



Tasha, Amanda, Chase, Jonathan, Wade

Bed, Bath, & Beyond

Background

1971: Founded by Warren Eisenberg and Leonard Feinstein

Headquartered in Union, New Jersey

Originally Bed n' Bath

1985: Expanded to 17 locations

1987: Changed to Bed, Bath, & Beyond

1992: IPO, expanded to 34 stores

2014: 1,513 stores operating today

43,041,000 square feet of store space

Averaging \$270 per square feet

Company Information

Domestic Commodity Retailer (11% Market Share)

Sells domestics merchandise and home furnishings

Industry leader in housing goods sales

Expanding online and global presence

Distribution facilities

Intermodal rail

moved 89% of truckload miles via intermodal service on the four main railroads

Company Strategy

To do more for and with its customers;

To continue to broaden its customer base; and

To engage with its customers wherever, whenever and however they prefer whether it be in-store, online, through a mobile device, or in any combination of these methods.

Operating Segments

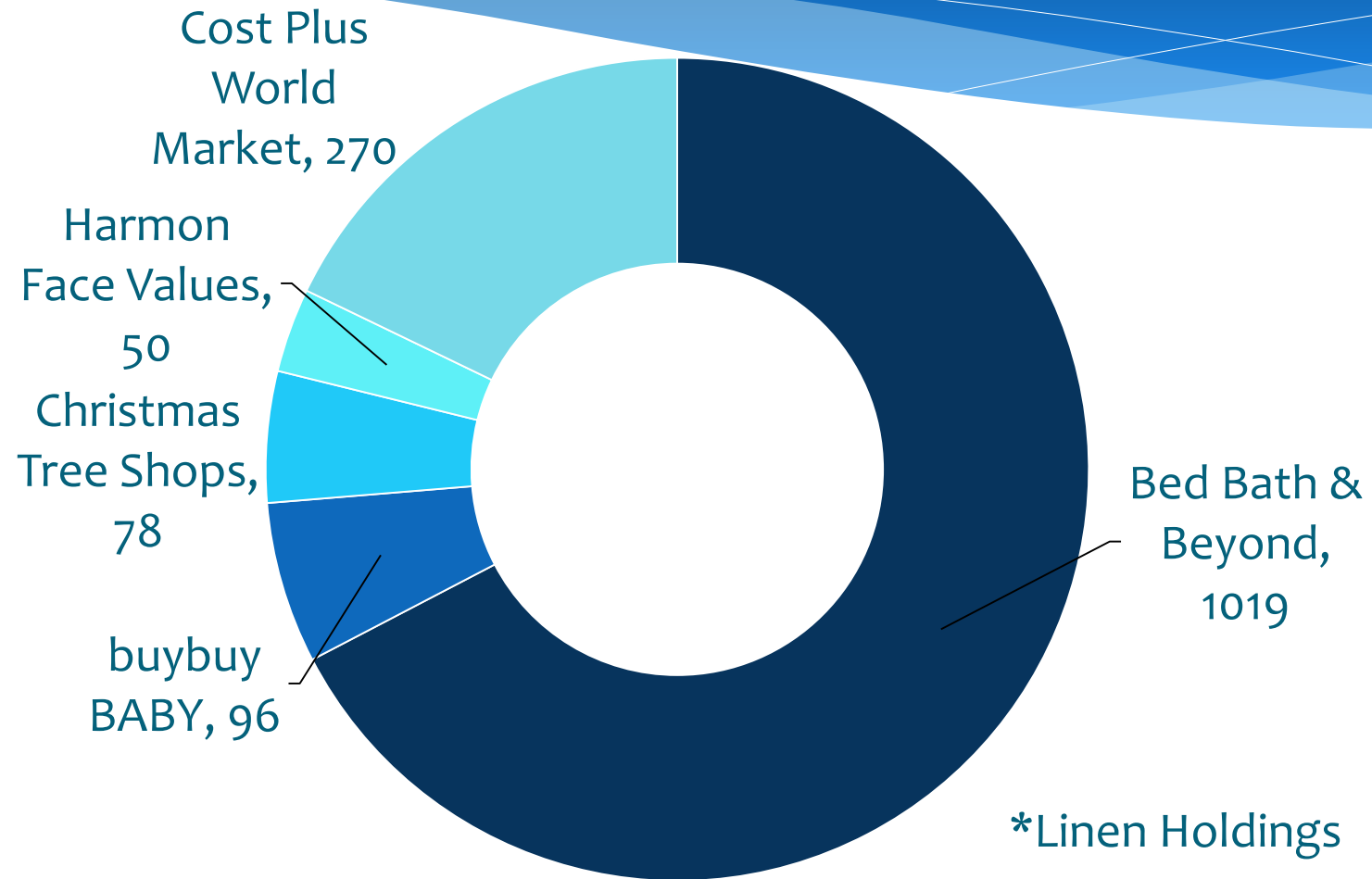
Institutional Sales

Linen Holdings

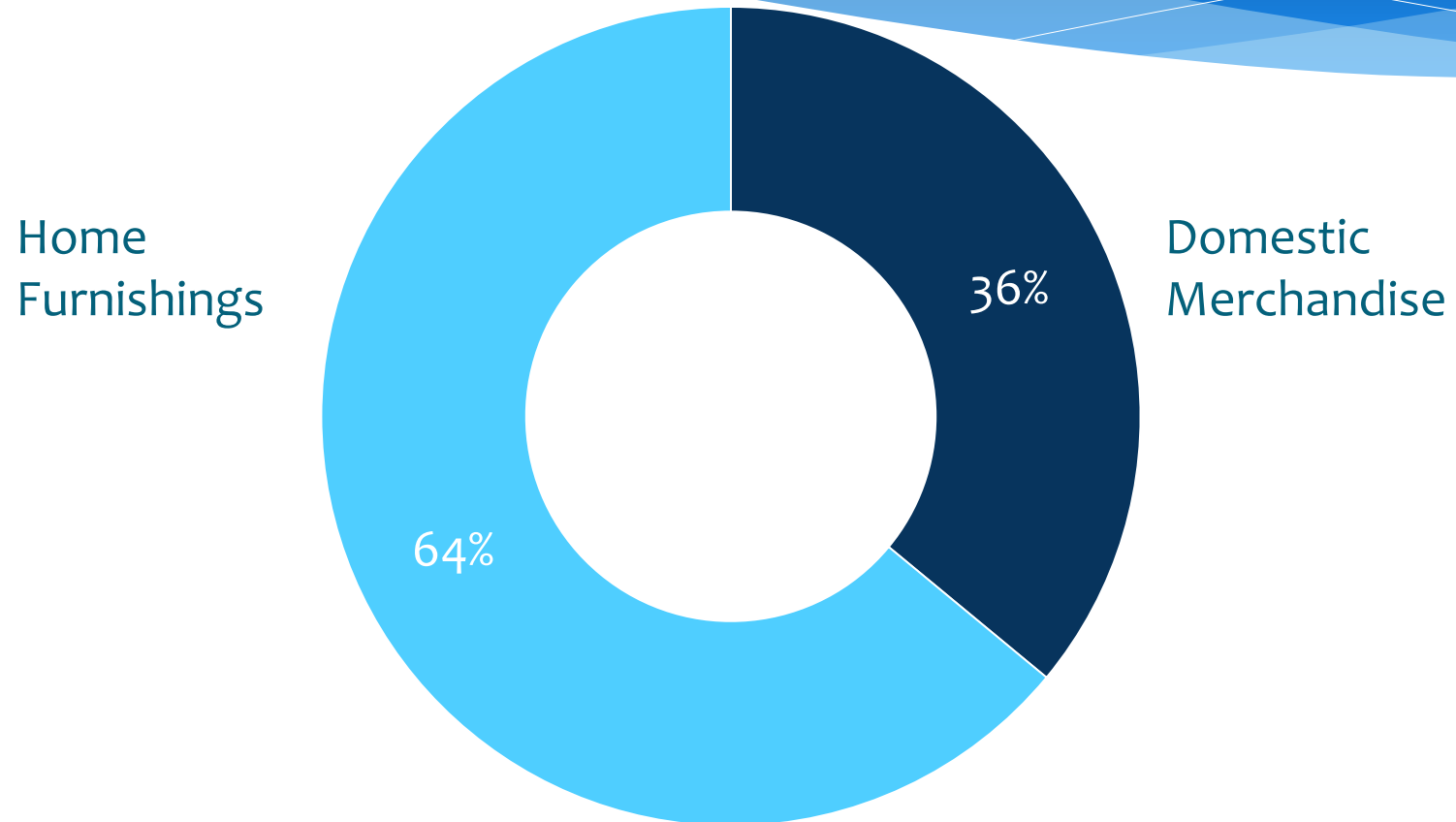
North American Retail

Domestics merchandise and home furnishings

Subsidiaries



Net Sales



Social Responsibility

Good360

HealthyWomen

Head Injury Association

National Fish & Wildlife Association

Armed Forces & Military Appreciation Offer

Corporate Campus RubberWay® Walkway

**BED BATH &
BEYOND**

2005	2007	2009	2011	2013	2014
809	971	1100	1173	1496	1513



Qualitative Analysis

Business Strategy

Merchandizing Strategy

Overcame the Paradox of Choice

Merchandizing Strategy

Guided pathway

Stumble upon other “have to have” items

“Big Box” Retail Strategy



Merchandizing Strategy

Guided pathway

Stumble upon other “have to have” items

“Big Box” Retail Strategy

“Came in here for a motherf***ing shower curtain and walked out dropping \$300.”
-Aggressively Happy Customer



Business Strategy

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Overcame the Paradox of Choice

Conservative Fiscal Strategy

Low debt

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Long Standing Management

CEO since 1992

President and CMO since 1977

Business Strategy



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Customer Care

Coupons

Return Policy → fuels wedding registry

Omnichannel

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Real Estate Strategy

Scout cheap real estate

Stand alone

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Stand alone

Supply Chain Management

Distribution Centers

Risk Factors

General Risks

- Poor economic conditions
- Consumer preferences and spending habits
- Unusual weather patterns
- Increasing competition
- Ability to find suitable locations; growth

BBBY Specific

- Pure e-commerce players take market share
- Poor execution of omnichannel strategy

Future Prospects

Online Presence

- 50% increase in sales

- 13 percentage points better in operating margin

Further enhance omnichannel capabilities

- New functionality

- Opening a new distribution center

Expanding Market Share

- Adding about 30 more stores

Protective Moat

Merchandizing Strategy

Omnichannel Presence

Decentralized Distribution System

Qualitative Review

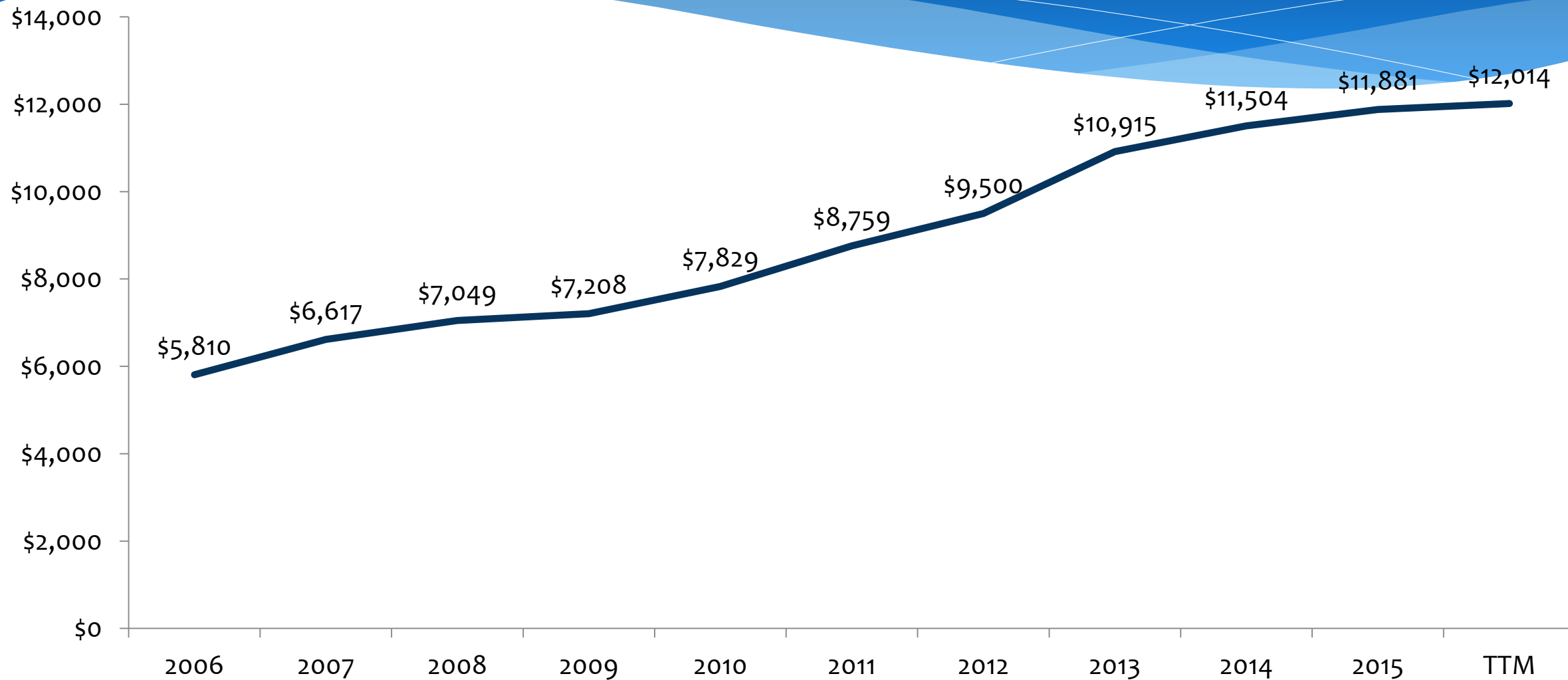
What type of business is this: commodity or sustained competitive advantage?	Competitive Advantage
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	No
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage.	No

Quantitative Analysis

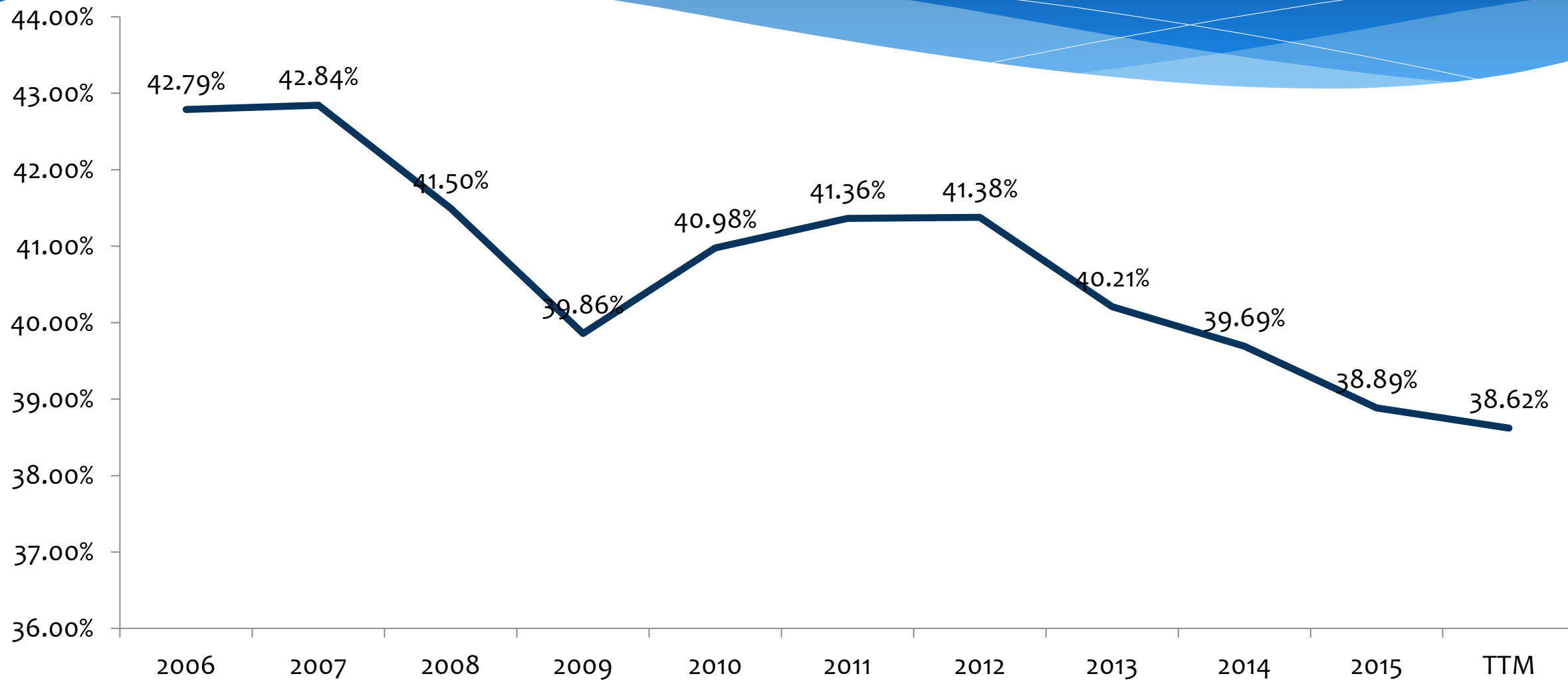
Interpretation of Financial Statements

<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	38.62%	≥ 20%	Yes
% SGA	67.50%	≤ 80%	Yes
% R&D	0.00%	≤ 10%	Yes
% Depreciation	5.37%	≤ 10%	Yes
Interest % of OP	0.00%	≤ 15%	Yes
Net Profit Margin	7.55%	≥ 10%	No
Current Ratio	2.00	≥ 1	Yes
Obligation Ratio (without leases)	5.77 1.80	< 5 years	No*
Adj. Debt to Shareholder Equity	0.37	< 0.8	Yes
Return on Equity	35.32%	≥ 15%	Yes
Return on Capital	22.30%	≥ 15%	Yes
Dividend Payout Ratio	0.00%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	32.28%	≤ 25%	No
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

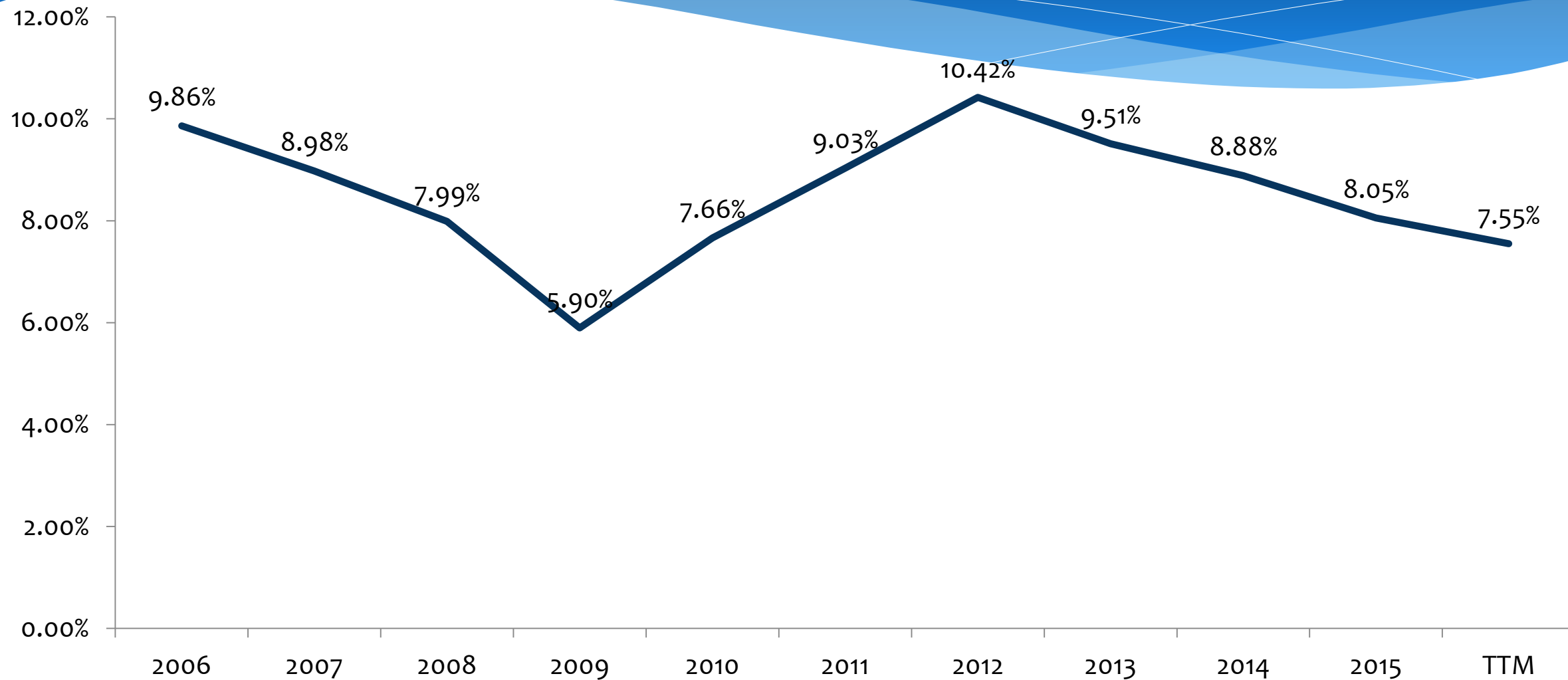
Revenues



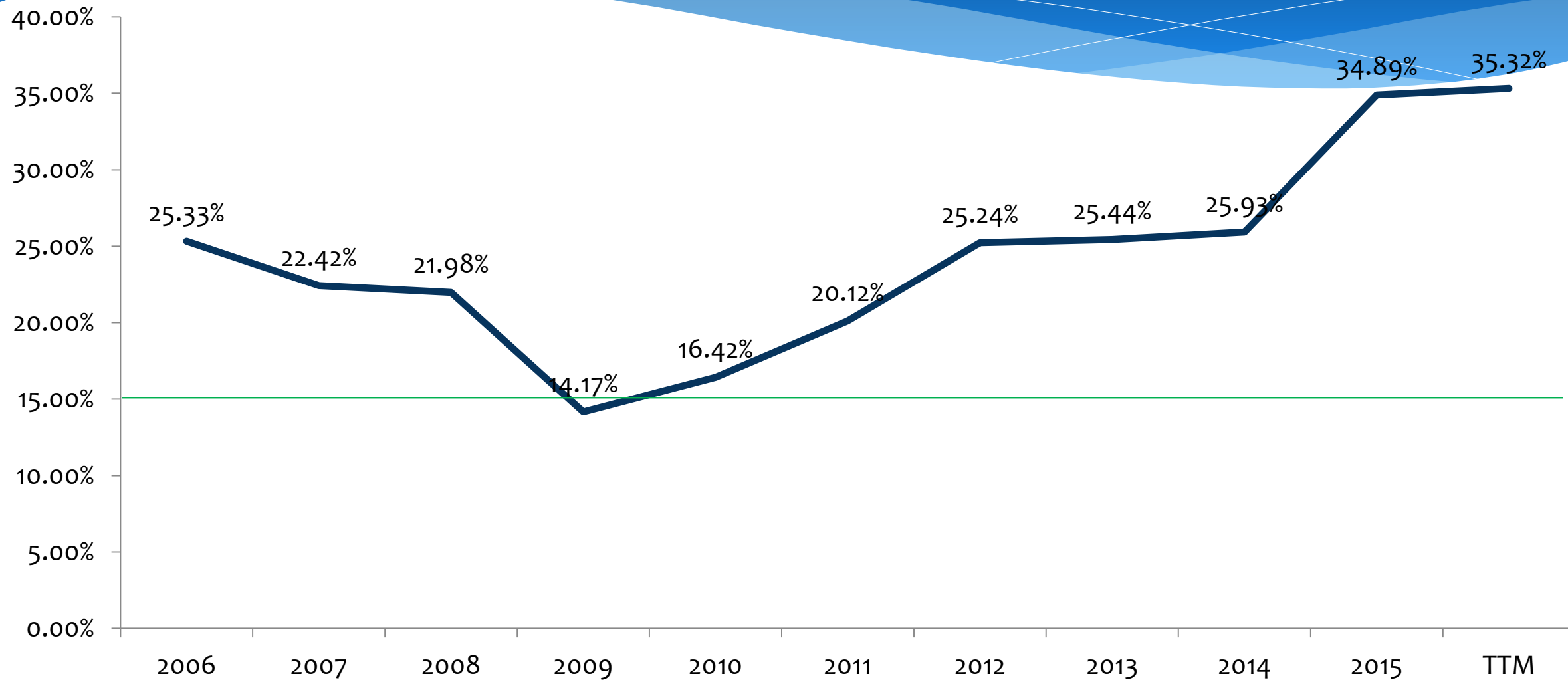
Gross Profit Margin



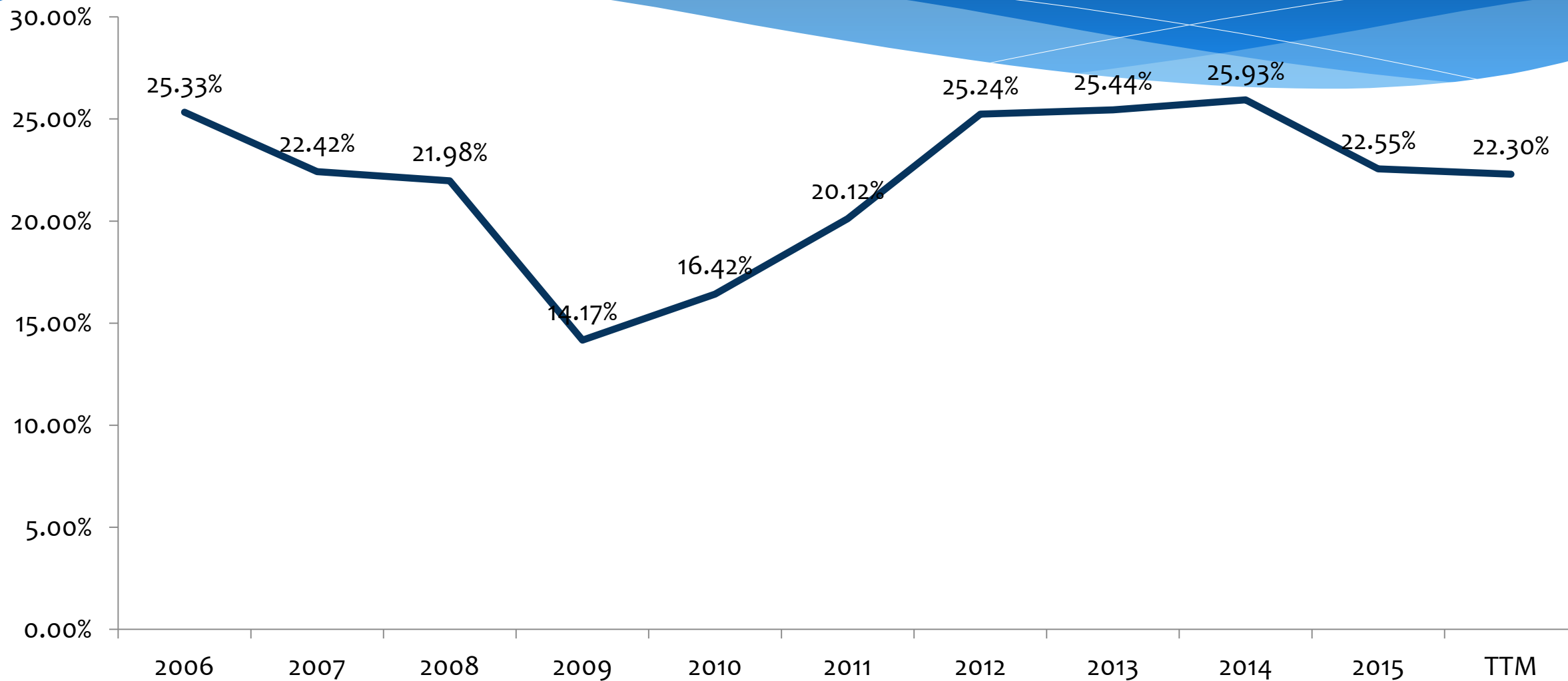
Net Profit Margin



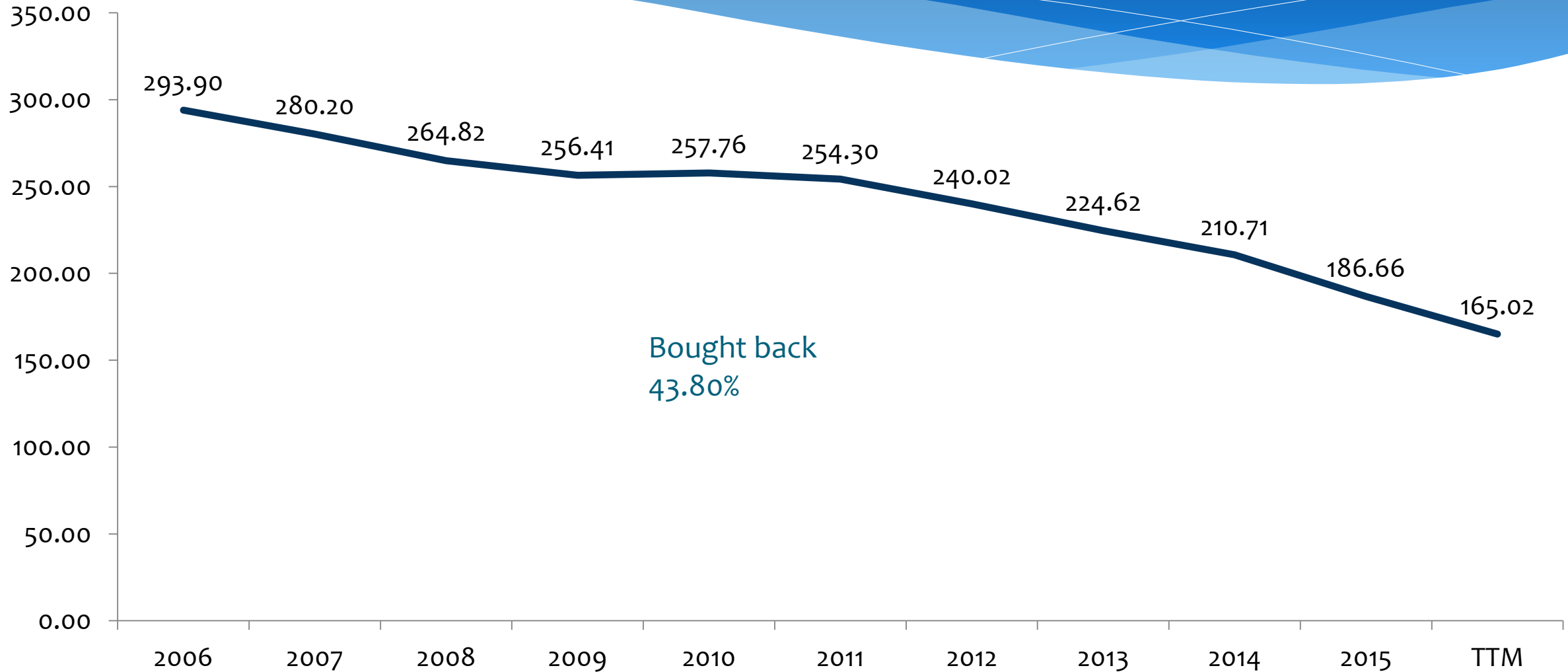
Return on Equity



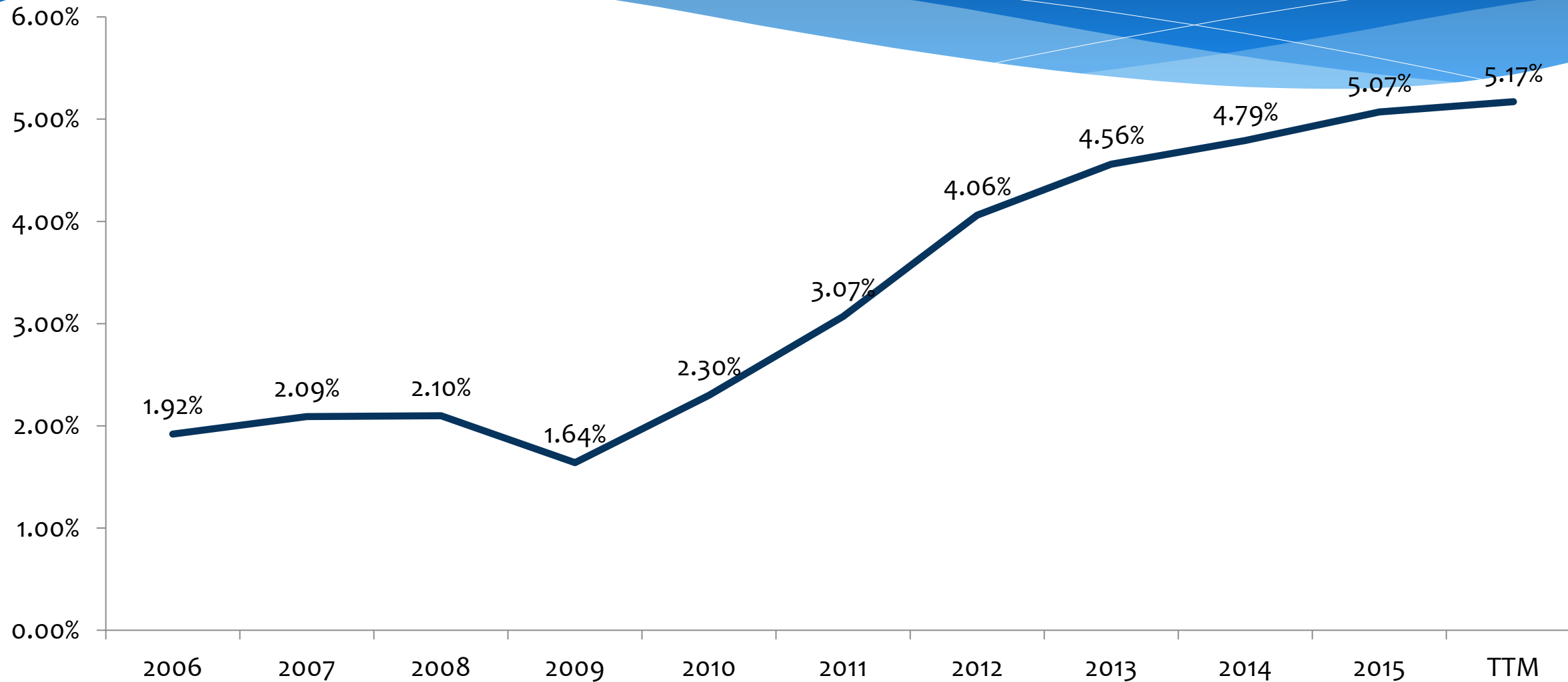
Return on Capital



Total Shares Outstanding



Earnings Per Share



10 Year Growth

2005

Revenue: \$5.8 billion

Income: \$573 million

Equity: \$7.61 (per share)

Shares: 299 million

Price: \$40.18

2015

Revenue: \$11.9 billion

Income: \$929 million

Equity: \$15.05 (per share)

Shares: 181 million

Price: \$53.33

Buffettology

Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Capital Spending per Share	Variable
Book Value per Share	Decreasing
Revenues (Sales)	Increasing
Gross Profit Margin	Decreasing
Operating Profit Margin	Decreasing
Number of Stores	Increasing
Net Profit	Decreasing
Net Profit Margin	Decreasing
Working Capital	Increasing
Shareholder's Equity	Decreasing
Return on Total Capital	Decreasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Decreasing
Long-Term Debt	Stable
LT Debt Payable in 5 years	Stable

Discounted Cashflow Model

Discounted Cashflow

Earnings Per Share : \$?

Growth Rate In the Next: Years : % ?

Business Predictability  ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?



DCF Reverse DCF NEW

Tangible Book Value: \$ Add to Fair Value ?

Growth Value: \$ **49.23** ?

Terminal Value: \$ **32.16** ?

= Fair Value: \$ 81.39 ?

Margin Of Safety: **34%**

- Also see:
- [Summary](#)
 - [Guru Trades](#)
 - [10-Y Financials](#)
 - [Analysis](#)
 - [Financial Charts](#)
 - [Insider](#)

Financial Data of Bed Bath & Beyond Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	13.40	16.30	19.70
EBITDA Growth (%)	13.60	15.80	13.20
EBIT Growth (%)	13.80	16.20	11.70
EPS without NRI Growth (%)	13.10	16.70	7.30
Free Cash Flow Growth (%)	18.10	10.80	-23.70
Book Value Growth (%)	10.10	3.50	-3.00

Reverse Discounted Cashflow

Earnings Per Share : \$?

Growth Rate In the Next: Years ?

Business Predictability  ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?



DCF **Reverse DCF** NEW

= Growth Rate: 4.42% ?

Revenue Growth Rate: 13.40%(10y) 16.30%(5y) 19.70%(1y) ?

EBITDA Growth Rate: 13.60%(10y) 15.80%(5y) 13.20%(1y) ?

Earnings Growth Rate: 13.10%(10y) 16.70%(5y) 7.30%(1y) ?

Free Cash Flow Growth Rate: 18.10%(10y) 10.80%(5y) -23.70%(1y) ?

Book Value Growth Rate: 10.10%(10y) 3.50%(5y) -3.00%(1y) ?

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Conscious Investor

Conscious Investor – 3 year

2/06	2/07	2/08	2/09	2/10	2/11	2/12	2/13	2/14	2/15	EPSttm	Years	HGROWTH	STAEGR®
1.920	2.090	2.100	1.644	2.304	3.066	4.057	4.557	4.791	5.069	\$5.183	3	5.47%	99.94%
19.544	23.352	27.224	27.754	29.779	34.802	40.337	48.266	54.028	68.213		3	18.88%	97.96%

3 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®
Default	53.36	\$5.183	13.27	5.47%	0.0%	6.94%	10.00%	39.15
Safety	53.36	\$5.183	9.27	5.34%	0.0%	3.51%	10.00%	27.02

Cut P/E by 30%
Cut Growth by 2.4%

Conscious Investor – 6 year

	2/06	2/07	2/08	2/09	2/10	2/11	2/12	2/13	2/14	2/15	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	1.920	2.090	2.100	1.644	2.304	3.066	4.057	4.557	4.791	5.069	\$5.183	6	16.62%	91.60%
SPS (\$)	19.544	23.352	27.224	27.754	29.779	34.802	40.337	48.266	54.028	68.213		6	17.47%	98.82%

6 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®
Default	53.36	\$5.183	13.27	16.62%	0.0%	17.46%	10.00%	106.95
Safety	53.36	\$5.183	9.27	11.23%	0.0%	8.63%	10.00%	46.55

Cut P/E by 30%
Cut Growth by 32%

Conscious Investor – 10 year


	2/06	2/07	2/08	2/09	2/10	2/11	2/12	2/13	2/14	2/15	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	1.920	2.090	2.100	1.644	2.304	3.066	4.057	4.557	4.791	5.069	\$5.183	10	13.78%	84.88%
SPS (\$)	19.544	23.352	27.224	27.754	29.779	34.802	40.337	48.266	54.028	68.213		10	13.71%	94.84%

10 Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®
Default	53.36	\$5.183	13.27	13.78%	0.0%	14.72%	10.00%	83.58
Safety	53.36	\$5.183	9.27	9.87%	0.0%	7.42%	10.00%	41.16

Cut P/E by 30%
Cut Growth by 28.4%

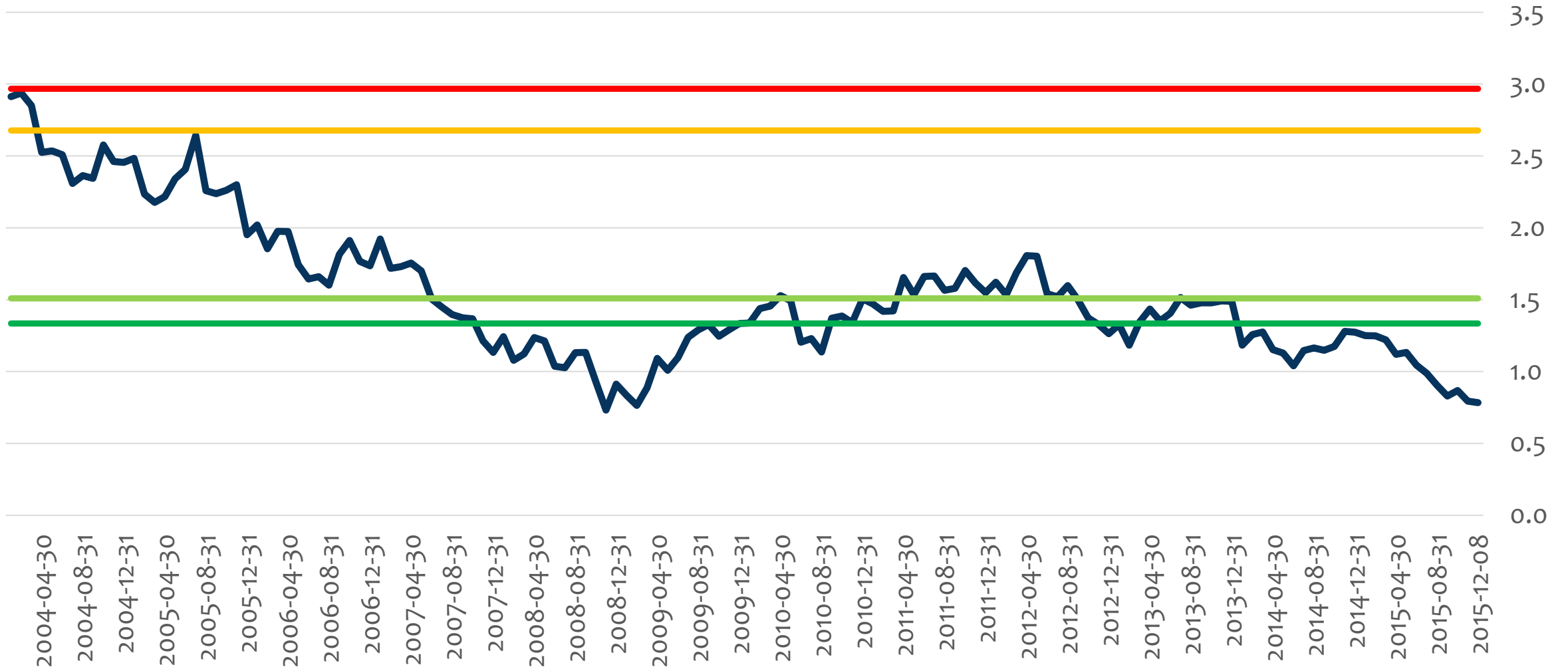
Kill It

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®	Req Return	TARG®
Default	53.36	\$5.183	13.27	13.78%	0.0%	14.72%	10.00%	83.58
Safety	53.36	\$5.183	9.27	9.87%	0.0%	7.42%	10.00%	41.16
 Saved	53.36	\$5.183	7.00	4.00%	0.0%	0.05%	10.00%	17.95

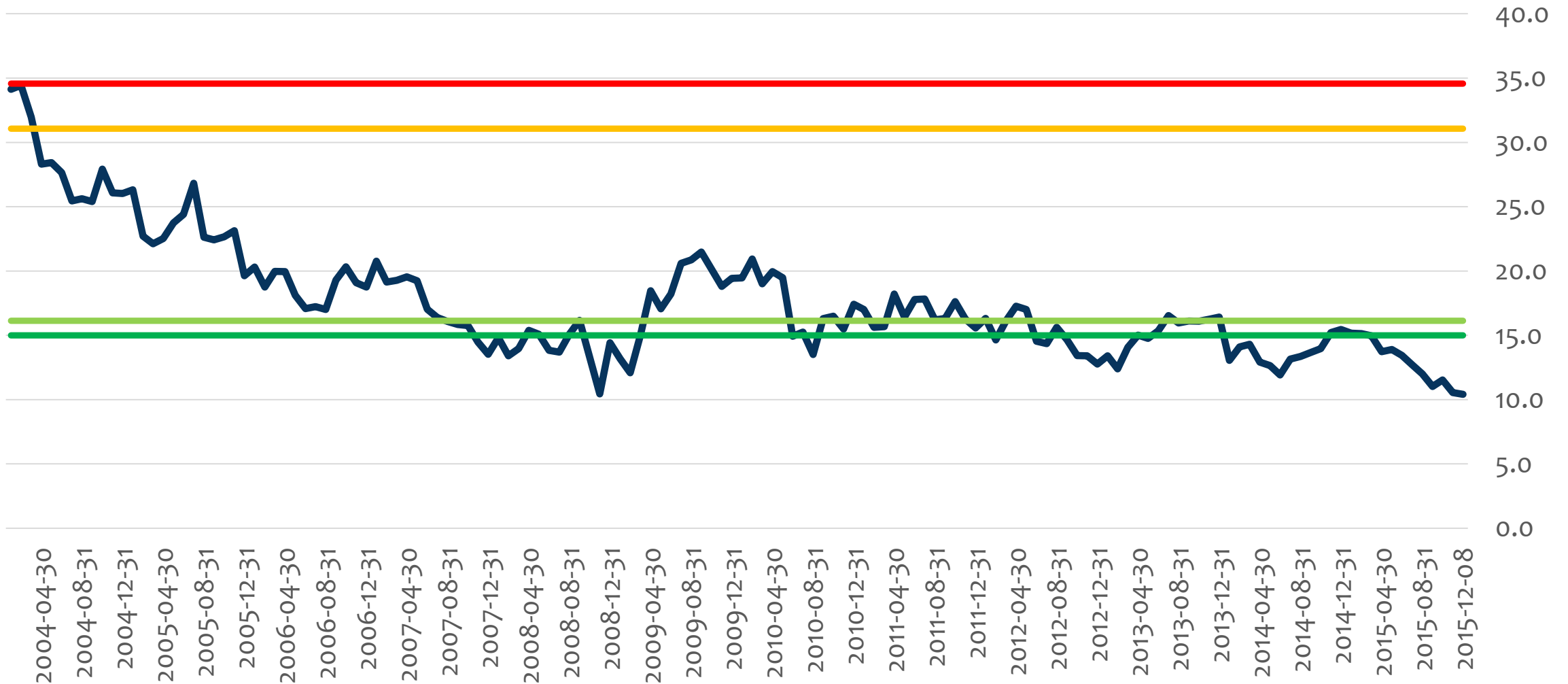
Cut P/E by 47.25%
Cut Growth by 71%

Van Den Berg Metrics

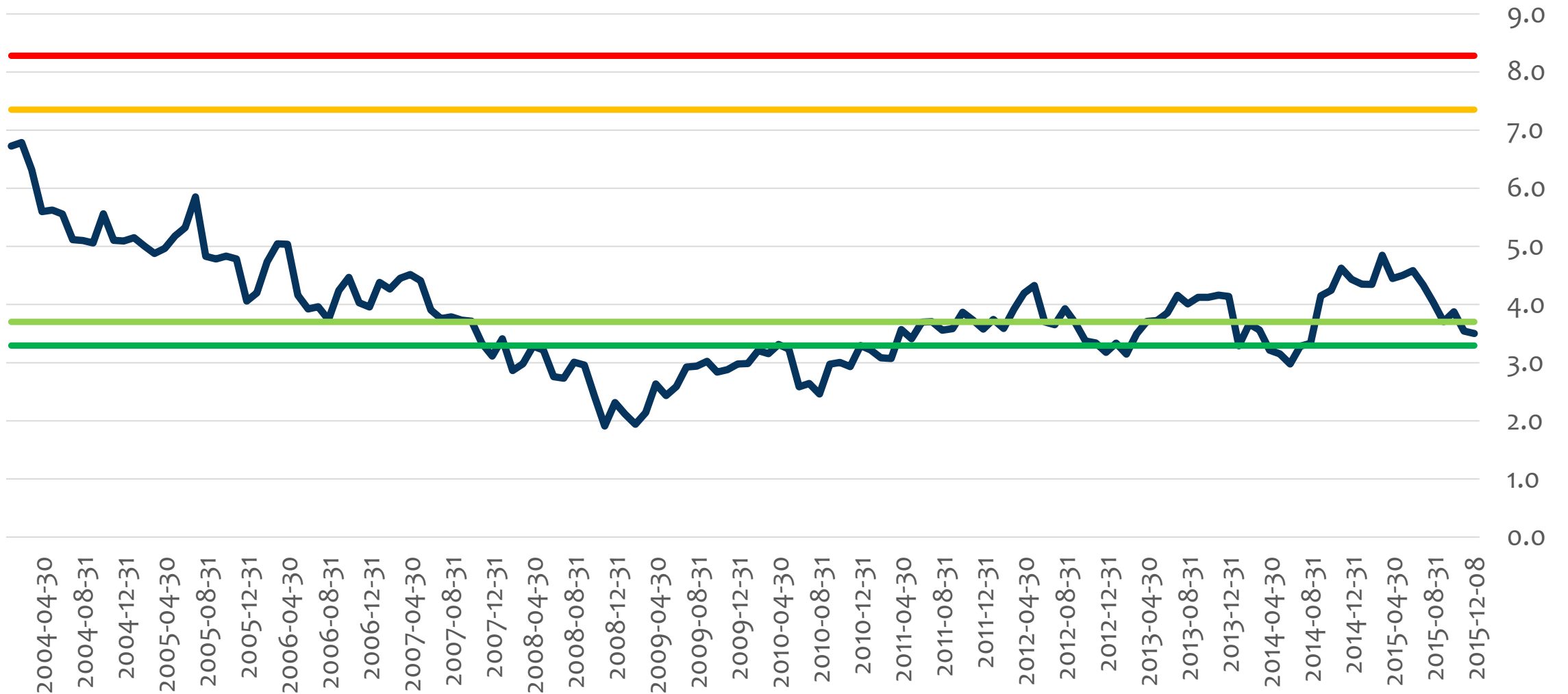
Price/Sales



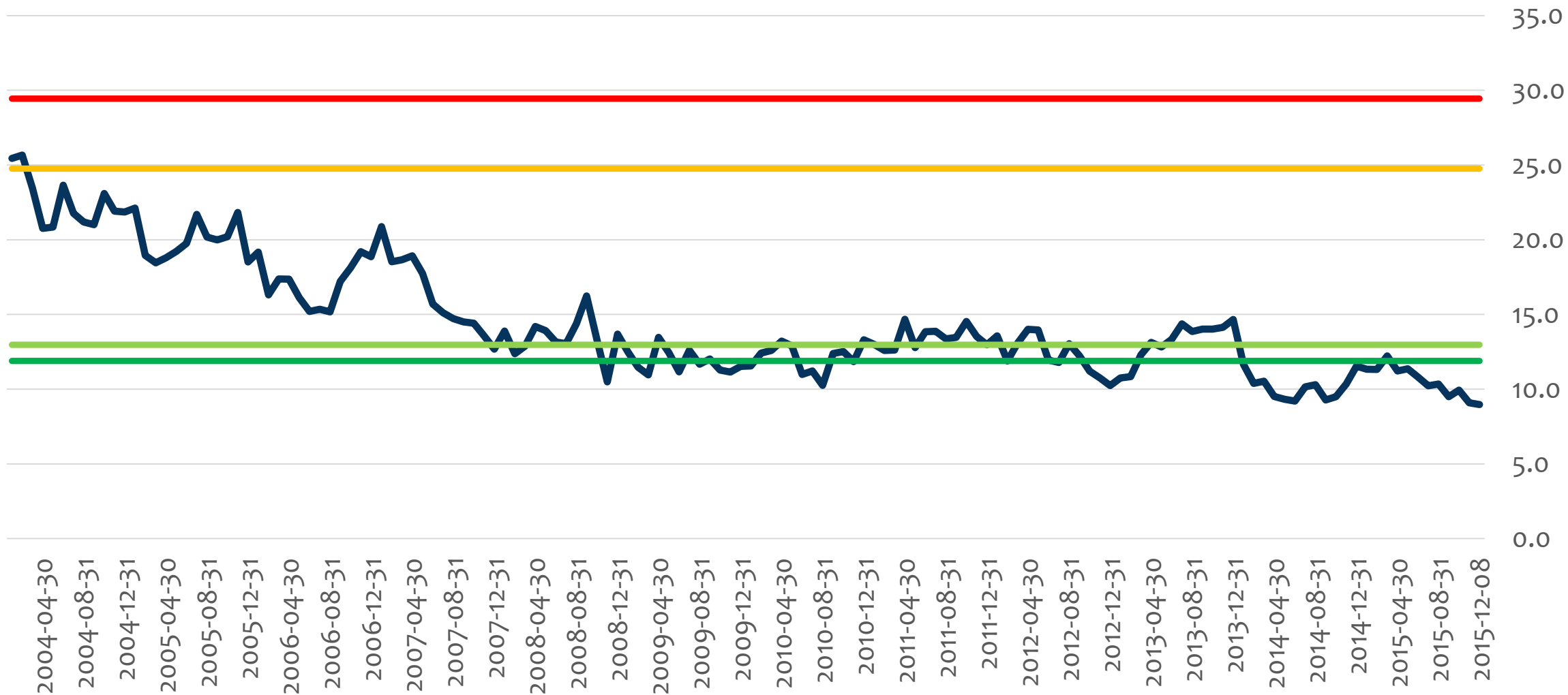
Price/Earnings



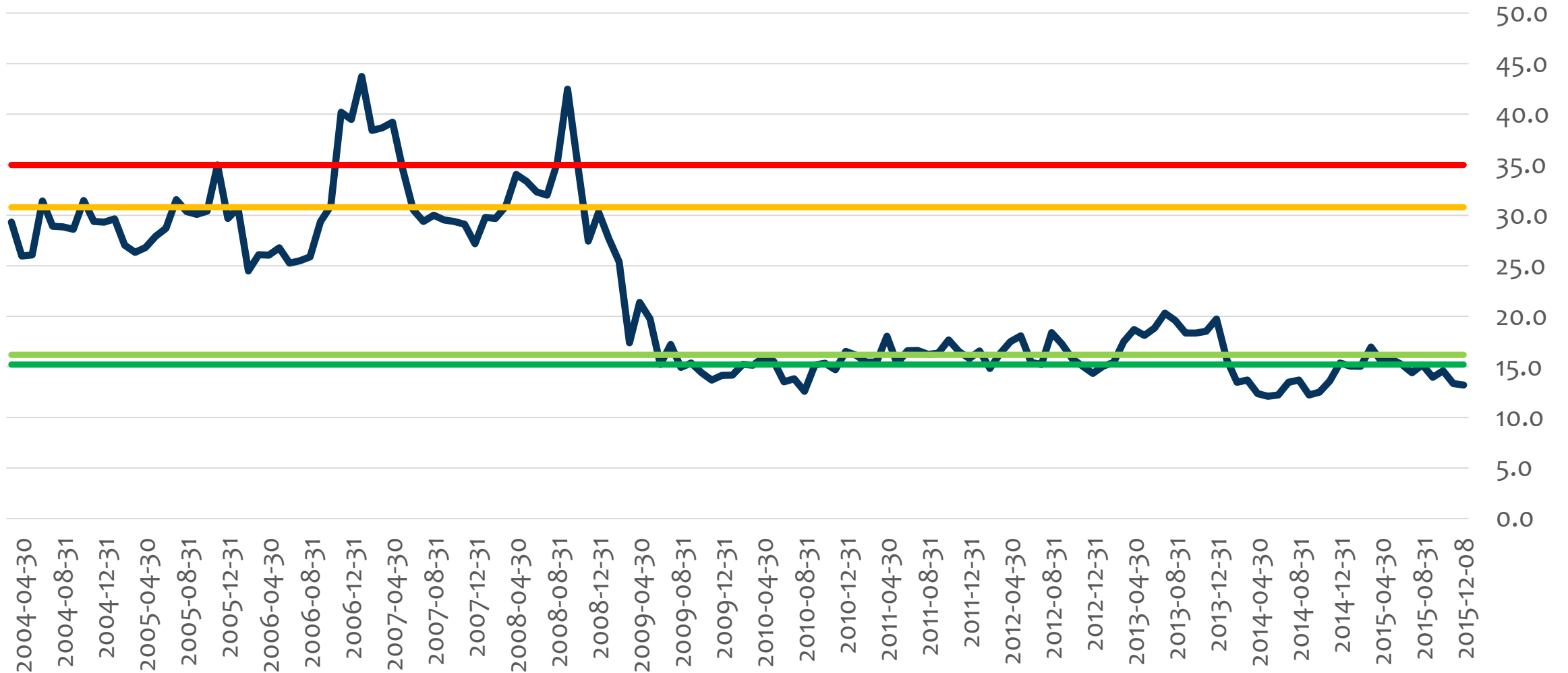
Price/Book



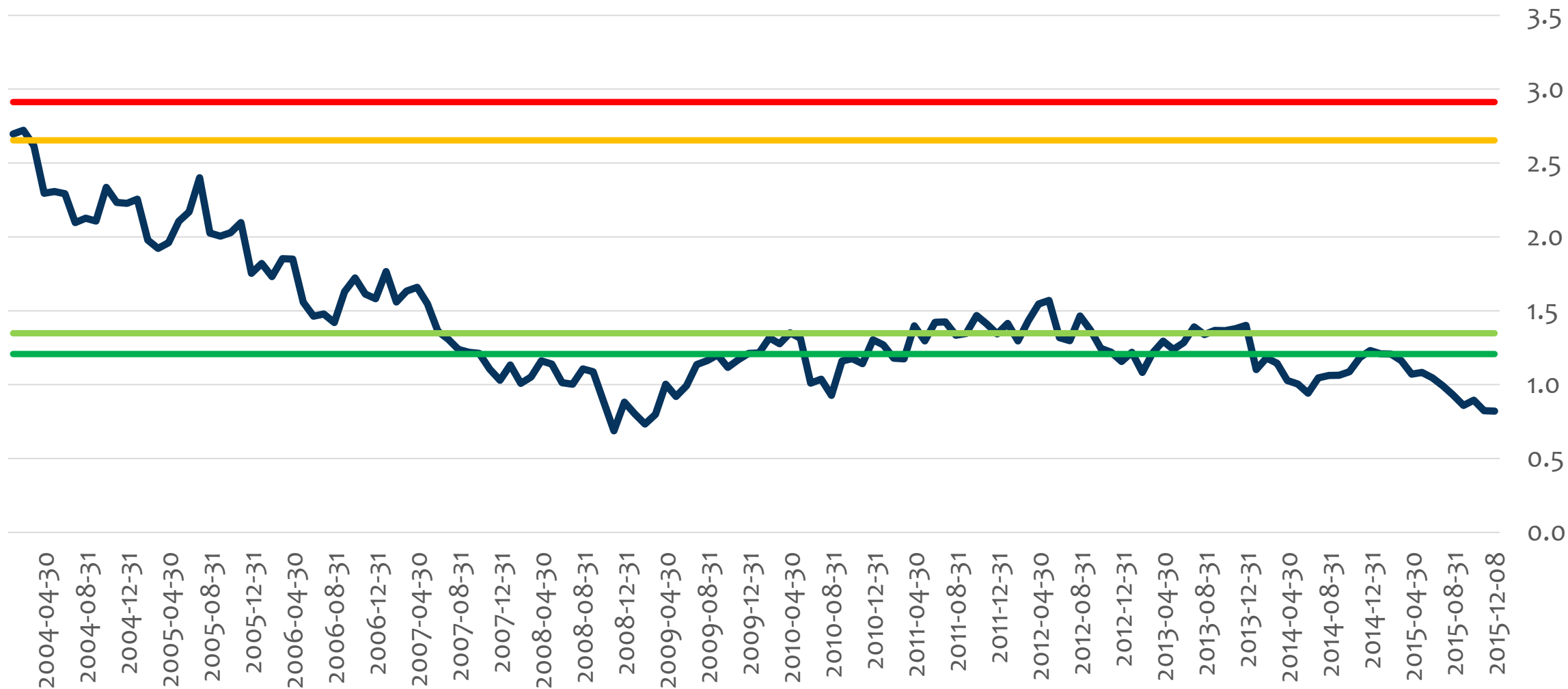
Price/Cashflow



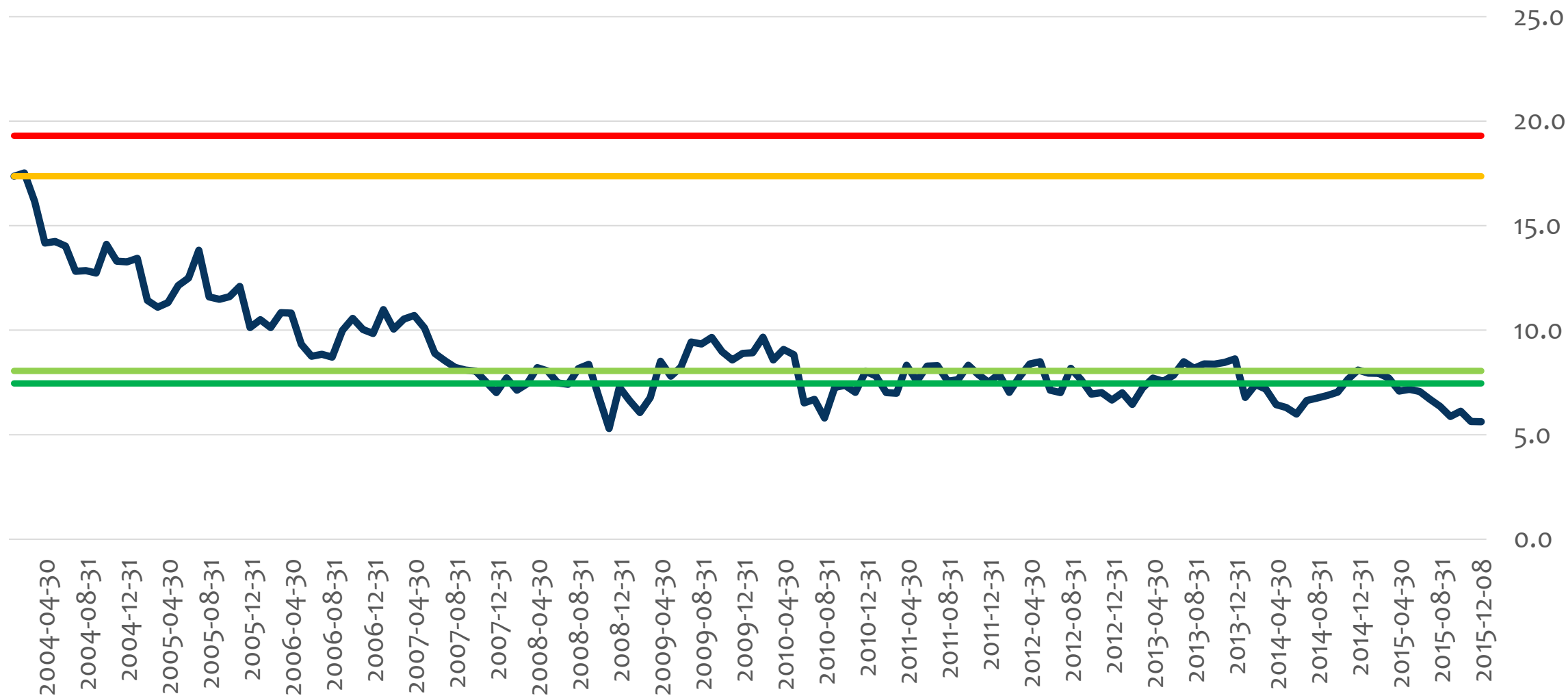
Price/Free Cashflow



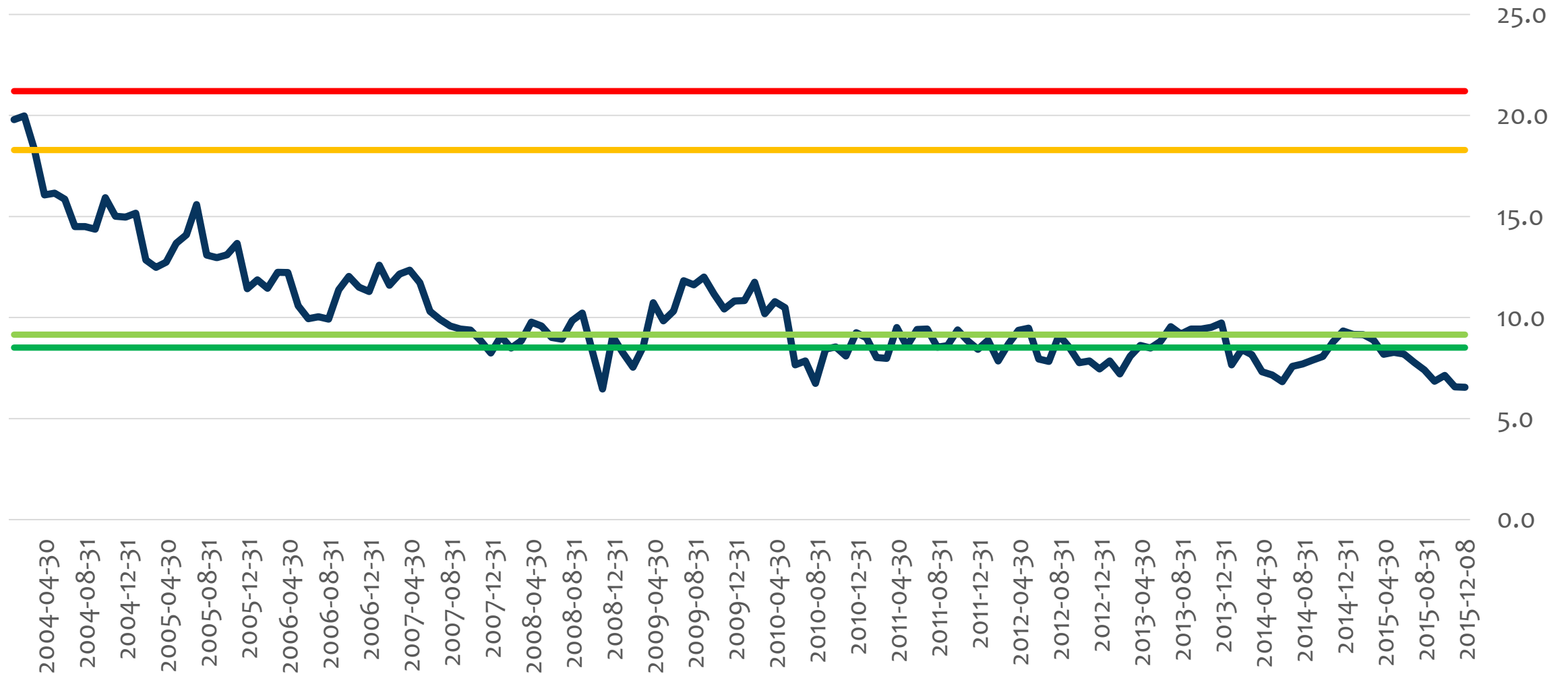
Enterprise Value/Revenue



Enterprise Value/EBITDA



Enterprise Value/EBIT



Valuation Summary

<u>P/S</u>	<u>P/E</u>	<u>P/B</u>	<u>P/CFO</u>	<u>P/FCF</u>	<u>EV/Rev</u>	<u>EV/EBITDA</u>	<u>EV/EBIT</u>
0.78	10.41	3.50	8.97	13.19	0.82	5.62	6.54
1%	0%	25%	0%	3%	1%	0%	0%

Debt Analysis

Debt Analysis

2014	2024	2034	2044
1.5 billion	300 million due	300 million due	900 million due

DuPont Analysis

DuPont-Historical

BBBY	Total Asset Turnover (Revenue/Total Assets)	Net Profit Margin (Net Income/Revenue)	Financial Leverage Multiplier (Total Assets/Total Equity)	Return on Equity
TTM	1.81	7.55%	2.59	35.16%
2015	1.76	8.10%	2.46	35.07%
2014	1.81	8.90%	1.61	25.93%

DuPont-Competitors

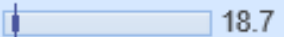
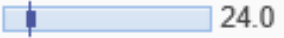

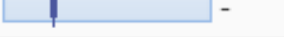
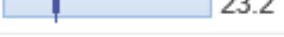
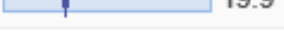
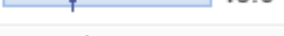
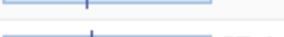


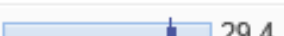
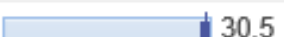
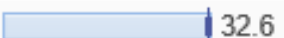
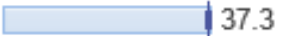

Company	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
Bed Bath & Beyond	1.81	7.55%	2.59	35.16
Amazon	1.79	0.30%	4.52	2.43
Target	1.77	-0.95%	3.15	-5.30
Williams-Sonoma	2.02	6.40%	2.18	28.18
Macy's	1.02	4.79%	5.56	27.16

Industry Comparison

Company	BBBY	Amazon	Target	Williams-Sonoma	Macy's
Market Cap (\$mil)	9,046	317,507	44,762	5,733	12,084
Revenue	12,014	100,589	73,909	4,932	27,574
P/E	10.39	968	16.26	19.11	10.10
P/S	0.79	3.20	0.60	1.20	0.50
EV/EBIT	6.52	209.24	11.32	11.64	7.86
ROA	13.20	0.70	-1.70	13.50	6.20
ROE	35.16	2.43	-5.30	28.18	27.16
Operating Margin	12.56	1.70	6.70	10.20	9.00
Net Margin	7.55	0.30	-1.00	6.40	4.80
# of Guru Holdings	5	5	2	0	3

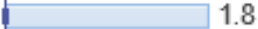
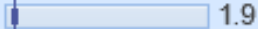
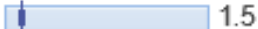
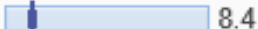

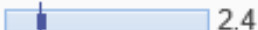



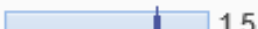

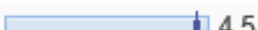
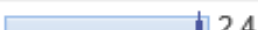
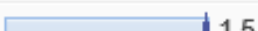
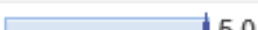
Intra-Portfolio

Price/Earnings

Ticker	5-Year Price / Earnings Range
AIG-WT	
NSRGY	
BBBY	10.2  18.7
<i>UNP</i>	12.7  24.0
IBM	9.0  16.0
AIG	2.1  -
<i>CMI</i>	8.3  23.2
BRK.B	13.3  19.9
WMT	11.0  19.0
CHRW	13.9  36.1
<i>QCOM</i>	12.4  27.4
ORCL	13.3  25.3
WBA	10.0  43.6
AAP	11.5  29.4
PEP	15.1  30.5
MDT	10.5  32.6
MSFT	8.8  37.3



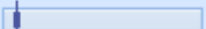
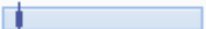


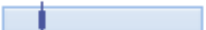
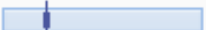
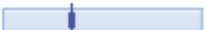
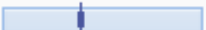



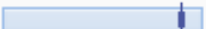

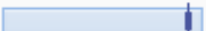

Ticker	Price / Earnings
AIG-WT	-
WMT	12.8
CHRW	17.8
BBBY	10.4
<i>CMI</i>	9.6
WBA	20.9
AAP	22.0
AIG	18.2
BRK.B	14.5
IBM	9.5
PEP	29.7
NSRGY	24.9
<i>UNP</i>	13.1
<i>QCOM</i>	15.4
MDT	32.3
ORCL	18.2
MSFT	37.2

Price/Sales

Ticker	▲ 5-Year Price / Sales Range
AIG-WT	
NSRGY	
<i>CMI</i>	0.9  1.8
BBBY	0.8  1.9
CHRW	0.6  1.5
<i>QCOM</i>	3.1  8.4
WMT	0.4  0.6
IBM	1.6  2.4
<i>UNP</i>	2.1  4.9
ORCL	3.6  5.4
BRK.B	1.1  2.0
AAP	0.7  1.5
WBA	0.4  1.2
MDT	2.0  4.5
PEP	1.5  2.4
AIG	0.1  1.5
MSFT	2.9  5.0

Ticker	▲ ... Sales
AIG-WT	-
WMT	0.4
CHRW	0.7
BBBY	0.8
<i>CMI</i>	0.9
WBA	0.9
AAP	1.2
AIG	1.5
BRK.B	1.6
IBM	1.7
PEP	2.4
NSRGY	2.7
<i>UNP</i>	3.0
<i>QCOM</i>	3.4
MDT	4.3
ORCL	4.6
MSFT	5.0

Price

Ticker	52-wk Range
<i>CMI</i>	\$91.65  \$150.92
<i>UNP</i>	\$77.03  \$124.52
BBBY	\$52.28  \$79.64
CHRW	\$61.46  \$77.49
WMT	\$56.30  \$90.97
<i>QCOM</i>	\$47.52  \$75.72
IBM	\$131.65  \$176.30
AAP	\$142.63  \$201.24
ORCL	\$35.14  \$46.71
BRK.B	\$125.50  \$152.94
AIG-WT	\$20.17  \$29.56
NSRGY	\$70.34  \$79.99
WBA	\$66.76  \$97.30
PEP	\$76.48  \$103.44
AIG	\$48.68  \$64.93
MDT	\$55.54  \$79.50
MSFT	\$39.72  \$56.23

PEG

	Ticker	▲ PEG Forward
▷	BRK.B	-
▷	AIG-WT	-
▷	QCOM	1.1
▷	IBM	1.3
▷	WBA	1.3
▷	AIG	1.5
▷	AAP	1.5
▷	BBBY	1.7
▷	UNP	1.7
▷	CHRW	1.8
▷	ORCL	2.0
▷	MSFT	2.2
▷	CMI	2.2
▷	MDT	2.6
▷	PEP	3.6
▷	NSRGY	5.1
▷	WMT	10.9

Conclusion

Highly Undervalued

Merchandizing Strategy

Invested Management

Decentralized Marketing Strategy

Strong Financials

BED BATH &
BEYOND

To Bed, Bath... and Beyond



Put \$52.50

Premium \$1.74

Exp. Jan 8, 2016

Entry Price \$50.76

