

RATING ACTION COMMENTARY

Fitch Ratings Assigns Costco's IDR 'AA' Rating; Outlook Stable

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Fitch Ratings - New York - 25 Nov 2025: Fitch has assigned a 'AA' rating to Costco Wholesale Corporation's Long-Term Issuer Default Rating (IDR) and unsecured notes. The Rating Outlook is Stable.

Costco's ratings reflect the company's significant scale with \$275 billion and \$13.5 billion of FY25 (ended August 2025) revenue and EBITDA, respectively, supported by its somewhat unique and durable membership business model and history of consistently superior execution. Costco's strong operating track record has led to robust cash flow, with projections of over \$3 billion in FCF annually, and modest EBITDAR leverage around 1x in recent years.

Fitch projects Costco will produce annual revenue growth near 5% over time through warehouse openings and product and service enhancements, suggesting continued market share gains. Fitch's rating case assumes EBITDAR leverage could trend between recent levels and the low-1x range, assuming the company executes occasional debt-financed special dividends as it has done historically.

KEY RATING DRIVERS

Significant Scale, Durable Business Model: Costco is the third-largest U.S. retailer by revenue, a position it built through its membership model and strong execution. The company operates 914 warehouses as of Aug. 31, 2025, primarily in the U.S., serving 145 million member cardholders with membership retention rates that average near 90%. The uniqueness and durability of Costco's business model, including membership requirements, limited product offerings and generally bulk pack sizes, is demonstrated by the company's long-term success around revenue generation, consistently positive comparable-store sales (comps) and membership growth.

Costco's scale is a competitive advantage as it expands its branded assortment, adds around 30 new warehouses annually, and uses its substantial cash flow to invest in business model enhancements including supply chain and technology. These