

BUY:  
BJ

Current Price:  
\$66

Target Price:  
\$83

Upside:  
26%

## **BUY: BJ's Wholesale Club Holdings Inc**

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Consumer Staples (Personal & Household Products)

Sector Head: Bethany Goldstein

Lead Analyst: Joseph LoRubbio



**Company Analysis**

**Industry Overview**

**Investment Thesis**

**Valuation**

**Investment Analysis**

# Company Analysis



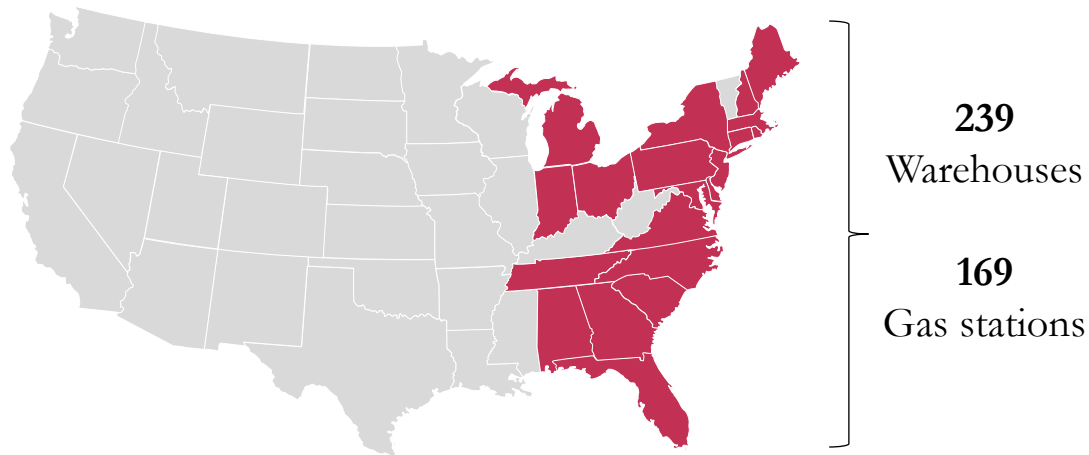
## Business Breakdown

BJs is a leading wholesale club operator, **concentrated primarily in the eastern half of the US**

**25% or more savings** on representative basket of manufacturer-branded groceries **compared to supermarket competitors**

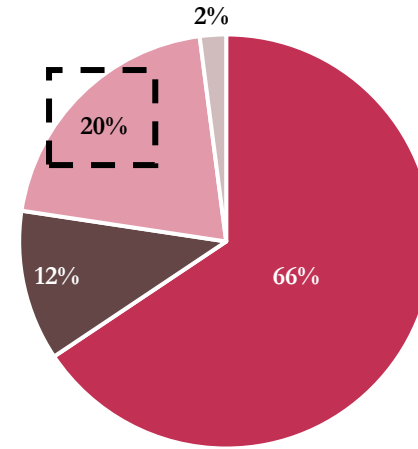
In the NE states, BJs has **3x the number of stores** as the next largest warehouse club competitor

## Warehouse Locations



Highly concentrated in the northeastern/southeastern US

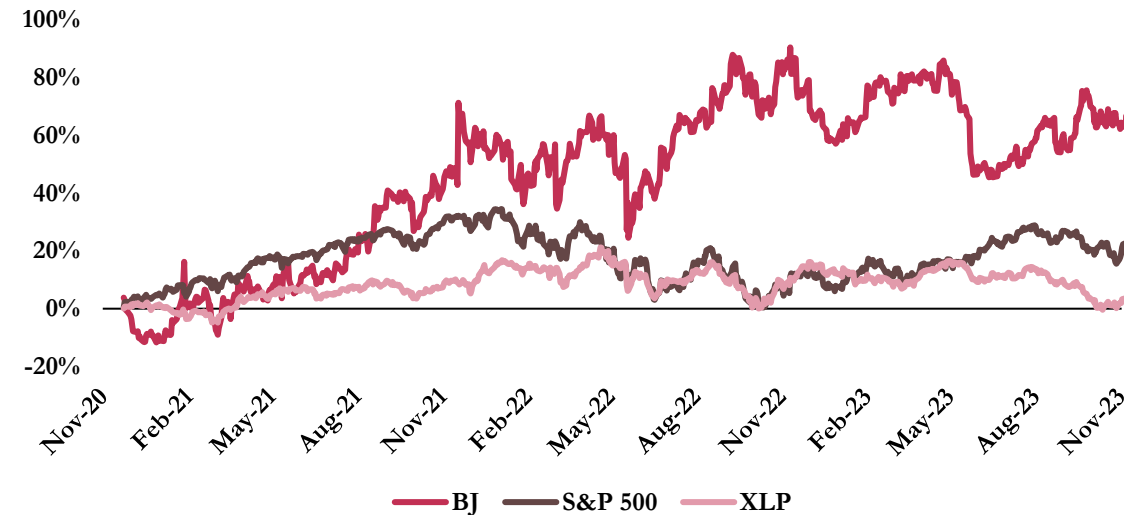
## Revenue Breakdown



Gasoline is becoming a large part of BJs business, growing at a **5-Yr CAGR of 27%**

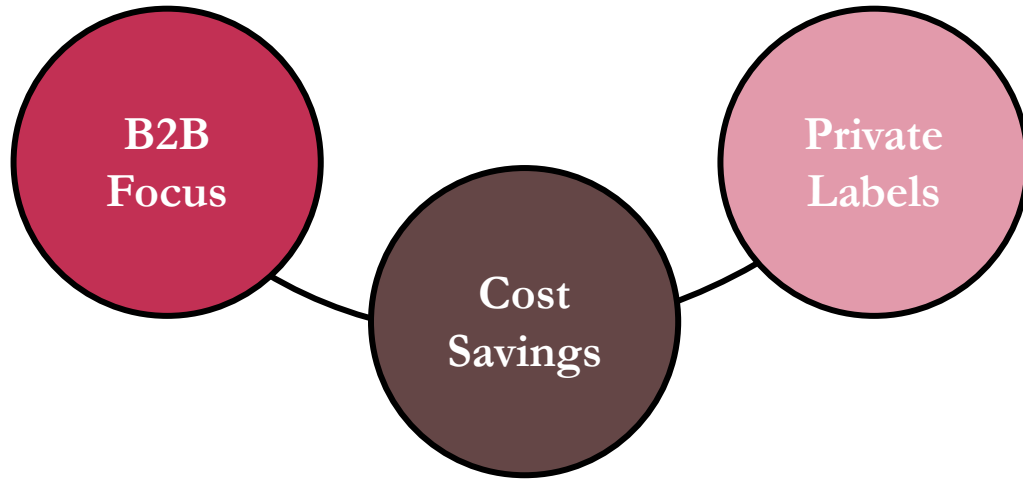
■ Grocery ■ General Merchandise ■ Gasoline ■ Membership Fees

## BJs VS S&P 500 & XLP



# Industry Overview

## Prevailing Industry Trends



## Competitive Environment

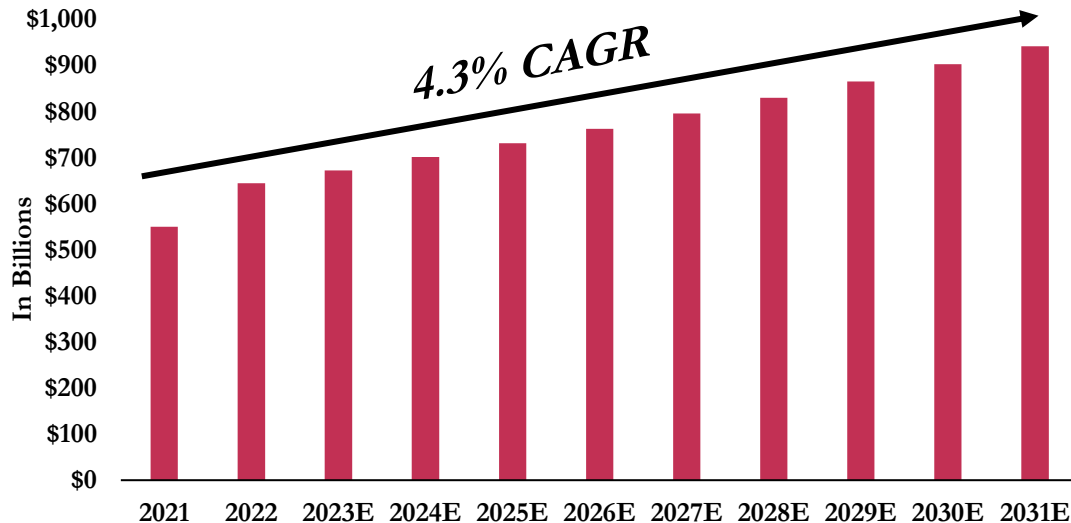
### Pure Play Competitors



### General Competitors

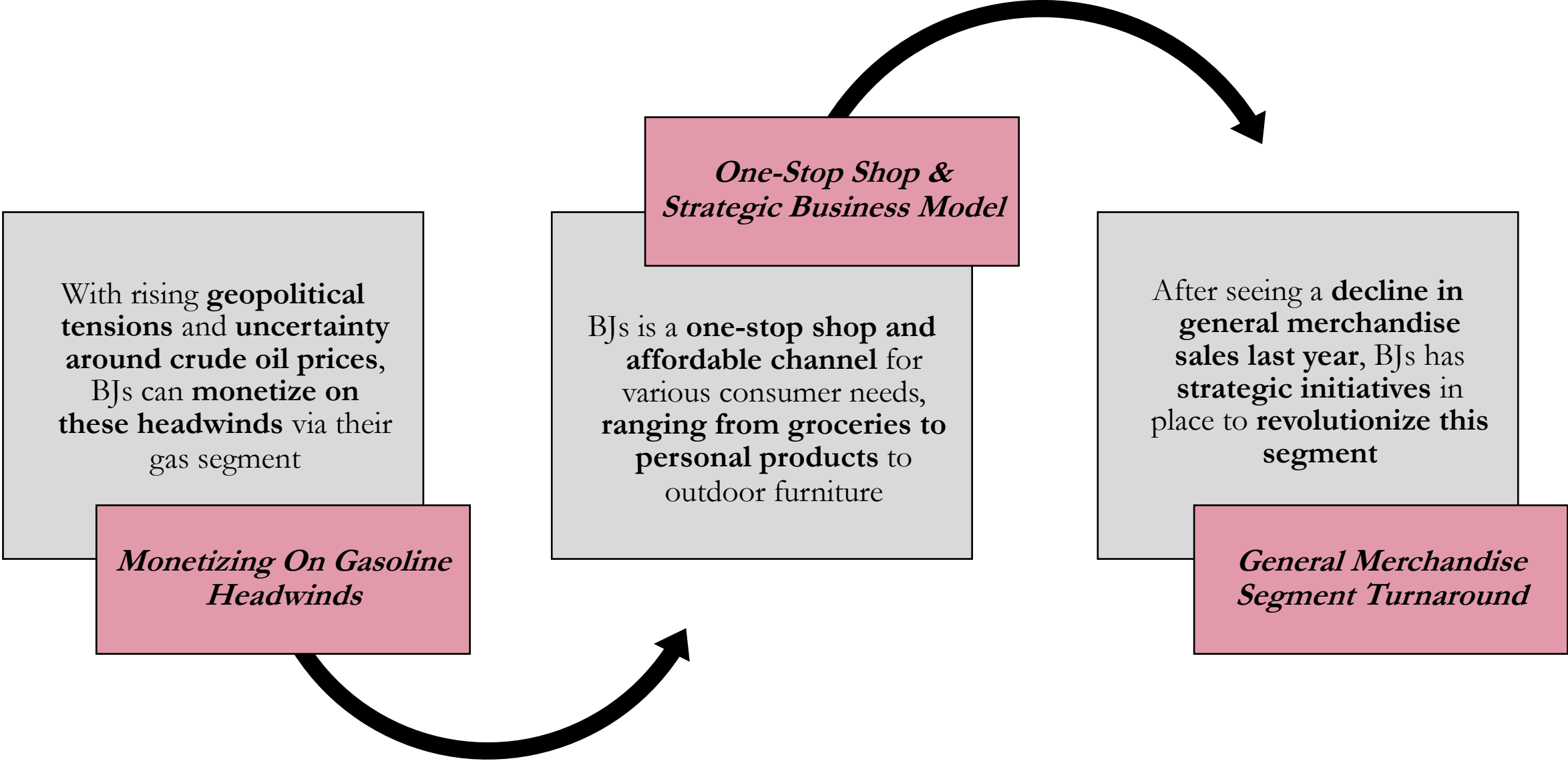


## Wholesale Club Market Growth



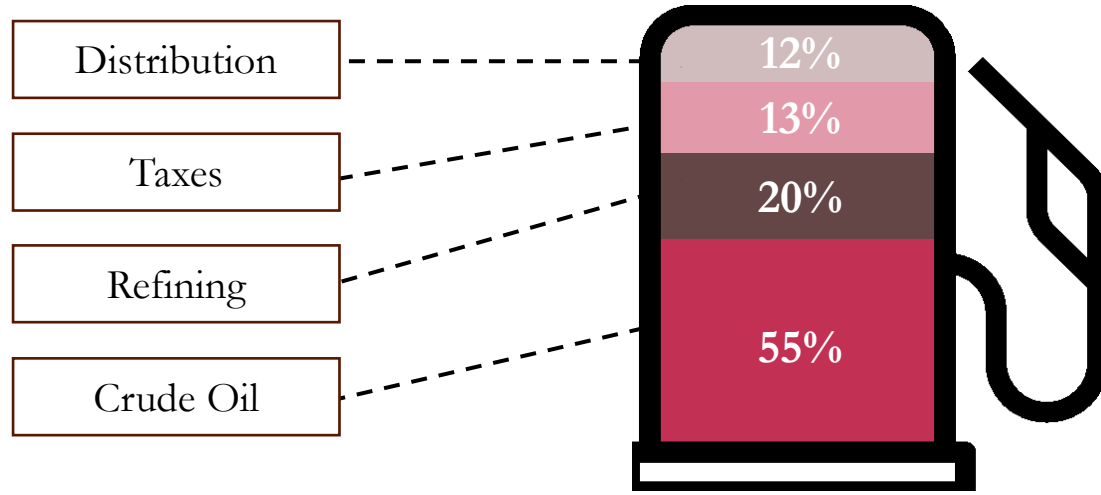
## Wholesale Club Perks

<p><b>Rapid Inventory Turnover</b></p> <p>By offering a narrower assortment of goods, wholesale stores turnover goods faster than supermarkets</p>	<p><b>Cheaper Per Unit Pricing</b></p> <p>Higher distribution cost channels like grocery stores have been historically unable to match wholesale club prices</p>	<p><b>Eliminate Handling Costs</b></p> <p>Lower overall handling costs as these club's purchase truckloads of merchandise from manufacturers directly</p>
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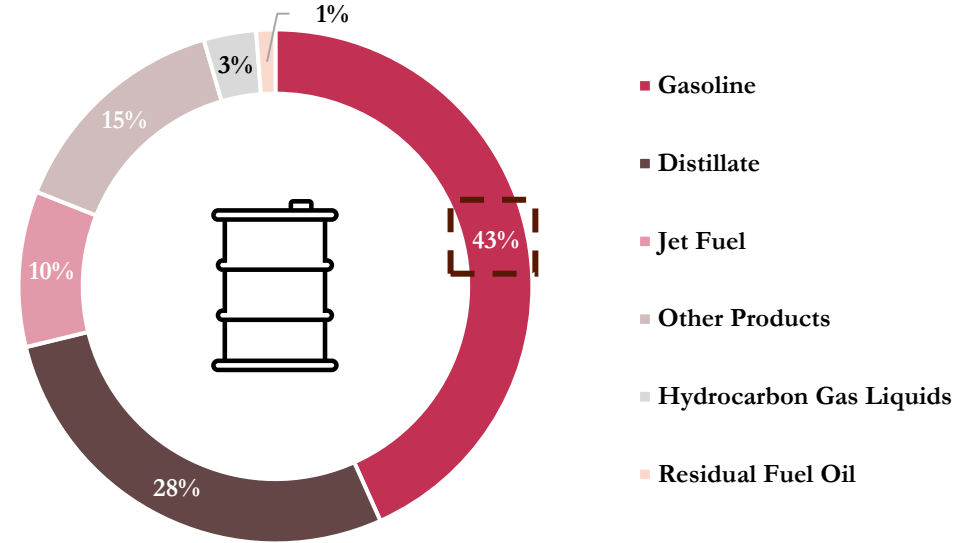


# Monetizing On Gasoline Headwinds

## Gasoline Cost Input Breakdown



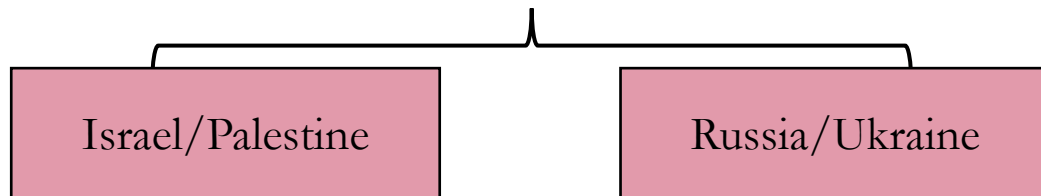
## Crude Oil: Where Does It Go?



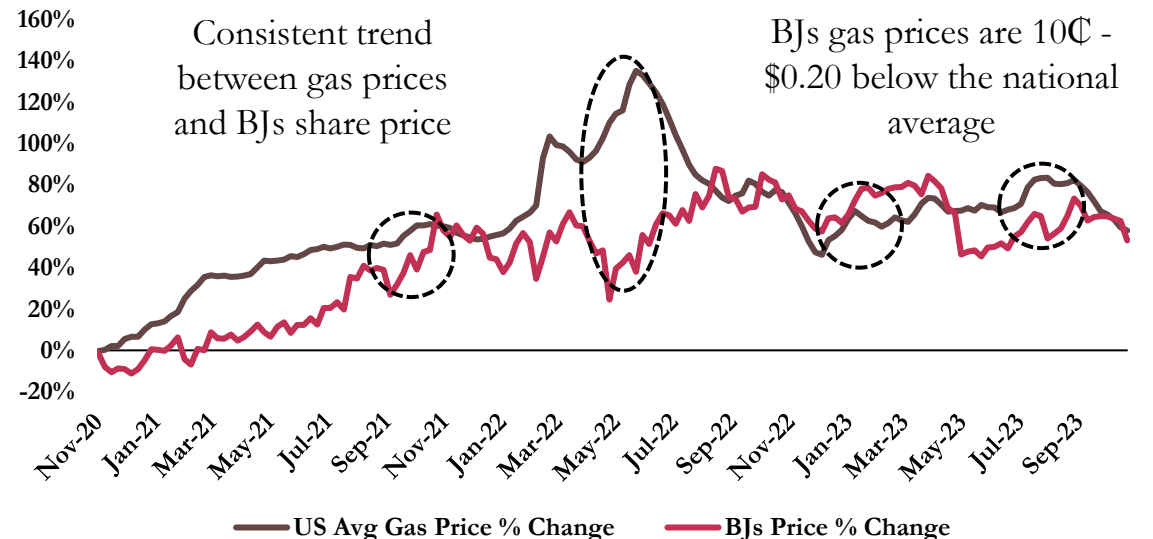
## Geopolitical Tensions

“From a historical context I’ve heard people say, you go back to the oil embargo of 1973 — that [current geopolitical scenario] being somewhat similar...”

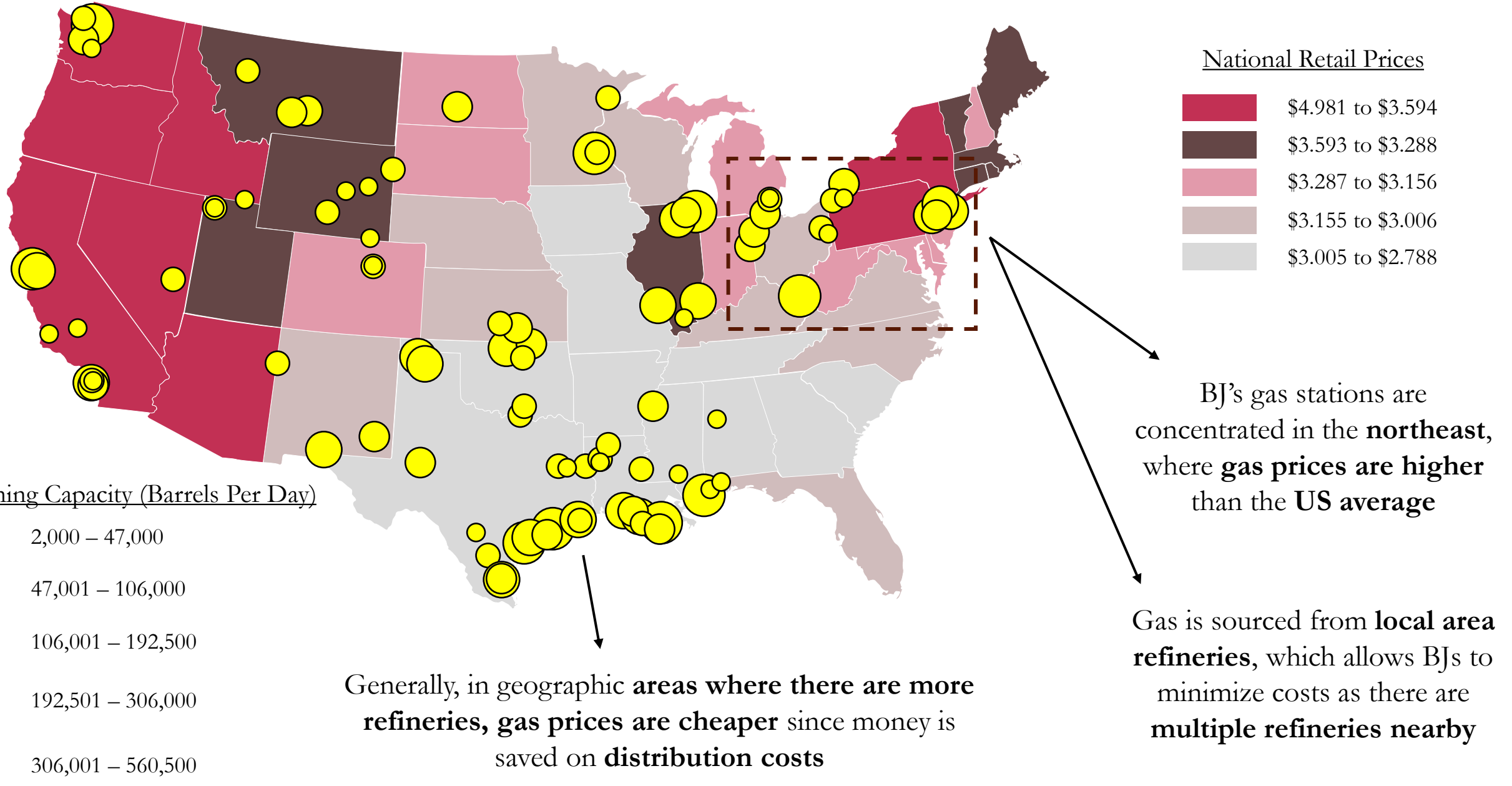
- Lorenzo Simonelli, CEO of Baker Hughes, a major oil field services company



## Gas Prices VS Share Price









# Optimal Geographic Positioning



# One-Stop Shop & Strategic Business Model



## Industry Dominance

<p><b>VS Club</b></p>  	<p>Convenient locations</p> <p>Full-service deli</p>
<p><b>VS Grocery</b></p>  	<p>~25% lower prices</p> <p>Services/fuel</p>
<p><b>VS Mass Channel</b></p>  	<p>Priced below mass-channel break even</p> <p>Larger pack sizes/bulk</p>

## Product Variety

### Grocery & Personal Care

- |         |               |
|---------|---------------|
| Meat    | Detergents    |
| Produce | Beauty Care   |
| Dairy   | Baby Care     |
| Bakery  | Disinfectants |
| Deli    | Pet Food      |

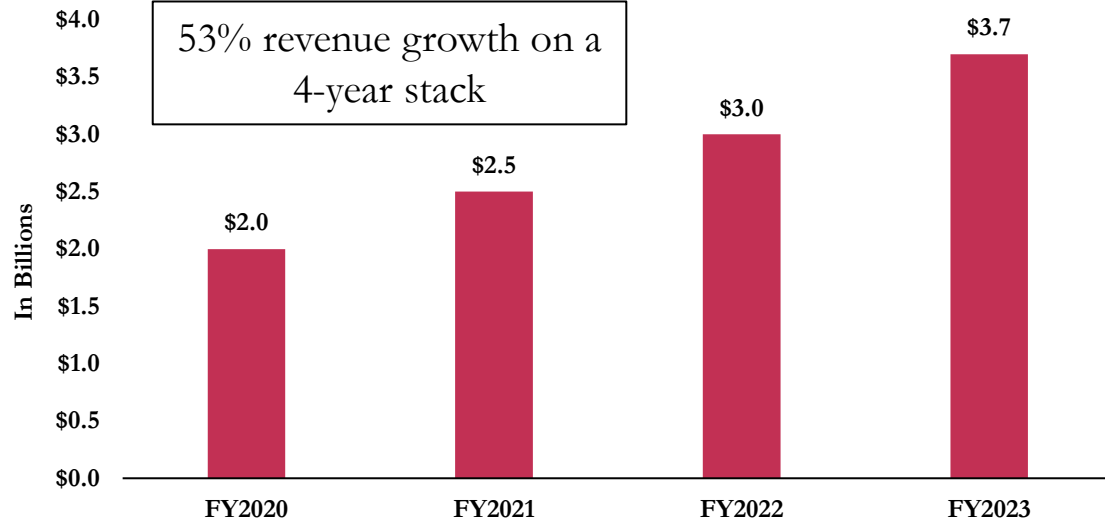


### Gen. Merch/Services

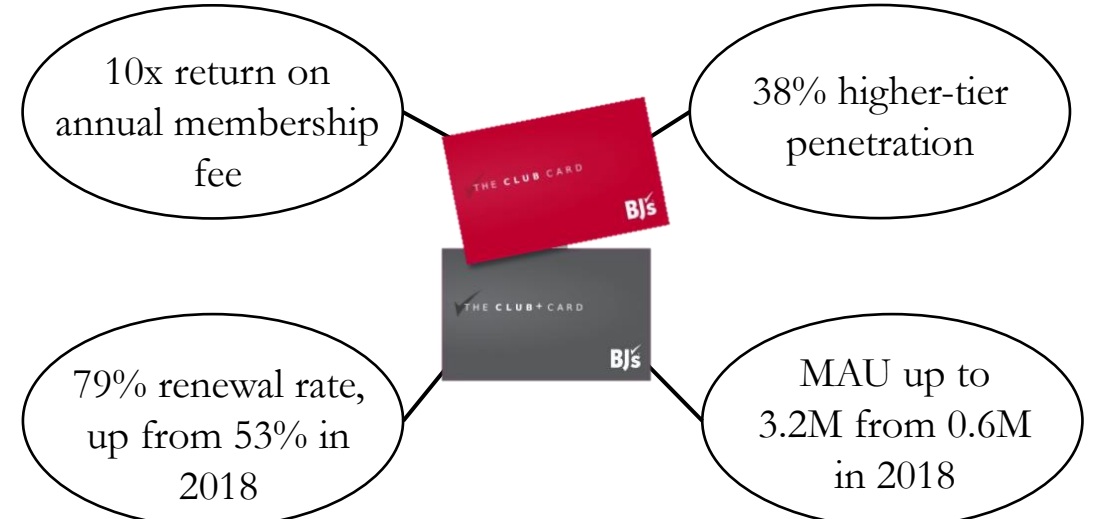
- |             |            |
|-------------|------------|
| TVs         | Gas        |
| Electronics | Optical    |
| Furniture   | Tires      |
| Apparel     | Gardening  |
| Appliances  | Gift Cards |



## Private Label Growth



## Membership Value Proposition

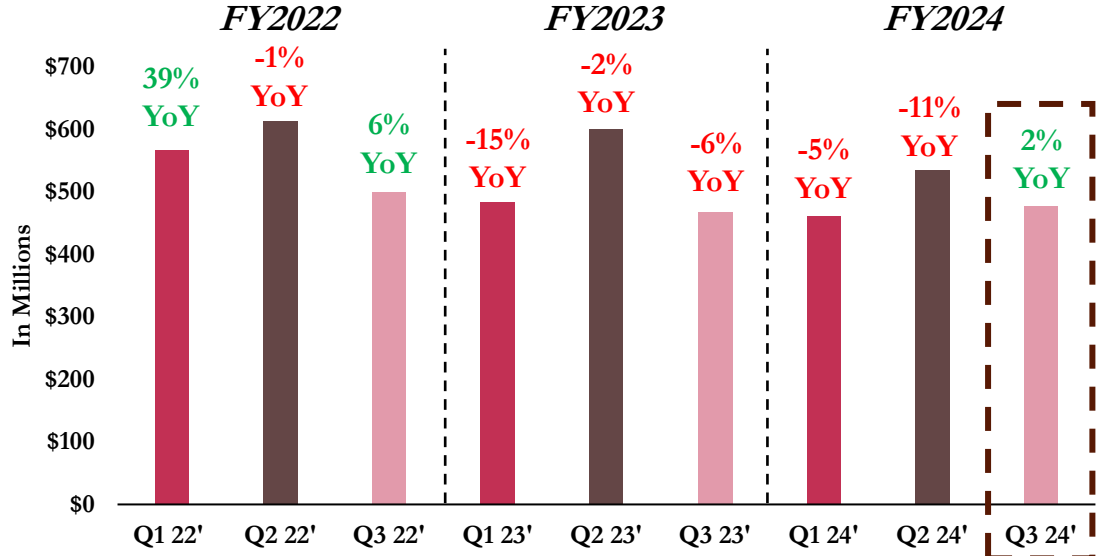




# General Merchandise Segment Turnaround



## Recent Performance



## New Initiatives + Buying Cycle

Despite the pessimistic nature of the street and investors, BJ's is perfectly positioned to outperform the guidance set for their general merchandise segment

New Initiatives

Greater emphasis on quality products that fit the current needs of consumers and correlate with seasonality; also adding items specific to regions

Buying Cycles

Due to more disposal income in 2020, money was spent on big-ticket items and the repurchase cycle for some of these items, such as TVs, is approaching

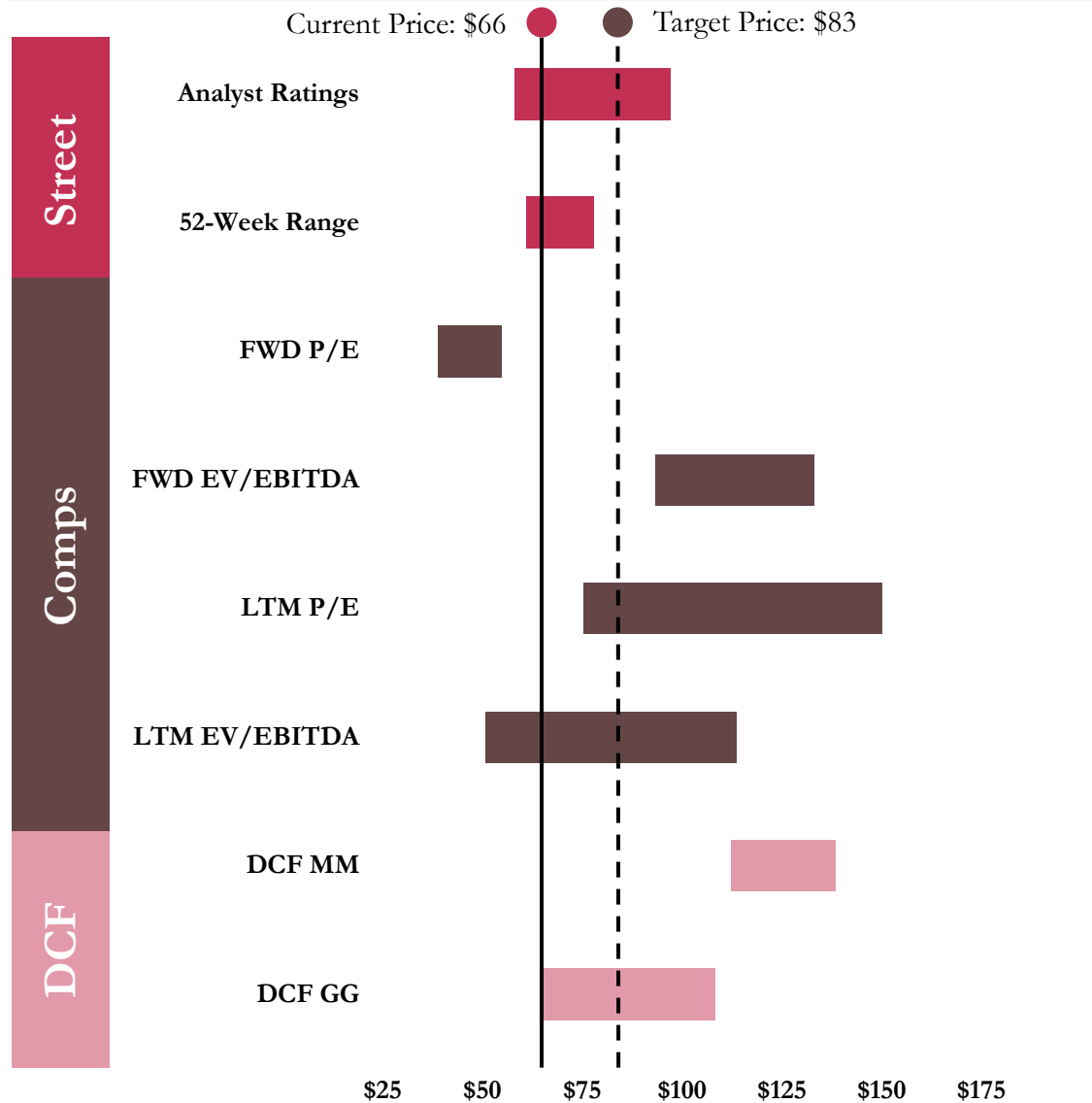
## Why Is It Down?

- Shoppers pivoting towards essentials
- Purchases of big-ticket items during COVID
- Rainy northeast summer, less outdoor purchases
- Lack of variety in terms of brands and products

## Updated Brand Portfolio

Apparel	Holiday

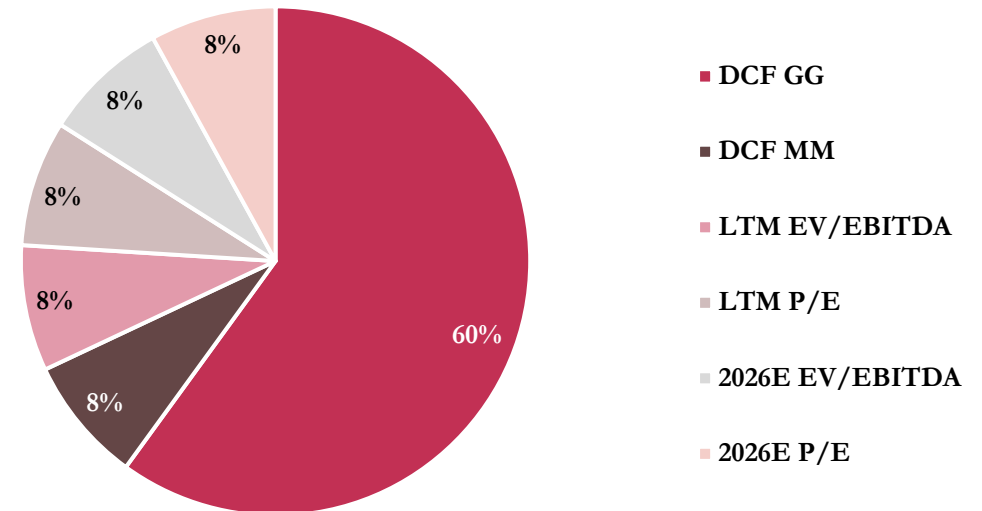
## Football Field



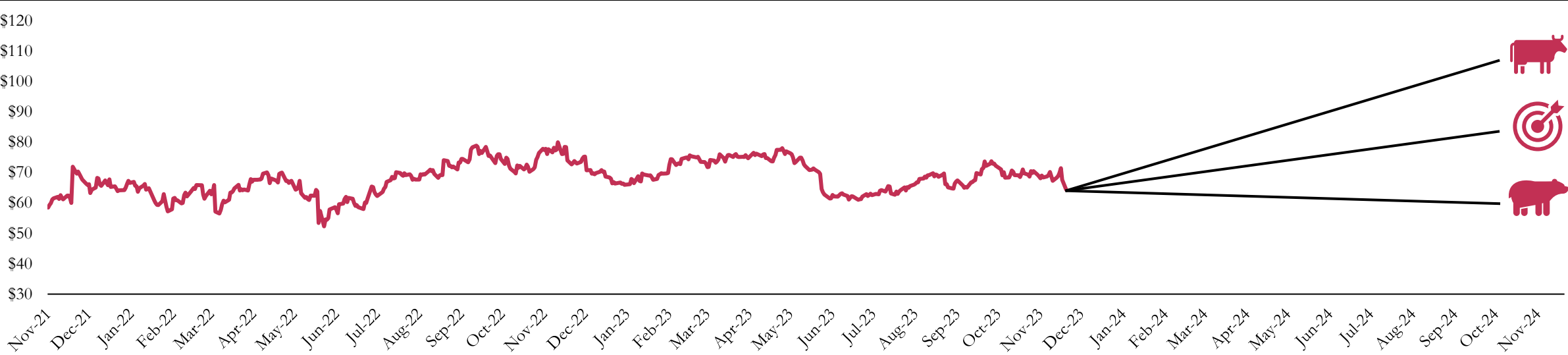
## Analyst Recommendations

D.A. Davidson	\$90
Jefferies	\$80
Baird	\$80
Cowen	\$80
Citi	\$72
Barclays	\$72

## Weighted Valuation



## Bear VS Bull



## Upside/Downside Analysis

Bear Case - \$59	Base Case - \$83	Bull Case - \$103
<p>Geopolitical tensions ease and crude oil prices decline, consequently leading to lower gas prices</p> <p>Recession fears decline and consumers begin to purchase goods from non-wholesale channels</p> <p>General merchandise turnaround is unsuccessful, and consumers spend solely on necessities</p>	<p>Wars in Israel and Ukraine lead to shortages in crude oil, resulting in increased gas prices</p> <p>Consumers begin to consolidate all their shopping at BJ's due to less disposal income</p> <p>The holiday season acts as a driver for the general merchandise segment and revenues increase YoY</p>	<p>Global tensions rise and countries like Iran place embargos on exports leading to soaring prices</p> <p>Non-BJ's customers switch over from traditional channels to wholesale to save costs</p> <p>Buying cycles resume for big ticket items and new initiatives are a success, reviving the GM segment</p>

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Thank You!  
Questions?

# Appendix Catalog

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# Appendix A: Income Statement



BJ's Wholesale Club Holdings (NYSE: BJ)												
Income Statement												
<i>(In USD Thousands)</i>												
	FY2019	FY2020	FY2021	FY2022	FY2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Sales	\$ 12,724,000	\$ 12,888,000	\$ 15,096,913	\$ 16,306,365	\$ 18,918,435	\$ 19,722,391	\$ 21,718,963	\$ 23,217,927	\$ 24,629,848	\$ 25,953,224	\$ 27,313,924	\$ 28,740,225
<i>Net Sales % Increase</i>	1.83%	1.29%	17.14%	8.01%	16.02%	4.25%	10.12%	6.90%	6.08%	5.37%	5.24%	5.22%
Membership Fee Income	282,000	302,000	333,104	360,937	396,730	424,633	462,850	504,507	544,867	588,457	629,648	661,131
<i>Member Income % Increase</i>	9.30%	7.09%	10.30%	8.36%	9.92%	7.03%	9.00%	9.00%	8.00%	8.00%	7.00%	5.00%
<b>Total revenues</b>	<b>13,006,000</b>	<b>13,190,000</b>	<b>15,430,017</b>	<b>16,667,302</b>	<b>19,315,165</b>	<b>20,147,024</b>	<b>22,181,813</b>	<b>23,722,434</b>	<b>25,174,715</b>	<b>26,541,680</b>	<b>27,943,573</b>	<b>29,401,356</b>
Cost of sales	10,646,000	10,763,000	12,451,061	13,588,612	15,883,677	16,413,657	18,156,215	19,417,241	20,605,959	21,724,845	22,872,320	24,065,541
<i>COGS as a % of Revenue</i>	81.85%	81.60%	80.69%	81.53%	82.23%	81.47%	81.85%	81.85%	81.85%	81.85%	81.85%	81.85%
<b>Gross Margin</b>	<b>2,360,000</b>	<b>2,427,000</b>	<b>2,978,956</b>	<b>3,078,690</b>	<b>3,431,488</b>	<b>3,733,367</b>	<b>4,025,598</b>	<b>4,305,193</b>	<b>4,568,756</b>	<b>4,816,835</b>	<b>5,071,253</b>	<b>5,335,814</b>
Selling, general and administrative expenses	2,051,000	2,059,000	2,326,755	2,446,465	2,668,569	2,905,315	3,216,037	3,439,405	3,649,964	3,848,154	4,051,408	4,262,765
<i>SG&amp;A as a % of Revenue</i>	15.77%	15.61%	15.08%	14.68%	13.82%	14.42%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%
Preopening expense	6,000	15,000	9,809	14,902	24,933	18,053	21,186	22,657	24,044	25,350	26,689	28,081
<i>Preopening expense as a % of Revenue</i>	0.05%	0.11%	0.06%	0.09%	0.13%	0.09%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
<b>Operating income</b>	<b>303,000</b>	<b>353,000</b>	<b>642,392</b>	<b>617,323</b>	<b>737,986</b>	<b>809,999</b>	<b>788,375</b>	<b>843,131</b>	<b>894,747</b>	<b>943,331</b>	<b>993,157</b>	<b>1,044,968</b>
Interest expense, net	164,500	108,200	84,385	59,444	47,462	61,928	117,032	117,032	117,032	117,032	117,032	117,032
<b>Income from continuing operations before income taxes</b>	<b>138,500</b>	<b>244,800</b>	<b>558,007</b>	<b>557,879</b>	<b>690,524</b>	<b>748,071</b>	<b>671,343</b>	<b>726,099</b>	<b>777,715</b>	<b>826,299</b>	<b>876,125</b>	<b>927,936</b>
Provision (benefit) for income taxes	11,800	56,100	136,825	131,119	176,262	217,524	217,524	217,524	217,524	217,524	217,524	217,524
<b>Income from continuing operations</b>	<b>126,700</b>	<b>188,700</b>	<b>421,182</b>	<b>426,760</b>	<b>514,262</b>	<b>530,547</b>	<b>453,819</b>	<b>508,575</b>	<b>560,191</b>	<b>608,775</b>	<b>658,601</b>	<b>710,412</b>
Income (loss) from discontinued operations, net of income taxes	(169,000)	(581,000)	(152,000)	(108,000)	(1,085,000)	(282,900)	(282,900)	(282,900)	(282,900)	(282,900)	(282,900)	(282,900)
<b>Net income</b>	<b>126,531</b>	<b>188,119</b>	<b>421,030</b>	<b>426,652</b>	<b>513,177</b>	<b>530,265</b>	<b>453,536</b>	<b>508,292</b>	<b>559,908</b>	<b>608,492</b>	<b>658,318</b>	<b>710,130</b>

# Appendix B: Balance Sheet



BJ's Wholesale Club Holdings (NYSE: BJ)						
Balance Sheet						
(In USD Thousands)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 34,954	\$ 27,146	\$ 30,204	\$ 43,518	\$ 45,436	\$ 33,915
Accounts receivable, net	190,756	194,300	206,353	172,719	173,951	239,746
Merchandise inventories	1,019,138	1,052,306	1,081,502	1,205,695	1,242,935	1,378,551
Prepaid expenses and other current assets	81,972	63,454	41,961	48,649	54,734	51,033
Prepaid federal and state income taxes	9,784	0	0	0	0	0
<b>Total current assets</b>	<b>1,336,604</b>	<b>1,337,206</b>	<b>1,360,020</b>	<b>1,470,581</b>	<b>1,517,056</b>	<b>1,703,245</b>
Operating lease right-of-use assets, net	0	0	2,060,059	2,058,763	2,131,986	2,142,925
<b>Property and equipment:</b>						
Land and buildings	404,400	390,243	375,375	385,572	430,376	722,129
Leasehold costs and improvements	184,165	203,394	214,209	249,073	282,495	286,591
Furniture, fixtures, and equipment	924,616	1,039,360	1,135,892	1,298,440	1,249,490	1,397,275
Construction in progress	20,775	23,749	51,741	23,633	70,779	101,724
Property and equipment, gross	1,533,956	1,656,746	1,777,217	1,956,718	2,033,140	2,507,719
Less: accumulated depreciation and amortization	(775,206)	(907,968)	(1,017,009)	(1,158,929)	(1,090,809)	(1,170,690)
<b>Total property and equipment, net</b>	<b>758,750</b>	<b>748,778</b>	<b>760,208</b>	<b>797,789</b>	<b>942,331</b>	<b>1,337,029</b>
Goodwill	924,134	924,134	924,134	924,134	924,134	1,008,816
Intangibles, net	224,876	200,870	146,985	135,123	124,640	115,505
Deferred income taxes	0	0	0	5,737	5,507	11,498
Other assets	29,492	28,297	18,374	19,403	23,240	30,938
<b>Total non-current assets</b>	<b>1,937,252</b>	<b>1,902,079</b>	<b>1,849,701</b>	<b>1,882,186</b>	<b>2,019,852</b>	<b>2,503,786</b>
<b>Total Assets</b>	<b>3,273,856</b>	<b>3,239,285</b>	<b>5,269,780</b>	<b>5,411,530</b>	<b>5,668,894</b>	<b>6,349,956</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Short-term debt	219750	255,235	343,377	260,000	0	405,000
Current portion of operating lease liabilities/closed store obligations	2122	739	123,751	131,513	141,453	177,233
Accounts payable	751948	816880	786,412	988,074	1,112,783	1,195,697
Accrued expenses and other current liabilities	495767	504834	547,876	651,625	748,245	767,411
<b>Total current liabilities</b>	<b>1,469,587</b>	<b>1,577,688</b>	<b>1,801,416</b>	<b>2,031,212</b>	<b>2,002,481</b>	<b>2,545,341</b>
Long-term operating lease liabilities	6,561	2,450	1,986,790	1,988,840	2,059,760	2,058,797
Long-term debt	2,492,660	1,546,471	1,337,308	846,175	748,568	447,880
Deferred income taxes	57,074	36,937	46,200	45,096	52,850	57,024
Other non-current liabilities	267,393	277,823	152,410	180,880	157,127	194,077
<b>Total Liabilities</b>	<b>4,293,275</b>	<b>3,441,369</b>	<b>5,324,124</b>	<b>5,092,203</b>	<b>5,020,786</b>	<b>5,303,119</b>
<b>STOCKHOLDERS' EQUITY</b>						
Preferred stock	0	0	0	0	0	0
Common stock	11,309	1,381	1,407	1,434	1,454	1,463
Additional paid-in capital	2,883	742,072	773,618	826,377	902,704	958,555
Retained earnings	(1,036,012)	(915,113)	(716,369)	(295,339)	131,313	644,490
Accumulated other comprehensive income	2,401	(11,315)	(26,586)	(20,528)	1,305	1,550
Treasury stock	0	(19,109)	(86,414)	(192,617)	(388,668)	(559,221)
<b>Total Stockholders' Equity</b>	<b>(1,019,419)</b>	<b>(202,084)</b>	<b>(54,344)</b>	<b>319,327</b>	<b>648,108</b>	<b>1,046,837</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,273,856</b>	<b>\$ 3,239,285</b>	<b>\$ 5,269,780</b>	<b>\$ 5,411,530</b>	<b>\$ 5,668,894</b>	<b>\$ 6,349,956</b>

# Appendix C: Cash Flow Statement



BJ's Wholesale Club Holdings (NYSE: BJ)							
Cash Flow Statement							
(In USD Thousands)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net income	\$ 44,224	\$ 50,026	\$ 126,531	\$ 188,119	\$ 421,030	\$ 426,652	\$ 513,177
<b>Adjustments to reconcile net income to net cash provided by operating</b>							
Charges for discontinued operations	802	2,766	(235)	0	0	0	0
Depreciation and amortization	178,325	164,061	162,223	157,000	167,454	180,548	200,934
Amortization of debt issuance costs and accretion of original issues discount	17,091	8,463	6,556	5,172	4,362	3,387	2,765
Debt extinguishment and refinancing charges	0	9,788	23,602	2,167	4,077	657	3,256
Impairment charges for assets held for sale	0	0	3,962	13,306	0	0	0
Other non-cash items, net	32	3,892	2,362	2,028	9,389	9,226	27,730
Stock-based compensation expense	11,828	9,102	57,677	18,796	32,150	53,837	42,617
Deferred income tax provision	(23,530)	(35,623)	(12,314)	10,246	(9,197)	(507)	(1,938)
<b>Increase (decrease) in cash due to changes in:</b>							
Accounts receivable	26,533	(24,507)	(3,976)	(12,053)	33,634	(1,232)	(60,967)
Merchandise inventories	30,010	12,706	(33,168)	(29,196)	(124,193)	(37,240)	(47,544)
Prepaid expenses and other current assets	16,184	(47,867)	26,338	22,169	(3,496)	(9,953)	4,135
Other assets	2,034	967	874	1,710	(1,682)	(4,301)	(6,580)
Accounts payable	(29,277)	36,081	68,884	(30,468)	201,663	124,709	82,914
Change in book overdrafts	(42,781)	7,523	(19,770)	0	0	0	0
Accrued expenses and other current liabilities	49,441	23,241	13,738	15,640	97,690	81,419	4,784
Accrued income taxes	6,343	(12,651)	10,642	0	0	0	0
Closed store obligations	(1,942)	(2,354)	(5,259)	0	0	0	0
Other noncurrent liabilities	12,111	4,196	(2,294)	(8,550)	35,665	4,453	22,882
<b>Net cash provided by operating activities</b>	<b>297,428</b>	<b>209,810</b>	<b>426,373</b>	<b>356,086</b>	<b>868,546</b>	<b>831,655</b>	<b>788,165</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Additions to property and equipment, net of disposals	(114,756)	(137,466)	(145,913)	(196,901)	(218,333)	(323,591)	(397,803)
Proceeds from sale leaseback transactions	0	0	0	21,606	25,893	19,080	27,266
Acquisitions	0	0	0	0	0	0	(376,521)
<b>Net cash used in investing activities</b>	<b>(114,756)</b>	<b>(137,466)</b>	<b>(145,913)</b>	<b>(175,295)</b>	<b>(192,440)</b>	<b>(304,511)</b>	<b>(747,058)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Proceeds from long term debt	0	547,544	0	0	0	0	67,610
Payments on long term debt	(65,161)	(14,437)	(36,167)	(14,829)	(3,297)	0	(50,000)
Paydown of the First Lien Term Loan and extinguishment of Second Lien Term	0	0	(975,633)	(200,000)	(510,000)	(100,000)	(320,655)
Proceeds from ABL facility	1,166,000	1,645,000	1,587,000	1,390,000	996,000	0	1,402,000
Payments on ABL facility	(1,287,000)	(1,483,000)	(1,515,000)	(1,301,000)	(1,064,000)	(260,000)	(997,000)
Debt issuance costs paid	(754)	(24,635)	(982)	(21)	0	0	(4,783)
Dividends paid	(25)	(735,518)	(25)	(25)	(25)	(25)	(25)
Capital lease and financing obligations payments	(535)	(657)	(691)	(612)	(984)		
Net cash received (paid) from stock option exercises	377	858	(14,240)	11,072	17,985	18,713	8,438
Cash paid for share repurchases/Acquisition of treasury stock	(1,427)	(1,969)	(19,109)	(67,305)	(106,203)	(194,316)	(172,288)
Proceeds from Initial Public Offering, net of underwriters discount and	0	0	690,970	0	0		
Net cash received from Employee Stock Purchase Program (ESPP)	0	0	0	1,728	2,676	3,822	4,830
Proceeds from financing obligations	0	0	0	4,202	5,056	7,692	15,388
Payment of Initial Public Offering costs	0	0	(5,081)	0	0		
Other financing activities	407	(2,815)	(40)	0	0	(1,112)	(6,143)
<b>Net cash used in financing activities</b>	<b>(188,118)</b>	<b>(69,629)</b>	<b>(288,998)</b>	<b>(176,790)</b>	<b>(662,792)</b>	<b>(525,226)</b>	<b>(52,628)</b>
Net increase (decrease) in cash and cash equivalents	(5,446)	2,715	(8,538)	4,001	13,314	1,918	(11,521)
Cash and cash equivalents at beginning of period	37,410	31,964	34,679	26,141	30,142	43,456	45,374
Cash and cash equivalents at end of period	31,964	34,679	26,141	30,142	43,456	45,374	33,853



# Appendix D: NWC



Net Working Capital	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Current Assets</b>													
Accounts receivable, net	190,756	194,300	206,353	172,719	173,951	239,746	267,231	294,221	314,656	333,919	352,050	370,645	389,981
<i>A/R Days</i>	5.46	5.45	5.71	4.09	3.81	4.53	4.84	4.84	4.84	4.84	4.84	4.84	4.84
Merchandise inventories	1,019,138	1,052,306	1,081,502	1,205,695	1,242,935	1,378,551	1,563,027	1,728,966	1,849,050	1,962,248	2,068,796	2,178,067	2,291,694
<i>Inventory Days</i>	35.38	36.08	36.68	35.34	33.39	31.68	34.76	34.76	34.76	34.76	34.76	34.76	34.76
Prepaid expenses and other current assets	81,972	63,454	41,961	48,649	54,734	51,033	61,752	67,988	72,710	77,162	81,352	85,648	90,117
<i>as a % of Revenue</i>	0.64%	0.49%	0.32%	0.32%	0.33%	0.26%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%
<b>Total Current Assets</b>	<b>1,291,866</b>	<b>1,310,060</b>	<b>1,329,816</b>	<b>1,427,063</b>	<b>1,471,620</b>	<b>1,669,330</b>	<b>1,892,010</b>	<b>2,091,175</b>	<b>2,236,416</b>	<b>2,373,329</b>	<b>2,502,198</b>	<b>2,634,361</b>	<b>2,771,792</b>
<b>Current Liabilities</b>													
Accounts payable	751,948	816,880	786,412	988,074	1,112,783	1,195,697	1,252,495	1,385,467	1,481,693	1,572,402	1,657,782	1,745,344	1,836,396
<i>A/P Days</i>	26.11	28.01	26.67	28.97	29.89	27.48	27.85	27.85	27.85	27.85	27.85	27.85	27.85
Current portion of operating lease liabilities/closed store obligations	2,122	739	123,751	131,513	141,453	177,233	179,148	197,241	210,940	223,854	236,009	248,475	261,437
<i>as a % of Revenue</i>	0.02%	0.01%	0.94%	0.85%	0.85%	0.92%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%
Accrued expenses and other current liabilities	495,767	504,834	547,876	651,625	748,245	767,411	826,304	909,758	972,945	1,032,508	1,088,573	1,146,069	1,205,859
<i>as a % of Revenue</i>	3.89%	3.88%	4.15%	4.22%	4.49%	3.97%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%
<b>Current Liabilities</b>	<b>1,249,837</b>	<b>1,322,453</b>	<b>1,458,039</b>	<b>1,771,212</b>	<b>2,002,481</b>	<b>2,140,341</b>	<b>2,257,947</b>	<b>2,492,466</b>	<b>2,665,579</b>	<b>2,828,765</b>	<b>2,982,364</b>	<b>3,139,888</b>	<b>3,303,692</b>
<b>NWC</b>	<b>42,029</b>	<b>(12,393)</b>	<b>(128,223)</b>	<b>(344,149)</b>	<b>(530,861)</b>	<b>(471,011)</b>	<b>(365,938)</b>	<b>(401,291)</b>	<b>(429,163)</b>	<b>(455,436)</b>	<b>(480,166)</b>	<b>(505,527)</b>	<b>(531,900)</b>
<b>Change in NWC</b>		<b>54,422</b>	<b>115,830</b>	<b>215,926</b>	<b>186,712</b>	<b>(59,850)</b>	<b>(105,073)</b>	<b>35,354</b>	<b>27,871</b>	<b>26,273</b>	<b>24,730</b>	<b>25,362</b>	<b>26,373</b>

# Appendix E: CapEx + D&A



Cash Flow Adjustments	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Capital Expenditures	114,756	137,466	145,913	196,901	218,333	323,591	397,803	436,671	505,957	569,442	635,958	705,611	781,794	865,668
Revenue	12,350,000	12,753,000	13,006,000	13,190,000	15,430,017	16,667,302	19,315,165	20,147,024	22,181,813	23,722,434	25,174,715	26,541,680	27,943,573	29,401,356
<i>% of Revenue</i>	<i>0.93%</i>	<i>1.08%</i>	<i>1.12%</i>	<i>1.49%</i>	<i>1.41%</i>	<i>1.94%</i>	<i>2.06%</i>	<i>2.17%</i>	<i>2.28%</i>	<i>2.40%</i>	<i>2.53%</i>	<i>2.66%</i>	<i>2.80%</i>	<i>2.94%</i>
Depreciation & Amortization	178,325	164,061	162,223	157,000	167,454	180,548	200,934	240,169	404,766	484,025	572,362	663,274	750,522	848,355
<i>% of CapEx</i>	<i>155.39%</i>	<i>119.35%</i>	<i>111.18%</i>	<i>79.74%</i>	<i>76.70%</i>	<i>55.80%</i>	<i>50.51%</i>	<i>55.00%</i>	<i>80.00%</i>	<i>85.00%</i>	<i>90.00%</i>	<i>94.00%</i>	<i>96.00%</i>	<i>98.00%</i>





# Appendix H: WACC & Beta



BJ's Wholesale Club Holdings (NYSE: BJ)	
WACC	
Market Value of Equity	8,774
Weight of Equity	73.86%
Risk-Free Rate	4.45%
Equity Risk Premium	5.05%
Beta	0.61
<b>Cost of Equity</b>	<b>7.55%</b>
Market Value of Debt	3,106
Weight of Debt	26.14%
Credit Spread	2.42%
Pre-Tax Cost of Debt	6.87%
Tax Rate	25.5%
<b>Tax Effected Cost of Debt</b>	<b>5.12%</b>
<i>Weighted Average Cost of Capital</i>	<b>6.91%</b>

Beta	
Covariance	0.000076802
Variance	0.000125277
3-Yr Beta	0.613057167

# Appendix I: DCF



Discounted Cash Flow Analysis	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
BJ's Wholesale Club Holdings (NYSE: BJ)													
Revenue	12,753,000	13,006,000	13,190,000	15,430,017	16,667,302	19,315,165	20,147,024	21,665,723	23,169,956	24,584,131	25,911,201	27,271,337	28,685,424
EBIT	220,000	303,000	353,000	642,392	617,323	737,986	809,999	770,032	823,495	873,757	920,923	969,264	1,019,523
<i>Tax Rate</i>	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
NOPAT	165,000	227,250	264,750	481,794	462,992	553,490	607,500	577,524	617,621	655,318	690,692	726,948	764,642
Plus: D&A	164,061	162,223	157,000	167,454	180,548	200,934	240,169	395,348	472,753	558,934	647,519	732,467	827,697
Less: CapEx	137,466	145,913	196,901	218,333	323,591	397,803	436,671	494,185	556,180	621,038	688,850	762,987	844,589
Less: Change in NWC		54,422	115,830	215,926	186,712	(59,850)	(105,073)	26,017	27,213	25,584	24,008	24,606	25,582
FCFF							516,071	452,670	506,981	567,630	625,353	671,823	722,168
Discount Factor							0.25	1.25	2.25	3.25	4.25	5.25	6.25
PV of Cash Flows							\$507,518.6	\$416,383.7	\$436,187.6	\$456,789.8	\$470,701.9	\$472,982.1	\$475,552.0

Gordon Growth	
Terminal Value	\$14,993,157
PV of Terminal Value	\$9,873,081
Enterprise Value	\$13,109,197
Less: Debt	\$3,088,910
Plus: Cash	\$33,915
Equity Value	\$10,054,202
Diluted Shares Outstanding	136,473
Price Per Share	\$73.67
<i>Upside</i>	12.92%

Multiples Method	
Terminal Value	\$25,115,816
PV of Terminal Value	\$16,538,912
Enterprise Value	\$19,775,028
Less: Debt	\$3,088,910
Plus: Cash	\$33,915
Equity Value	\$16,720,033
Diluted Shares Outstanding	136,473
Price Per Share	\$122.52
<i>Upside</i>	87.79%

Assumptions	
Terminal Growth Rate	2.0%
Terminal Multiple	13.60x
WACC	6.91%

# Appendix J: Sensitivity Tables



		Terminal Growth Rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	5.91%	\$78.10	\$87.14	\$98.49	\$113.17	\$132.89
	6.41%	\$68.70	\$75.88	\$84.70	\$95.78	\$110.10
	6.91%	\$60.89	\$66.72	\$73.73	\$82.33	\$93.14
	7.41%	\$54.31	\$59.11	\$64.79	\$71.64	\$80.03
	7.91%	\$48.68	\$52.69	\$57.37	\$62.92	\$69.60

		Terminal Multiple				
		11.6x	12.6x	13.6x	14.6x	15.6x
WACC	5.91%	\$111.74	\$121.19	\$130.65	\$140.10	\$149.56
	6.41%	\$108.18	\$117.36	\$126.54	\$135.72	\$144.90
	6.91%	\$104.74	\$113.65	\$122.57	\$131.48	\$140.40
	7.41%	\$101.41	\$110.07	\$118.73	\$127.39	\$136.04
	7.91%	\$98.19	\$106.60	\$115.01	\$123.42	\$131.83

# Appendix K: Comps Set



<b>BJ's Wholesale Club Holdings</b>								
<i>Comparable Companies (\$mm)</i>								
Company Name	Ticker	Share Price	Shares Outs.	Market Cap	Debt	Cash	EV	
<b>BJ's Wholesale Club Holdings</b>	<b>BJ</b>	<b>\$ 65.24</b>	<b>136</b>	<b>8,903</b>	<b>3,089</b>	<b>34</b>	<b>11,958</b>	
Costco Wholesale Corp	COST	\$ 590.80	444	262,315	9,233	15,234	256,314	
Dollar General Corp	DG	\$ 121.33	220	26,693	17,661	382	43,972	
Walmart Inc	WMT	\$ 167.65	2,734	458,355	66,221	8,625	515,951	
Target Corp	TGT	\$ 110.79	464	51,407	19,073	2,229	68,251	
Five Below Inc	FIVE	\$ 182.32	56	10,155	1,497	399	11,253	
Ollie's Bargain Outlet Holdings Inc	OLLI	\$ 81.63	63	5,118	441	271	5,289	



# Appendix L: LTM Comp Multiples



LTM							
Revenue	EBITDA	EBIT	EPS	EV/Rev	EV/EBITDA	EV/EBIT	P/E
<b>13,207</b>	<b>939</b>	<b>738</b>	<b>3.76</b>	<b>0.9x</b>	<b>12.7x</b>	<b>16.2x</b>	<b>17.3x</b>
242,290	10,891	8,505	14.66	1.1x	23.5x	30.1x	40.3x
37,845	5,663	3,328	10.68	1.2x	7.8x	13.2x	11.4x
611,289	37,853	24,602	6.45	0.8x	13.6x	21.0x	26.0x
109,120	7,082	3,934	6.12	0.6x	9.6x	17.3x	18.1x
3,076	683	345	4.69	3.7x	16.5x	32.6x	38.9x
1,827	254	130	1.62	2.9x	20.9x	40.8x	50.4x

Min	1,827	254	130	1.62	0.6x	7.8x	13.2x	11.4x
Q1	11,768	1,928	1,091	5.05	0.9x	10.6x	18.3x	20.1x
Median	73,482	6,373	3,631	6.29	1.1x	15.1x	25.6x	32.4x
Q3	208,998	9,939	7,362	9.62	2.5x	19.8x	32.0x	39.9x
Max	611,289	37,853	24,602	14.66	3.7x	23.5x	40.8x	50.4x
Mean	167,575	10,404	6,807	7.37	1.7x	15.3x	25.8x	30.8x

Min					\$38.14	\$31.03	\$49.06	\$42.72
Q1					\$64.47	\$50.79	\$76.33	\$75.49
Median					\$85.02	\$81.21	\$115.80	\$121.96
Q3					\$215.82	\$113.57	\$150.64	\$150.20
Max					\$331.60	\$139.53	\$198.11	\$189.48
Mean					\$142.80	\$83.00	\$117.37	\$115.95

# Appendix M: FWD Comp Multiples



2026E							
Revenue	EBITDA	EBIT	EPS	EV/Rev	EV/EBITDA	EV/EBIT	P/E
<b>23,170</b>	<b>1,296</b>	<b>823</b>	<b>3.58</b>	<b>0.5x</b>	<b>9.2x</b>	<b>14.5x</b>	<b>18.2x</b>
286,291	13,283	10,707	18.57	0.9x	19.3x	23.9x	30.6x
42,922	3,585	2,663	8.32	1.0x	12.3x	16.5x	9.9x
689,432	43,740	30,763	7.84	0.7x	11.8x	16.8x	14.2x
110,731	9,206	6,392	10.09	0.6x	7.4x	10.7x	14.9x
4,872	754	581	7.99	2.3x	14.9x	19.4x	12.2x
2,512	323	274	3.43	2.1x	16.4x	19.3x	5.0x

Min	2,512	323	274	3.43	0.6x	7.4x	10.7x	5.0x
Q1	14,384	1,462	1,102	7.88	0.8x	11.9x	16.6x	10.5x
Median	76,826	6,395	4,527	8.16	1.0x	13.6x	18.0x	13.2x
Q3	242,401	12,264	9,628	9.65	1.8x	16.0x	19.3x	14.8x
Max	689,432	43,740	30,763	18.57	2.3x	19.3x	23.9x	30.6x
Mean	189,460	11,815	8,563	9.37	1.3x	13.7x	17.8x	14.5x

Min					\$82.26	\$48.03	\$42.05	\$17.86
Q1					\$110.91	\$90.77	\$77.64	\$37.50
Median					\$140.58	\$106.76	\$86.51	\$47.31
Q3					\$289.13	\$129.62	\$94.35	\$52.85
Max					\$369.76	\$160.89	\$122.06	\$109.63
Mean					\$195.47	\$107.52	\$84.80	\$51.84

<b>BJ's Wholesale Club Holdings</b>		
<i>Valuation (In USD Thousands)</i>		
Multiple	Value	Weight
DCF GG	\$73.67	60%
DCF MM	\$122.52	8%
LTM EV/EBITDA	\$83.00	8%
LTM P/E	\$115.95	8%
2026E EV/EBITDA	\$107.52	8%
2026E P/E	\$51.84	8%
Price Target		\$82.67

	Q1	Spread	Q3
DCF GG	\$59.11	\$36.67	\$95.78
DCF MM	\$110.07	\$25.65	\$135.72
LTM EV/EBITDA	\$50.79	\$62.79	\$113.57
LTM P/E	\$75.49	\$74.71	\$150.20
FWD EV/EBITDA	\$90.77	\$38.85	\$129.62
FWD P/E	\$37.50	\$15.36	\$52.85
52-Week Range	\$61.07	\$17.00	\$78.07
Analyst Ratings	\$58.00	\$39.00	\$97.00

# Appendix O: Analyst Ratings



Firm	PT
JP Morgan	\$58
Citi	\$72
Evercore ISI	\$64
Barclays	\$72
Deutsche Bank	\$67
Morgan Stanley	\$69
Goldman Sachs	\$72
D.A. Davidson	\$90
Jefferies	\$80
Baird	\$80
Wells Fargo	\$73
Cowen	\$80
NorthCoast Research	\$85
R5 Capital	\$97

# Appendix P: Number Of Stores Per State

Market (Location)	Club Count
New York	47
Florida	35
Massachusetts	25
New Jersey	24
Pennsylvania	19
Virginia	14
Connecticut	13
Maryland	12
North Carolina	9
New Hampshire	7
Ohio	7
Georgia	5
Michigan	5
Delaware	4
Rhode Island	4
Maine	3
South Carolina	1
Indiana	1

## What is the buying cycle?

The buying cycle is the period of time it takes for a customer to purchase a new product of a good that they already have due to the preexisting product being out of style or simply not working

## How does this impact BJ's?

The buying cycle for many of these big-ticket items is beginning to heat up again, as a lot of money was spent during COVID and many of the products purchased are now outdated

**93%** of people purchase a new TV every **4 years** [\(Link\)](#)

**62%** of people purchase a new smartphone every **3 – 4 years** [\(Link\)](#)

On average, people replace small appliances every **5 years** [\(Link\)](#)

EPS: **Beat 3.59%**  
Revenue: **Beat 0.52%**

Why did the share price still fall?

Surprise dip in same-store sales

Cut FY outlook due to “shifts in consumer behavior” driven by the broader macro backdrop

# Appendix S: How Do Higher Gas Prices Lead To Increased Revenue?

