

Bed Bath & Beyond (NASDAQ: BBBY)

Sector: Home Furnishing (NAICS: 44229)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$166.27	\$75.46	\$78.88	\$54.33	0.55	15.72	\$15.9B (Large Cap)	N/A

Industry Trends

The home retailing segment remains highly competitive. Only 4% of home furnishing retailers have more than 20 employees, and so the industry is proliferated with smaller retailers. Many of the larger companies have been consolidating in order to increase retail space and decrease competition. Consumer spending has seen a recent increase, as homeowner debt has decreased. As families continue to have fewer debt obligations, income, and spending in turn, is expected to increase.

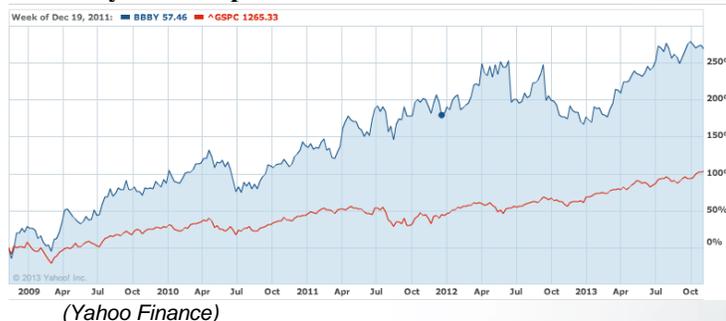
Investment Thesis

Bed Bath and Beyond is a retailer that has seen significant success in the home furnishings area of the past decade. The company has a strong position in the market, making up 36% of all the sales. The company has grown this success by being a big box store focusing on low prices, and through possessing dominance in the bridal registry market. The company has rewarded shareholder through generous share buybacks over the past few years. The company has the ability and plan to continue expansion, coupled with increasing same store sales. A focus on online sales will also help the company continue to expand operating margins. Investors will continue to receive share price appreciation through the share buy backs, and company based organic growth.

Business Summary

Bed Bath and Beyond is a home-furnishing retailer that sells merchandise for homes, kitchens, bedrooms, and bathrooms through multiple chains. BBBY sells a wide assortment of domestic merchandise, including bed linens and bath items, and home furnishings, including kitchen and tabletop items. BBBY focuses on, "excellent customer service, an extensive breadth, depth and differentiated assortment and introduction of new merchandising offerings." The company operates stores under its namesake, along with Christmas Tree Shops, Cost-Plus World Market, buybuyBaby, and others. Currently BBBY operates 1,471 stores through its entire brand, the largest store in number being Bed Bath and Beyond with 1,004 stores.

BBBY 5-year stock performance vs. S&P 500:



Corporate Social Responsibility:

ESG Disclosure Rating	24.88 (Ind. Avg.: 21.14)
Environmental Disclosure Score	13.54 (Ind. Avg.: 22.14)
Carbon Disclosure Score	N/A (Ind. Avg.: 60.33)
Social Disclosure Score	17.54 (Ind. Avg.: 21.49)
Governance Disclosure Score	51.79 (Ind. Avg.: 50.95)
Equal Opportunity Policy	1 (Ind. Avg.: 1)
Community Spending	N/A (Ind. Avg.: 2.73)
Total Energy Consumption	N/A (Ind. Avg.: 1.24)

Competition:

- Three of BBBY's major competitors are: Williams Sonoma (WSM), Pier 1 Imports (PIR), and Restoration Hardware Holdings (RH)

Pros:

- A retailer that has demonstrated an ability to grow through both acquisitions, store increases, and same store sales growth for the past ten years
- The company has reward shareholders over the past ten years by purchasing \$7.5 billion of shares, and has authorized the purchase of another \$1.8 billion
- A proven and profitable retailer that has the ability and market position to remain profitable throughout all phases of economic cycle

Cons:

- The retail industry remains highly competitive, and consumers have many options to chose from at the low-end price positioning
- Internet retailers are rapidly growing, and can offer significant and deep discounts to consumers
- BBBY's revenue has proven to be consistent but it remains tied to economic outlooks and consumer discretionary spending trends

Value Estimate:

\$95-\$115

(2016-2018)

Estimated Real Annual Return:

6%-11%

Overall Rating:

Expected inflation	3%
Current EPS	\$4.56
Forecasted EPS Growth	10%
Credit Quality	N/A (No Debt)
ROE	25.4%
ROA	25.4%
Price/Book	4.10
Debt/Equity	N/A (No Debt)
Debt/Capital	N/A (No Debt)
Current Ratio	2.24
Price/Cash Flow	18.45
10 yr. Risk Free Rate	2.8%
WACC	7.84%

Four Stars

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