Ross Stores

3Q24 Earnings Results

Economic Moat

3Q24

Cost Advantages:

- Aims to be a vendor of choice for vendors selling excess merchandise (off-price business model)
  - Flexible purchase terms
  - Odd-size orders
  - Incomplete assortments
  - Prompt payment
  - Delivery straight to distribution center
- Network of 7,500 vendors
- Attractively priced products (discount retailer)
  - 20-60% discounts

Buys excess inventory from other retailers and sells at a lower price

ROSS DRESS FOR LESS®

Operating Margin Retailers

3Q24

Economic Moat

3Q24

Intangible Assets:

- Fast changing assortment of high value products
  - Loosely defined store footprints
  - Wide assortment of products
  - **Treasure hunt experience**: drives foot traffic

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IOFS

3Q24

	2014-01	2015-01	2016-01	2017-01	2018-01	2019-01	2020-01	2021-01	2022-01	2023-01	TTM	Trend	Threshold
IOFS													
Revenue	$ 10,230	$ 11,042	$ 11,940	$ 12,867	$ 14,135	$ 14,984	$ 16,039	$ 12,532	$ 18,916	$ 18,696	$ 19,209		Predictable? Consistent?
Gross profit	$ 2,869	$ 3,104	$ 3,363	$ 3,693	$ 4,092	$ 4,257	$ 4,503	$ 2,693	$ 5,207	$ 4,750	$ 4,997		Predictable? Consistent?
Operating Income	$ 1,343	$ 1,488	$ 1,624	$ 1,803	$ 2,048	$ 2,041	$ 2,146	$ 190	$ 2,333	$ 1,990	$ 2,020		Predictable? Consistent?
Net Income	$ 837	$ 925	$ 1,021	$ 1,118	$ 1,363	$ 1,587	$ 1,661	$ 85	$ 1,723	$ 1,512	$ 1,607		Predictable? Consistent?
Free Cash Flow	$ 471	$ 726	$ 959	$ 1,261	$ 1,310	$ 1,653	$ 1,616	$ 1,841	$ 1,181	$ 1,035	$ 2,088		Predictable? Consistent?
EBIT	$ 1,344	$ 1,489	$ 1,625	$ 1,806	$ 2,060	$ 2,067	$ 2,174	$ 194	$ 2,334	$ 2,068	$ 2,194		Predictable? Consistent?
EBITDA	$ 1,550	$ 1,722	$ 1,900	$ 2,108	$ 2,373	$ 2,398	$ 2,525	$ 559	$ 2,694	$ 2,463	$ 2,597		Predictable? Consistent?
Dividend Yield %	1	0.87	0.84	0.82	0.78	0.98	0.91	0.26	1.17	1.05	1.09		Predictable? Consistent?
Gross Margin	*28.0%*	*28.1%*	*28.2%*	*28.7%*	*29.0%*	*28.4%*	*28.1%*	*21.5%*	*27.5%*	*25.4%*	*26.0%*		>40%
Operating Margin	*13.1%*	*13.5%*	*13.6%*	*14.0%*	*14.5%*	*13.6%*	*13.4%*	*1.5%*	*12.3%*	*10.6%*	*10.5%*		>20%
Net Margin	*8.2%*	*8.4%*	*8.5%*	*8.7%*	*9.6%*	*10.6%*	*10.4%*	*0.7%*	*9.1%*	*8.1%*	*8.4%*		>10%
FCF Margin	*4.6%*	*6.6%*	*8.0%*	*9.8%*	*9.3%*	*11.0%*	*10.1%*	*14.7%*	*6.2%*	*5.5%*	*10.9%*		>10%
D&A/ Gross Profit	*7.2%*	*7.5%*	*8.2%*	*8.2%*	*7.7%*	*7.8%*	*7.8%*	*13.5%*	*6.9%*	*8.3%*	*8.1%*		<60%
R&D/ Gross Profit	*0*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*		<60%
SG&A/ Gross Profit	*53.2%*	*52.0%*	*51.7%*	*51.2%*	*49.9%*	*52.1%*	*52.3%*	*93.0%*	*55.2%*	*58.1%*	*59.6%*		<80%
SBC/ Revenue	*0.5%*	*0.5%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.8%*	*0.7%*	*0.7%*	*0.7%*		<5%
Capex/ Net Income	*65.7%*	*69.9%*	*36.0%*	*26.7%*	*27.3%*	*26.1%*	*33.4%*	*474.8%*	*32.4%*	*43.3%*	*#BUSY!*		<25%
Dividend Payout ratio	*570.6%*	*552.5%*	*18.7%*	*19.1%*	*18.0%*	*21.1%*	*22.2%*	*118.8%*	*23.4%*	*28.3%*	*27.3%*		<60%
Shares Outstanding	431.6	418.1	406.4	395.0	384.3	372.7	361.2	354.6	353.7	345.2	337.9		Decreasing? Consistent?
Returns %													
ROE	44.4	43.1	43.0	42.8	47.0	50.0	49.8	2.6	46.9	36.2	37.7		>15%
ROTE	44.4	43.2	43.0	42.8	47.0	50.0	49.8	2.6	46.9	36.2	37.7		>15%
ROIC	45.2	41.1	41.6	45.1	53.1	59.3	36.0	2.3	26.4	21.7	21.6		>15%
ROCE	56.6	53.8	51.6	52.9	56.0	52.6	40.6	2.5	25.7	21.5	22.5		>15%
ROA	22.1	21.5	21.4	22.0	24.7	26.9	21.5	0.8	13.1	11.2	11.9		>15%
ROC	78.9	71.1	70.3	77.2	87.1	84.8	53.1	3.4	39.8	33.9	35.1		>15%
Leverage & Liquidity													
LT Debt	150	396	396	396	312	312	2923	5070	4992	5050	5112		
ST Debt	0	0	0	0	85	0	0	65	0	0	0		
PF Stock	0	0	0	0	0	0	0	0	0	0	0		
Leases*7	0	0	0	0	0	0	3951	4187	4414	4592	4676		
Pension SF	#CALCULATION?										#CALCULATION?		
Cash	$ 423	$ 697	$ 762	$ 1,112	$ 1,290	$ 1,413	$ 1,351	$ 4,819	$ 4,922	$ 4,552	$ 4,584		
Obligation Ratio [1]	(0.3)x	(0.3)x	(0.4)x	(0.6)x	(0.7)x	(0.7)x	3.3x	52.7x	2.6x	3.4x	3.2x		<5
Cash/ Revenue	4.1%	6.3%	6.4%	8.6%	9.1%	9.4%	8.4%	38.5%	26.0%	24.3%	23.9%		
Per Share Data													
Revenue	$ 23.70	$ 26.41	$ 29.38	$ 32.58	$ 36.78	$ 40.21	$ 44.41	$ 35.34	$ 53.48	$ 54.16	$ 56.34		Predictable? Consistent?
Owners Earnings	$ 1.66	$ 2.34	$ 2.08	$ 2.80	$ 3.19	$ 4.39	$ 4.86	$ 4.30	$ 3.56	$ 3.54	$ 7.00		Predictable? Consistent?
Earnings	$ 1.94	$ 2.21	$ 2.51	$ 2.83	$ 3.55	$ 4.26	$ 4.60	$ 0.24	$ 4.87	$ 4.38	$ 4.72		Predictable? Consistent?
Operating Cash Flow	$ 2.37	$ 3.28	$ 3.26	$ 3.95	$ 4.38	$ 5.55	$ 6.01	$ 6.33	$ 4.92	$ 4.89	$ 8.39		Predictable? Consistent?
Free Cash Flow	$ 1.09	$ 1.74	$ 2.36	$ 3.19	$ 3.41	$ 4.44	$ 4.47	$ 5.19	$ 3.34	$ 3.00	$ 6.12		Predictable? Consistent?
Dividends	$ 0.34	$ 0.40	$ 0.47	$ 0.54	$ 0.64	$ 0.90	$ 1.02	$ 0.29	$ 1.14	$ 1.24	$ 1.29		Predictable? Consistent?
Book Value	$ 4.70	$ 5.49	$ 6.14	$ 7.01	$ 8.03	$ 8.98	$ 9.42	$ 9.23	$ 11.54	$ 12.51	$ 13.14		Predictable? Consistent?
Tangible Book Value	$ 4.70	$ 5.49	$ 6.14	$ 7.01	$ 8.03	$ 8.98	$ 9.42	$ 9.23	$ 11.54	$ 12.51	$ 13.14		Predictable? Consistent?
Valuation													

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COVID – 19

3Q24

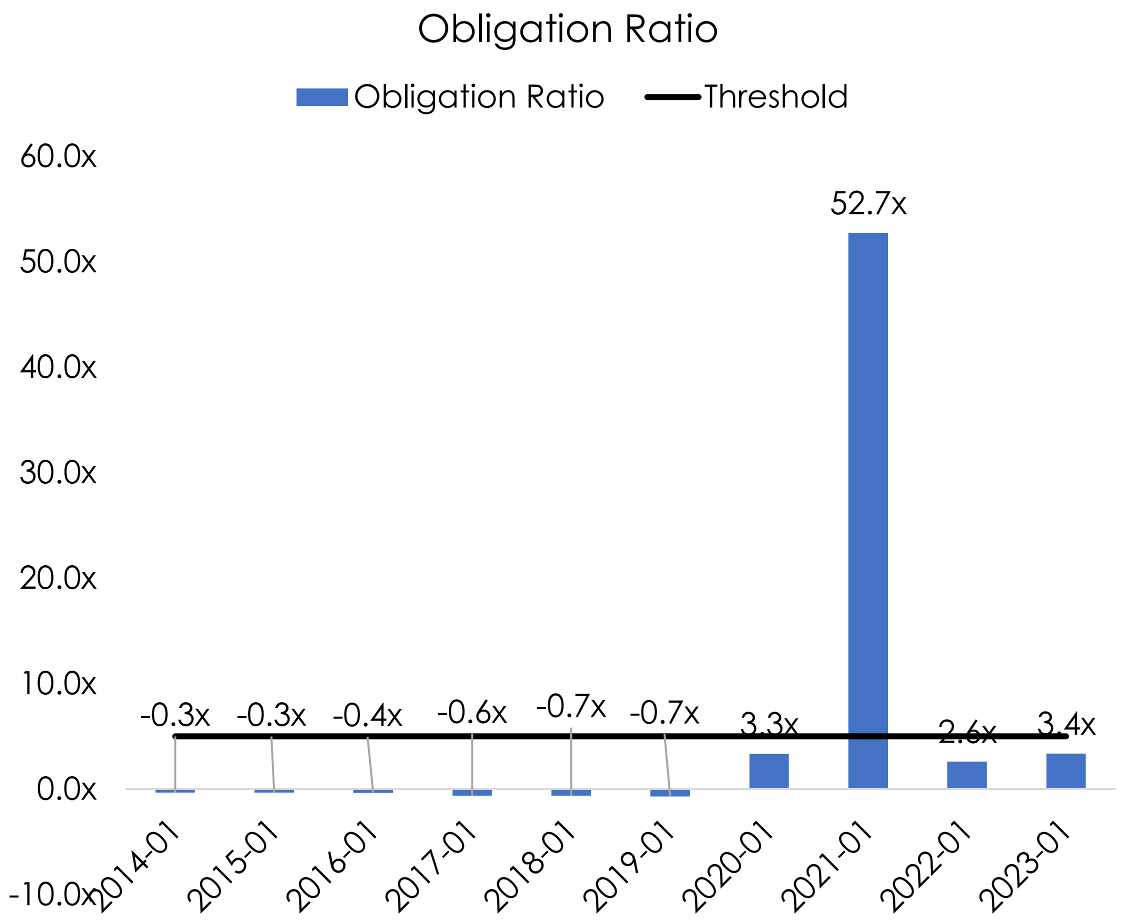
Stores closed

Lack of digital business:

- Discreet merchandise sell-off
- Protects treasure hunt experience

Took out $5B in debt

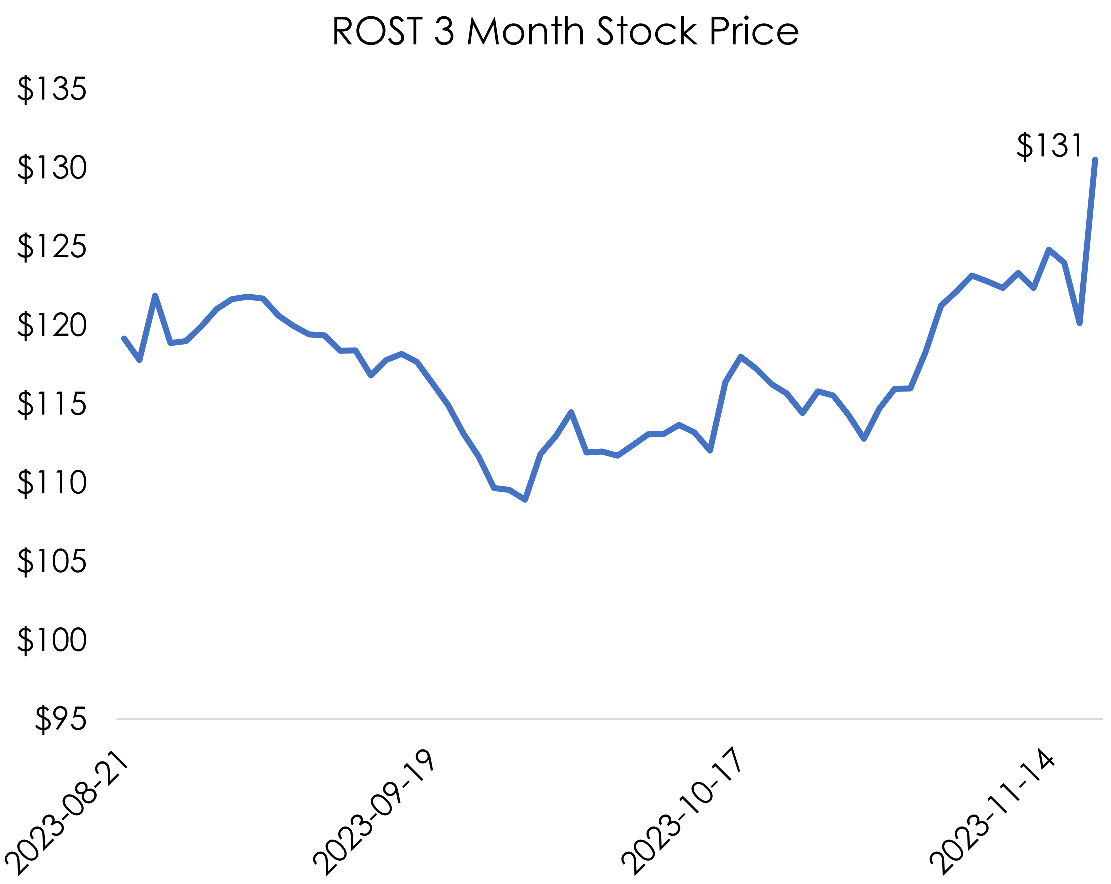
- Favorable rates
- No end in sight



Beat or Miss?

3Q24

- **Beat** revenue estimates by 1.8%
- **Beat** EPS estimates by 8.9%



Results

3Q24

- Revenue grew 7.9%
- Gross profit margin expanded 260bps or 2.6%
- Operating margin expanded 140bps or 1.4%
- Net margin expanded 160bps or 1.6%
- Diluted EPS grew 33%
- Diluted shares outstanding decreased -2.2%
- Store count increases 4.6%

		3Q24		3Q23	Variance
Sales		4,924,849		4,565,489	7.9%
Costs and Expenses Cost of goods sold		3,564,268		3,424,046	4.1%
Gross Profit		1,360,581		1,141,443	19.2%
Gross Profit Margin		27.6%		25.0%	260bps
Selling, general and administrative		810,470		693,367	16.9%
Operating Income		550,111		448,076	22.8%
Operating Margin		11.2%		9.8%	140bps
Interest (income) expense, net		-43,319		-2,802	1446.0%
Earnings before taxes		593,430		450,878	31.6%
Provision for taxes on earnings		146,103		108,842	34.2%
Tax rate		24.6%		24.1%	2.0%
Net Earnings	$	447,327	$	342,036	30.8%
Net Margin		9.1%		7.5%	160bps
Earnings per share Basic	$	1.34		1	34.0%
Diluted	$	1.33	$	1	33.0%
Weighted-average shares outstanding (000) Basic		334,282		342,120	-2.3%
Diluted		336,261		343,720	-2.2%
Store count at end of period		2,112		2,019	4.6%

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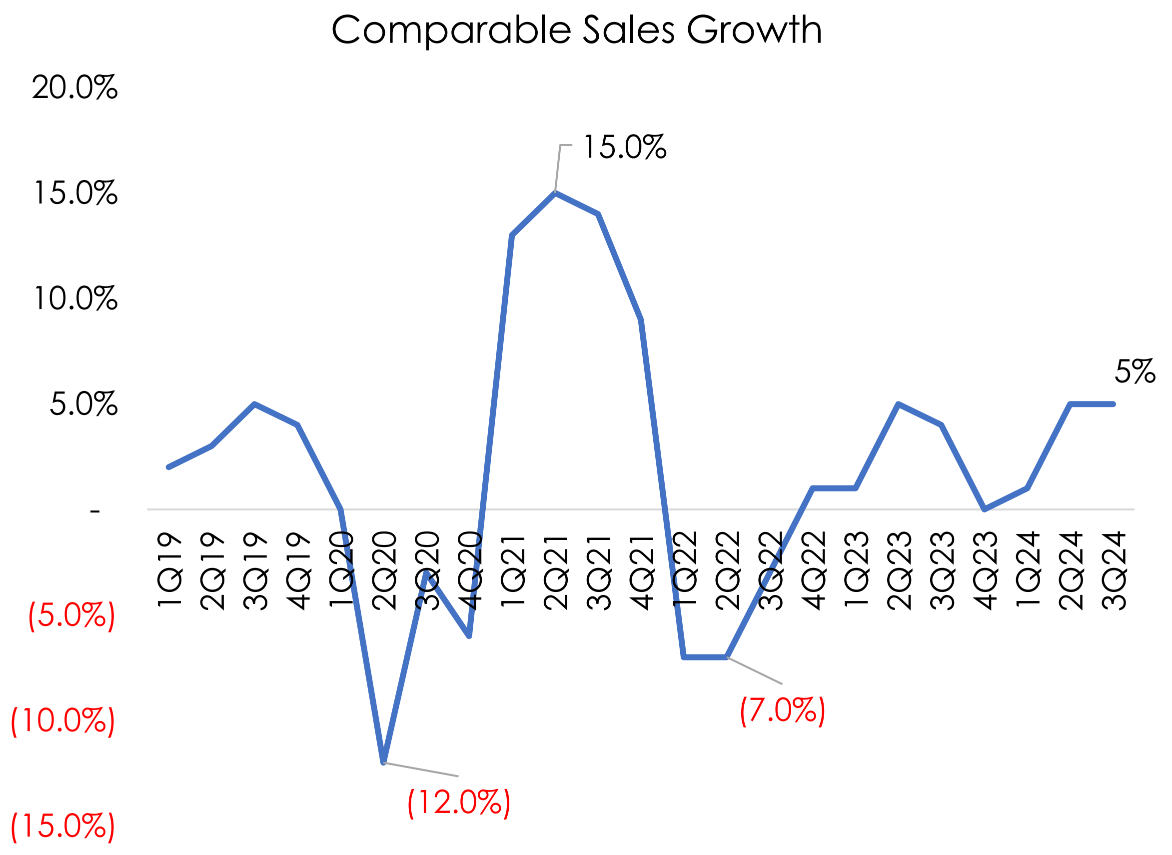
Topline Drivers – Key Performance Indicators

3Q24

- Store count increased 4.6% to 2,122 stores
  - 72 Ross Stores
  - 22 DD’s discounts
- Comparable sales growth was 5%
  - Higher foot traffic
  - Shoes, Cosmetics, and Accessories



Expenses

3Q24

Gross margin expanded 260bps:

- Merchandise margin increased 235 bps
- Lower freight expense

Operating margin expanded 140bps:

- Wage inflation
- Higher incentive cost

4Q Guidance

3Q24

- Same store sales growth 1 – 2%
- EPS to be $1.56 - $1.62

Full Year (FY 2024):

- EPS to be $5.30 - $5.36
- Sales growth of 8 – 10%
- $260 million benefit from 53rd week
- Operating margin to be 11.5% - 11.7%

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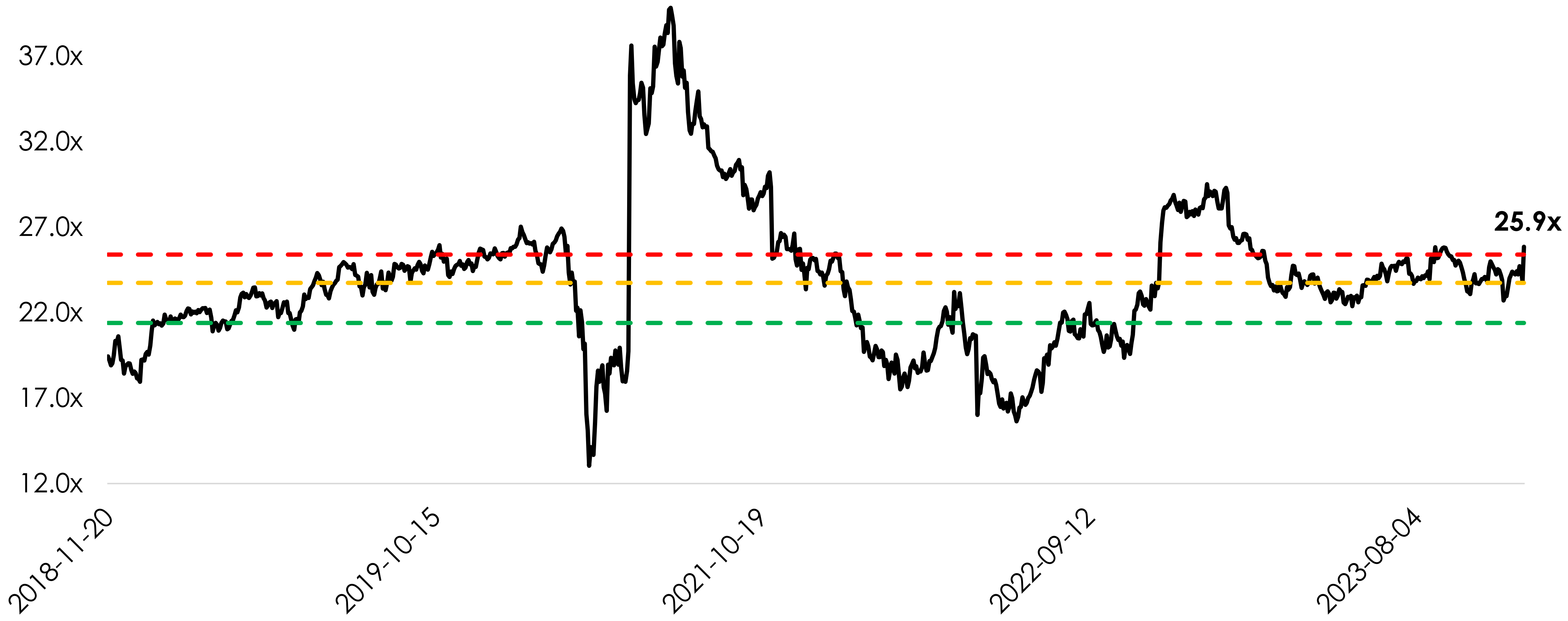
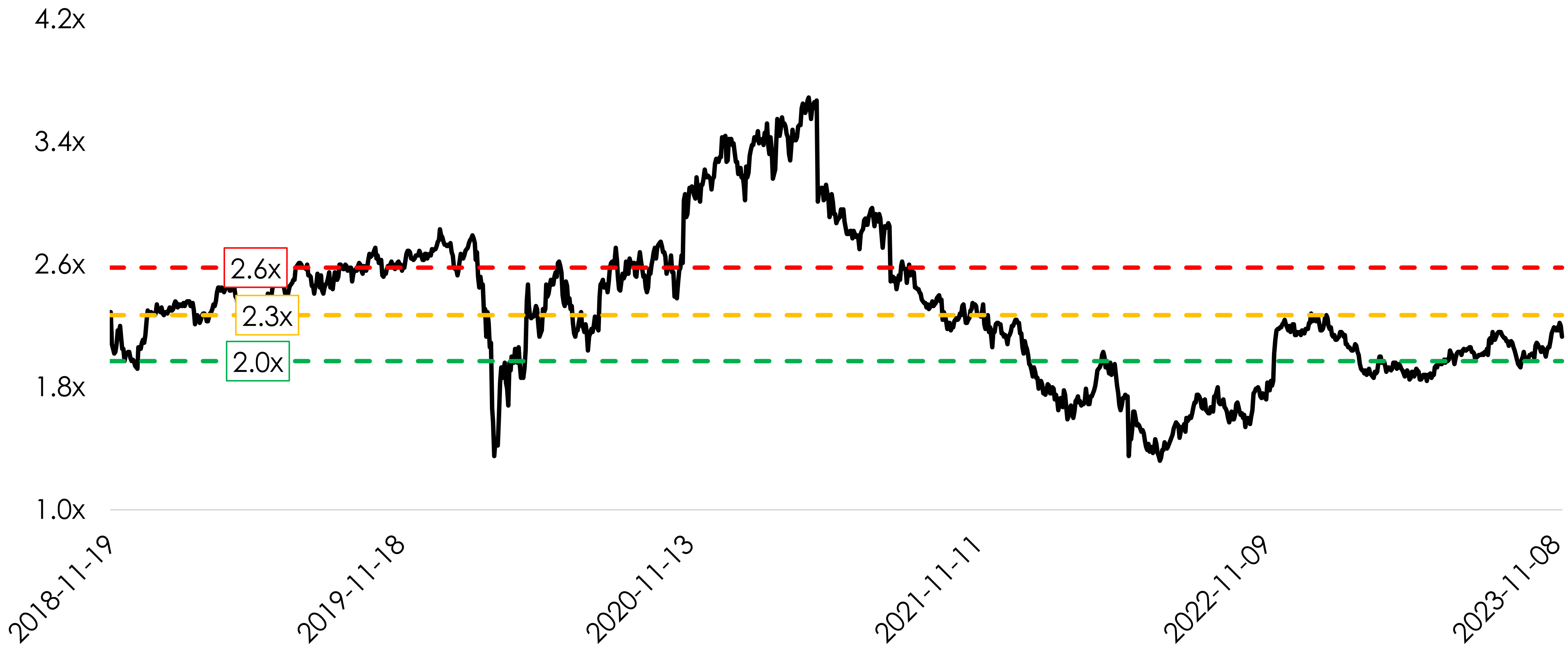
Value Bands – 5 Year (PE Ratio)

3Q24



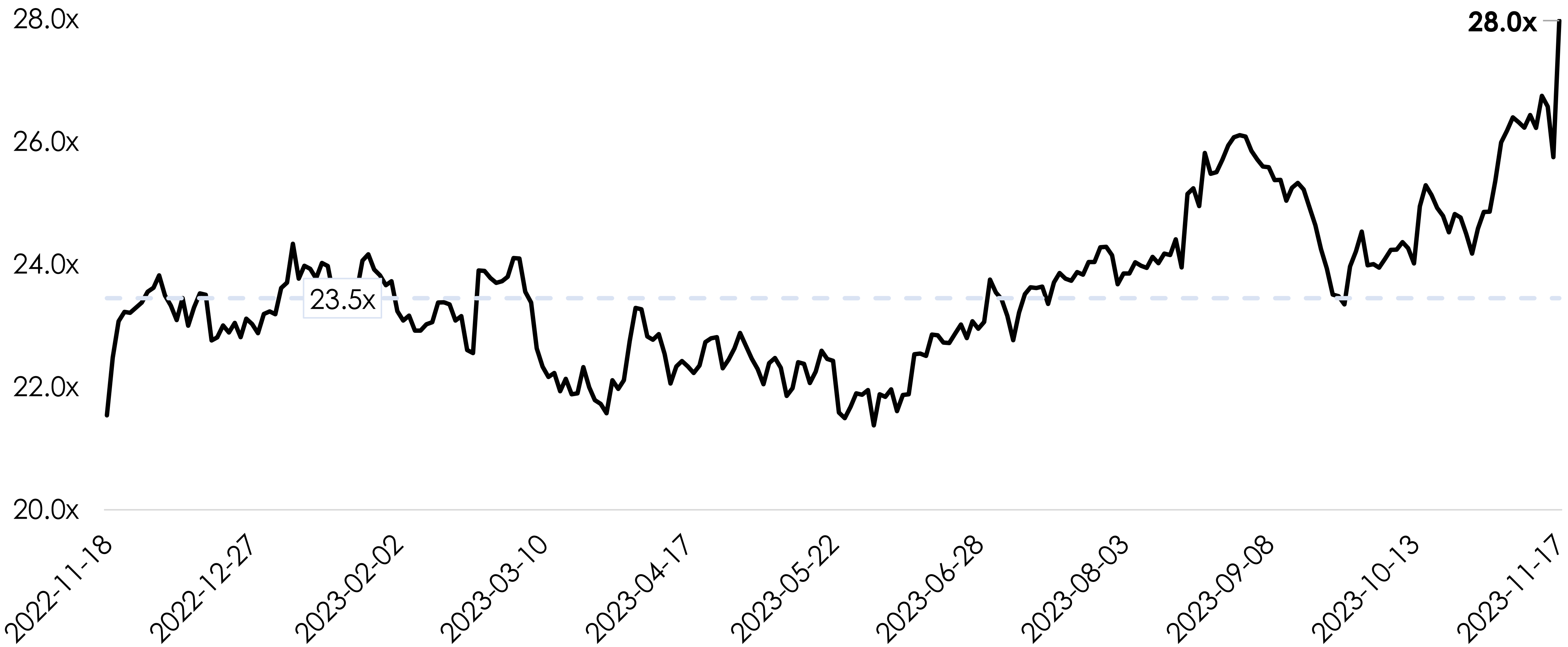
Value Bands – 5 Year EPS (PS Ratio)

3Q24



Forward PE Ratio

3Q24



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5 Year EPS Model

3Q24

Discount rate:
11%

Ticker: **ROST**

Price: $129.35

5 Year Discounted Cash Flow

								P/E	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EPS**	**Current**	**2023**	**2024**	**2025**	**2026**	**2027**	19.0x	$128.13	$76.04	(0.9)%	**(0.2)%**
		$4.72	$5.14	$5.50	$5.89	$6.30	$6.74	22.0x	$148.36	$88.05	14.7%	**2.8%**
			9%	*7%*	*7%*	*7%*	*7%*	25.0x	$168.59	$100.05	30.3%	**5.4%**
Base	**EPS**	**Current**	**2023**	**2024**	**2025**	**2026**	**2027**	19.0x	$140.52	$83.39	8.6%	**1.7%**
		$4.72	$5.24	$5.71	$6.22	$6.78	$7.40	22.0x	$162.70	$96.56	25.8%	**4.7%**
			11%	*9%*	*9%*	*9%*	*9%*	25.0x	$184.89	$109.72	42.9%	**7.4%**
Bull	**EPS**	**Current**	**2023**	**2024**	**2025**	**2026**	**2027**	19.0x	$153.84	$91.30	18.9%	**3.5%**
		$4.72	$5.33	$5.92	$6.57	$7.29	$8.10	22.0x	$178.13	$105.71	37.7%	**6.6%**
			13%	*11%*	*11%*	*11%*	*11%*	25.0x	$202.42	$120.13	56.5%	**9.4%**

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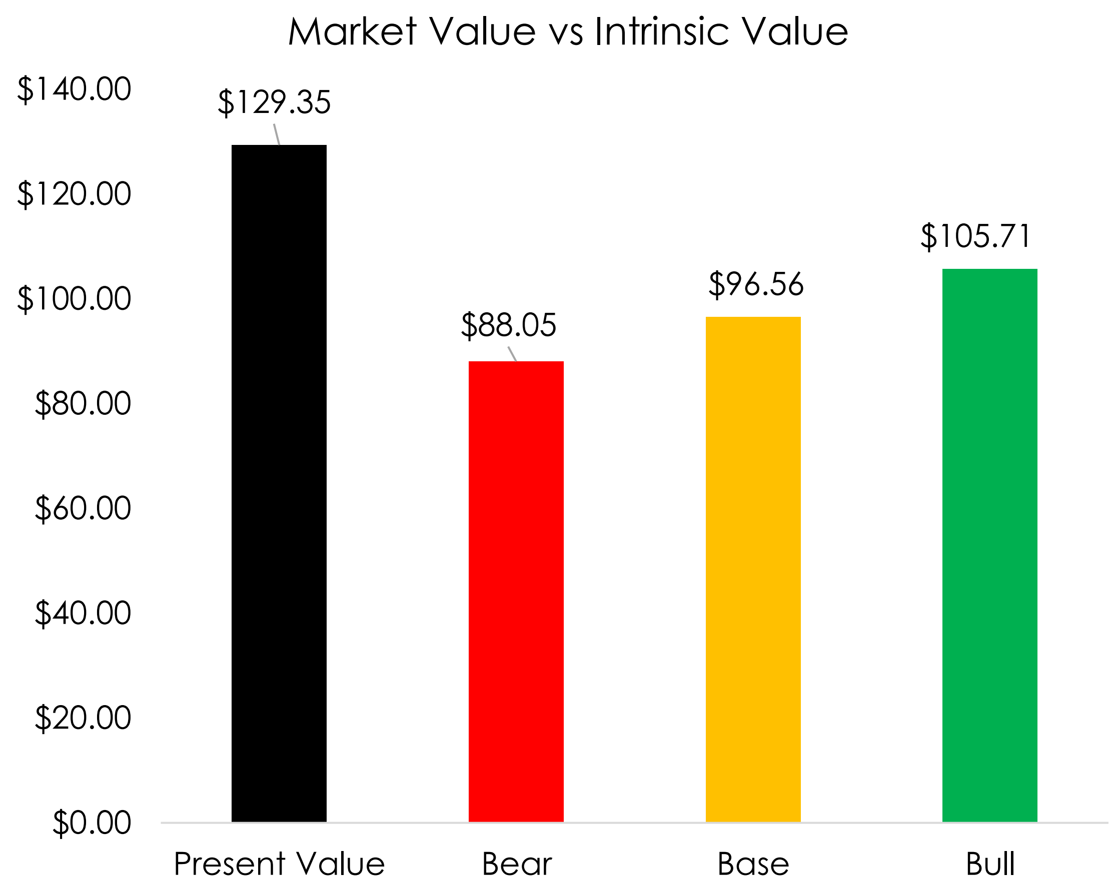
Model Results

3Q24

Total RoR Sensitivity			
	Est. EPS growth rate		
P / E	7%	9%	11%
19.0x	(0.2)%	1.7%	3.5%
22.0x	2.8%	4.7%	6.6%
25.0x	5.4%	7.4%	9.4%



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