

---

# Ross Stores, Inc.

Investor Overview  
November 2018



# Disclosure of Risk Factors

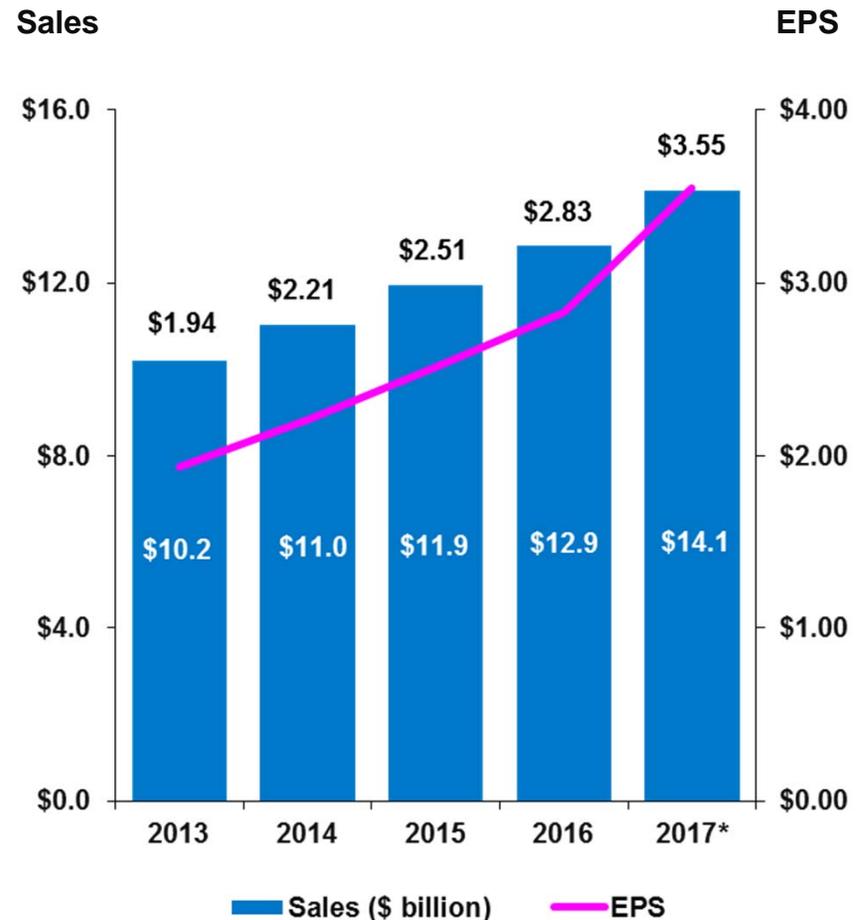
**Forward-Looking Statements:** *This presentation contains forward-looking statements regarding expected sales, earnings levels, new store growth opportunity, and other financial results in future periods that are subject to risks and uncertainties which could cause our actual results to differ materially from management's current expectations. The words "plan," "expect," "target," "anticipate," "estimate," "believe," "forecast," "projected," "guidance," "outlook," "looking ahead," and similar expressions identify forward-looking statements.*

*Risk factors for Ross Dress for Less® ("Ross") and dd's DISCOUNTS® include without limitation, competitive pressures in the apparel or home-related merchandise retailing industry; changes in the level of consumer spending on or preferences for apparel and home-related merchandise; market availability, quantity, and quality of attractive brand name merchandise at desirable discounts and our buyers' ability to purchase merchandise that enables us to offer customers a wide assortment of merchandise at competitive prices; impacts from the macro-economic environment, financial and credit markets, and geopolitical conditions that affect consumer confidence and consumer disposable income; our ability to continually attract, train, and retain associates to execute our off-price strategies; unseasonable weather that may affect shopping patterns and consumer demand for seasonal apparel and other merchandise, and may result in temporary store closures and disruptions in deliveries of merchandise to our stores; potential information or data security breaches, including cyber-attacks on our transaction processing and computer information systems, which could result in theft or unauthorized disclosure of customer, credit card, employee, or other private and valuable information that we handle in the ordinary course of our business, disrupt our operations, damage our reputation with customers, and increase our costs; potential disruptions in our supply chain or information systems; issues involving the quality, safety, or authenticity of products we sell, which could harm our reputation, result in lost sales, and/or increase our costs; our ability to effectively manage our inventories, markdowns, and inventory shortage to achieve planned gross margin; changes in U.S. tax or tariff policy regarding apparel and home-related merchandise produced in other countries that could adversely affect our business; volatility in revenues and earnings; an adverse outcome in various legal, regulatory, or tax matters that could damage our reputation or brand and increase our costs; a natural or man-made disaster in California or in another region where we have a concentration of stores, offices, or a distribution center; unexpected issues or costs from expanding in existing markets and entering new geographic markets; obtaining acceptable new store sites with favorable consumer demographics; damage to our corporate reputation or brands; effectively advertising and marketing our brands; issues from selling and importing merchandise produced in other countries; and maintaining sufficient liquidity to support our continuing operations, new store and distribution center growth plans, and stock repurchase and dividend programs.*

*Other risk factors are set forth in our SEC filings including without limitation, the Form 10-K for fiscal 2017, and Form 10-Qs and Form 8-Ks for fiscal 2018. The factors underlying our forecasts are dynamic and subject to change. As a result, our forecasts speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We do not undertake to update or revise these forward-looking statements.*

# Ross Stores, Inc. Overview

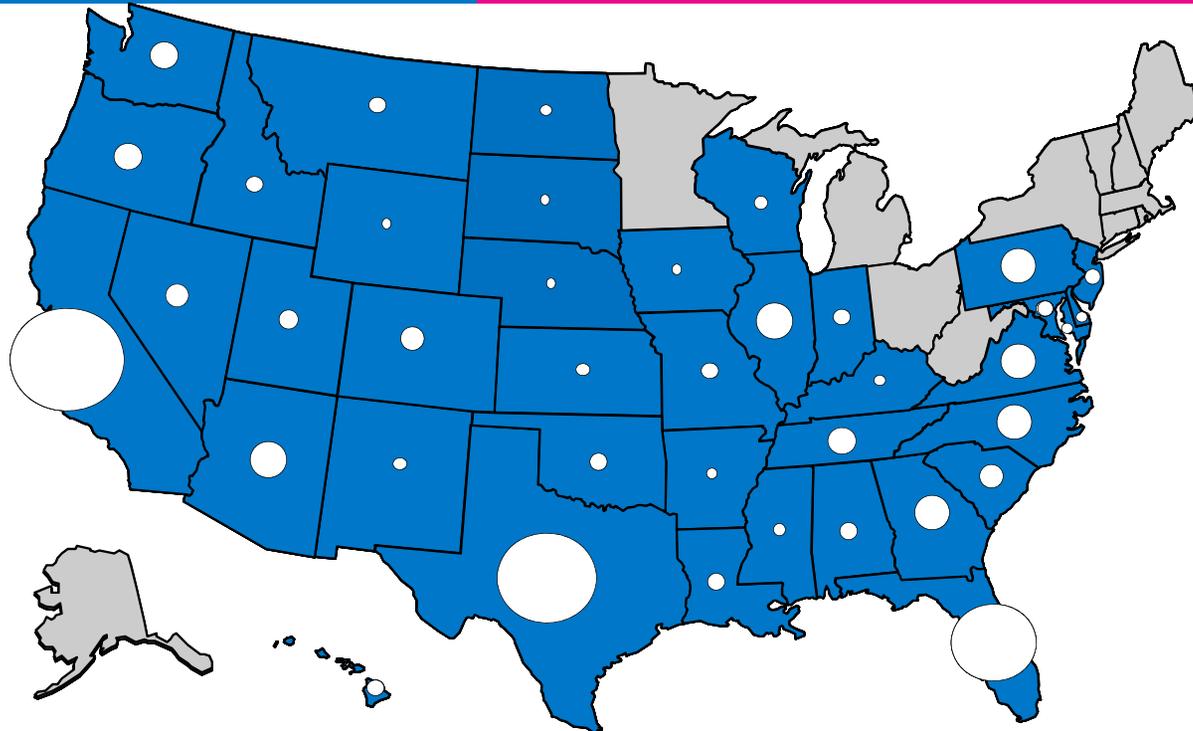
- S&P 500, Fortune 500 and Nasdaq 100 company with fiscal 2017 revenues of \$14.1 billion
- Ross Dress for Less® is the largest off-price apparel and home fashion chain in the U.S. with 1,483 stores in 38 states, the District of Columbia, and Guam
- Also operates 237 dd's DISCOUNTS® in 18 states
- Consistent long-term growth in both sales and EPS
- Fortune 500 Statistics
  - Ranked #209 in 2017, up from #219 in 2016 and #237 in 2015
  - In 2017, ranked #5 out of 500 companies for total return to stockholders on a 10-year basis (~30%)
  - Ranked #22 out of 500 companies on 10-year annual EPS growth rate (~22%)



\* 2017 was a 53-week year; all other years were 52-week years.  
 EPS adjusted to reflect two-for-one stock split effective June 2015.



# 1,720 Stores in 38 States (as of 11/3/18)



	<u>Ross</u>	<u>dd's</u>		<u>Ross</u>	<u>dd's</u>		<u>Ross</u>	<u>dd's</u>		<u>Ross</u>	<u>dd's</u>
Alabama	24		Idaho	12		Nebraska	1		Tennessee	32	2
Arizona	67	13	Illinois	73	6	Nevada	31	8	Texas	193	51
Arkansas	8		Indiana	15		New Jersey	13	1	Utah	21	
California	305	96	Iowa	6		New Mexico	12	3	Virginia	39	
Colorado	33	4	Kansas	12		North Carolina	45	2	Washington	44	
Delaware	2	1	Kentucky	11		North Dakota	2		Wisconsin	18	
District of Columbia	2		Louisiana	15	3	Oklahoma	25	1	Wyoming	3	
Florida	173	32	Maryland	23	2	Oregon	31				
Georgia	53	8	Mississippi	9		Pennsylvania	46	2			
Guam	2		Missouri	27		South Carolina	25	2	<b>TOTAL</b>	<b>1,483</b>	<b>237</b>
Hawaii	22		Montana	6		South Dakota	2				



November 2018

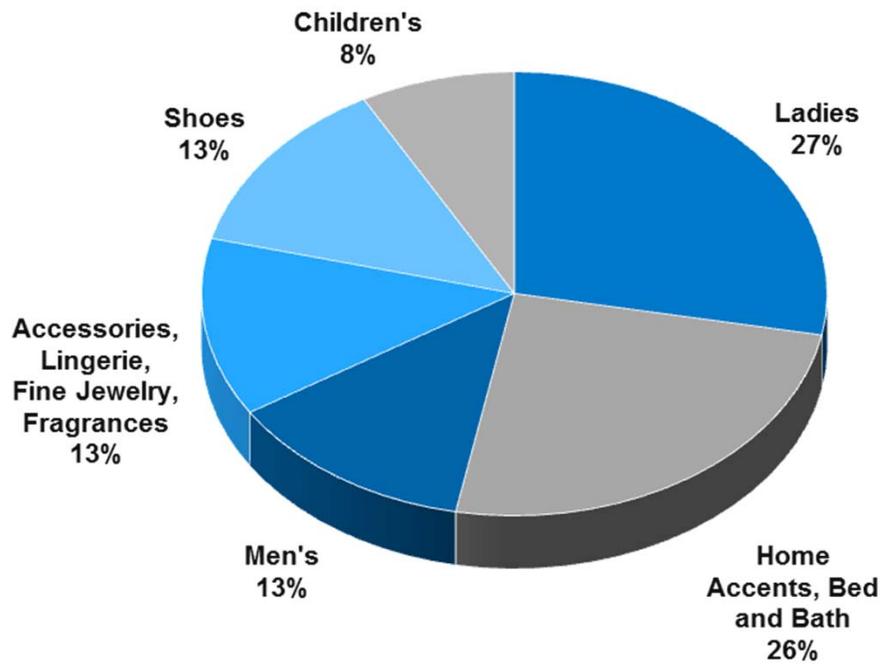
# Delivering Bargains

---

- Department store brands
- Significant discounts off comparable prices
  - Great savings every day
- Wide assortment of styles and fashions (e.g., “treasure hunt”)
- Constant flow of fresh merchandise

# Merchandise Mix\*

---



\* Fiscal 2017

# Key Value Drivers

---

- Opportunistic buying supported by a large and growing off-price buying organization
  - Hundreds of merchants sourcing product from thousands of manufacturers and vendors
- Broad market coverage and strong vendor relationships enhanced by strategic location of buying offices in New York City and Los Angeles
- Effective management of inventory and liquidity
- Planning and allocating at a local vs. regional level
  - Systems and processes allow us to understand customer preferences and allocate the right item to the right store at the right time

# Typical Ross Customer

---

## Demographic

- About 70-75% female, shopping for herself / other family members
- Wide range of household incomes – “want a bargain” vs. “need a bargain”
- Price and value matter most – great deals on brands she loves is a key way of showing her that value
- Embraces the “treasure hunt” format and spends time shopping for bargains
- Core customer averages about two-to-three store visits a month

## How We Reach Her

- Marketing reflects the business strategy – great brands at great values every day!
- Television is an effective medium to reach customers with a strong value message
  - Creates and sustains awareness
  - Encourages frequent shopping
  - Cost effective vehicle
- Also engaging customers through social media (Facebook, Instagram) and other digital channels

# Ross Dress for Less Store Prototype

---



- Efficient, low-cost format
- Opening stores with average approximate size of 22,000 – 30,000 gross square feet
- Convenient self-service format
- Strong co-tenancy
- Visible and accessible retail locations
- Located in markets with a large proportion of broad income levels
- High traffic intersections

# dd's DISCOUNTS

- Concept launched in California in 2004
- Opening stores with average approximate size of 18,000 – 22,000 gross square feet
- Established shopping centers
- Stores located in California, Texas, Florida, Arizona, Georgia, Nevada, Illinois, Colorado, Louisiana, New Mexico, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Delaware, New Jersey, and Oklahoma
- Target customer is typically younger, more ethnically diverse, and from lower-to-moderate income households
- Assortments feature more moderate brands and fashions for the family and home at lower average price points than Ross



# dd's DISCOUNTS Update

- Another year of robust gains in sales and operating profits in 2017
- dd's DISCOUNTS has benefited by delivering a faster flow of fresh and exciting product to our stores while operating on lower inventory levels
- Its improved performance also reflects that dd's DISCOUNTS' value-focused merchandise offerings continue to resonate well with its target customer
- We added 21 net new locations in 2016 and 20 in 2017; potential for about 600 locations over the long term



# Commitment to Value

---

- Our top priority is ensuring access to terrific brands at great savings every day
  - Reflected in ongoing investments in people and processes in our merchant organization
  - Our highly skilled merchants purchase product from thousands of vendors and manufacturers, enabling consistent access to quality name brand bargains that our customers value
- Believe consumers will continue to seek out bargains
  - More value-focused shopping behavior is enabling Ross and dd's DISCOUNTS to attract customers
  - Offering the best bargains available retains these customers
  - Also capturing market share from retailers who have closed stores and/or gone out of business

# Raising Long-Term Store Potential

---

- Recently announced an increase in our long-term store count potential to 3,000 locations, from a previous target of 2,500
  - Believe we can further increase penetration in both existing and new markets, given increases in population densities, new trade areas, and proven success in smaller markets
  - Long-term, we project Ross Dress for Less can grow to approximately 2,400 locations, up from a prior target of 2,000
  - dd's DISCOUNTS can become a chain of about 600 stores, compared to a previous projection of 500
- New, higher store potential provides considerable long-term growth opportunities

---

# Financial Results

# Flexible and Resilient Off-Price Model

---

- Long history of consistent sales and earnings growth in both healthy and challenging retail and macro-economic environments
- Benefiting from our ability to offer terrific bargains
  - Taking advantage of close-out opportunities in the marketplace
  - Continued investment in our merchandising organization
- Operating the business on lean in-store inventories
  - Increases the percentage of fresh product in front of the customer and promotes faster inventory turns
  - Enhances cash flow by reducing working capital needs
- Tightly managing expenses across the Company
- Overall, we remain very focused on diligent execution of our strategies, which is always the key to maximizing our prospects for sales and earnings growth in any type of economic or retail climate

# Fiscal 2017 Results

---

- FY 2017 sales increased 10% to \$14.1 billion, with comparable store sales up 4% over fiscal 2016
  - Children's was the best performing category
  - Midwest was the strongest region
- Added 89 net new locations in FY 2017
  - Ended the year with 1,409 Ross and 213 dd's DISCOUNTS stores
- FY 2017 operating margin increased 50 basis points to a new record of 14.5%
- Earnings per share for the 53-week fiscal 2017 year grew to \$3.55, up from \$2.83 in the prior 52-week year
  - Last year's 53<sup>rd</sup> week added approximately \$.10 to EPS

# First Nine Months 2018 Results

---

- Sales in the first nine months of 2018 increased 8% to \$10.9 billion, with comparable store sales up 3% over the prior year
- Earnings per share in the first nine months of the year were \$3.06, up from \$2.36 last year
- Operating margin for the period was 13.8% relative to 14.5% last year. Increases in merchandise margin and lower occupancy costs were more than offset by higher industry-wide freight costs, increase in distribution expenses, and higher buying costs.
  - SG&A for the period increased versus the prior year primarily due to higher wage-related costs
- Added 75 new Ross and 24 dd's DISCOUNTS locations in the first nine months of the year
  - Completed our 2018 plan and expect to end the year with 1,477 Ross and 235 dd's DISCOUNTS locations

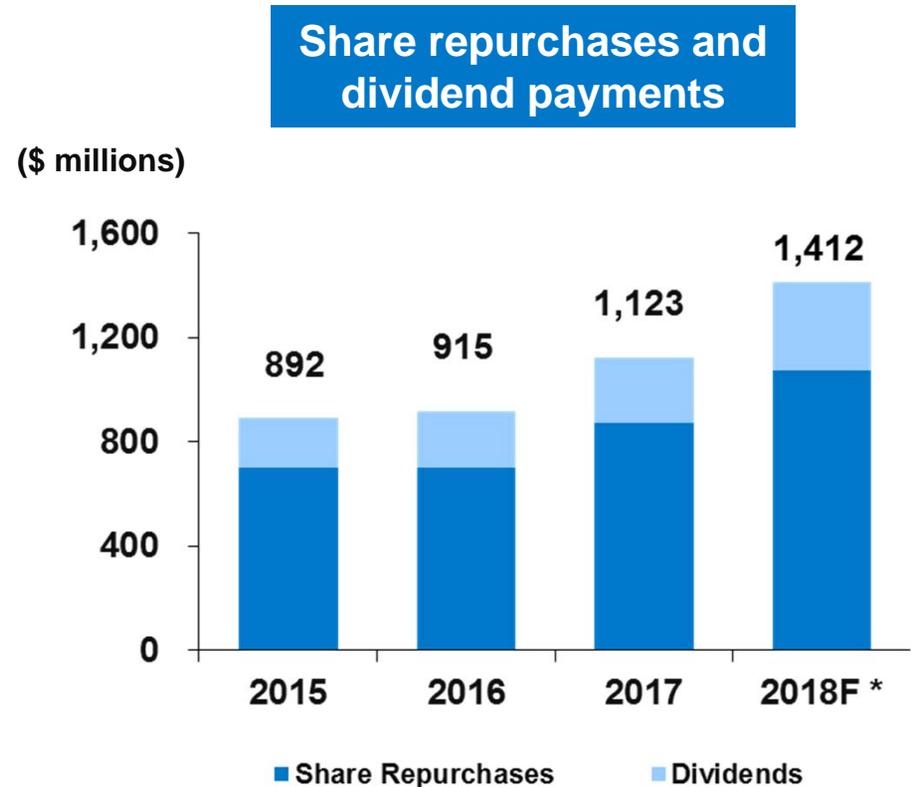
# Targeting Sustainable Profit Margins

---

- Over the long term, we believe EBIT margins can be maintained at a similar level to the prior year
- Record levels of merchandise gross margin have been driven by better buying and faster inventory turns from our sizeable reduction of selling store inventories by more than 40% over the past several years
  - Merchandising remains our top priority, and we plan to further strengthen the organization through continued investments in people, processes, and technology. This enables us to maximize access to the best bargains available in the marketplace and get the right goods to the right store at the right time
  - We remain focused on tight inventory management, which allows us to remain nimble and take advantage of opportunities in the marketplace
- Ongoing strategic investments in our shortage control initiatives have contributed to higher profit margins over the past several years
- Numerous productivity enhancements and efficiencies throughout the Company have helped us to strictly manage expenses in our distribution centers, stores organization, and back office functions

# Higher Levels of Cash Returned to Stockholders

- In March 2018, our Board of Directors approved an increase in our stock repurchase authorization for 2018 to \$1.075 billion
  - Represents an increase from the previous \$875 million authorization
  - Company has repurchased shares in-line with plan every year since 1993
- Our Board of Directors also approved an increase in the quarterly cash dividend by 41% to \$.225 per share, on top of 19% growth in the prior year (24<sup>th</sup> consecutive annual increase)
- Stock repurchase and dividend programs reflect our ongoing confidence in the Company's future growth prospects and continued commitment to enhancing stockholder value
- Combination of existing cash balances, ongoing cash generation, and current credit facilities gives Ross flexibility for both the short- and long-term



\* 2018 is forecasted.

# Capital Expenditures

	<b>2017 Actual</b>	<b>2018 Forecast</b>
New stores	\$ 137 million	\$ 140 million
Existing stores	126 million	135 million
Distribution, Transportation	42 million	70 million
Information Systems, Corporate, Other	66 million	95 million
<b>Total</b>	<b>\$ 371 million</b>	<b>\$ 440 million</b>

# Investment Highlights

---

- Favorably positioned as a leader in the off-price industry, which continues to gain market share
  - Ross Dress for Less is the largest off-price apparel and home fashion chain in the U.S. with 1,483 locations in 38 states, the District of Columbia, and Guam
  - dd's DISCOUNTS operates 237 locations across 18 states
- Significant growth opportunities ahead with the potential to grow our store base to approximately 3,000 locations in the U.S. over the long-term
- Proven strategies have driven growth for over 30 years
  - Strong balance sheet with minimal debt and high returns
  - Consistent generation of excess cash that is returned to stockholders
- Core focus on delivering competitive bargains continues to resonate with today's value-driven consumer
- Ongoing diligent execution of our off-price strategies is expected to:
  - Enhance ability to manage through any type of economic or retail climate
  - Maximize prospects for sales and earnings growth
  - Optimize stockholder returns over both the short- and long-term