



The Buffeteers

HISTORY



- 1982: Opened stores in the San Francisco Bay Area
- 1985: IPO
- 2001: Entered new markets in the South-east and Mid-Atlantic regions
- 2004: Launched dd's DISCOUNTS
- 2011: Entered Midwest Region

RECENT NEWS



- February- March 2017: Opened 28 stores
- June-July 2017: Opened an additional 28 stores

BUSINESS SEGMENTS

ROSS
DRESS FOR LESS



ROSS DRESS FOR LESS



- Largest off-price apparel and home fashion chain in the U.S.
- Prices: 20-60% off department and specialty store prices
- Target Customers: Middle income households
- Average Store Size: 22,000-30,000 square feet

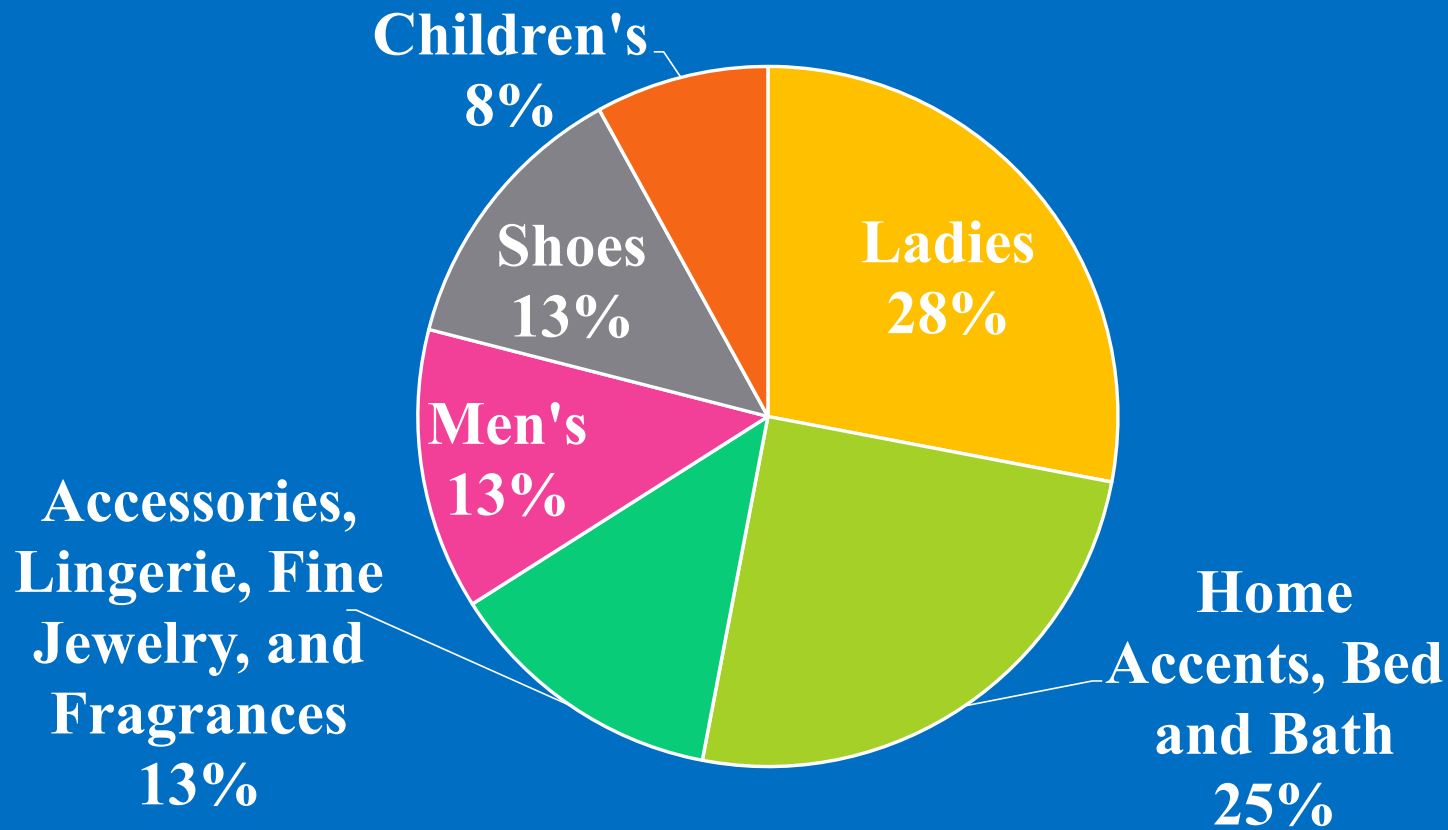


DD'S DISCOUNTS



- Prices: 20-70% off department and specialty store prices
- Target Customers: lower to moderate income level
- Average store size: 18,000-22,000 square feet

SALES BY PRODUCT

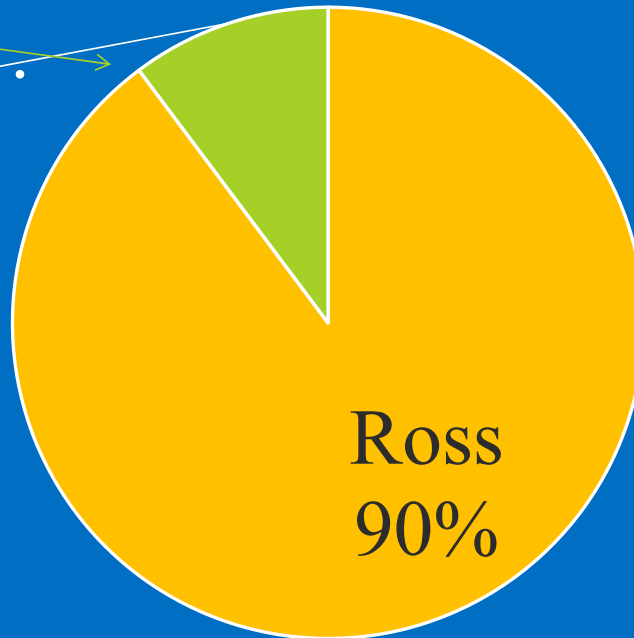


BUSINESS SEGMENTS



Percent of Sales Based Upon Average Square Footage

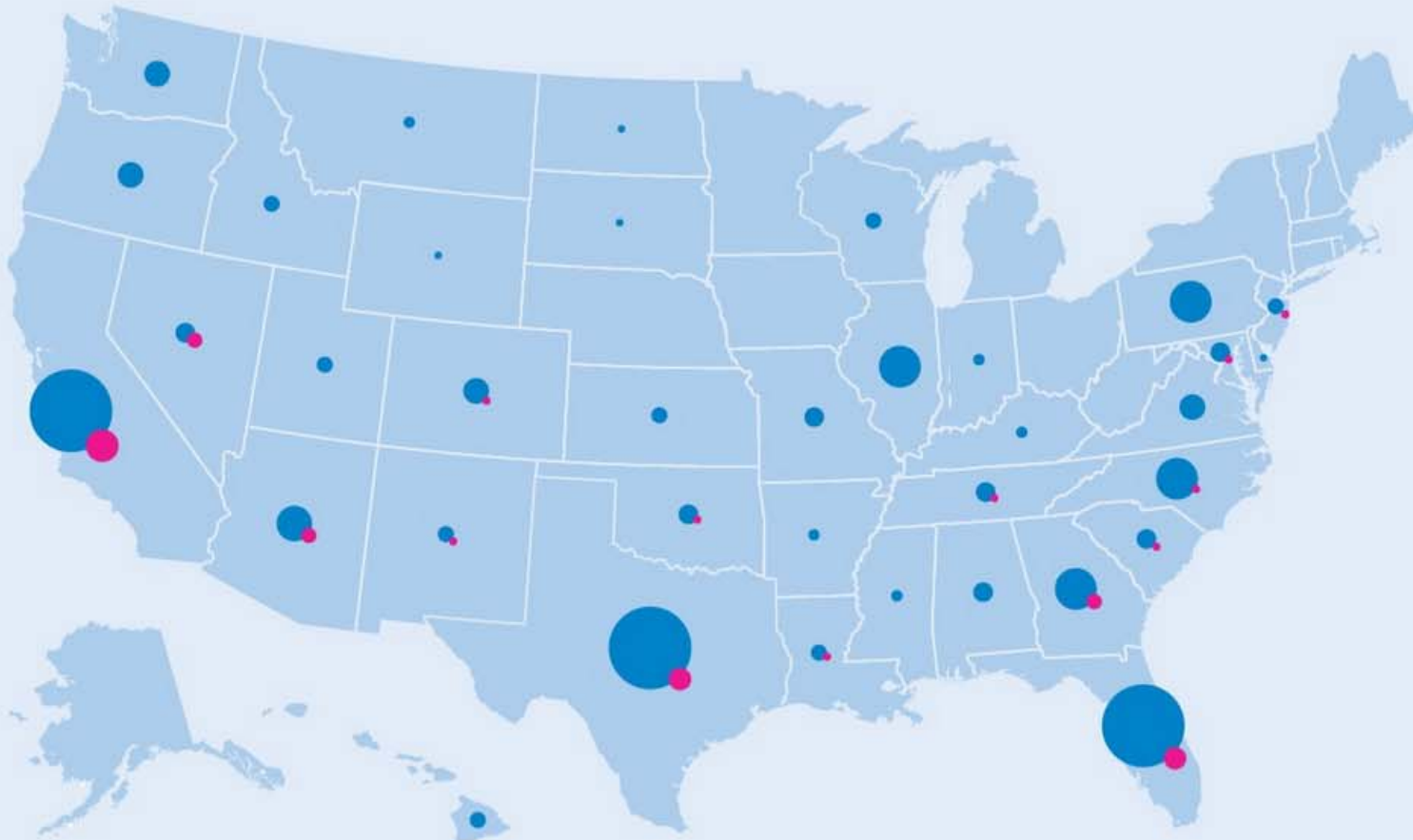
DD's Discounts...



dd's: 205 stores in 16 states

Ross: 1,384 stores in 37 states and Guam

Locations



Ross Dress for Less ●

Alabama	23	Missouri	21
Arizona	62	Montana	6
Arkansas	8	Nevada	28
California	282	New Jersey	12
Colorado	32	New Mexico	10
Delaware	2	North Carolina	44
District of Columbia	1	North Dakota	1
Florida	155	Oklahoma	22
Georgia	48	Oregon	30
Guam	1	Pennsylvania	44
Hawaii	17	South Carolina	22
Idaho	11	South Dakota	1
Illinois	62	Tennessee	29
Indiana	9	Texas	180
Kansas	10	Utah	17
Kentucky	9	Virginia	38
Louisiana	15	Washington	42
Maryland	22	Wisconsin	13
Mississippi	8	Wyoming	3
Total		Total	1,340



dd's DISCOUNTS ●

Arizona	12	New Jersey	1
California	82	New Mexico	2
Colorado	1	North Carolina	1
Florida	30	Oklahoma	1
Georgia	8	South Carolina	1
Louisiana	3	Tennessee	2
Maryland	2	Texas	42
Nevada	5	Total	193

STORES



Strategically placed to receive benefits from economies of scale

Treasure hunt shopping experience

Lean in-store inventory



LOW OPERATING COSTS



- Self-service retail format of stores
- Centralized merchandising, marketing, and purchasing decisions
- Flexible store layout criteria

MERCHANDISING STRATEGY



- Acquires well-known brands through off-price buying strategies
- Purchases
 - Advance of season, in-season, and past-season merchandise

PURCHASING STRATEGY



- “Close-out” Purchases
- Packaway Merchandise: 47-49% of total inventory
- Primary Purchasing Office locations:
 - New York City
 - Los Angeles

MERCHANT ORGANIZATIONS



- Two distinct organizations
- 760 merchants combined
- Each merchant has an average of 8 years of experience

MANUFACTURER RELATIONSHIP



- Combined network of 8,000 merchandise vendors and manufacturers
- Flexible requirements for manufacturers

DISTRIBUTION NETWORK



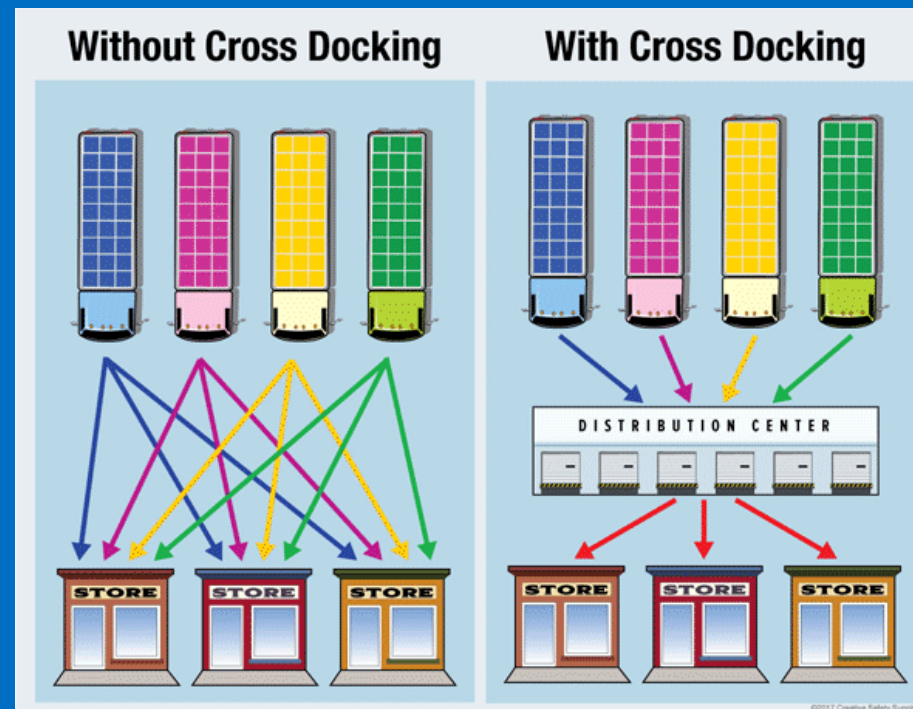
- Two distinct distribution networks
- Six distribution centers
 - Located in California, Pennsylvania, and South Carolina

DISTRIBUTION FACILITIES

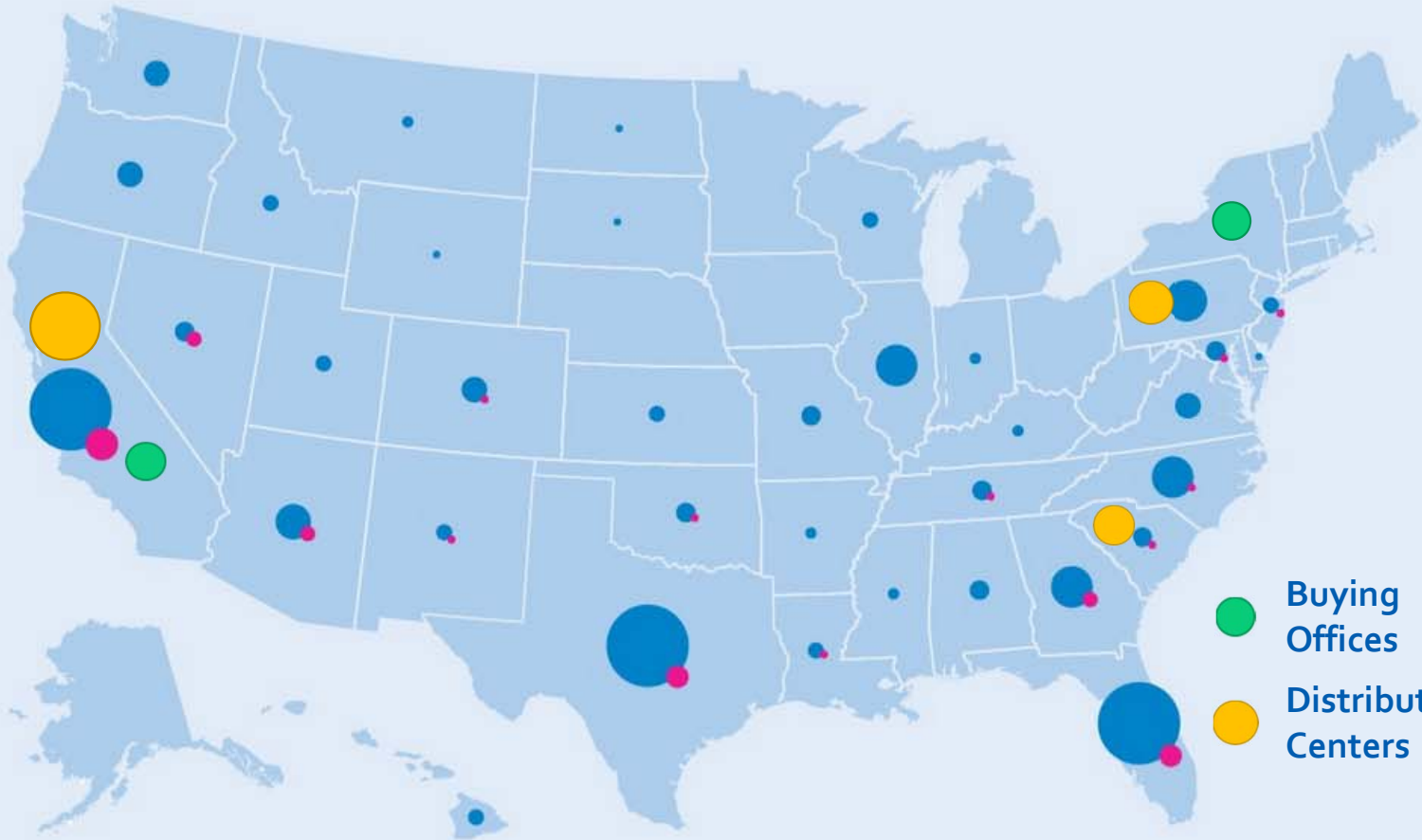


Packaway Storage Warehouses:

- 4 Owned
- 3 Leased
- 2 Owned by Third-party



Locations



● Buying Offices
● Distribution Centers



Ross Dress for Less ●

Alabama	23	Missouri	21
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Arkansas	8	Nevada	28
California	282	New Jersey	12
Colorado	32	New Mexico	10
Delaware	2	North Carolina	44
District of Columbia	1	North Dakota	1
Florida	155	Oklahoma	22
Georgia	48	Oregon	30
Guam	1	Pennsylvania	44
Hawaii	17	South Carolina	22
Idaho	11	South Dakota	1
Illinois	62	Tennessee	29
Indiana	9	Texas	180
Kansas	10	Utah	17
Kentucky	9	Virginia	38
Louisiana	15	Washington	42
Maryland	22	Wisconsin	13
Mississippi	8	Wyoming	3
		Total	1,340



dd's DISCOUNTS ●

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Nevada	5	Total	193

GROWTH OF ROSS



- Opened 66 stores in FY 2016
- Entered North and South Dakota
- Focused on the Midwest
- Plan to open 70 new stores in 2017

GROWTH OF DD'S DISCOUNTS



- Opened 21 stores in FY 2016
- Focused on California, Texas, and Florida
- Plans to open 20 new stores in 2017

GROWTH



Operating Statistics	2016	2015	2014	2013	2012
Number of Stores Opened	93	90	95	88	82
Number of Stores Closed	6	6	9	11	8
Number of Stores at Year-end	1,533	1,446	1,362	1,276	1,199
Comparable Store Sales Increase	4%	4%	3%	3%	6%
Sales per Avg. Sq. Ft. of Selling Space	\$395	\$383	\$372	\$362	\$355
Square Feet of Selling Space at Year End	33,300	31,900	30,400	28,900	27,800

RISKS

RISKS



Competitive pressures in the apparel and home-related merchandise retailing industry are high

Unexpected changes in the level of consumer spending on or preferences for apparel and home-related merchandise

Unseasonable weather may affect shopping patterns and consumer demand for seasonal apparel and other merchandise

In order to achieve their planned gross margins, management must effectively manage their inventories, markdowns, and inventory shortage

COMPETITIVE ADVANTAGES

COMPETITIVE ADVANTAGES



- Economies of Scale
- Non-scale Cost Advantages:
 - Inventory/Store Management System

COMPETITIVE ADVANTAGES



Maintain an appropriate level of recognizable brands, labels, and fashions at strong discounts throughout the store

Meet customer needs on a local basis

Deliver an in-store shopping experience that reflects the expectations of the off-price customer

Manage real estate growth to compete effectively across all our markets

QUALITATIVE ANALYSIS

QUALITATIVE ANALYSIS



Sustained Competitive Advantage?	Yes
Easily Explainable?	Yes
Heavily Unionized?	No
Heavy Capital Infusion or R&D?	No
Obsolete Inventory?	No
Chronic "One Time" Write-Offs?	No
Able to Offset Inflation?	Yes
Will Sell More in the Future?	Yes
Make a Billion \$ Competitor?	Yes

IOFS

INTERPRETATION OF FINANCIAL STATEMENTS



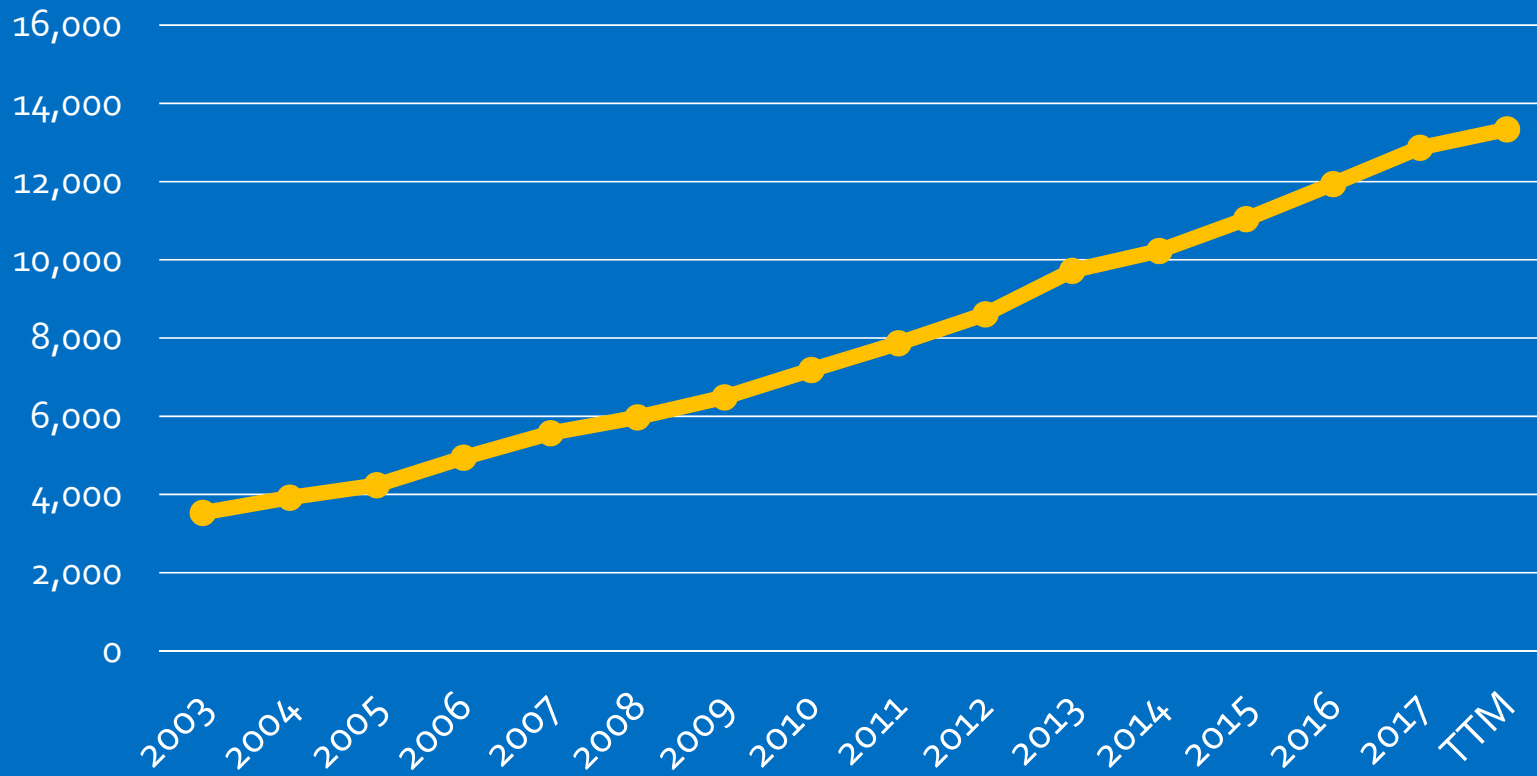
Part 1	Threshold	TTM	2017	2016
Gross Profit Margin	$\geq 20\%$	28.78%	28.70%	28.17%
% SGA of GP	$\leq 80\%$	50.99%	51.18%	51.71%
% Depreciation of GP	$\leq 10\%$	7.95%	8.20%	8.18%
% Interest of OP	$\leq 15\%$	1.01%	1.12%	0.80%
Net Profit Margin	$\geq 10\%$	8.87%	8.69%	8.55%
Current Ratio	≥ 1	1.64	1.61	1.48
Obligation Ratio	< 5 years	2.17 (2017)	2.43 (2016)	3.01 (2015)

INTERPRETATION OF FINANCIAL STATEMENTS

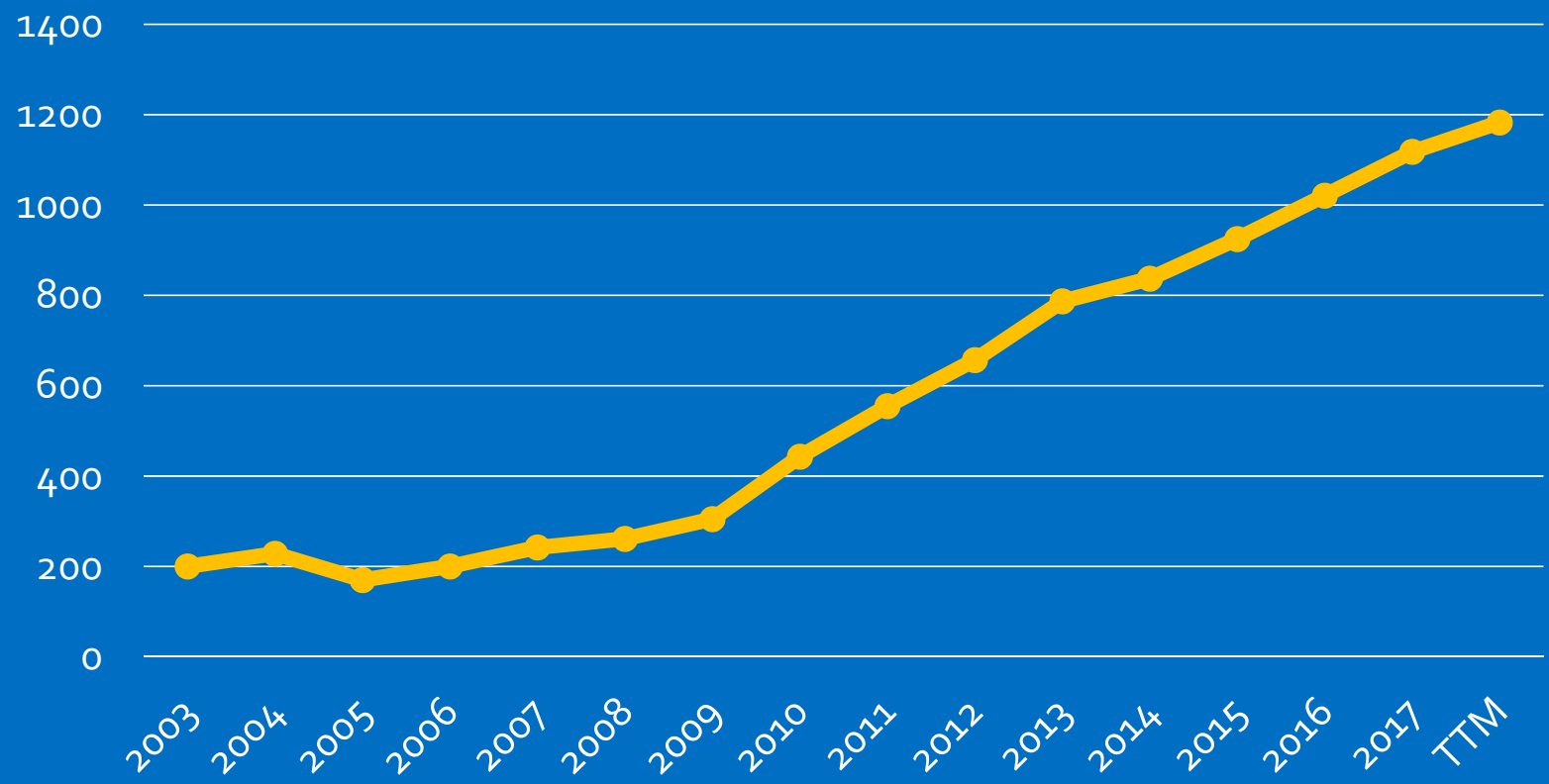


Part 2	Threshold	TTM	2017	2016
Debt to Sh. Equity	< 0.8	0.14	0.14	0.16
Return on Equity	≥ 15%	41.64%	42.00%	40.70%
Return on Capital	≥ 15%	37.5%	37.00%	35.80%
Dividend Payout Ratio	≤ 60%	19.23%	19.08%	18.71%
Preferred Stock	None	None	None	None
Capital Exp. to Net Income	≤ 25%	27.05%	26.65%	35.95%
Net Earnings Trend	Up	Increasing		
Retained Earnings Trend	Up	Increasing		

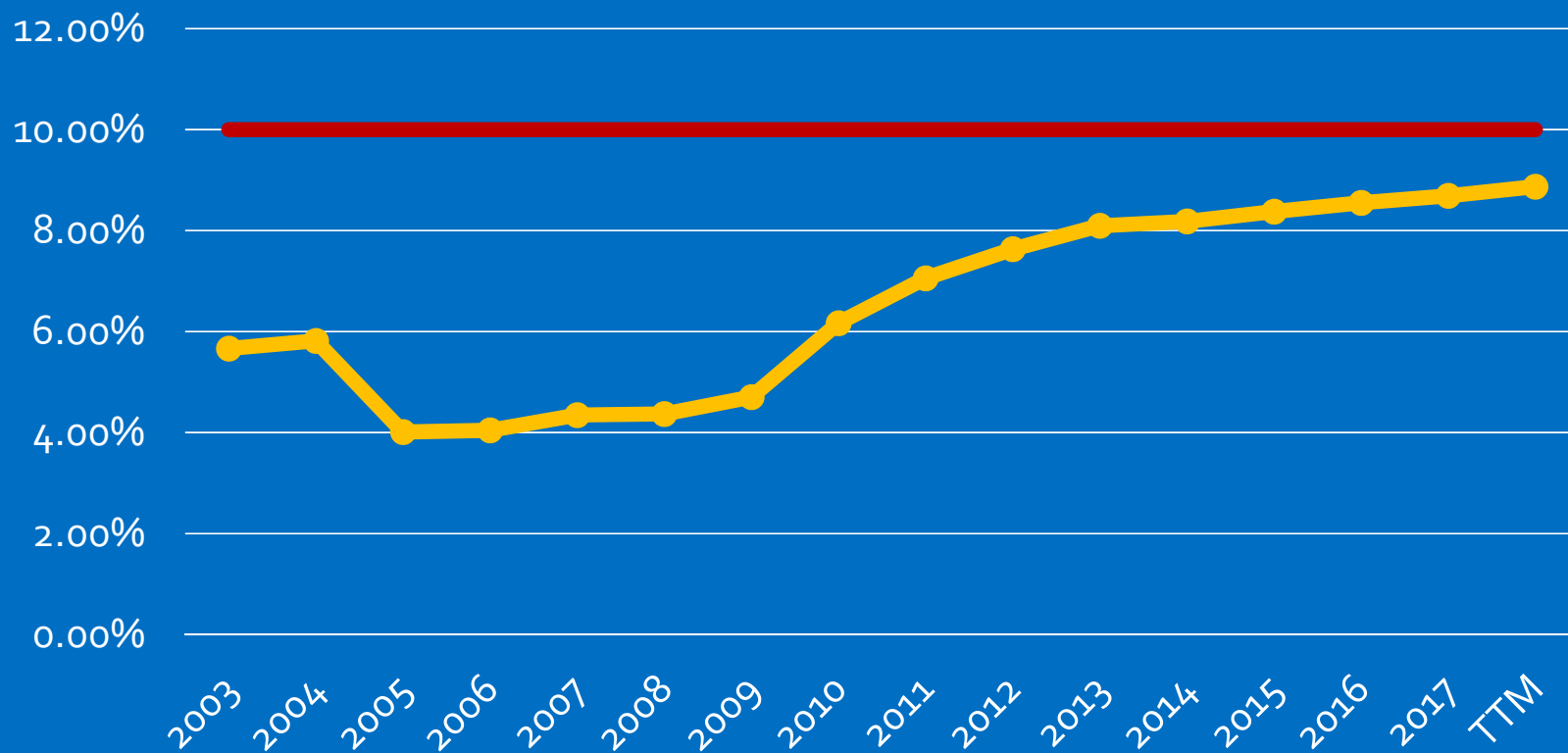
REVENUES (IN MILLIONS \$)



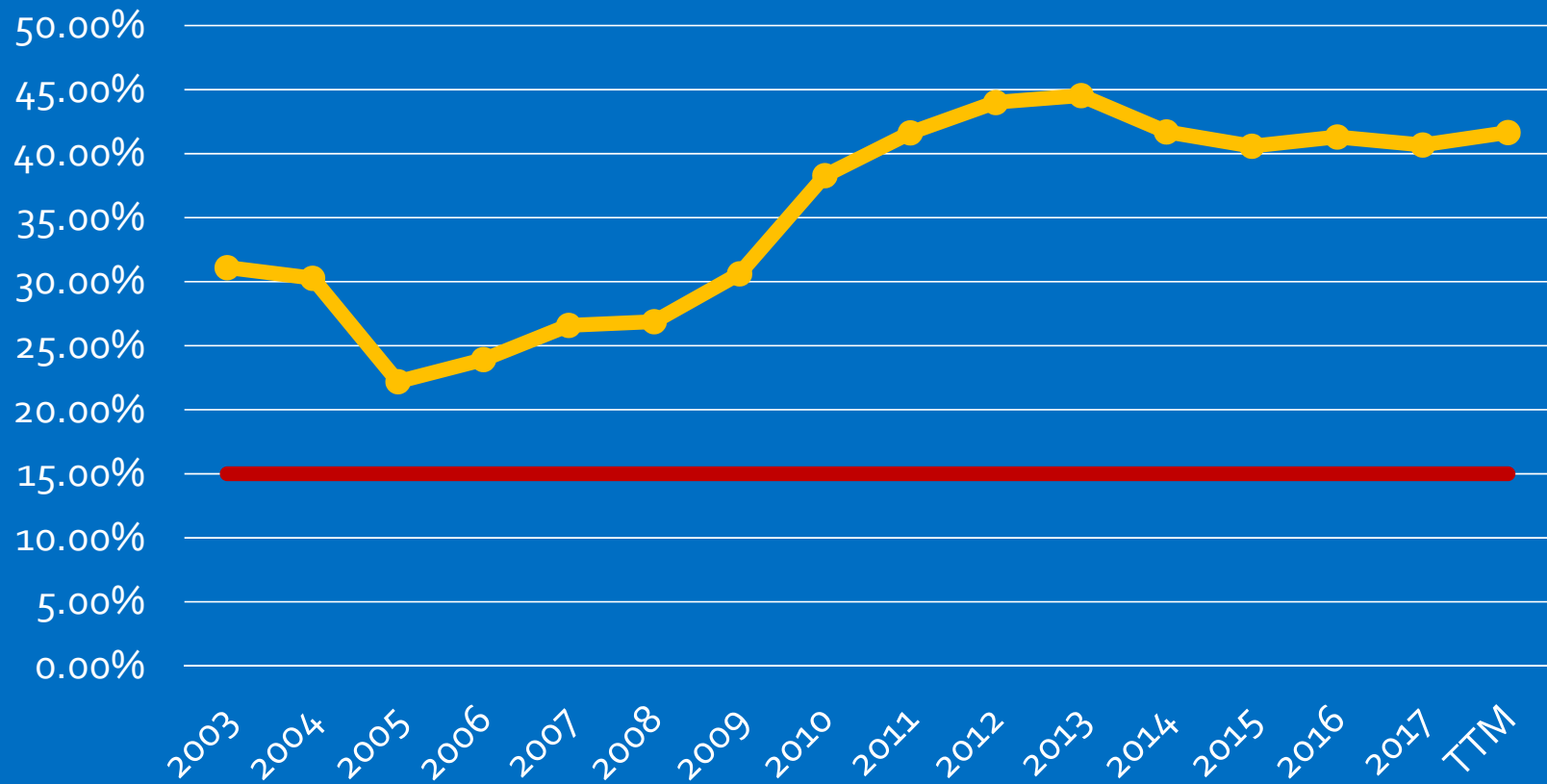
NET INCOME (IN MILLIONS \$)



NET PROFIT MARGIN



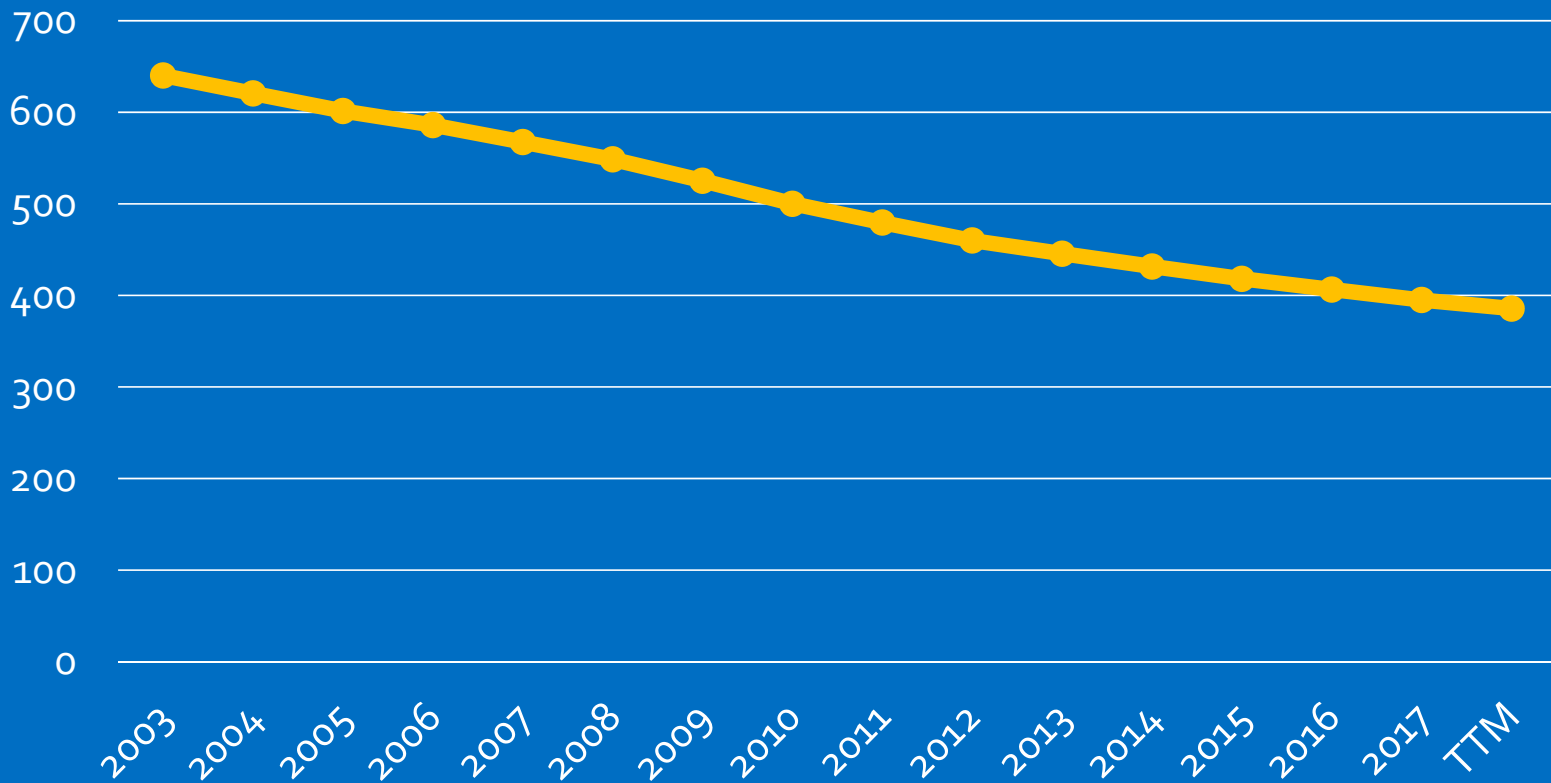
RETURN ON EQUITY



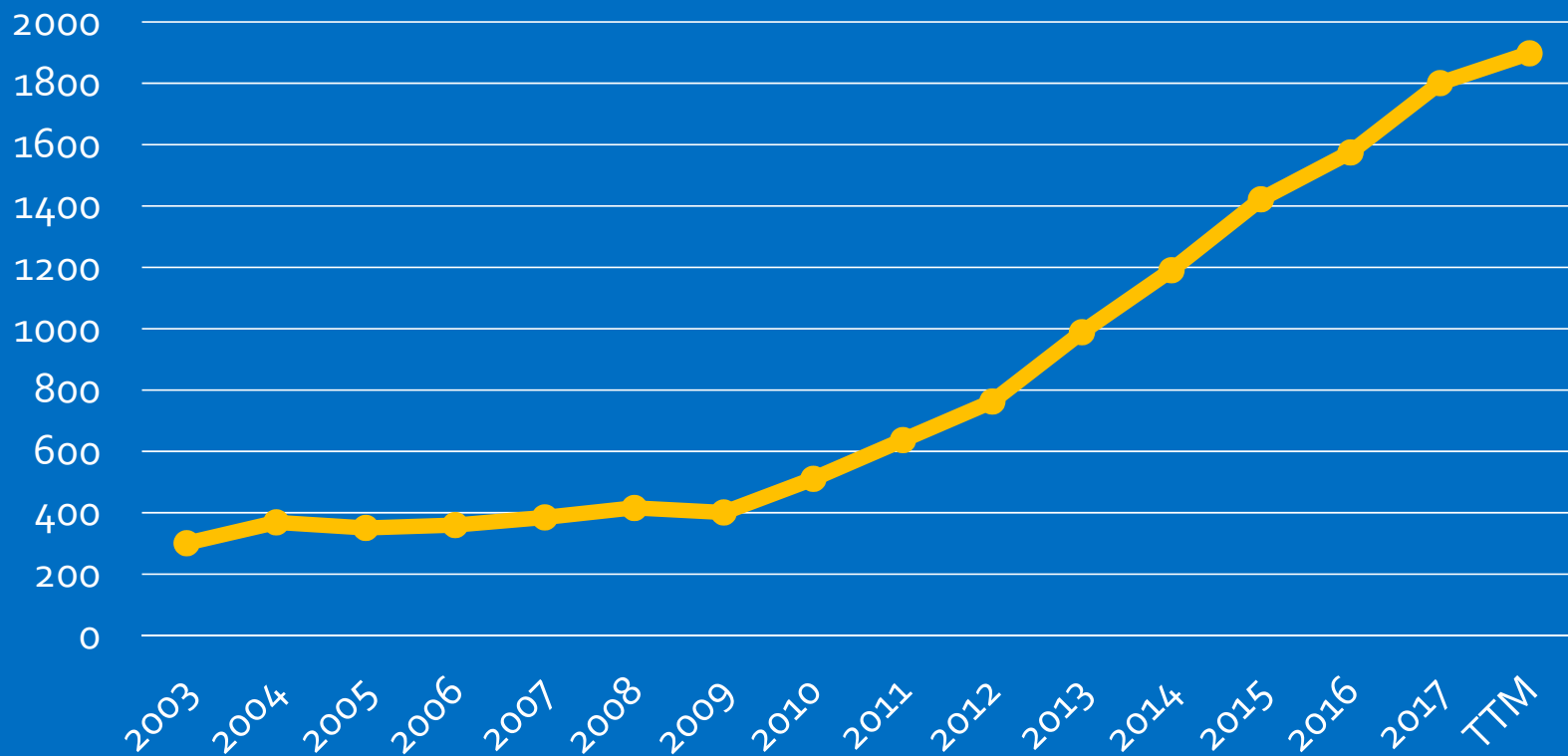
ROE VS ROC



TOTAL SHARES OUTSTANDING (IN MILLIONS)



RETAINED EARNINGS (IN MILLIONS \$)



STATISTICAL ARRAY ANALYSIS

STATISTICAL ARRAY ANALYSIS



Sales per Share	Increasing
Operating Cash Flow per Share	Increasing
Free Cash-Flow per Share	Increasing for 4 years
Earnings Per Share (Diluted)	Increasing
Dividends Declared per Share	Increasing
Book Value per Share	Increasing
Revenues	Increasing
Gross Profit Margin	Gradually Increasing
Operating Profit Margin	Gradually Increasing

STATISTICAL ARRAY ANALYSIS

Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Capital	Recently Increasing
Return on Equity	Recently Increasing
Return on Assets	Consistent
Common Shares Outstanding	Decreasing
Long Term Debt	Constant for 4 Years

DUPONT HISTORICAL

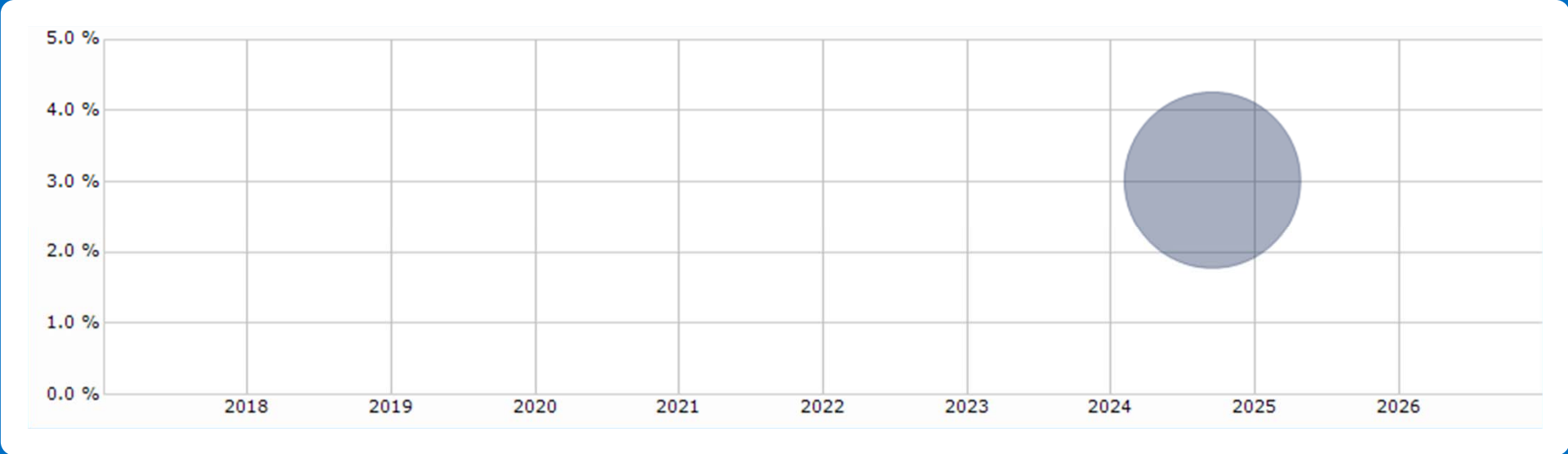
DUPONT HISTORICAL



Years	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
2014	8.18%	2.63	1.94	41.74%
2015	8.38%	2.36	2.06	40.74%
2016	8.55%	2.45	1.97	41.27%
2017	8.69%	2.42	1.93	40.59%
TTM	8.87%	2.42	1.94	41.64%

DEBT

DEBT



OPERATING LEASE SCHEDULE



Year	Total Operating Leases (in thousands)
2017	\$490,936
2018	\$507,976
2019	\$429,178
2020	\$349,362
2021	\$268,224
Thereafter	\$1,450,539
Total Minimum Lease Payments	\$3,496,215

INDUSTRY BREAKDOWN

INDUSTRY BREAKDOWN



TTM	ROSS (ROST)	Walmart (WMT)	Kohls (KSS)	TJX
Market Cap	24.24B	236.44 B	7.78B	46.98B
Revenue (mil)	12,867	485,873	18,686	33,184
P/E	23.36	15.20	12.77	21.65
P/S	2.03	0.43	0.38	1.50
P/B	9.43	2.61	1.34	10.74
EV/EBIT	13.95	10.73	8.85	12.51
ROA	21.96%	6.85%	4.09%	18.86%
ROE	40.64 %	17.4%	10.49%	50.91%
Operating Margin	14.01%	4.69%	6.33%	11.60%
Net Margin	8.69%	2.80%	2.90%	6.90%

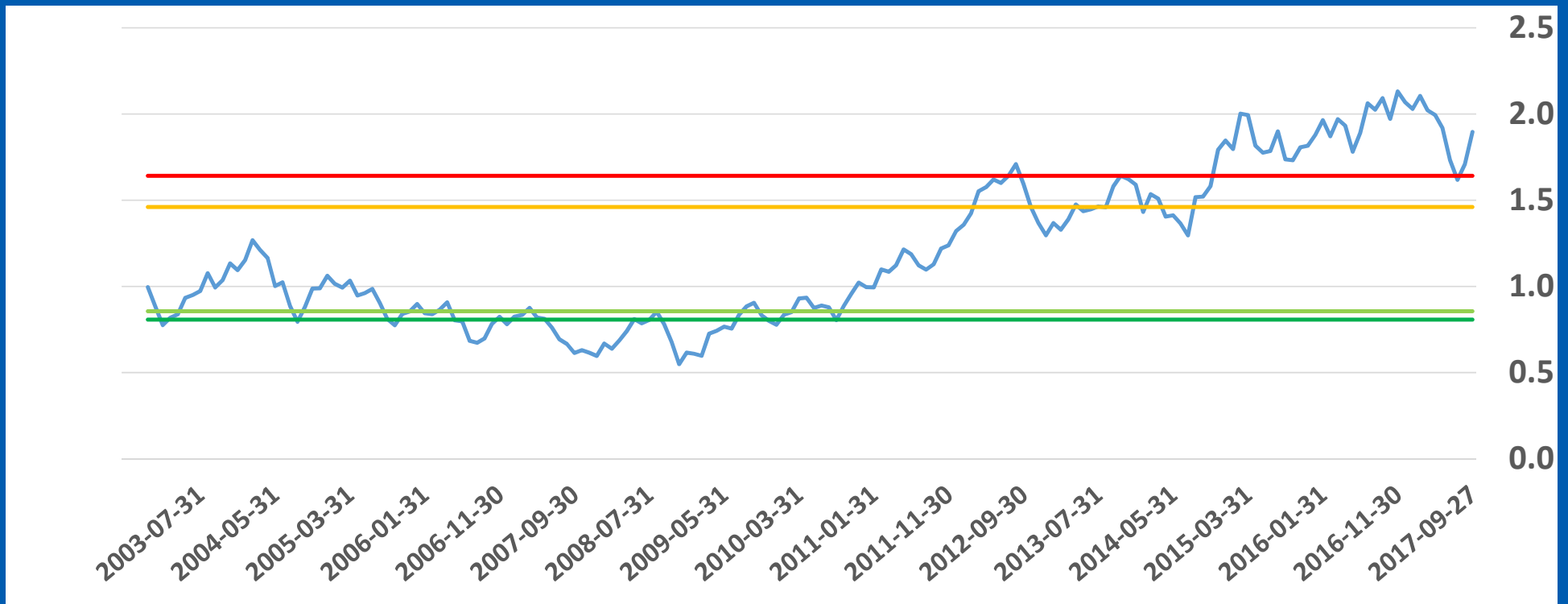
DUPONT COMPARISON



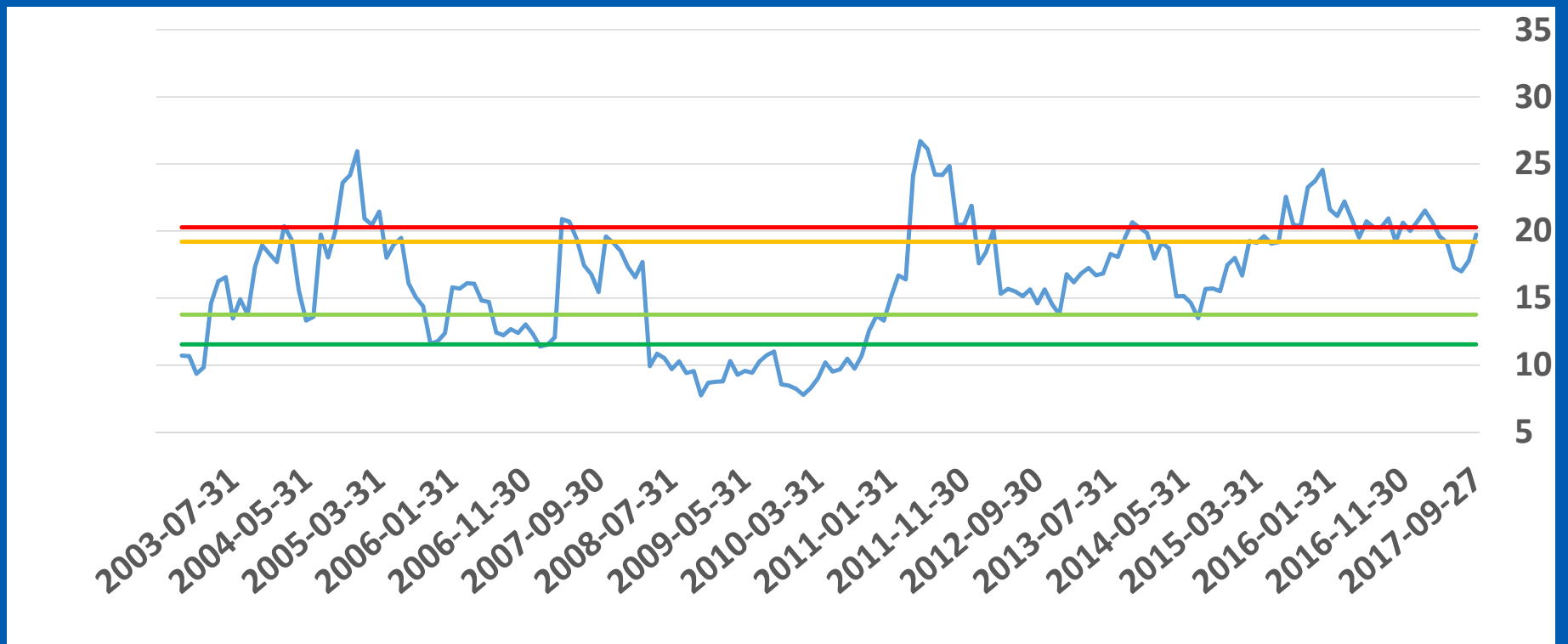
DuPont	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	ROE
ROSS	8.69%	2.42	1.93	40.64 %
Walmart	2.80%	2.44	2.55	17.4%
Kohls	2.90%	1.38	2.62	10.49%
TJX	6.90%	2.58	2.86	50.91%

VALUE BANDS

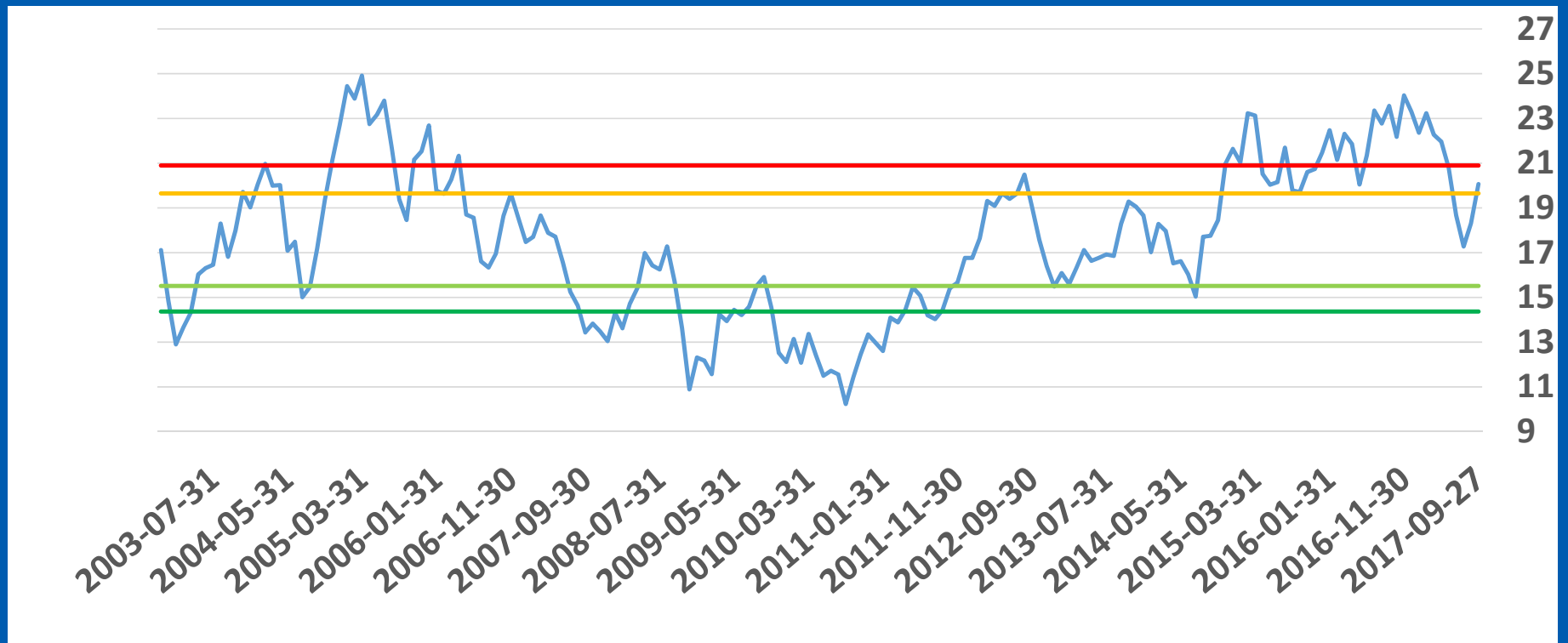
PRICE/SALES



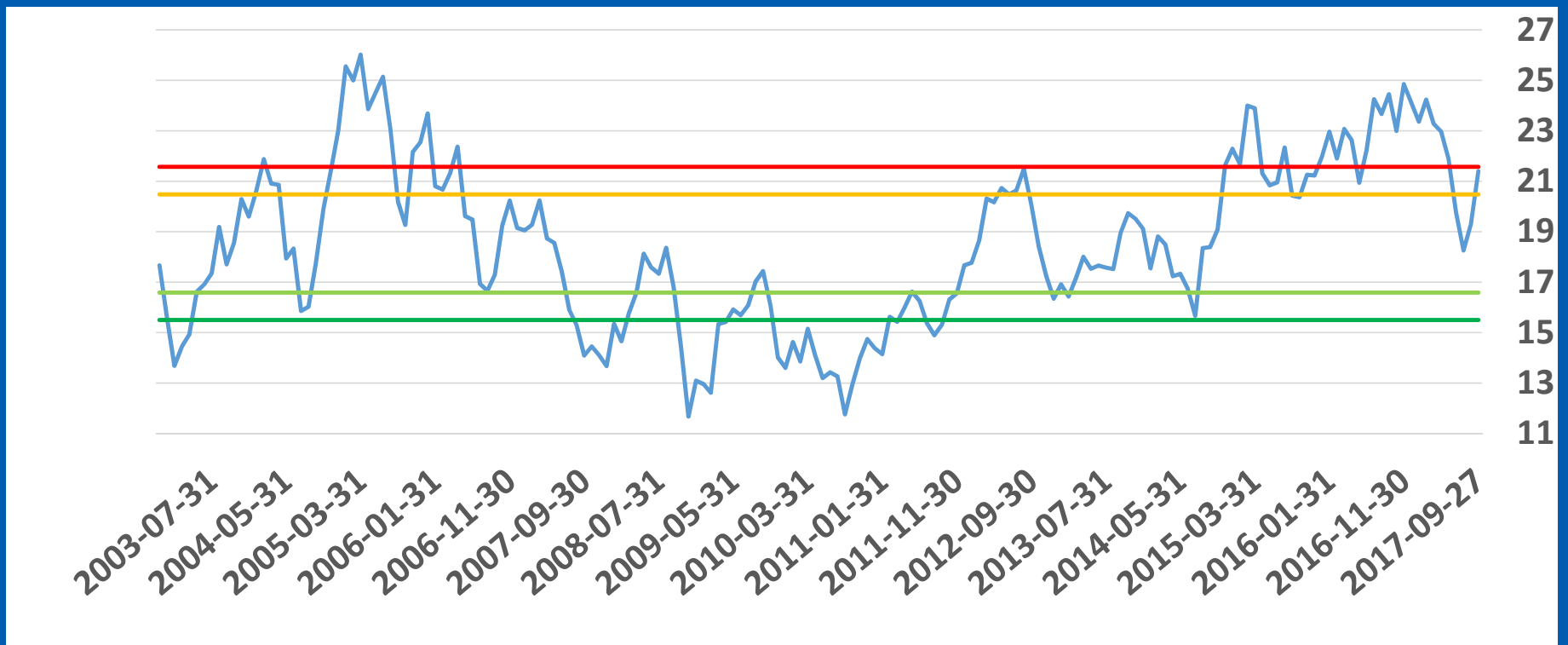
PRICE/OWNERS EARNINGS



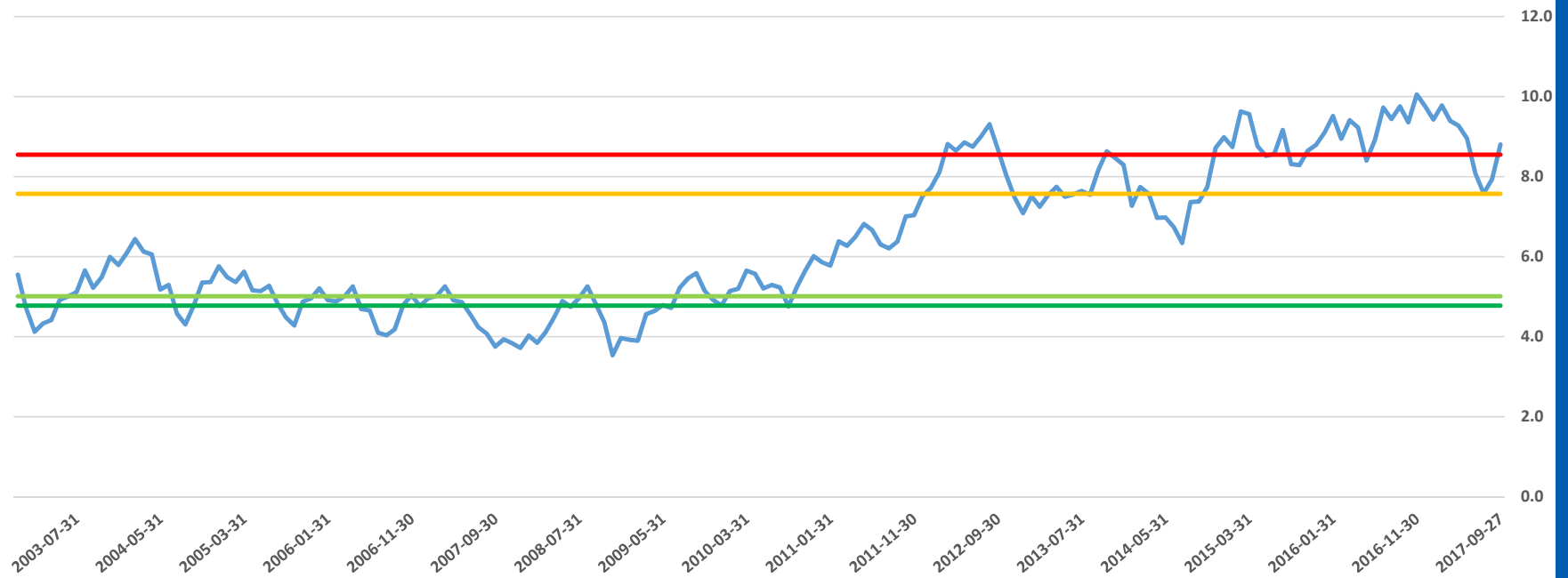
PRICE/EARNINGS LESS CASH



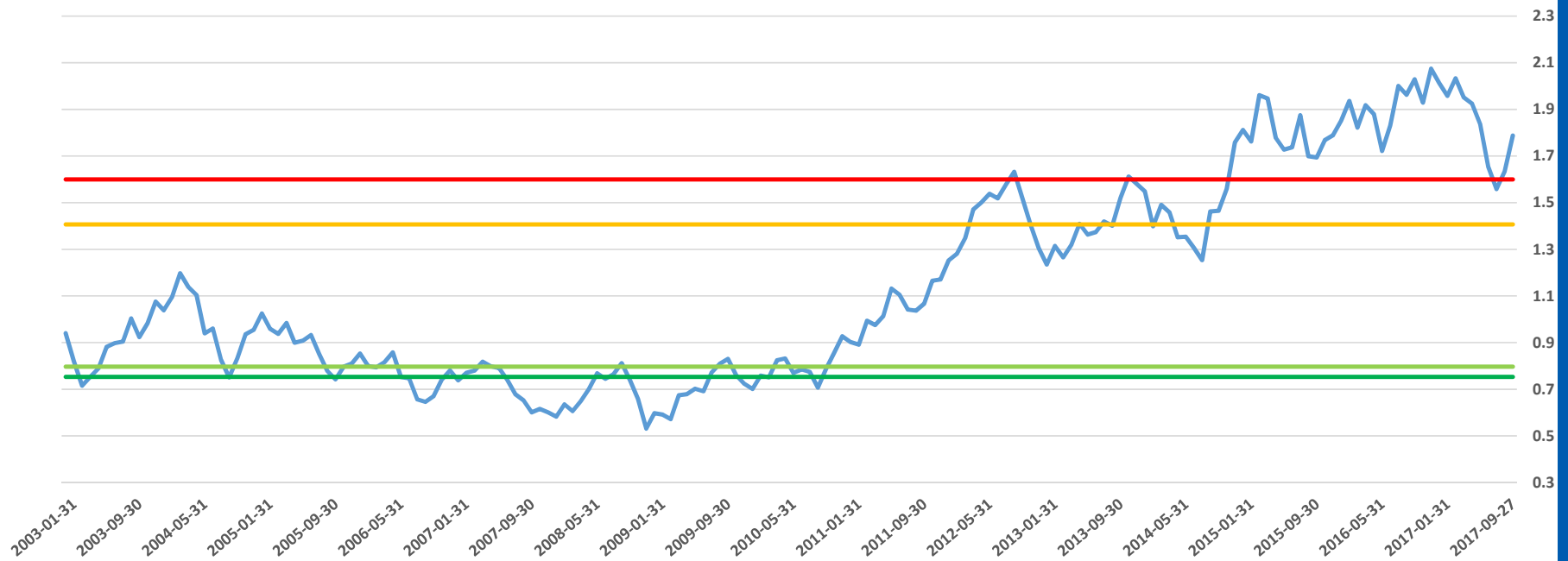
PRICE/EARNINGS



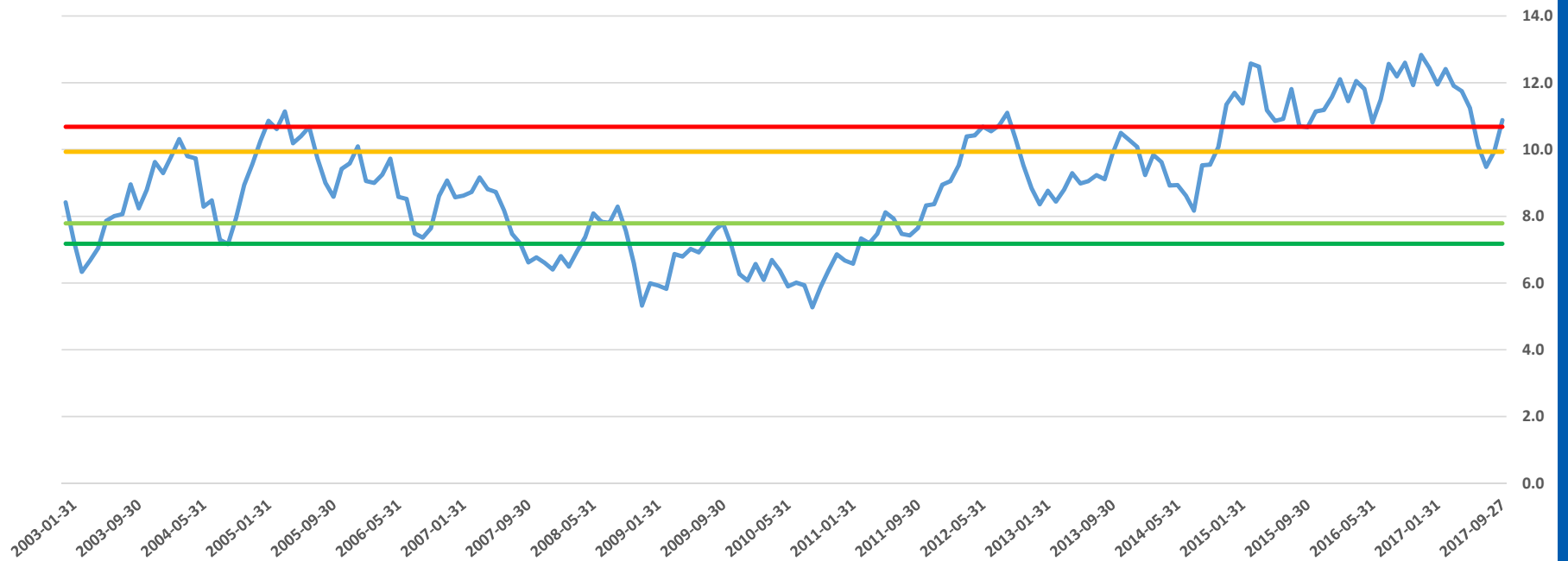
PRICE/BOOK



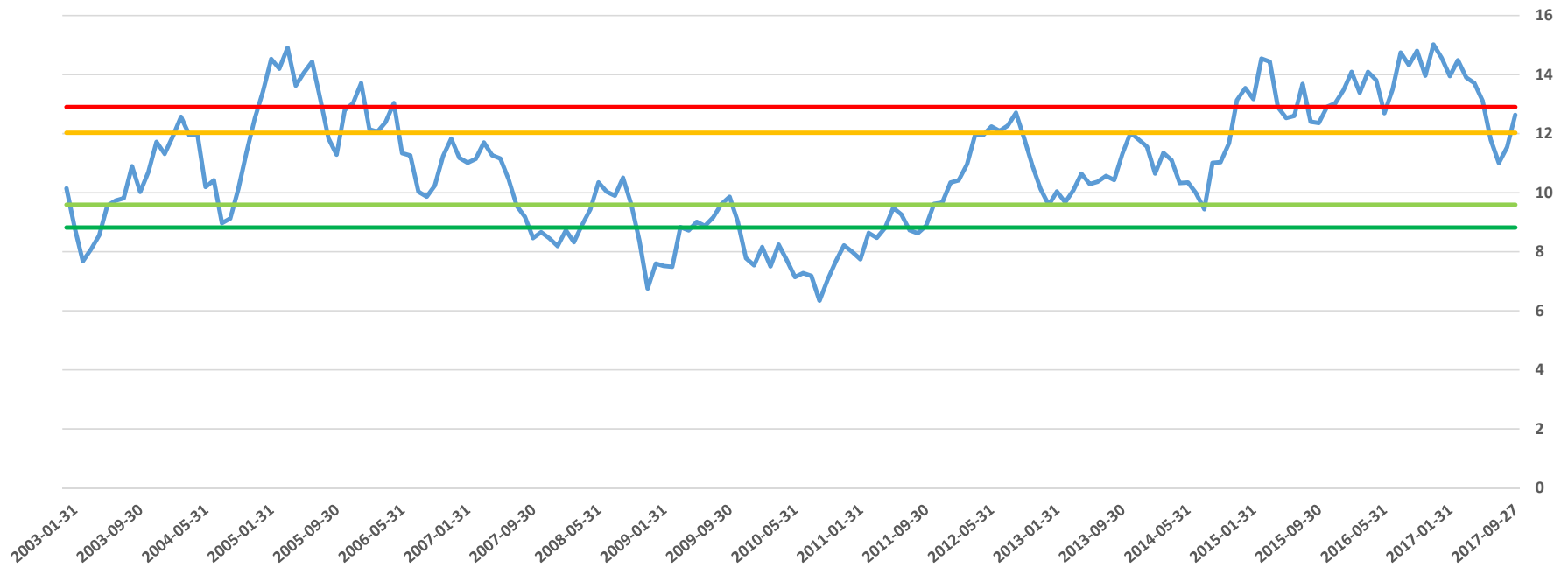
EV/REVENUE



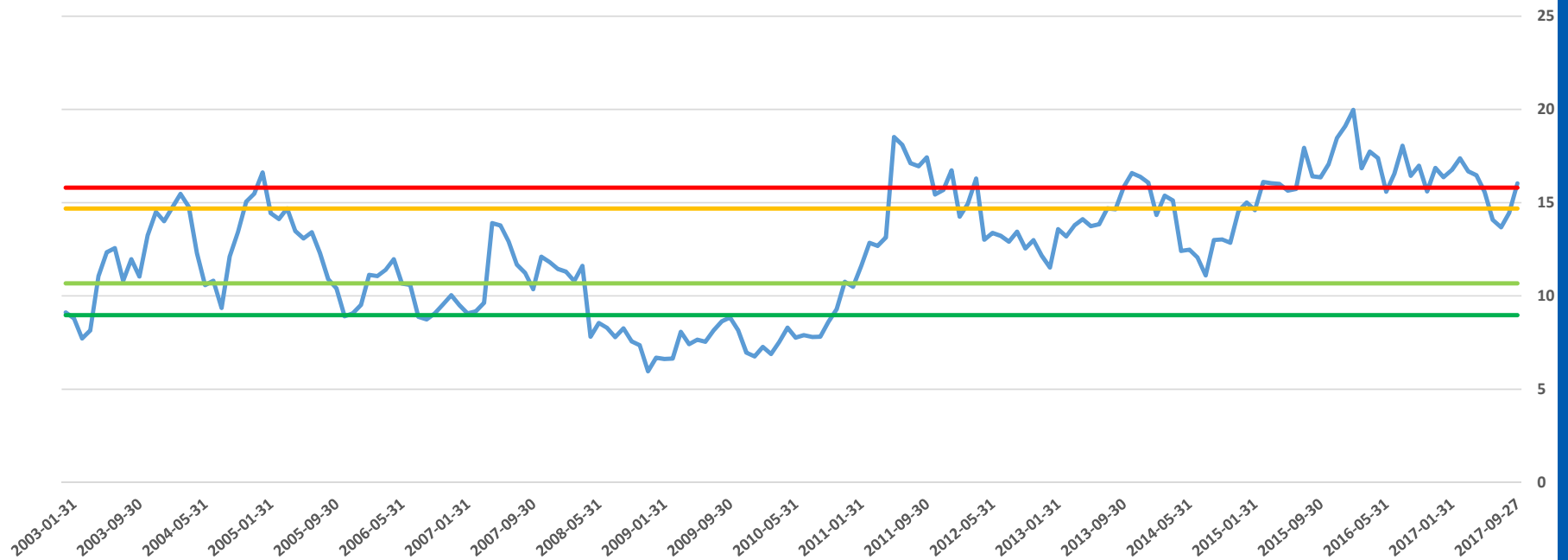
EV/EBITDA



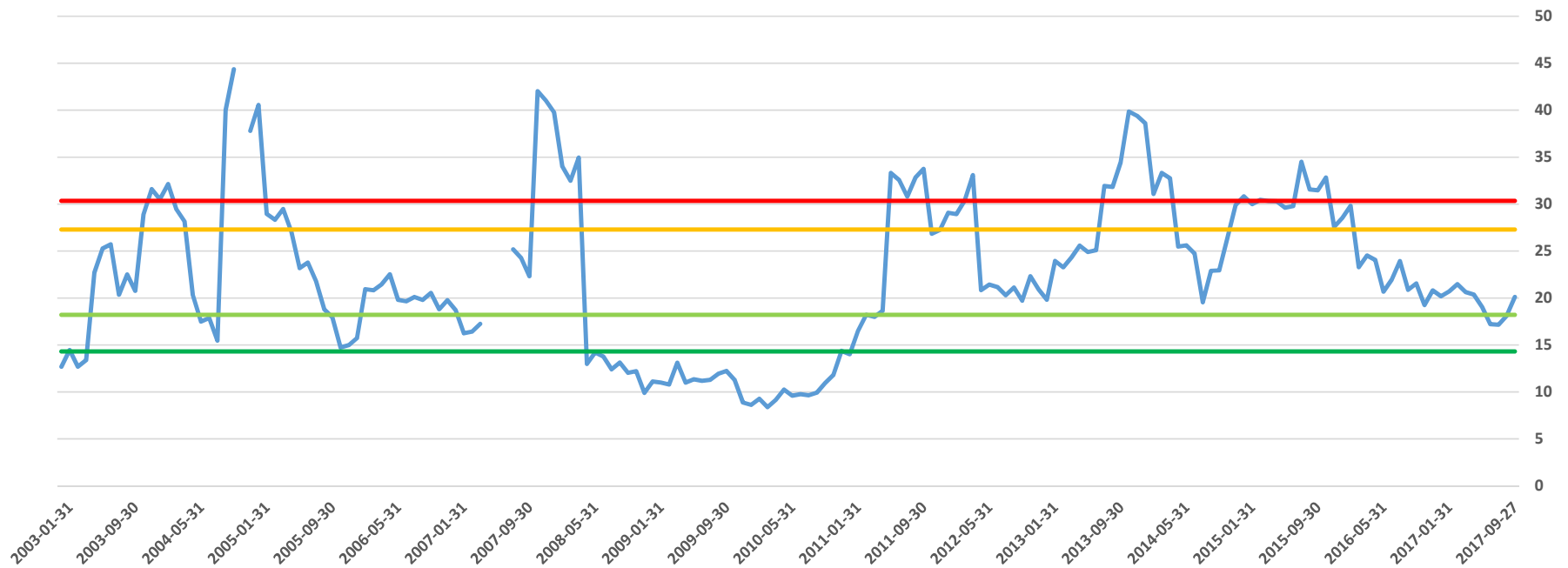
EV/EBIT



PRICE/CASHFLOW



PRICE/FREE CASHFLOW




DISCOUNTED CASH FLOW

GURU - DEFAULT



User Defined DCF: Default

Earnings Per Share ? :	\$	<input type="text" value="3.03"/>
Growth Rate In the Next ? :	<input type="text" value="10"/> Years:	<input type="text" value="20"/> %
Terminal Growth Rate ? :	<input type="text" value="4"/>	%
Years of Terminal Growth ? :	<input type="text" value="10"/>	
Discount Rate ? :	<input type="text" value="12"/>	%
Business Predictability ? :		

DCF Reverse DCF ^{NEW}

Fair Value ? : **\$ 86.26**

Tangible Book Value ? :	\$	<input type="text" value="7.30"/>
	<input type="checkbox"/> Add to Fair Value	
Growth Value ? :	\$	45.16
Terminal Value ? :	\$	41.1
Stock Price:	\$	<input type="text" value="63.62"/>
Margin Of Safety:		26%

Financial Data of Ross Stores Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13.10	11.40	11.20
EBITDA Growth (%)	20.50	14.30	13.50
EBIT Growth (%)	22.10	13.90	14.60
EPS without NRI Growth (%)	22.30	14.00	15.20
Free Cash Flow Growth (%)	21.40	28.70	7.90
Book Value Growth (%)	16.80	16.20	10.70

DCF – 5 YEARS

User Defined DCF: Default

Earnings Per Share [?]: \$

Growth Rate In the Next [?]: Years: %

Terminal Growth Rate [?]: %

Years of Terminal Growth [?]:

Discount Rate [?]: %

Business Predictability [?]: [?]

DCF Reverse DCF ^{NEW}

Fair Value [?]: \$ 58.05

Tangible Book Value [?]: \$
 Add to Fair Value

Growth Value [?]: \$ 33.44


Terminal Value [?]: \$ 24.61


Stock Price: \$


Margin Of Safety: **-10%**


DCF - TTM


User Defined DCF: Default



Earnings Per Share  : \$ 3.03

Growth Rate In the Next  : Years: %


Terminal Growth Rate  : %


Years of Terminal Growth  :


Discount Rate  : %


Business Predictability  : 

DCF Reverse DCF ^{NEW}

Fair Value  : **\$ 62.82**

Tangible Book Value  : \$
 Add to Fair Value

Growth Value  : \$ 35.49

Terminal Value  : \$ 27.33

Stock Price: \$

Margin Of Safety: **-2%**

DCF - REVERSE



Growth Rate ? : **15.39%**

Revenue Growth Rate ? : 13.10%(10y) 11.40%(5y) 11.20%(1y)

EBITDA Growth Rate ? : 20.50%(10y) 14.30%(5y) 13.50%(1y)

Earnings Growth Rate ? : 22.30%(10y) 14.00%(5y) 15.20%(1y)

Free Cash Flow Growth Rate ? : 21.40%(10y) 28.70%(5y) 7.90%(1y)

Book Value Growth Rate ? : 16.80%(10y) 16.20%(5y) 10.70%(1y)

DCF – 2018 EPS PREDICTION

User Defined DCF: Default

Earnings Per Share ? :	\$	<input type="text" value="3.40"/>
Growth Rate In the Next ? :	<input type="text" value="10"/>	Years: <input type="text" value="14"/> %
Terminal Growth Rate ? :	<input type="text" value="4"/>	%
Years of Terminal Growth ? :	<input type="text" value="10"/>	
Discount Rate ? :	<input type="text" value="12"/>	%
Business Predictability ? :	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> ?	

DCF Reverse DCF ^{NEW}

Fair Value ? : **\$ 65.14**

Tangible Book Value ? :	\$	<input type="text" value="7.30"/>
	<input type="checkbox"/> Add to Fair Value	
Growth Value ? :	\$	37.52
Terminal Value ? :	\$	27.61
Stock Price:	\$	<input type="text" value="64.80"/>
Margin Of Safety:		1%

CONSCIOUS INVESTOR

10 YEAR



	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.475	0.583	0.885	1.158	1.430	1.765	1.940	2.210	2.510	2.830		10	21.84%	86.61%
											\$3.030			
SPS (\$)	11.140	12.328	14.610	16.657	18.972	21.857	23.801	26.610	29.676	32.832		10	12.93%	97.92%

6 YEAR



	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.475	0.583	0.885	1.158	1.430	1.765	1.940	2.210	2.510	2.830		6	14.03%	98.37%
											\$3.030			
SPS (\$)	11.140	12.328	14.610	16.657	18.972	21.857	23.801	26.610	29.676	32.832		6	11.38%	99.36%

3 YEAR



	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	1/16	1/17	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.475	0.583	0.885	1.158	1.430	1.765	1.940	2.210	2.510	2.830		3	13.16%	99.93%
											\$3.030			
SPS (\$)	11.140	12.328	14.610	16.657	18.972	21.857	23.801	26.610	29.676	32.832		3	11.08%	99.92%

10 YEAR



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	63.79	\$3.030	21.01	21.84%	18.6%	22.32%
Safety	63.79	\$3.030	17.30	11.67%	18.5%	10.23%

Cut P/E – 18 %
Cut Growth – 47%

KILL IT



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	63.79	\$3.030	21.01	21.84%	18.6%	22.32%
Safety	63.79	\$3.030	17.30	11.67%	18.5%	10.23%
🔄 Saved 2017-09-28	63.79	\$3.030	12.00	9.00%	18.6%	4.11%

Cut P/E – 43%
Cut Growth – 59%

KILL IT AGAIN



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	63.79	\$3.030	21.01	21.84%	18.6%	22.32%
Safety	63.79	\$3.030	17.30	11.67%	18.5%	10.23%
Saved 2017-09-28	63.79	\$3.030	12.00	4.52%	18.5%	0.00%

Cut P/E – 43 %
Cut Growth – 79%

INTRAPORTFOLIO VALUATIONS



Symbol	EV-to-EBIT
MCK	5.67
UHAL	11.07
DG	12.06
TSCO	12.18
ROST	12.59
BRK.B	12.70
WMT	12.86
IBM	13.38
UNP	13.52
ORCL	13.75
CHRW	14.88
QCOM	15.45
AXP	15.48
PEP	17.70
MSFT	20.45
NSRGY	21.05
PII	30.28
AIG	38.11



Symbol	P/E
MCK	7.08
IBM	12.20
DG	17.95
AXP	18.04
TSCO	18.97
WMT	19.13
UHAL	19.53
QCOM	19.57
BRK.B	20.57
UNP	20.92
ORCL	20.98
ROST	21.00
CHRW	21.96
PEP	23.77
MSFT	27.08
NSRGY	27.50
PII	44.05
AIG	1511.00



Symbol	P/S
MCK	0.17
WMT	0.49
CHRW	0.76
DG	0.97
TSCO	1.16
AIG	1.21
PII	1.36
IBM	1.79
ROST	1.87
BRK.B	1.88
UHAL	2.13
AXP	2.50
PEP	2.55
NRSGY	2.86
QCOM	3.39
UNP	4.56
ORCL	5.30
MSFT	6.39



Symbol	P-FCF
UHAL	0.00
AIG	0.00
AXP	9.98
MCK	11.04
IBM	11.94
WMT	13.88
BRK.B	14.07
ORCL	16.19
MSFT	18.34
ROST	19.75
QCOM	20.16
PII	21.48
TSCO	21.58
DG	22.17
NSRGY	23.38
UNP	23.90
PEP	24.74
CHRW	30.18



Symbol	ROE
IBM	66.17
PEP	56.67
MCK	49.57
ROST	43.39
CHRW	37.59
TSCO	30.21
MSFT	30.01
UNP	22.58
DG	22.33
AXP	21.22
ORCL	18.95
PII	17.47
WMT	16.66
NSRGY	15.37
UHAL	14.43
QCOM	12.46
BRK.B	7.74
AIG	-0.33

PEG RATIOS

PEG RATIOS



TTM	ROSS (ROST)	Walmart (WMT)	Kohls (KSS)	TJX
Guru's PEG	1.5	27.29	4.96	1.88
Using Valueline's Average Earnings Growth	1.3	4.38	3.72	1.49

CONCLUSION

CONCLUSION



Economies of Scale

Non-scale Cost Advantages

Strong Financials

Growth Potential



“It’s better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

-Warren Buffett

RECOMMENDATION



Limit Order at \$52

Buy Alert	P/E	PEG	P/S	P/FCF	Average
Price	\$49.45	\$48.56	\$31.72	\$65.92	\$48.91
2018 Estimates	\$54.23	\$53.24	\$34.67	\$65.92	\$52.02

APPENDIX

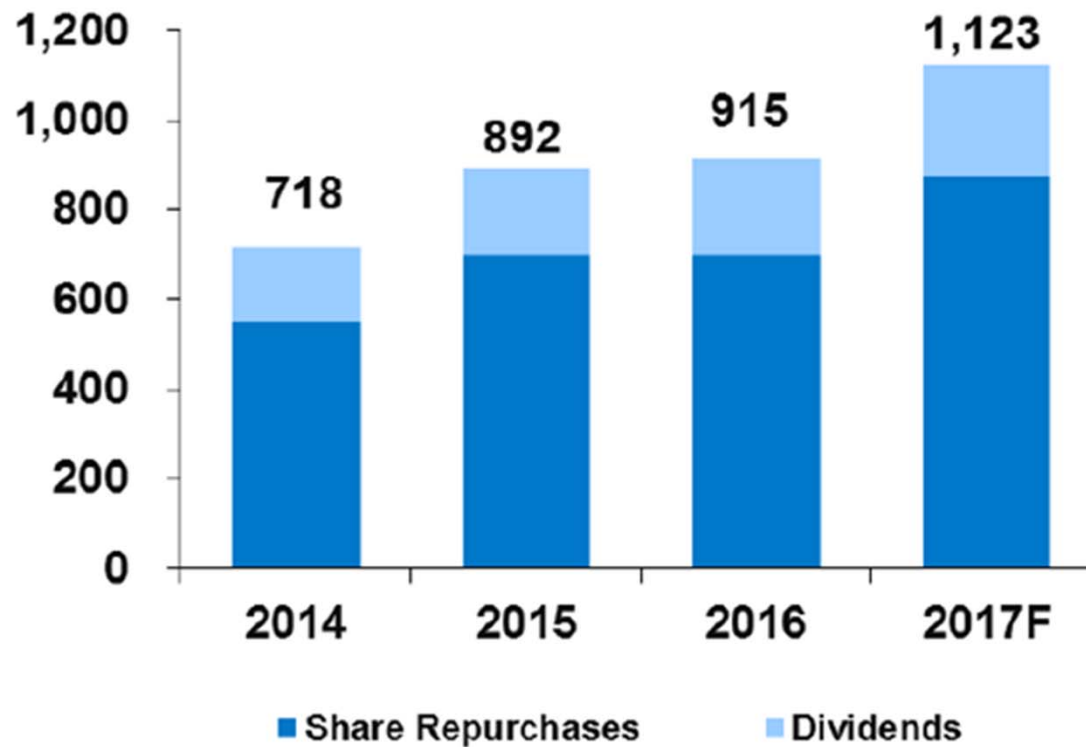
Capital Expenditures

	2016 Actual	2017 Forecast
New stores	\$ 118 million	\$ 130 million
Existing stores	90 million	110 million
Distribution, Transportation	41 million	55 million
Information Systems, Corporate, Other	49 million	105 million
Total	\$ 298 million	\$ 400 million

Share repurchases and dividend payments

ROSS
DRESS FOR LESS

(\$ millions)



* 2017 is forecasted.

OPERATING STATISTICS



Operating Statistics					
Number of stores opened	93	90	95	88	82
Number of stores closed	6	6	9	11	8
Number of stores at year-end	1,533	1,446	1,362	1,276	1,199
Comparable store sales increase ³ (52-week basis)	4%	4%	3%	3%	6%
Sales per average square foot of selling space (52-week basis)	\$ 395	\$ 383	\$ 372	\$ 362	\$ 355
Square feet of selling space at year-end (000)	33,300	31,900	30,400	28,900	27,800
Number of employees at year- end	78,600	77,800	71,400	66,300	57,500
Number of common stockholders of record at year-end	848	842	817	823	831



Location	Approximate Square Footage	Own / Lease
Distribution centers		
Carlisle, Pennsylvania	465,000	Own
Fort Mill, South Carolina	1,200,000	Own
Moreno Valley, California	1,300,000	Own
Perris, California	1,300,000	Own
Rock Hill, South Carolina	1,200,000	Own
Shafter, California	1,700,000	Own
Warehouses		
Carlisle, Pennsylvania	239,000	Lease
Carlisle, Pennsylvania	246,000	Lease
Fort Mill, South Carolina	251,000	Lease
Fort Mill, South Carolina	423,000	Own
Fort Mill, South Carolina	428,000	Own
Perris, California	699,000	Own
Riverside, California	449,000	Own
Office space		
Dublin, California	414,000	Own
Los Angeles, California	87,000	Lease
New York City, New York	572,000	Own

(\$000)	Total operating leases
2017	\$ 490,936
2018	507,976
2019	429,178
2020	349,362
2021	268,224
Thereafter	1,450,539
Total minimum lease payments	\$ 3,496,215

Higher Levels of Cash Returned to Stockholders

- In February 2017, our Board of Directors approved a two-year \$1.75 billion stock repurchase program for fiscal 2017 and 2018
 - Completed our prior two-year \$1.4 billion repurchase program in 2016
 - Company has repurchased shares in-line with plan every year since 1993
- Our Board of Directors also approved an increase in the quarterly cash dividend by 19% to \$.16 per share, on top of 15% growth in the prior year (23rd consecutive annual increase)
- Stock repurchase and dividend programs reflect our ongoing confidence in the Company's future growth prospects and continued commitment to enhancing stockholder value
- Combination of existing cash balances, ongoing cash generation, and current credit facilities gives Ross flexibility for both the short- and long-term

