

ROSS

DRESS FOR LESS

DCB WEALTH MANAGEMENT

History

1950- Founded by Morris Ross

1982- Six junior department stores were acquired and converted to Ross off-price format.

1985- IPO

2004- Launched dd's DISCOUNTS

Recent News

Oct. 15th, 2018- Ross Stores opens up 40 new locations

Nov. 19th, 2018- Ross is making a \$300,000 to American Red Cross to aid relief efforts in the California Wildfires.

Ross upped its long-term expansion plan from 2500 to 3000 new locations

3rd Quarter- Beat EPS by \$0.02 and in line with revenue

Business Segments



ROSS DRESS FOR LESS

Largest off-price apparel & 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 & specialty store prices

Target Customers: lower to moderate income level

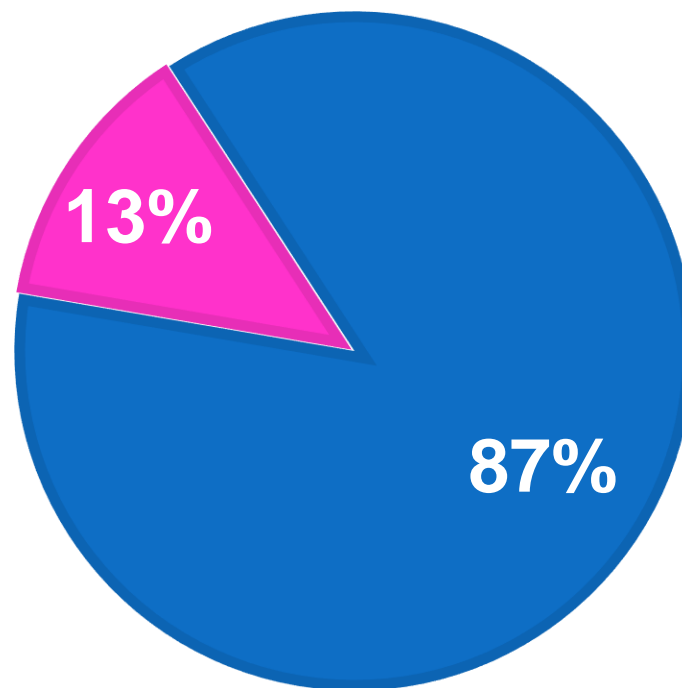
Average Store Size: 18,000-22,000 square feet



BUSINESS SEGMENTS

PERCENT OF SALES BASED UPON AVERAGE SQUARE FOOTAGE

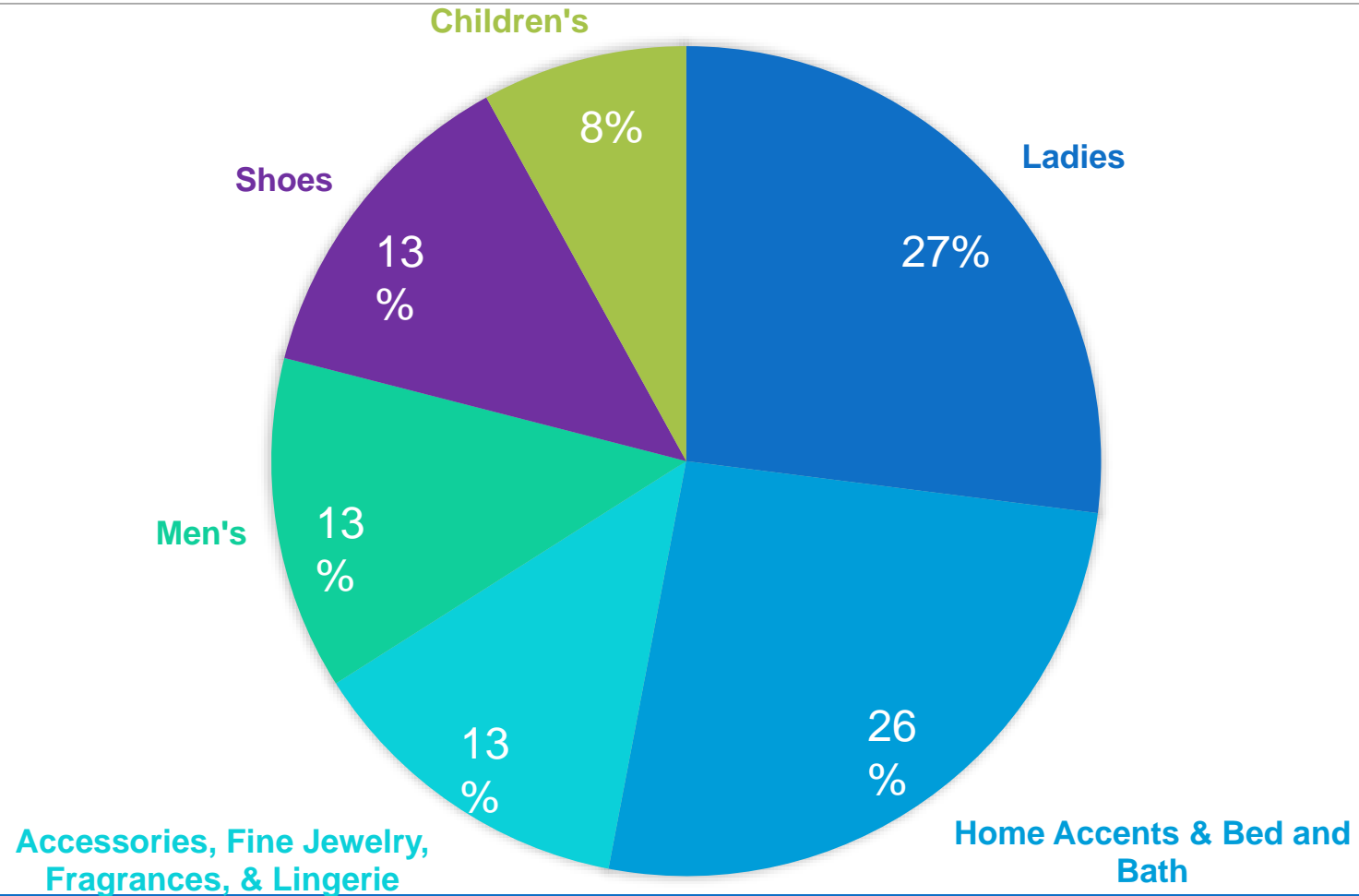
215 DD'S DISCOUNTS
stores in 16 states



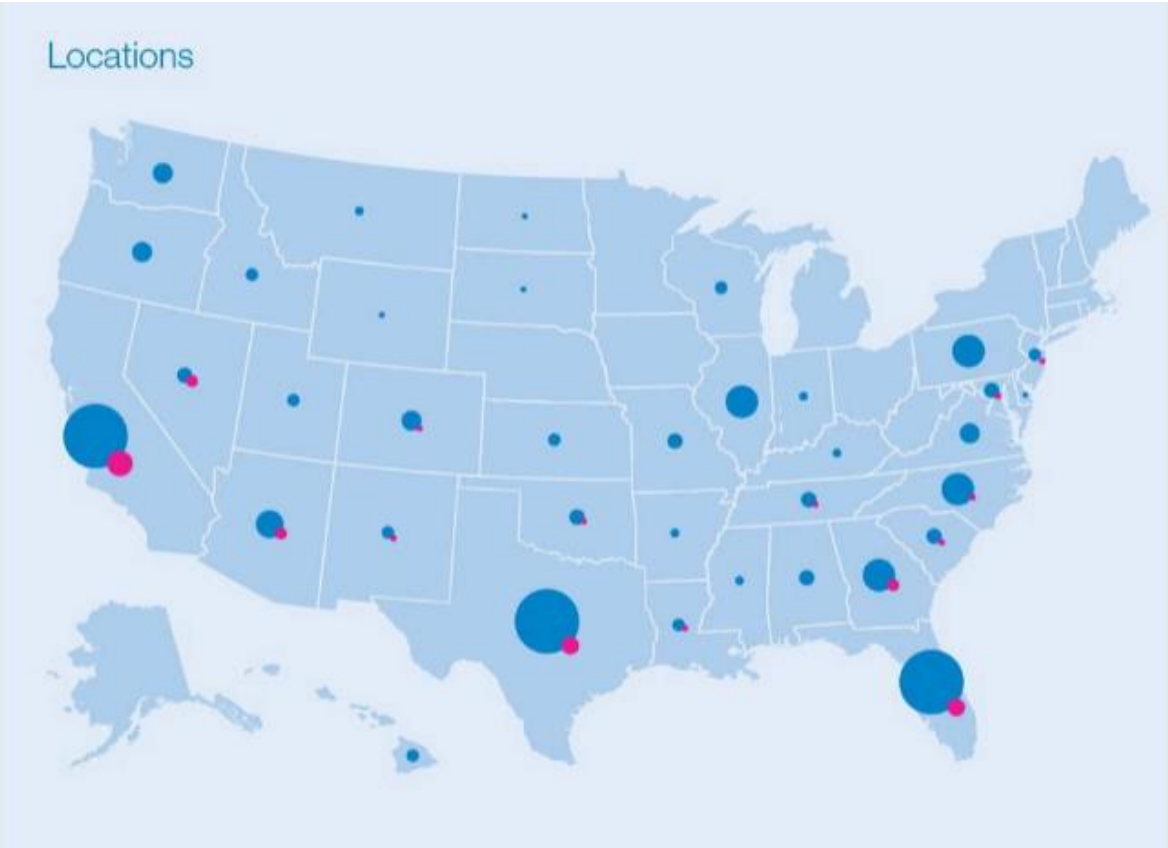
1,412 ROSS DRESS
FOR LESS stores in 37
states & Guam

■ ROSS DRESS FOR LESS ■ DD'S DISCOUNTS

SALES BY PRODUCT



LOCATIONS



Ross Dress for Less ●

Alabama	25	Missouri	21
Arizona	62	Montana	6
Arkansas	8	Nevada	26
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
Iowa	10	Utah	17
Kentucky	9	Virginia	35
Louisiana	15	Washington	42
Maryland	22	Wisconsin	13
Mississippi	8	Wyoming	3
		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

Store layout designed to enhance customer convenience

Lean in-store inventory

LOW OPERATING COSTS

Self-service retail format

Centralized merchandising, marketing, & purchasing decisions

Flexible store layout criteria

MERCHANDISING STRATEGY

Acquires well-known brands through off-price buying strategies

Purchases: Advance of season, in-season, & past season merchandise

PURCHASING STRATEGY

“Close-out” purchases

Packaway Merchandise: 47-49%

Primary Purchasing Office locations:

- New York
- Los Angeles

MANUFACTURER RELATIONSHIP

Combined network of 8,000 merchandise vendors & manufacturers

Flexible requirements for manufacturers

MERCHANT ORGANIZATIONS

Two distinct & unique organizations

800 merchants combined

Each merchant has an average of 8 years of experience

DISTRIBUTION NETWORK

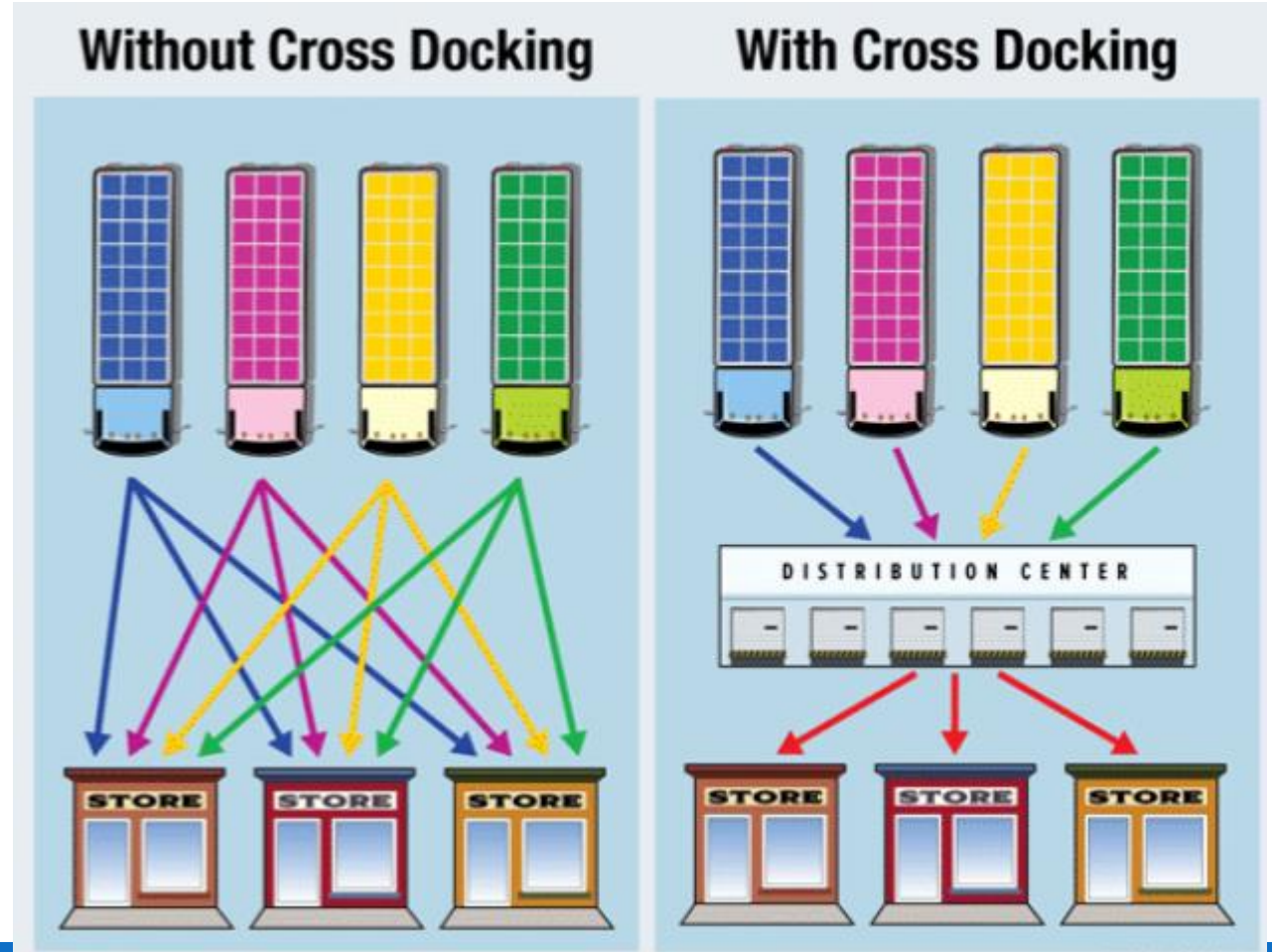
Six Distribution Centers:

- California
- Pennsylvania
- South Carolina

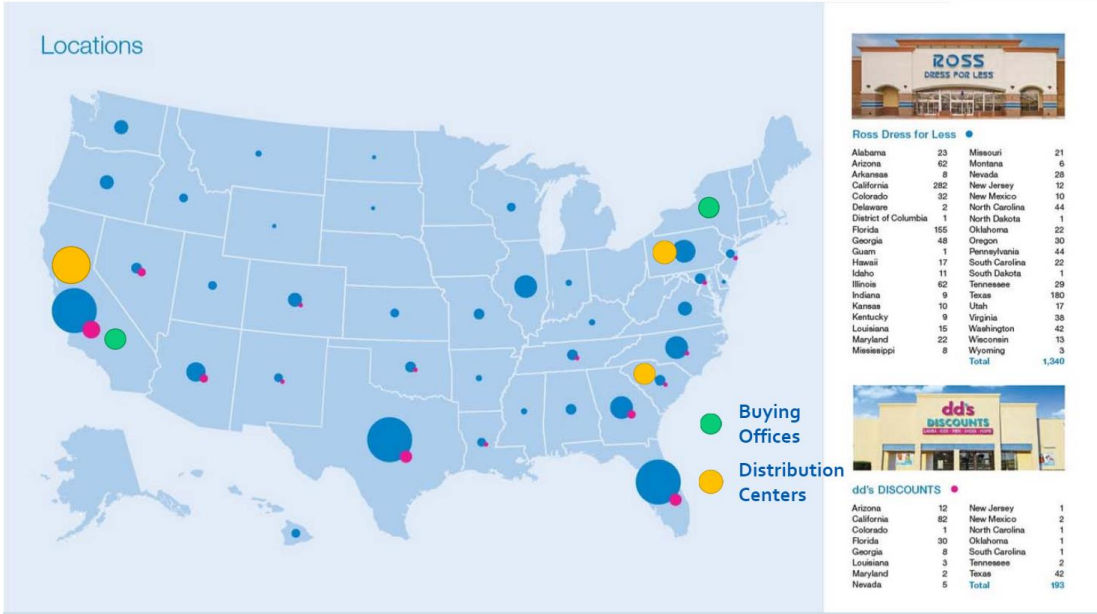
DISTRIBUTION FACILITIES

Packaway Storage Warehouses

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



LOCATIONS



Growth

Operating Statistics	2017	2016	2015	2014
Number of stores opened	96	93	90	95
Number of stores closed	7	6	6	9
Number of stores at yr. end	1622	1533	1446	1362
Same Store Sales Increase	4%	4%	4%	3%
Sales per square foot	\$ 409.00	\$ 395.00	\$ 383.00	\$ 372.00
Square feet of selling space	34700	33300	31900	30400

Growth Opportunities

Domestic Expansion

Long Term Expansion Plan

Analysis of Consumer Data

Risks

E-Commerce

High Industry Competitive Pressure

Unable to sell Inventory

COMPETITIVE ADVANTAGES

Economies of Scale

Non-scale Cost Advantages

- Inventory/Store Management System

Qualitative Analysis

Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	No
Can inventory become obsolete?	Yes
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	No
Will the company be able to sell more in the future?	Yes
With \$1 billion, could you make a competitor?	Yes

Interpretation of Financial Statements

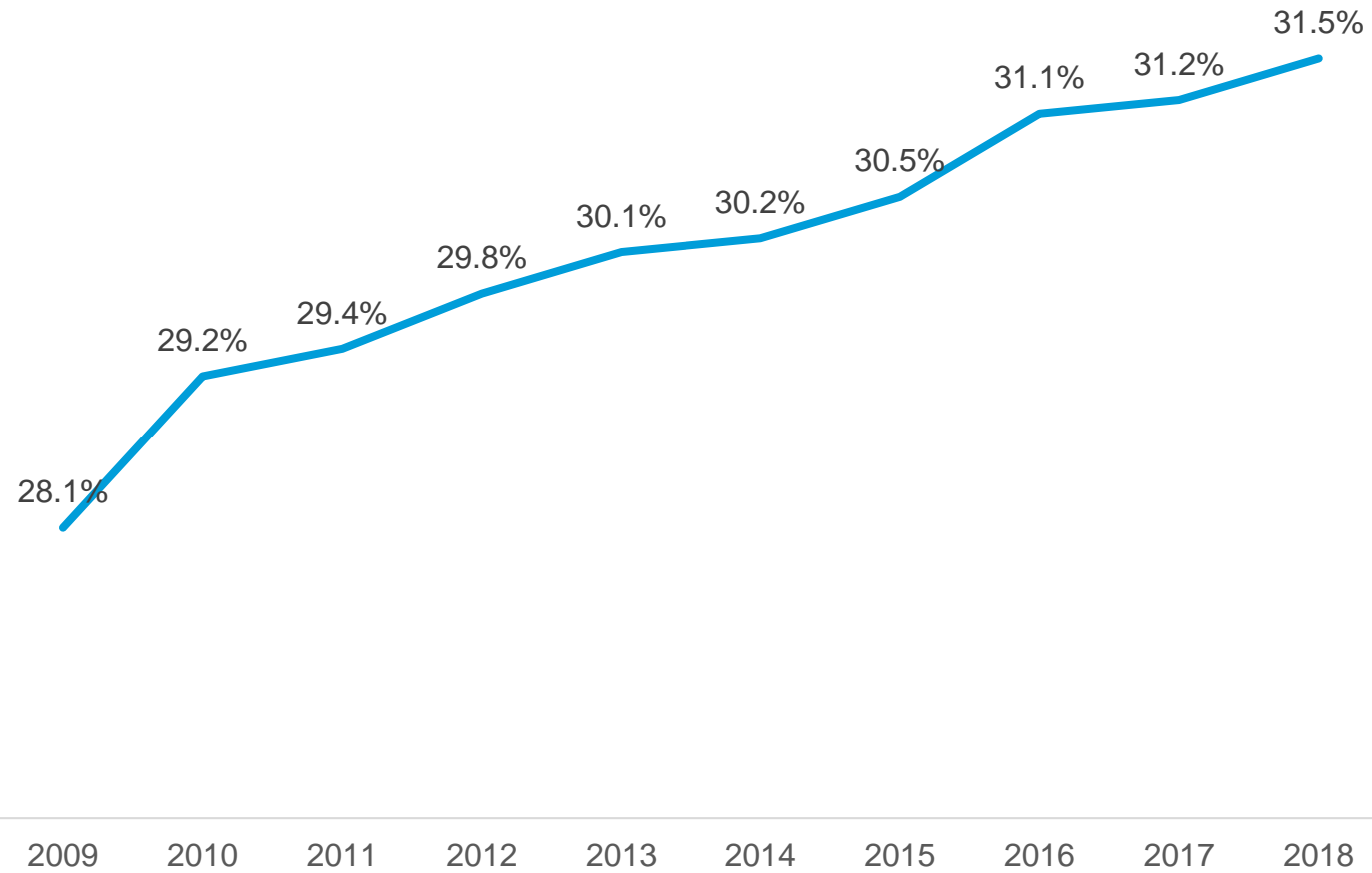
IOFS (Table Analysis)

<u>Metric</u>	Value	Low Threshold	Pass?
Gross Profit Margin	31.50%	$\geq 20\%$	Yes
% SGA	49.90%	$\leq 80\%$	Yes
% R&D	0.00%	$\leq 10\%$	Yes
% Depreciation	23.00%	$\leq 10\%$	No
Interest % of OP	0.01%	$\leq 15\%$	Yes
Net Profit Margin	10.30%	$\geq 10\%$	Yes
Current Ratio	1.60	> 1	Yes
Obligation Ratio	1.70	< 5 years	Yes
Adj. Debt to Shareholder Equity	0.13	< 0.8	Yes

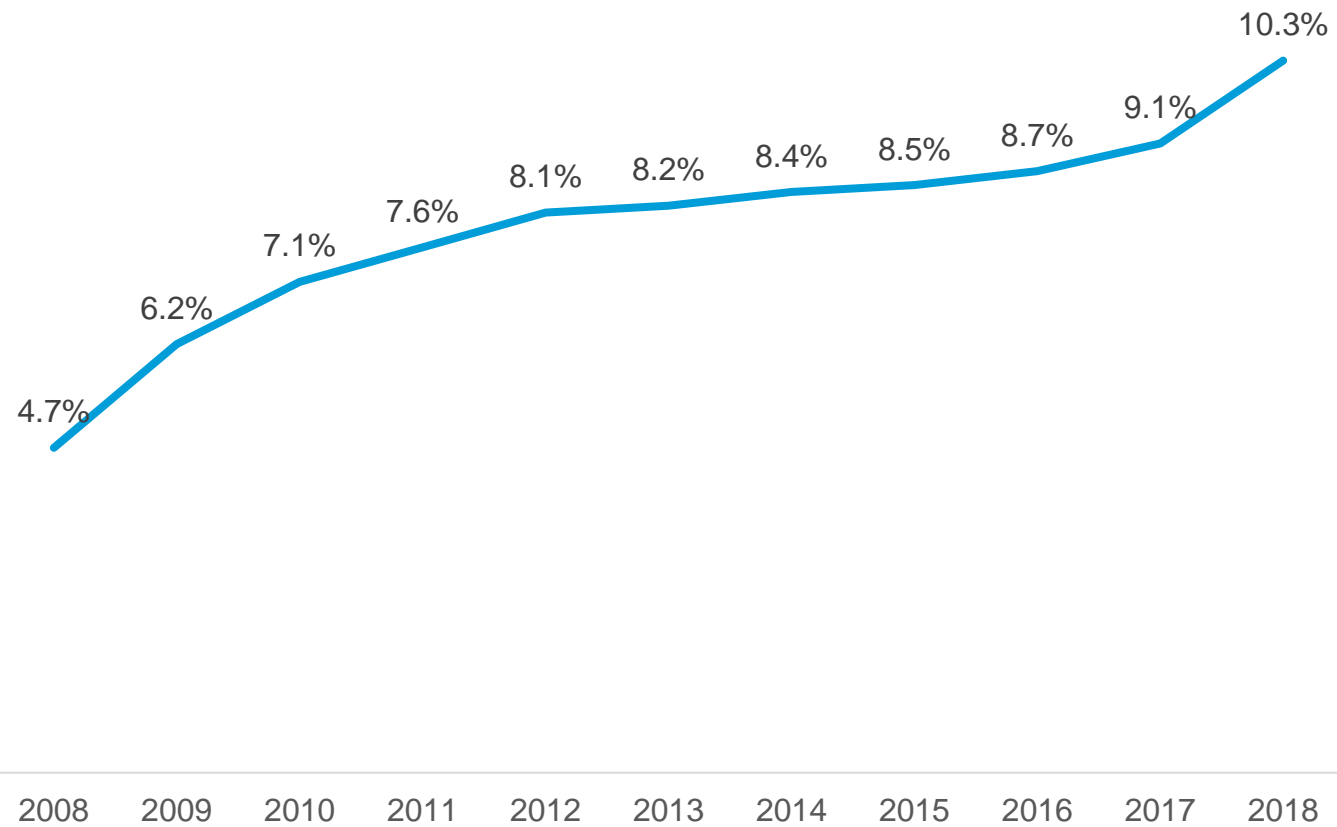
IOFS (Continued)

Return on Equity	48.00%	≥ 15%	Yes
Return on Capital	44.00%	≥ 15%	Yes
Dividend Payout Ratio	18.00%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	22.10%	≤ 25%	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

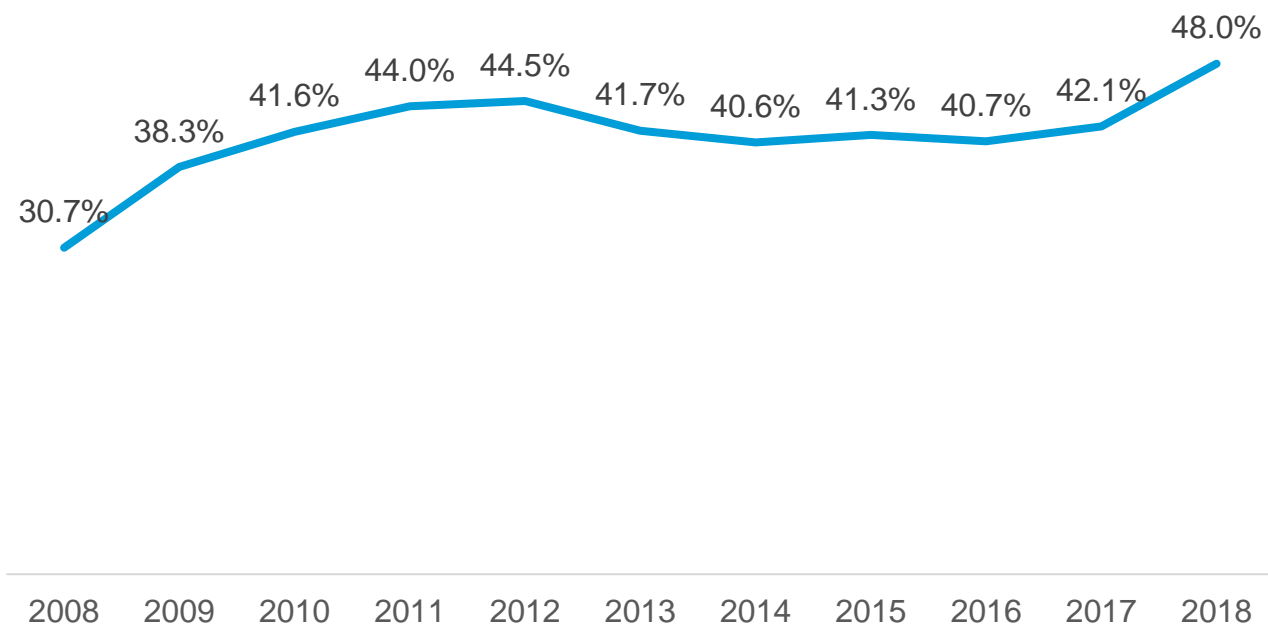
Gross Profit Margin



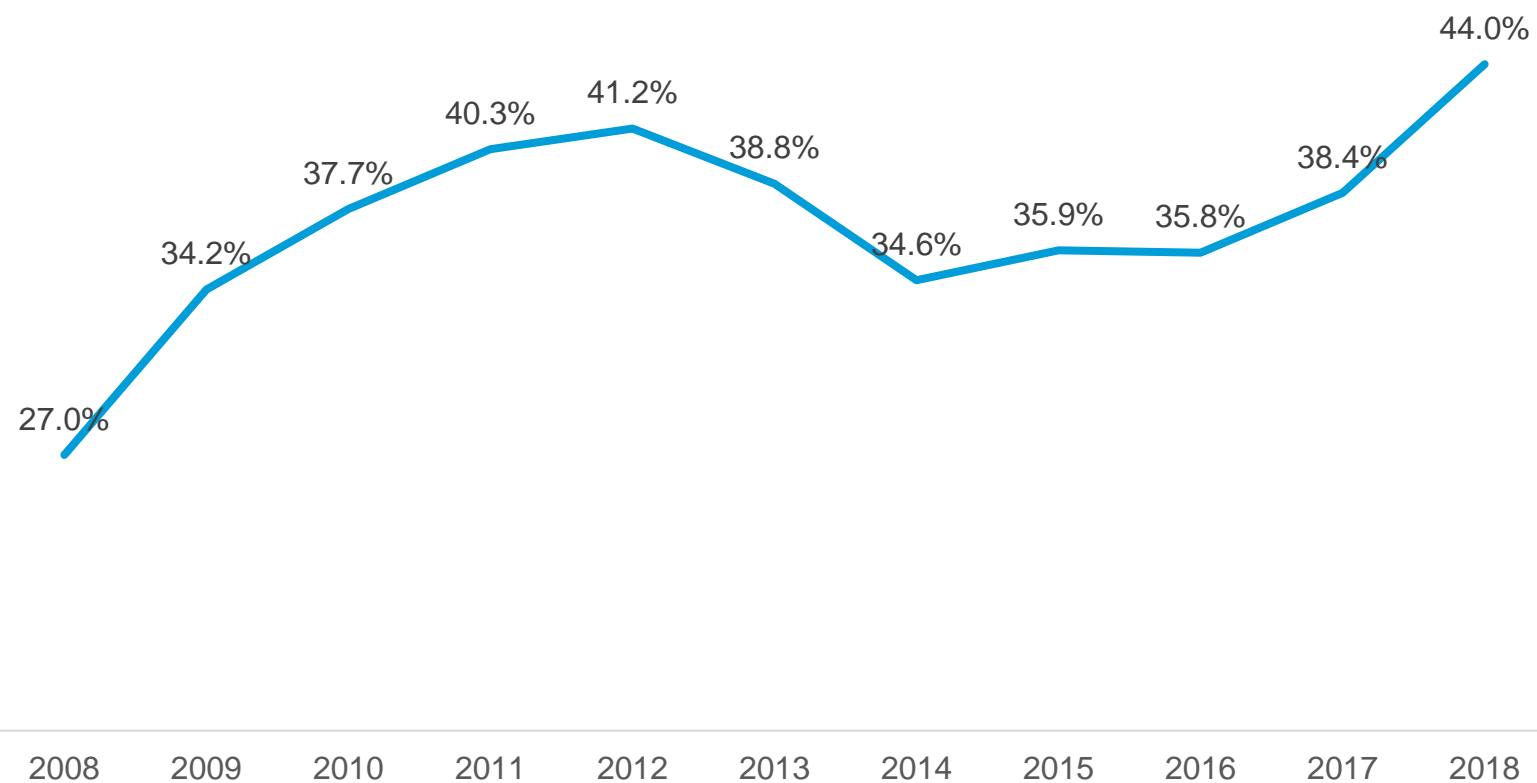
Net Profit Margin



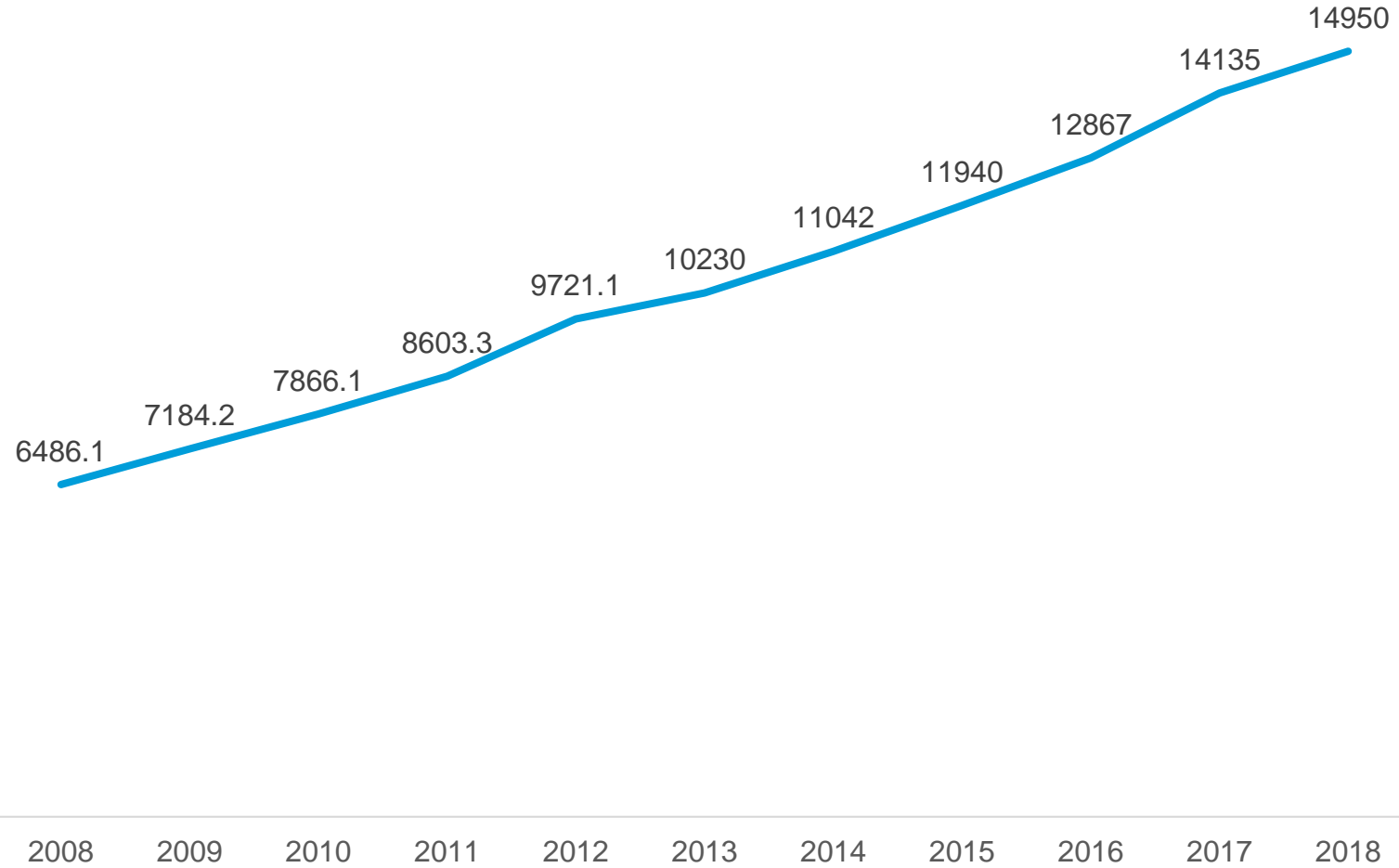
Return on Equity



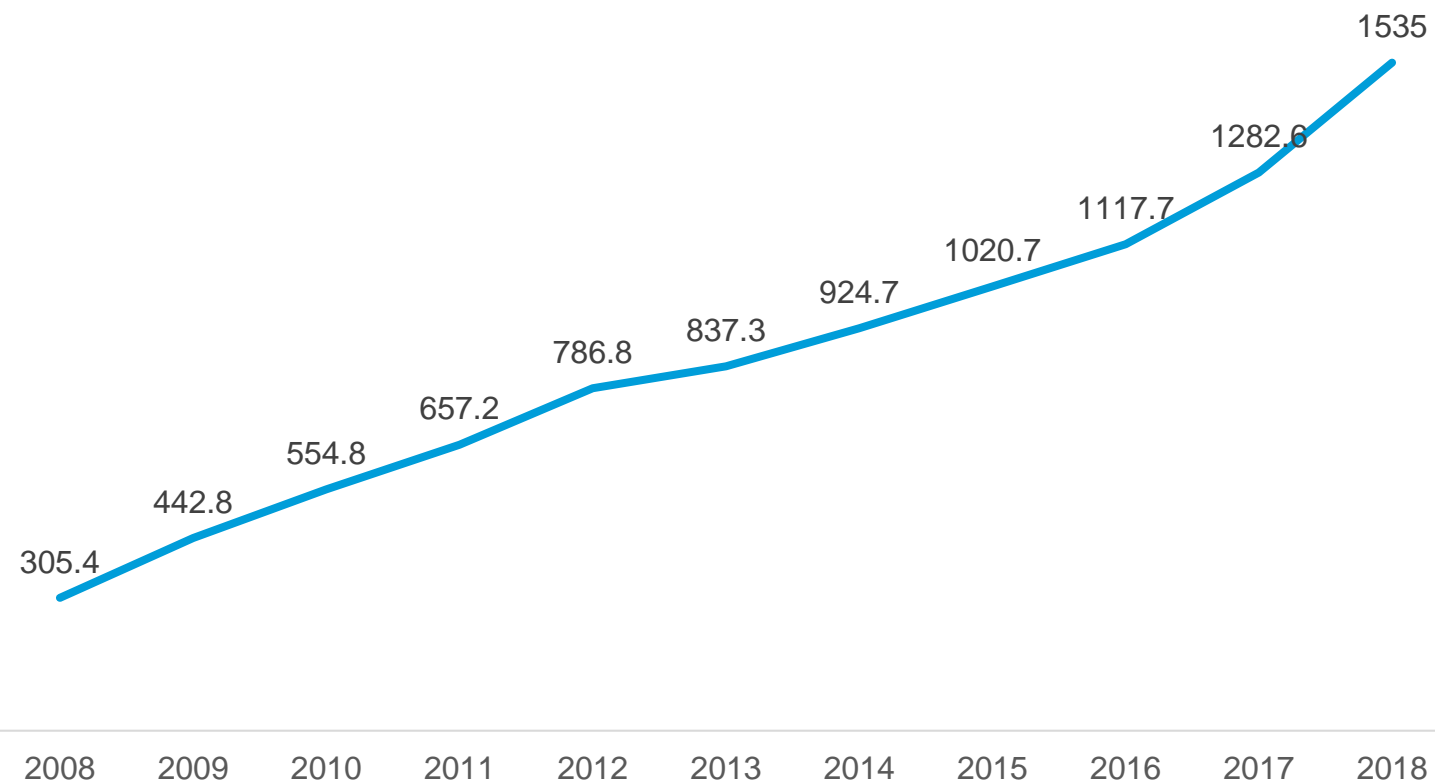
Return on Capital



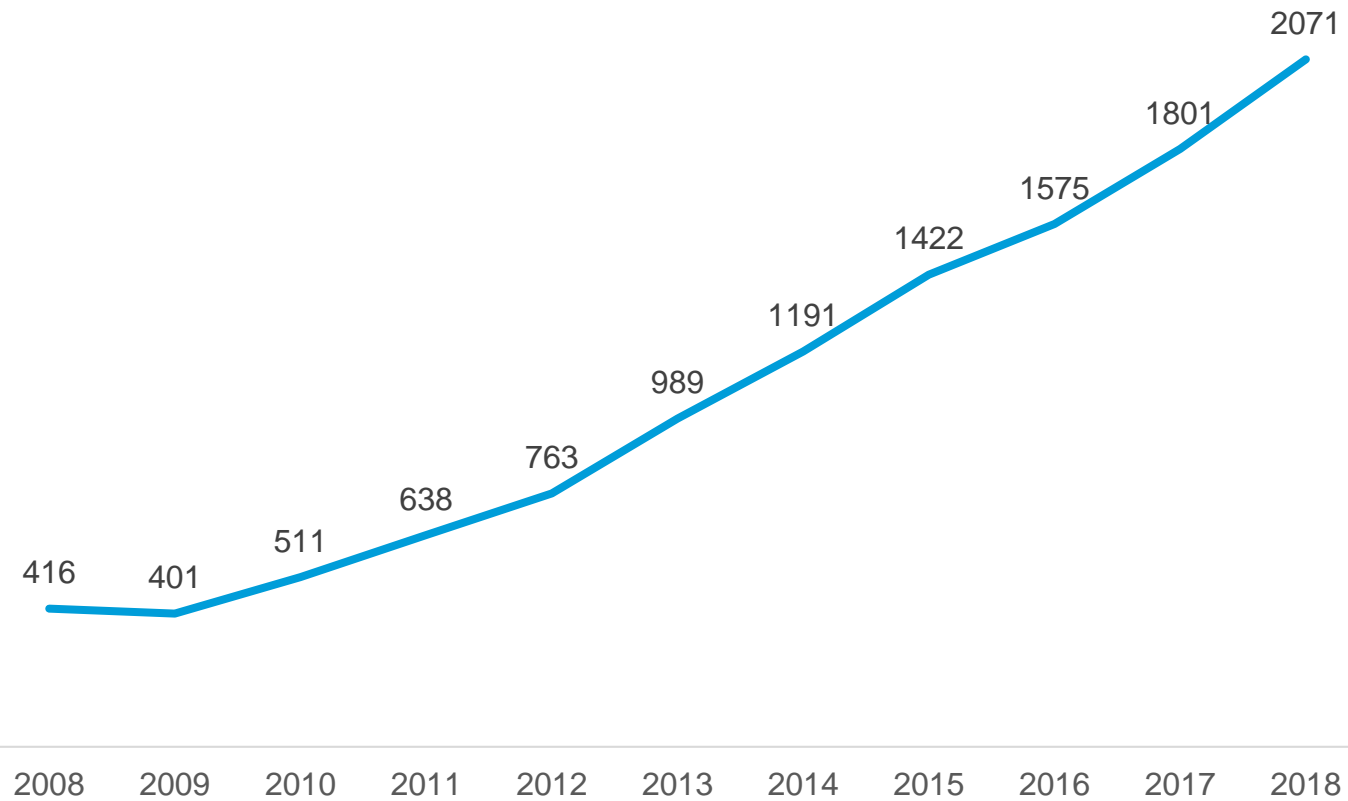
Revenues



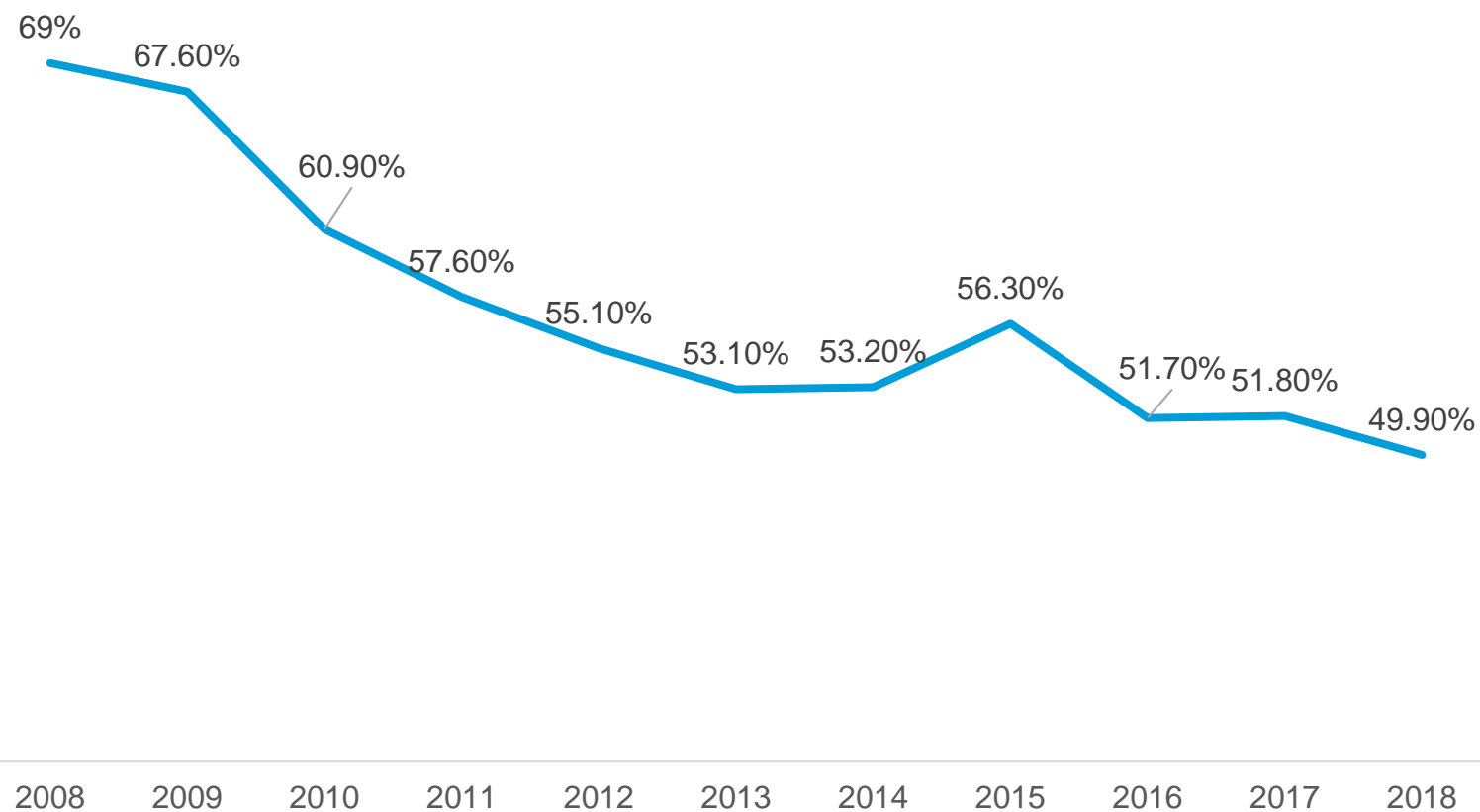
Net Income (thousands USD)



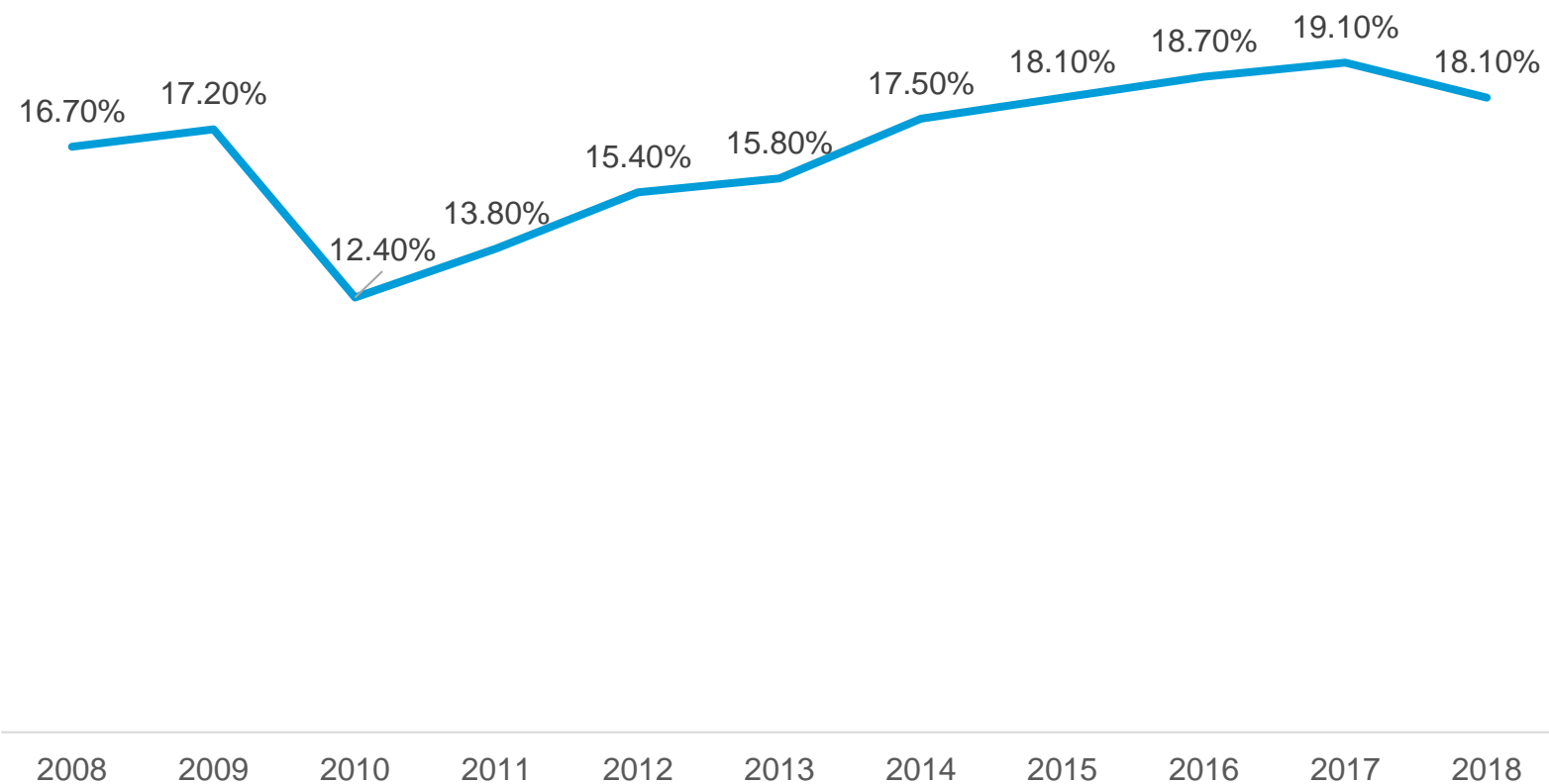
Retained Earnings (Thousands USD)



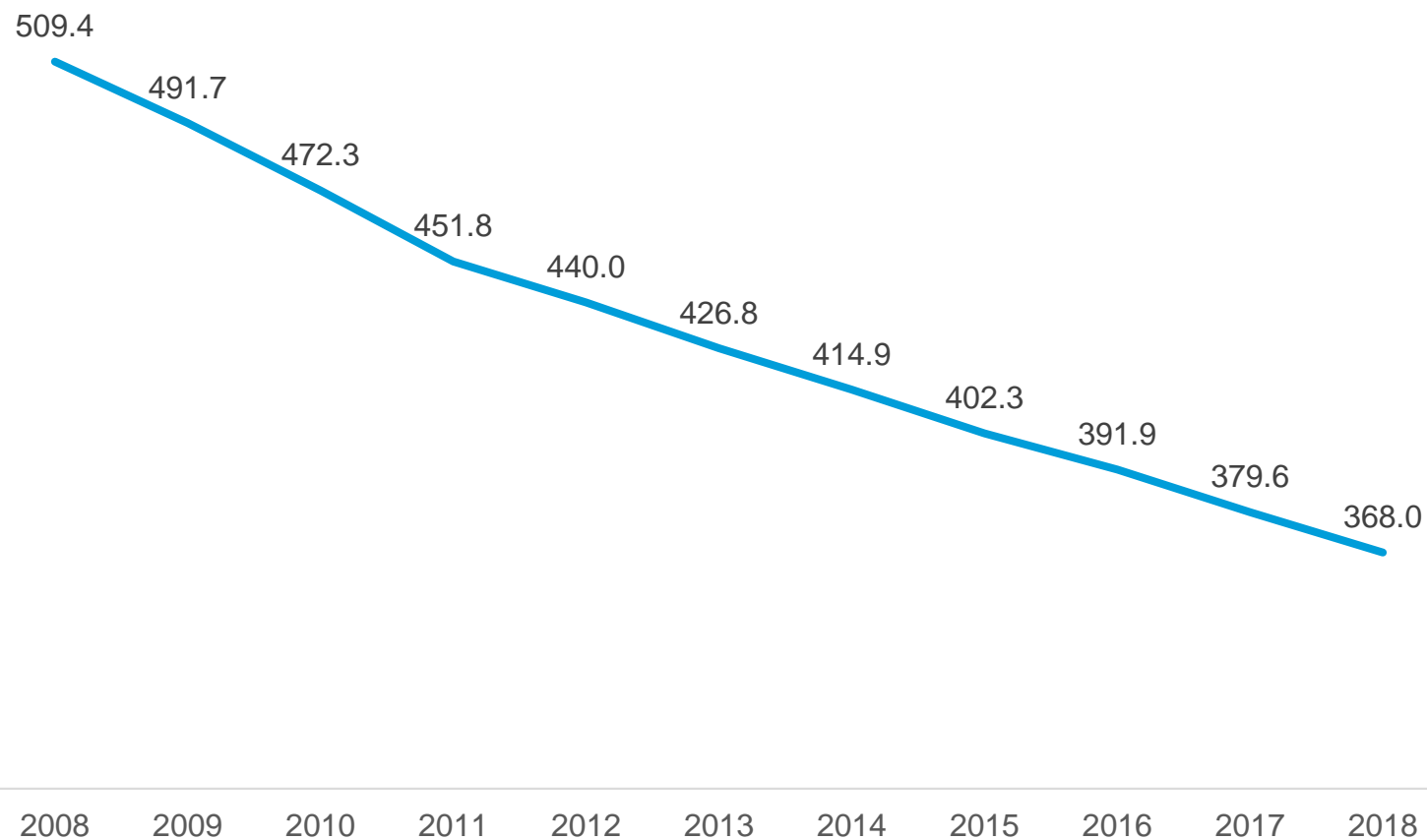
SGA (% of Gross Profit)



Dividend Payout Ratio



Shares Outstanding (millions)



Statistical Array Analysis

Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Increasing
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Steady
Operating Profit Margin	Increasing
Number of Stores	Increasing
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Increasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Decreasing
Long-Term Debt	Decreasing

DuPont (Historical)

Years	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
2015	8.50%	2.36	2.06	41.30%
2016	8.70%	2.45	1.97	40.70%
2017	9.10%	2.42	1.93	42.10%
2018	10.30%	2.56	1.94	48%
TTM	10.50%	2.52	1.9	39.50%

Competitive Analysis

DuPont (Competitors)

\$	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
ROST	10.30%	2.56	1.94	48%
TJX	7.98%	2.66	2.73	57.90%
KOHL	4.50%	1.42	2.46	15.70%
BURL	6.84%	2.27	32.3	501%

Industry Breakdown

TTM (\$)	Ross (ROST)	TJ Max (TJX)	Kohl's (KOHL)	Burlington (BURL)
Market Cap	30.71B	58.35B	11.06B	11.38B
Revenue	14950	35865	19095	6610
P/E	20.34	19.33	11.04	23.69
P/S	2.17	1.54	0.56	1.61
P/B	10.13	11.14	2.02	65.97
EV/EBIT	14.22	13.98	9.62	21.11
ROA	24.70%	19.36%	6.38%	15.66%
ROE	48%	54%	16.20%	501%*
Operating Margin	16%	11.10%	7.24%	7.96%
Net Margin	10.30%	7.30%	4.50%	6.30%

Industry Breakdown

TTM (\$)	Ross (ROST)	Amazon (AMZN)	Target (TGT)	Walmart (WMT)
Market Cap	30.71B	775.8B	37.14B	284.89B
Revenue	14950	177866	71879	500343
P/E	20.34	88.56	11.96	56.01
P/S	2.17	3.57	0.52	0.56
P/B	10.13	19.56	3.39	3.96
EV/EBIT	14.22	68.89	11.42	31.42
ROA	24.70%	2.83%	7.68%	4.89%
ROE	48%	12.91%	25.89%	12.67%
Operating Margin	16%	2.31%	6%	4.08%
Net Margin	10.30%	1.71%	4.08%	3.65%

PEG (PE/Growth) Analysis

Ticker	PEG Ratio
ROST	1.07
KSS	5.5
TJX	2.67

Debt Analysis

Maturity	Debt (in thousands of USD)	Avg. Interest Rate (%)
2018	\$84,973	6.38%
2021	\$64,922	6.53%
2024	\$247,072	3.38%


Operating Leases

Due	Leases (in thousands \$)
2018	516,372
2019	531,311
2020	452,145
2021	372,038
2022	290,944

Conscious Investor


Return Analysis

Year	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
EPS	0.58	0.89	1.16	1.43	1.77	1.94	2.21	2.51	2.83	3.55
SPS	12.33	14.61	16.66	18.97	21.86	23.80	26.61	29.68	32.83	36.99



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Growth	STAEGR
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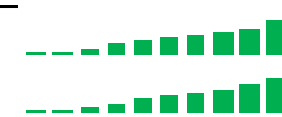
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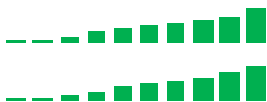
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Kill It Scenarios

	Price	EPS	P/E	Growth	Payout	STRET
<i>Default</i>	85.94	4.1	22.18	14.49%	18.40%	16.27%
<i>Kill It</i>	85.94	4.1	14	6.44%	8.00%	0.00%
			-37%	-56%	-57%	

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-37% **-56%** **-57%**

Discounted Cash Flow

Bear Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 8 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 53.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 33.75

Terminal Value ? : 19.39

Stock Price: \$ 85.65

Margin Of Safety: **-61%**

Bear Scenario

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 [?] : 53.14

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

Growth Value [?] : 33.75

Terminal Value [?] : 19.39

Stock Price: \$

Margin Of Safety: **-61%**

Bear Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 8 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 53.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 33.75

Terminal Value ? : 19.39

Stock Price: \$ 85.65

Margin Of Safety: -61%

Bear Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 8 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : **12** %

Business Predictability ? : ★★★★★

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 53.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 33.75

Terminal Value ? : 19.39

Stock Price: \$ 85.65

Margin Of Safety: **-61%**

Bear Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 8 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 53.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 33.75

Terminal Value ? : 19.39

Stock Price: \$ 85.65

Margin Of Safety: -61%

Most Likely Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: **11.5** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF NEW

Fair Value ? : 79.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 44.2

Terminal Value ? : 34.93

Stock Price: \$ 85.65

Margin Of Safety: -8%

Most Likely Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 11.5 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 79.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 44.2

Terminal Value ? : 34.93

Stock Price: \$ 85.65

Margin Of Safety: -8%

Most Likely Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 11.5 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF NEW

Fair Value ? : 79.14

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 44.2

Terminal Value ? : 34.93

Stock Price: \$ 85.65

Margin Of Safety: -8%

Bull Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 15 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 100.37

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 52.78

Terminal Value ? : 47.59

Stock Price: \$ 85.65

Margin Of Safety: 15%

Bull Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 15 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 100.37

Tangible Book Value ? : \$ 8.54
 Add to Fair Value

Growth Value ? : 52.78

Terminal Value ? : 47.59

Stock Price: \$ 85.65

Margin Of Safety: 15%

Bull + Tangible Book Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 15 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 104.64

Tangible Book Value ? : \$ 4.27
 Add to Fair Value

Growth Value ? : 52.78

Terminal Value ? : 47.59

Stock Price: \$ 85.65

Margin Of Safety: **18%**

Bull + Tangible Book Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 15 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF NEW

Fair Value ? : 104.64

Tangible Book Value ? : \$ 4.27
 Add to Fair Value

Growth Value ? : 52.78

Terminal Value ? : 47.59

Stock Price: \$ 85.65

Margin Of Safety: **18%**

Bull + Tangible Book Scenario

Earnings Per Share ? : \$ 4.1

Growth Rate In the Next ? : 10 Years: 15 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 10 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : 104.64

Tangible Book Value ? : \$ 4.27
 Add to Fair Value

Growth Value ? : 52.78

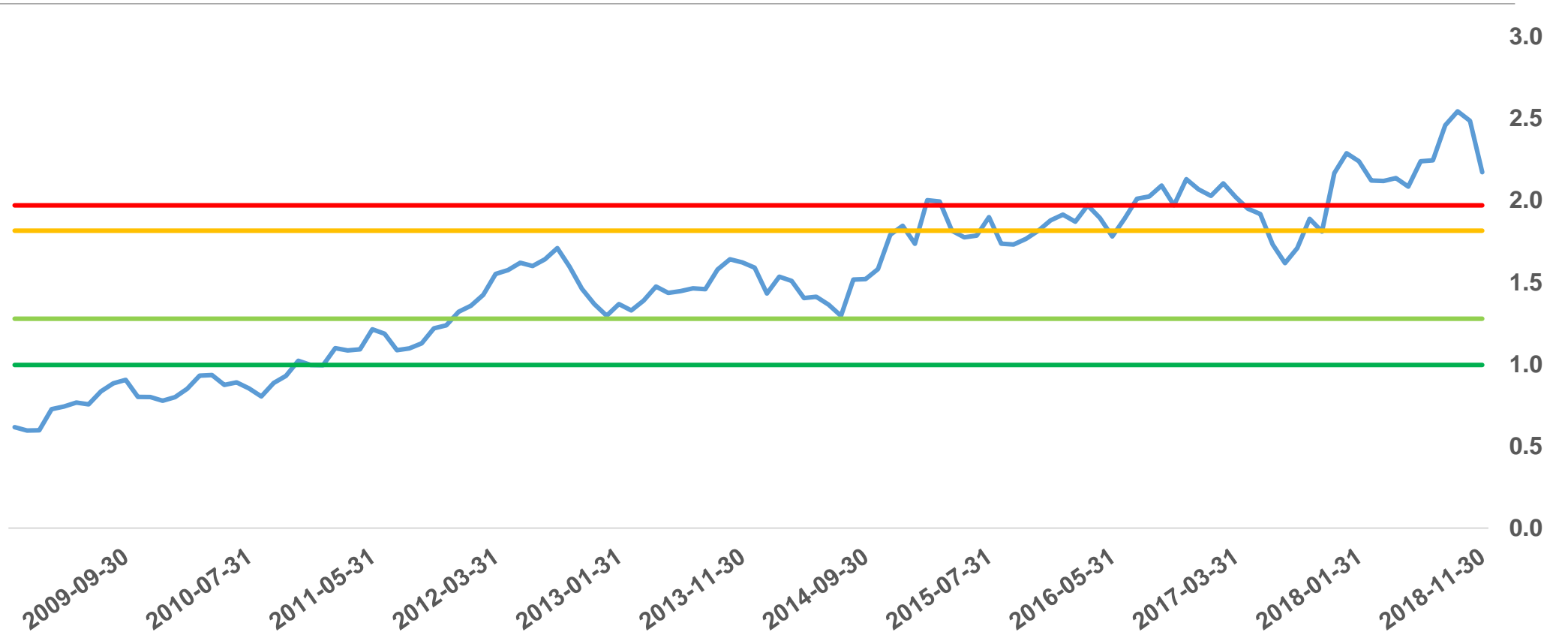
Terminal Value ? : 47.59

Stock Price: \$ 85.65

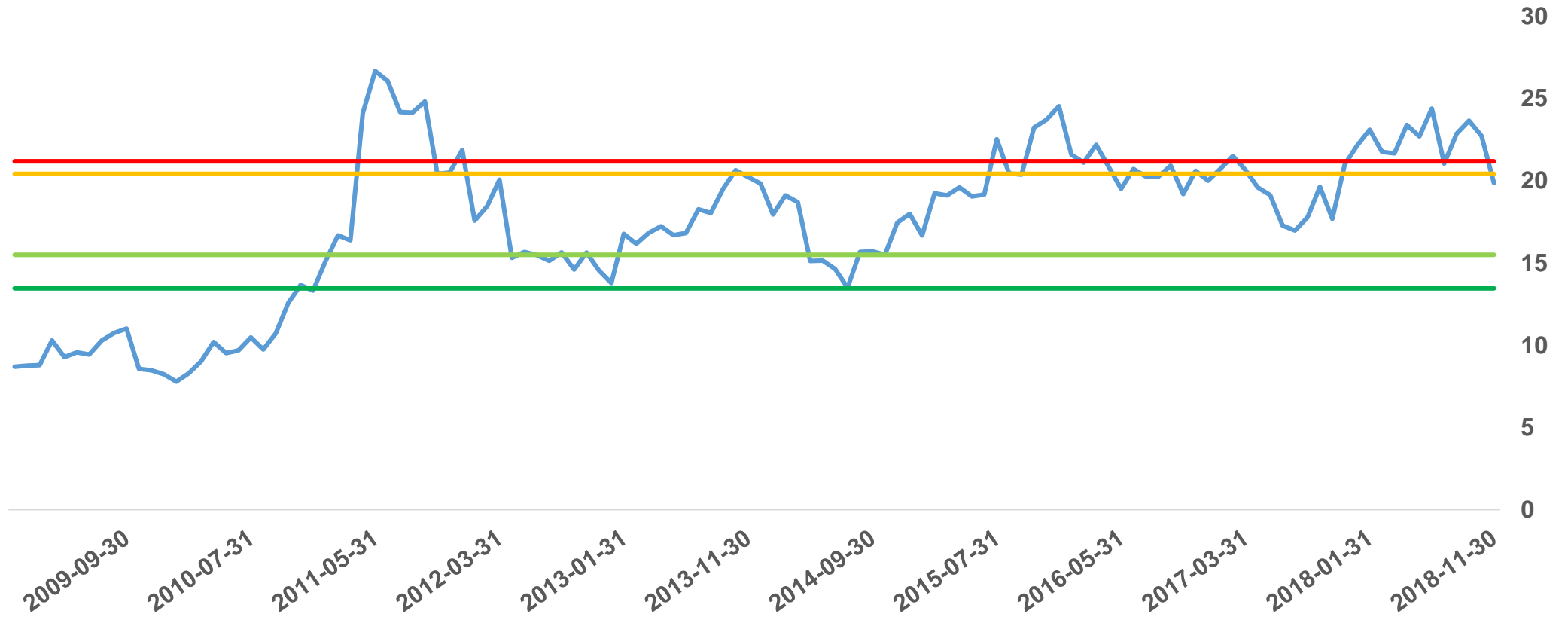
Margin Of Safety: **18%**

Value Bands

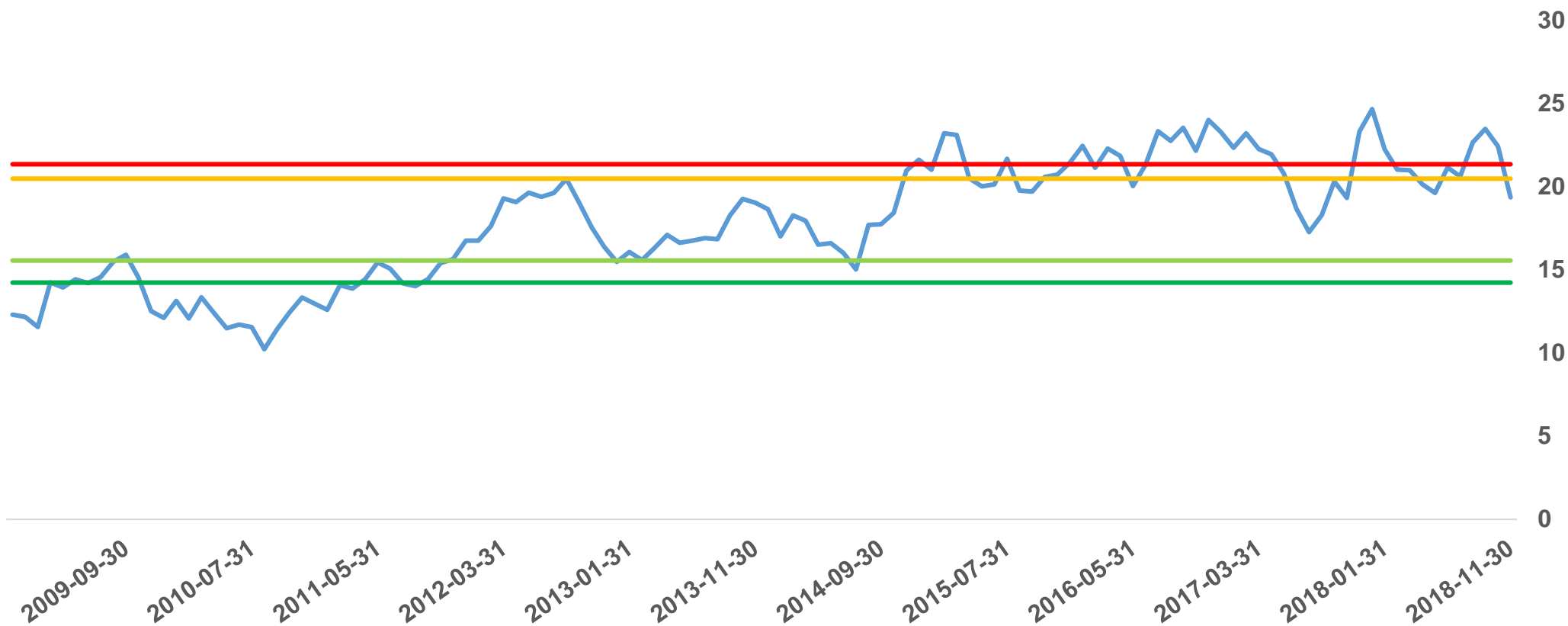
Price/Sales



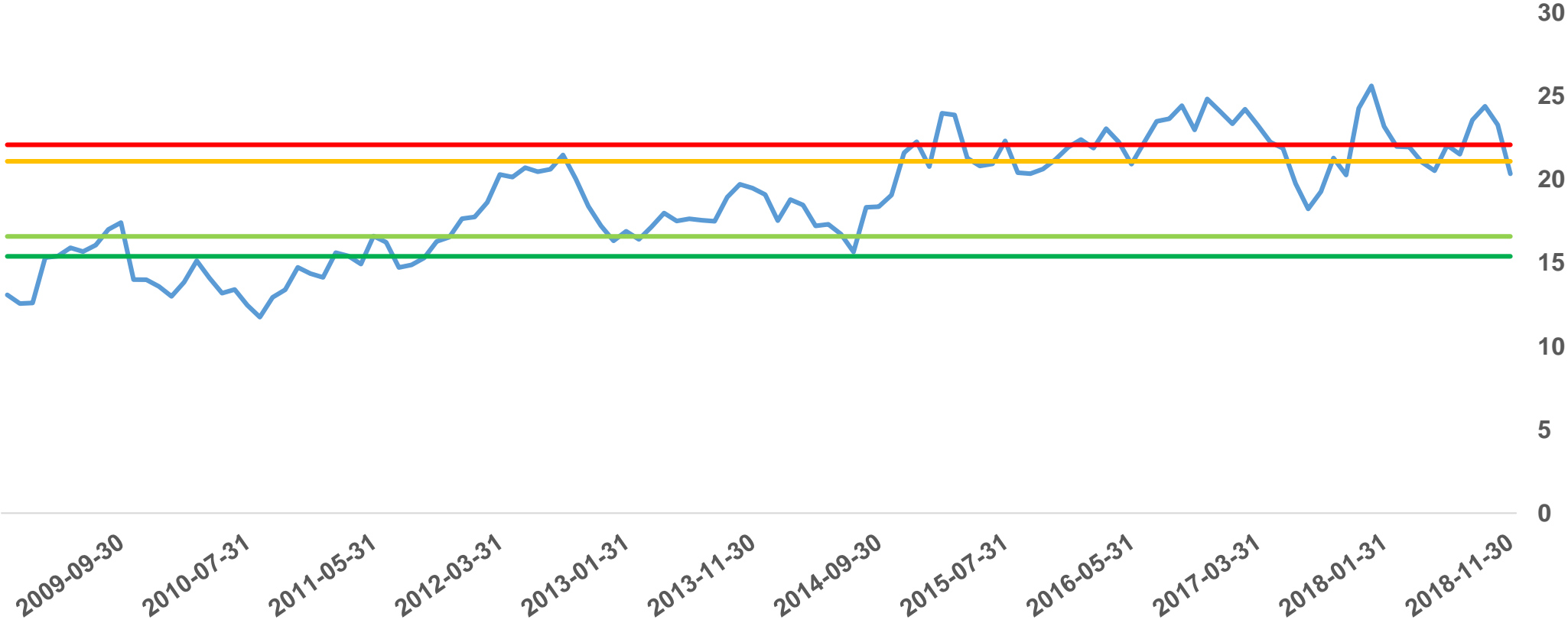
Price/Owner's Earnings



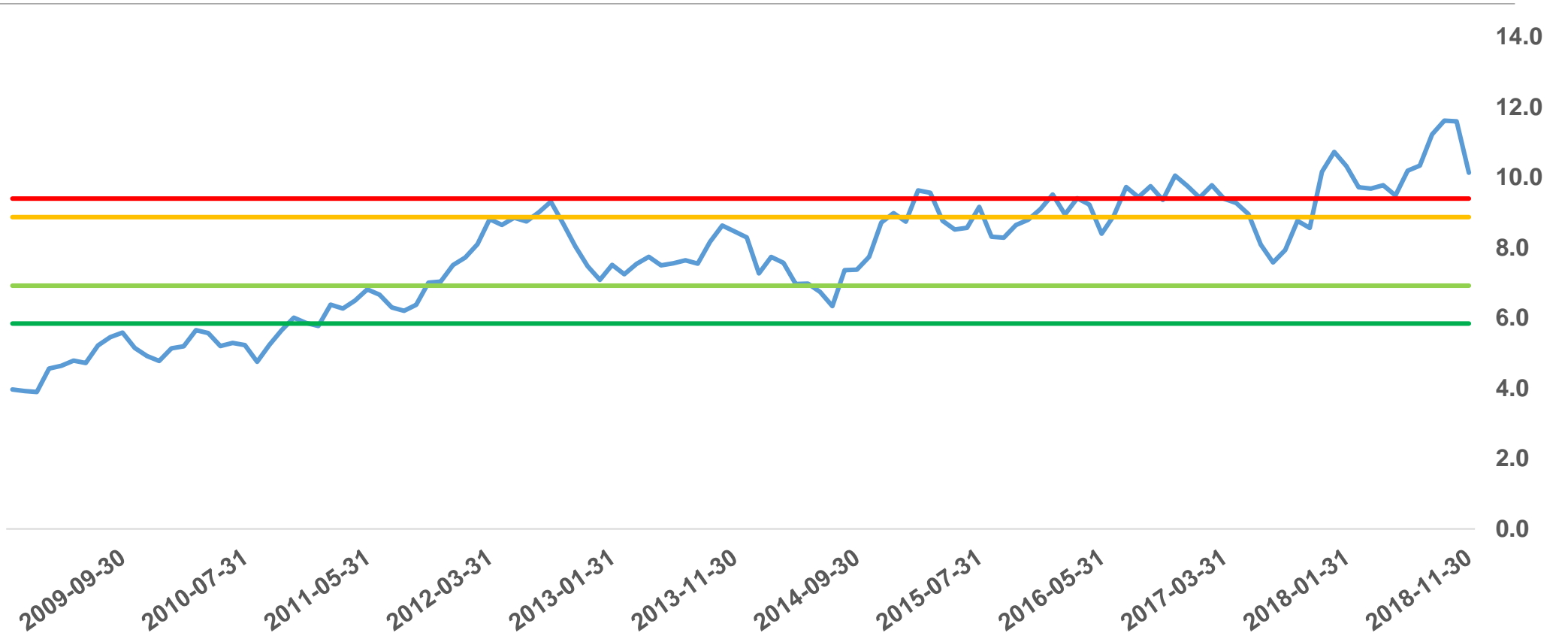
Price/Earnings Less Cash



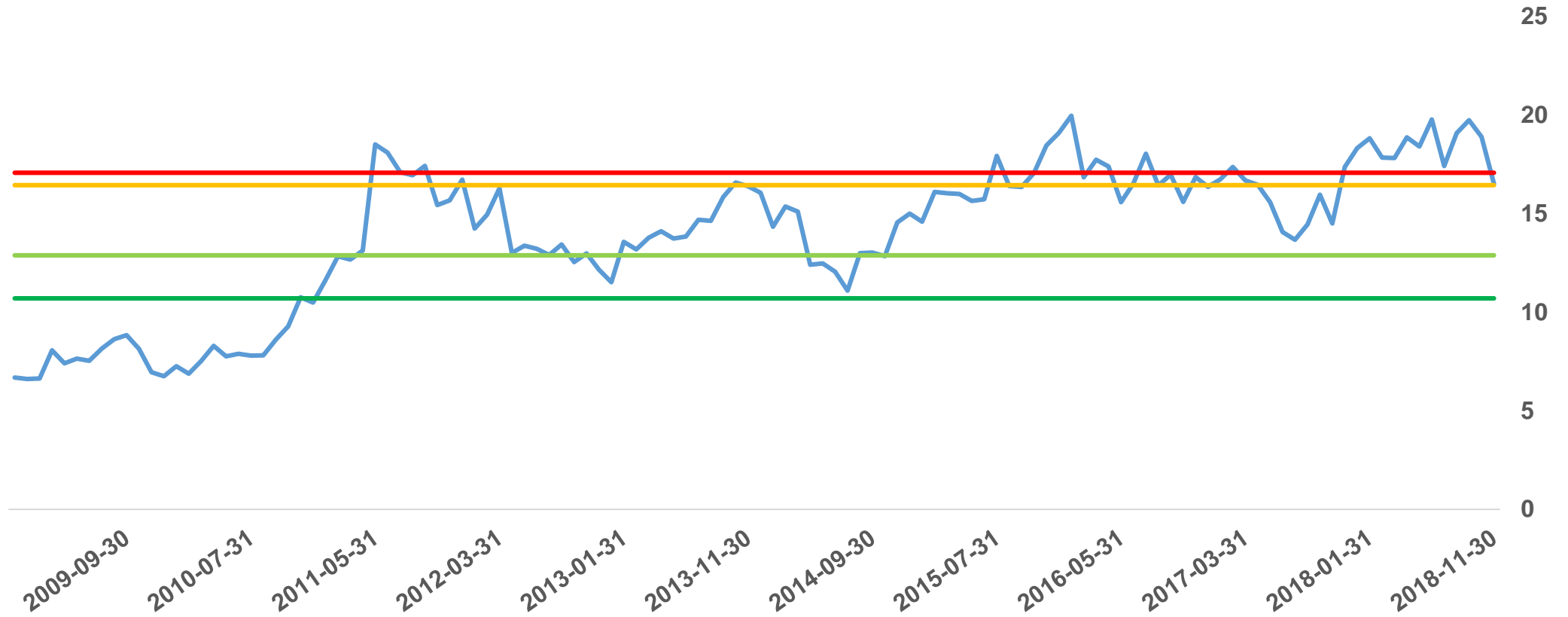
Price/Earnings



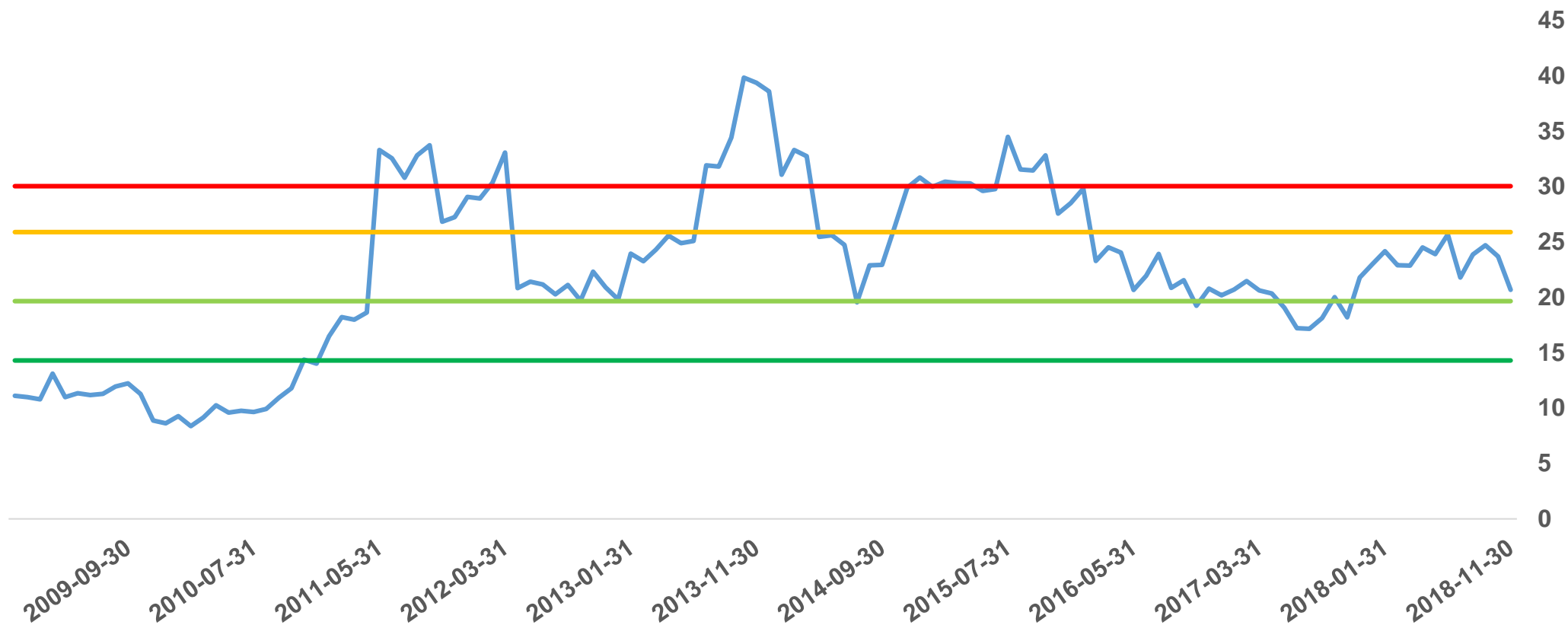
Price/Book



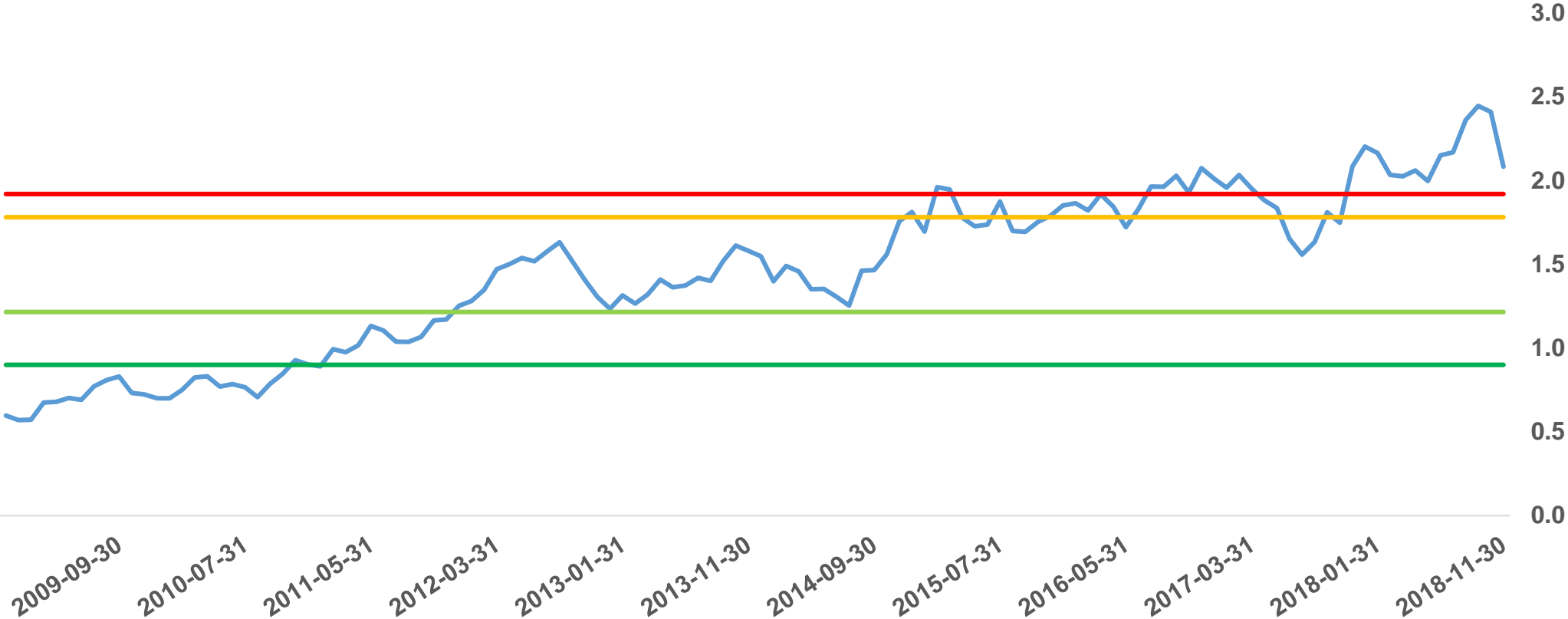
Price/Cashflow



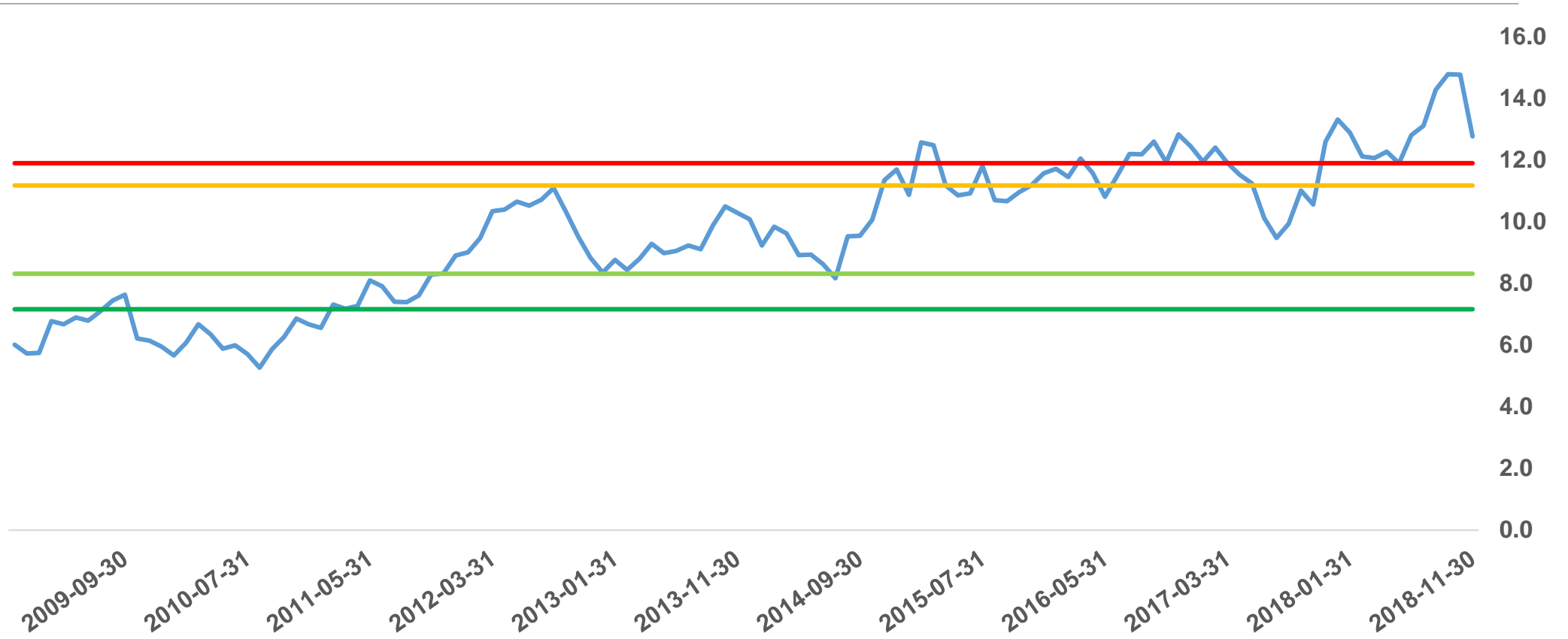
Price/Free Cashflow



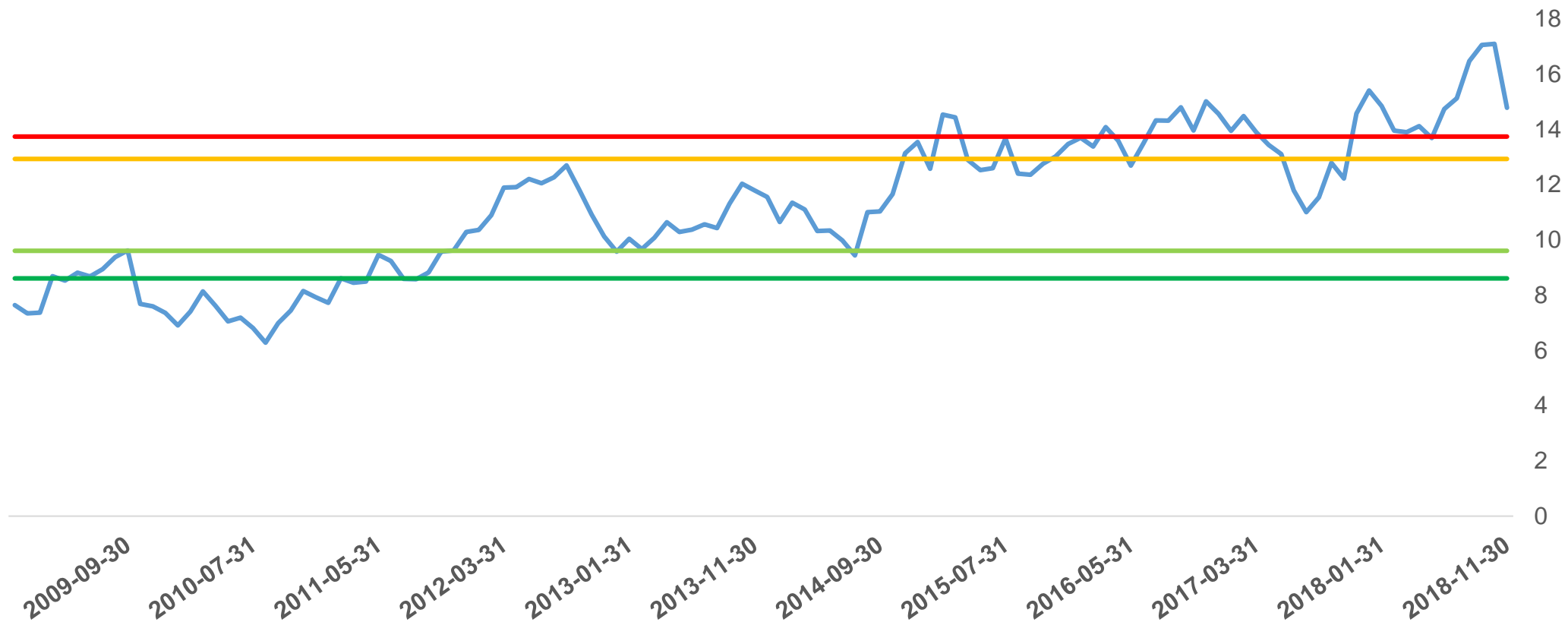
EV/Revenue



EV/EBITDA



EV/EBIT



Intraportfolio

Price/Sales

Ticker	PS
MCK	0.12
CHRW	0.8
PII	1.06
OMC	1.15
DG	1.22
TSCO	1.52
UHAL	1.83
HD	1.94
BRK.B	2.1
ROST	2.2

Ticker	PS
PEP	2.61
ULTA	2.9
DIS	2.94
NSRGY	2.94
NKE	3.29
QCOM	3.68
ORCL	5.02
UNP	5.18
GOOG	6
MSFT	7.43
MA	14.49

EV/EBIT

Ticker	EV-EBIT	Ticker	EV-EBIT
OMC	9.49	PII	16.13
UHAL	10.34	TSCO	17.18
BRK.B	11.26	PEP	17.4
ORCL	12.17	MSFT	19.09
DIS	12.48	GOOG	19.84
HD	14.65	ULTA	20.94
ROST	14.8	NSRGY	24.99
DG	15.35	NKE	25.17
UNP	15.39	MA	26.6
CHRW	15.82	QCOM	57.47
		MCK	66.87

Price/Free Cashflow

Ticker	P/FCF
MCK	9.19
OMC	10.01
ORCL	14.18
DIS	17.73
HD	20.27
CHRW	20.49
ROST	20.7
DG	21.14
UNP	23.68
BRK.B	24.94

Ticker	P/FCF
MSFT	26.7
NKE	26.7
QCOM	27.5
PII	27.69
NSRGY	30.1
PEP	30.41
ULTA	32.74
TSCO	33.3
MA	34.32
GOOG	36.57

Return on Equity

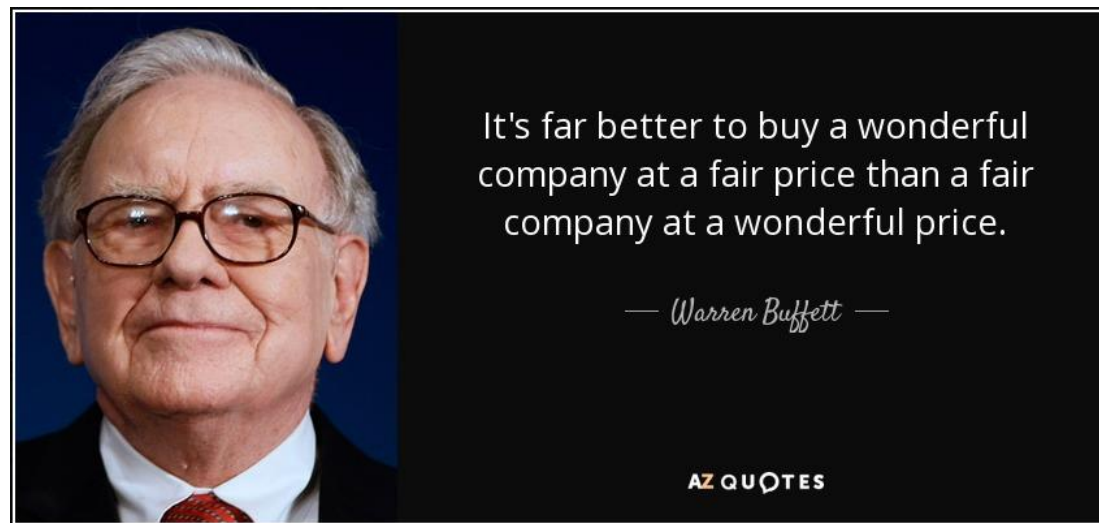
Ticker	ROE (%)	Ticker	ROE (%)
MA	90.54	ORCL	28.00
ROST	48.00	UHAL	24.67
OMC	47.38	UNP	23.60
PEP	44.61	MSFT	22.62
CHRW	42.85	MCK	21.31
ULTA	36.28	HD	20.00
TSCO	36.07	MKE	19.82
PII	30.07	BRK.B	17.83
DG	28.78	NSRGY	13.63
DIS	28.04	GOOG	11.70

Price/Earnings

Ticker	PE	Ticker	PE
UHAL	8.17	ROST	20.4
BRK.B	8.64	CHRW	20.63
UNP	10.22	PII	22.49
MCK	10.4	TSCO	23.15
DIS	13.86	NKE	25.7
QCOM	14.45	ULTA	29.23
OMC	14.88	NSRGY	32.1
DG	17.2	PEP	34.18
HD	19.31	MA	40.23
ORCL	20.2	GOOG	41.1
		MSFT	45.64

CONCLUSION

- Predictable and Consistent!
- Great Margins for Industry!
- Great Company, Fair price.



CONCLUSION



CONCLUSION



RECOMMENDATION

- Put
 - Strike Price: \$82.50
 - Premium: \$2.55
 - Volume: 66 (according to stock options channel)
 - Effective Buy in Price: \$79.95

Questions?
