789		2011 $1760		2012 $785	Y	
Current Ratio:	Current Assets Current Liabilities	=	$3,968 $1,837	=	2.16	Y	≥ 1
Goodwill:	2011 $31		2012 $36				Def. Tax Liability
Long Term Debt/Net Earnings:	$0 $1,015	=	0.00			Y	< 5 (3-4 better)
Adj. Debt to Shareholders' Equity:	Total Liabilities Shareholders' Equity + Treasury Stock	=	$2,410 $3,977 $4,032	=	0.30	Y	≤ .80
Preferred Stock:	None.					Y	None
Retained Earnings:	2011 $5,546		2012 $6,536	=	17.85%	Y	Increasing
Treasury Stock:	2011 $2,814		2012 $4,032			Y	Presence on B.S.

Buffettology

Return on Equity:	Net Income / Shareholders' Equity	=	$1,015 / $3,977	=	25.52%	Y	**Threshold** ≥ 15%
R&D Expenditures:	R&D / Gross Profit	=	$0 / $4,158	=	0.00%	Y	Combine W/SG&A
Stock Buybacks:	2010: 94		2011: 688		2012: 1218	Y	Increasing Buybacks
Capital Expenditures:	Capital Expenditures / Net Profit	=	$348 / $1,015	=	34.29%	N	≤ 25%
Return on Capital:	Net Income / Shareholders' Equity + Long-Term Debt	=	$1,015 / $3,977 $0	=	25.52%	Y	≥ 15%

Competitive Analysis

	BBBY	PIR	WSM	M	AMZN	WMT
P/E	13.26	11.36	19.00	11.67	-	15.38
P/S	1.3	1.5	1.2	.6	2.0	.5
P/B	3.2	5.0	3.8	2.8	14.9	3.1
ROA	**14.4%**	11.6%	9.6%	2.8%	1.2%	7.2%
ROE	**23.6%**	19.6%	16.0%	10.4%	4.8%	19.6%
Operating Margin	**13.4%**	9.1%	8.4%	5.3%	1.9%	5.4%
Net Margin	**8.6%**	5.6%	5.2%	2.4%	.5%	3.2%

Conscious Investor- 10 Years

Earnings Per Share (EPS)

2/03	2/04	2/05	2/06	2/07	2/08	2/09	2/10	2/11	2/12	EPSttm	Years		HGROWTH	STAEGR™
1.000	1.310	1.650	1.920	2.090	2.100	1.640	2.300	3.070	4.060	4.360	10	Calc	12.81%	84.58%

Sales Per Share

													HGROWTH	STAEGR™
12.448	14.913	17.505	20.675	23.883	27.224	27.756	29.779	34.802	40.337	Chart	10	Calc	12.98%	94.94%

Net Profit Margin (NPM)

										Current NPM	
8.24	8.92	9.81	9.86	8.98	7.98	5.90	7.66	9.04	10.42	10.42	Chart

Return on Equity (ROE)

										Current ROE	
20.80	20.10	22.90	25.30	22.40	22.00	14.20	16.40	20.10	25.20	25.20	Chart

Price Earnings Ratio (PE Ratio)

										Current		Current PE	
37.90	34.40	26.90	24.50	20.70	20.00	21.20	18.90	16.60	15.70	17.39	High	13.23	Chart
26.70	23.00	20.50	18.20	14.80	11.70	9.90	8.30	8.60	11.00	12.46	Low		

Price

										Current		Current Price	
37.90	45.00	44.43	46.99	43.32	41.90	34.73	43.42	50.95	63.83	75.84	High	57.69	Chart
26.70	30.18	33.88	34.85	30.92	24.49	16.23	19.11	26.50	44.79	54.33	Low		

Payout Ratio (PR)

										Current PR	
0	0	0	0	0	0	0	0	0	0	0%	Chart

STRETD®

current year 15 Feb 2013

Dividend Reinvestment Strategy
- Buy additional shares (selected)
- Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price	57.69	
EPSttm	4.360	
PE Ratio	15.38	
HGrowth	12.81	%
Payout	0	%

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate 16.26% per year

Sync with TARG

TARGD®

current year

Dividend Reinvestment Strategy
- Buy additional shares (selected)
- Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Req Return	10.0	%
EPSttm	4.360	
PE Ratio	15.38	
HGrowth	12.81	%
Payout	0	%

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate $82.26

Sync with STRET

Conscious Investor- 6 Years

Earnings Per Share (EPS)

2/03	2/04	2/05	2/06	2/07	2/08	2/09	2/10	2/11	2/12	EPSttm	Years		HGROWTH	STAEGR™
1.000	1.310	1.650	1.920	2.090	2.100	1.640	2.300	3.070	4.060	4.360	6	Calc	14.59%	83.97%

Sales Per Share

													HGROWTH	STAEGR™
12.448	14.913	17.505	20.675	23.883	27.224	27.756	29.779	34.802	40.337	Chart	6	Calc	10.31%	96.65%

Net Profit Margin (NPM)

										Current NPM	
8.24	8.92	9.81	9.86	8.98	7.98	5.90	7.66	9.04	10.42	10.42	Chart

Return on Equity (ROE)

										Current ROE	
20.80	20.10	22.90	25.30	22.40	22.00	14.20	16.40	20.10	25.20	25.20	Chart

Price Earnings Ratio (PE Ratio)

										Current		Current PE	
37.90	34.40	26.90	24.50	20.70	20.00	21.20	18.90	16.60	15.70	17.39	High	13.23	Chart
26.70	23.00	20.50	18.20	14.80	11.70	9.90	8.30	8.60	11.00	12.46	Low		

Price

										Current		Current Price	
37.90	45.00	44.43	46.99	43.32	41.90	34.73	43.42	50.95	63.83	75.84	High	57.69	Chart
26.70	30.18	33.88	34.85	30.92	24.49	16.23	19.11	26.50	44.79	54.33	Low		

52 week low Price for this year

Payout Ratio (PR)

										Current PR	
0	0	0	0	0	0	0	0	0	0	0%	Chart

STRETD®

current year 15 Feb 2013

Dividend Reinvestment Strategy
- (•) Buy additional shares
- ( ) Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price	57.69	
EPSttm	4.360	
PE Ratio	15.38	
HGrowth	14.59	%
Payout	0	%

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate 18.09% per year Sync with TARG

TARGD®

current year

Dividend Reinvestment Strategy
- (•) Buy additional shares
- ( ) Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Req Return	10.0	%
EPSttm	4.360	
PE Ratio	15.38	
HGrowth	14.59	%
Payout	0	%

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate $82.26 Sync with STRET

Conscious Investor- 3 Years

Earnings Per Share (EPS)

2/03	2/04	2/05	2/06	2/07	2/08	2/09	2/10	2/11	2/12	EPSttm	Years		HGROWTH	STAEGR™
1.000	1.310	1.650	1.920	2.090	2.100	1.640	2.300	3.070	4.060	4.360	3	Calc	32.86%	99.91%

Sales Per Share

													HGROWTH	STAEGR™
12.448	14.913	17.505	20.675	23.883	27.224	27.756	29.779	34.802	40.337	Chart	3	Calc	16.38%	99.92%

Net Profit Margin (NPM)

										Current NPM	
8.24	8.92	9.81	9.86	8.98	7.98	5.90	7.66	9.04	10.42	10.42	Chart

Return on Equity (ROE)

										Current ROE	
20.80	20.10	22.90	25.30	22.40	22.00	14.20	16.40	20.10	25.20	25.20	Chart

Price Earnings Ratio (PE Ratio)

										Current		Current PE	
37.90	34.40	26.90	24.50	20.70	20.00	21.20	18.90	16.60	15.70	17.39	High	13.23	Chart
26.70	23.00	20.50	18.20	14.80	11.70	9.90	8.30	8.60	11.00	12.46	Low		

Price

										Current		Current Price	
37.90	45.00	44.43	46.99	43.32	41.90	34.73	43.42	50.95	63.83	75.84	High	57.69	Chart
26.70	30.18	33.88	34.85	30.92	24.49	16.23	19.11	26.50	44.79	54.33	Low		

Payout Ratio (PR)

										Current PR	
0	0	0	0	0	0	0	0	0	0	0%	Chart

STRETD®

current year 15 Feb 2013

Dividend Reinvestment Strategy
- Buy additional shares (selected)
- Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price	57.69	
EPSttm	4.360	
PE Ratio	15.38	
HGrowth	32.86	%
Payout	0	%

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate 36.92% per year Sync with TARG

TARGD®

current year

Dividend Reinvestment Strategy
- Buy additional shares (selected)
- Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Req Return	10.0	%
EPSttm	4.360	
PE Ratio	15.38	
HGrowth	32.86	%
Payout	0	%

Investment Period 5 years

Tax - dividends 0 %

Tax - capital gains 0 %

Calculate $82.26 Sync with STRET

Conscious Investor- Safety

STRETD®

current year

15 Feb 2013

Dividend Reinvestment Strategy

- (•) Buy additional shares
- ( ) Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price	57.69
EPSttm	4.360
PE Ratio	11.69
HGrowth	9.47 %
Payout	0 %

Investment Period 5 years

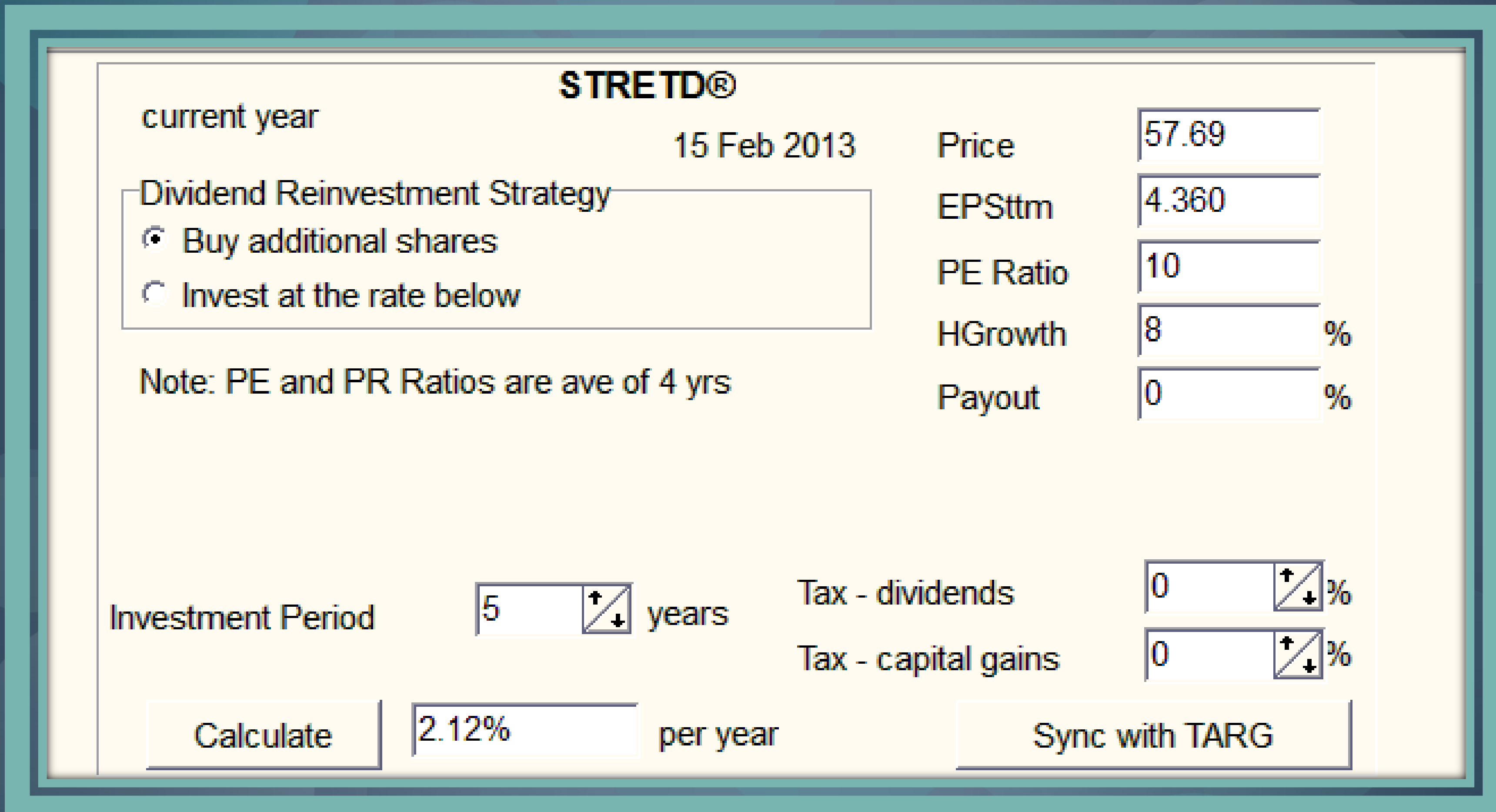
Tax - dividends 0 %

Tax - capital gains 0 %

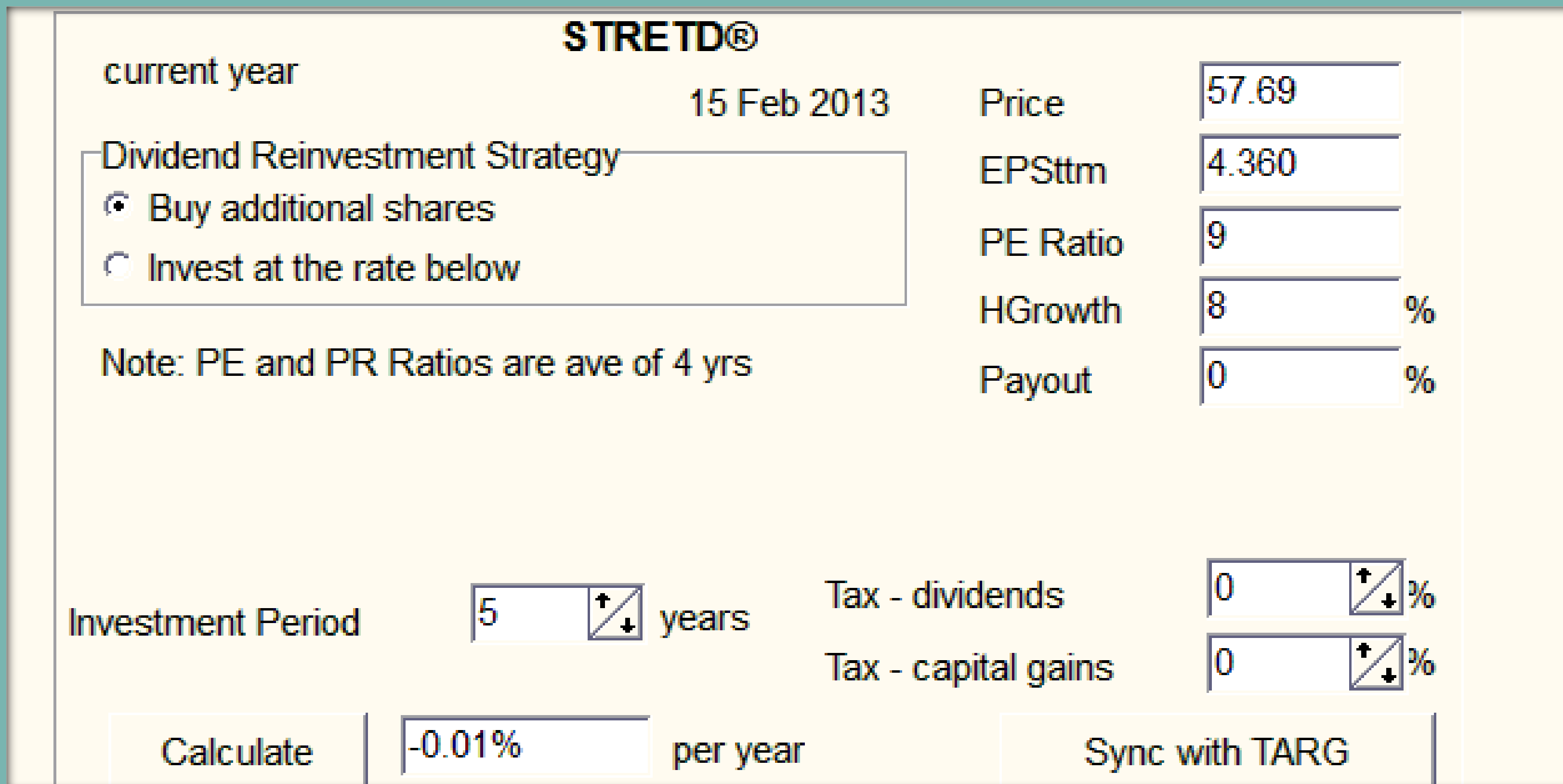
Calculate 6.79% per year

Sync with TARG

Conscious Investor- Kill It



Conscious Investor- Double Tap



Guru Focus- Fair Value Calculator
13% Historic Growth- 10 Years

Enter Symbol: BBBY (Price: USD 57.53)

Earnings Per Share : USD 4.45

Growth Rate In the Next: 10 Years: 13 %

Business Predictability

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %

Calculate

Tangible Book Value: USD 17.8 (not added to Fair Value)

Growth Value: USD 46.74

+ Terminal Value: USD 33.09

= Fair Value: USD 79.84

Margin Of Safety: 28%

Financial Data of Bed Bath & Beyond, Inc.

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13	10.5	18
EBITDA Growth (%)	13.1	20.7	14.5
Earning Growth (%)	12.5	21.5	17.2
Free Cash Flow Growth (%)	14.1	44.3	-0.6
Book Value Growth (%)	13.7	14.2	6.8

Per Share Data	Annuals (Year End)			Quarterly
Fiscal Period	Feb10	Feb11	Feb12	Nov12
Revenue (USD)	30.37	34.44	39.58	12.08
EBITDA	4.52	5.79	7.30	1.84
Free Cashflow	2.92	3.16	4.09	0.07
EPS (USD)	2.33	3.11	4.12	1.04
Book Value	14.17	15.46	16.34	17.78

Guru Focus- Fair Value Calculator 7.9% Growth

Enter Symbol:	BBBY	(Price: USD 57.53)
Earnings Per Share : USD	4.45	
Growth Rate In the Next:	10	Years: 7.9 %
Business Predictability		
Terminal Growth Rate:	4	%
Years of Terminal Growth:	10	
Discount Rate:	12	%
	Calculate	
Tangible Book Value:	USD 17.8	(not added to Fair Value)
Growth Value:	USD 36.46	
+ Terminal Value:	USD 20.85	
= Fair Value:	**USD 57.31**	
Margin Of Safety:	0%	

Financial Data of Bed Bath & Beyond, Inc.

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13	10.5	18
EBITDA Growth (%)	13.1	20.7	14.5
Earning Growth (%)	12.5	21.5	17.2
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Book Value	14.17	15.46	16.34	17.78

Financial Reasons to buy BBBY

- Unique specialty product mix
- Understandable business
- Predictable, strong financials
- No Long-Term Debt
- No Dividends (growth mode)
- Buying back shares
- P/E is at a 52 week low
- Price is at a 52 week low
- Expanding operating margins

BED BATH & BEYOND