

# The Merriam Report ROST QEJun-09 Ross Stores, Inc.

All amounts in millions except for earnings per share

Quarterly period ending:	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09	Averages	
<b>Earnings Per Share (Incl. Ext. Items)</b>	\$ 0.540	\$ 0.440	\$ 0.750	\$ 0.720	\$ 0.820	\$ 0.654	
% Change in E.P.S. (from prev. qtr.)		-18.5%	70.5%	-4.0%	13.9%	15.5%	
<b>Total Revenues</b>	1640.41	1555.29	1734.11	1691.60	1768.64	1678.01	
% Change in Revenues (from prev. qtr.)		-5.2%	11.5%	-2.5%	4.6%	2.1%	
<b>Cost of Revenues</b>	1255.2	1198.5	1321.3	1268.7	1311.1	1271.0	
Accounts Receivable:	49.4	47.1	41.2	50.1	49.4	47.4	
% Change in Receivables (from prev. qtr.)		-4.7%	-12.6%	21.7%	-1.4%	0.7%	
DSO's (# of days it took customers to pay)	2.7	2.8	2.2	2.7	2.5	2.6	
Inventories:	1018.7	1093.1	881.1	917.7	926.2	967.4	
% Change in Inventory (from prev. qtr.)		7.3%	-19.4%	4.2%	0.9%	-1.8%	
Inventory as a % of Sales	62.1%	70.3%	50.8%	54.2%	52.4%	57.96%	
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.0	
Other Current Assets:	84.1	82.4	69.3	79.0	77.6	78.5	
Property, Plant & Equip. (net):	906.5	931.9	951.7	942.4	942.7	935.1	
% Change in P,P & E (from prev. qtr.)		2.8%	2.1%	-1.0%	0.0%	1.0%	
Accounts Payable:	1070.1	1098.8	946.1	1042.4	1095.4	1050.5	
% Change in Payables (from prev. qtr.)		2.7%	-13.9%	10.2%	5.1%	1.0%	
<b>Quarterly period ending:</b>	<b>QEJun-08</b>	<b>QESep-08</b>	<b>QEDec-08</b>	<b>QEMar-09</b>	<b>QEJun-09</b>		
Total Liabilities:	1472.3	1496.7	1359.1	1506.4	1531.2	1473.2	
Shareholder equity:	1006.1	985.9	996.4	1035.8	1069.4	1018.7	
Retained Earnings (Accum. Deficit)	416.4	390.7	401.0	423.2	442.8		
<b>Operating Cash Flow (OCF)</b>	<b>-547.0</b>	<b>-687.4</b>	<b>-473.4</b>	<b>-434.5</b>	<b>-378.5</b>	-504.2	
OCF as % of Revenues	-33.3%	-44.2%	-27.3%	-25.7%	-21.4%	-29.6%	
<b>Balance Sheet Cash Flow (BSCF)</b>	<b>268.7</b>	<b>268.5</b>	<b>302.5</b>	<b>334.8</b>	<b>308.9</b>	296.7	
BSCF as % of Revenues	16.4%	17.3%	17.4%	19.8%	17.5%	18.0%	
<b>Spread between OCF &amp; BSCF</b>	<b>-815.7</b>	<b>-955.9</b>	<b>-775.9</b>	<b>-769.4</b>	<b>-687.4</b>	-800.8	
<b>Ratios</b>							
<b>Spread to Revenues</b>	-49.72%	-61.46%	-44.74%	-45.48%	-38.86%	-0.481	19.12%
<b>Spread to OCF</b>							
<b>MR Dual Cash-Flow Figure</b>	-0.497	-0.615	-0.447	-0.455	-0.389	-0.481	

## The Merriam Report

Ross Stores, Inc.

ROST

QEJun-09

Quarterly period ending:

QEJun-08

QESep-08

QEDec-08

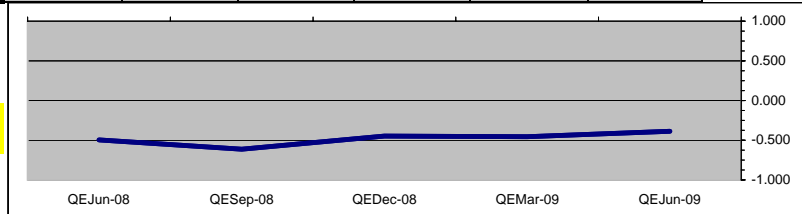
QEMar-09

QEJun-09

<b>MR Dual Cash-Flow Figure</b>	<b>-0.497</b>	<b>-0.615</b>	<b>-0.447</b>	<b>-0.455</b>	<b>-0.389</b>
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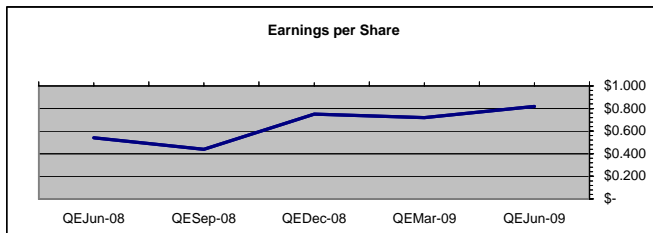
Merriam Report Signals:

Recent Bearish  
Confirmed Bearish  
Recent Bullish  
Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

-0.481



Accrual Ratios  
Average Accruals

	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09
Accrual Ratios	-1.63%	0.56%	-2.51%	-4.72%	-5.97%
Average Accruals	-2.86%				

Revenue Metrics (as % of Sales)

Research & Development  
Cost of Sales  
S/G/A  
Payables

Recent Qtr.

#VALUE!  
74.13%  
16.18%  
61.93%

Combined Avg.

#DIV/0!  
75.74%  
16.03%  
62.61%

Capital Productivity

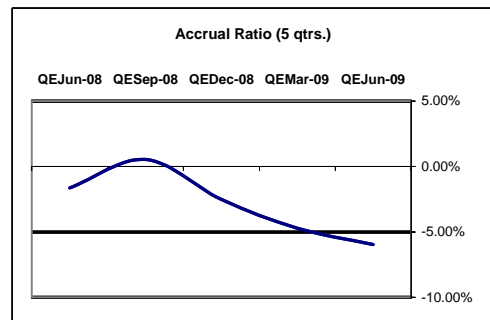
Inventory / Revenues  
Receivables / Revenues  
Inventory & Receivables / Revenues  
P,P&E / Revenues

Recent Qtr.

\$ 0.524  
\$ 0.028  
\$ 0.552  
\$ 0.53

Combined Avg.

\$ 0.576  
\$ 0.028  
\$ 0.605  
\$ 0.56



Accrual Ratios: According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish.

## Summary of Merriam Report Signals

Dual Cash-Flow Figures

Confirmed Bullish / Recent Bullish

Operating Cash-Flow Trend

Improving

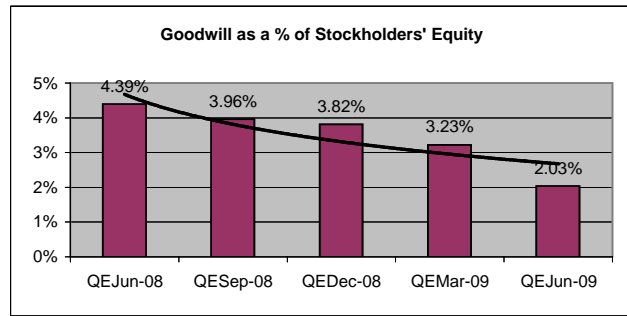
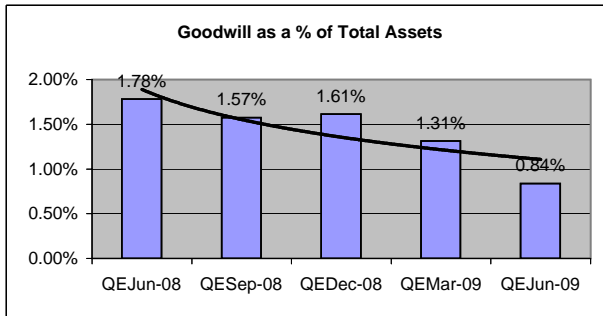
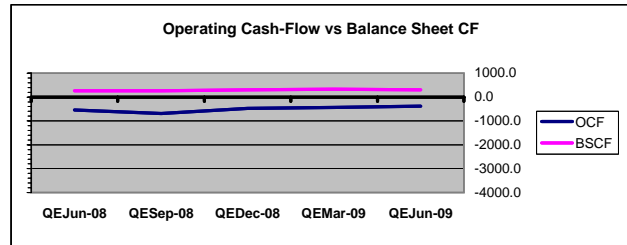
	QJun-08	QSep-08	QDec-08	QMar-09	QJun-09
OCF	-547.0	-687.4	-473.4	-434.5	-378.5
BSCF	268.7	268.5	302.5	334.8	308.9

Balance Sheet Cash-Flow Trend

Improving

### Comparison of Recent Quarter Changes to Average

EPS	Bearish	
Revenues	Bullish	
Accounts Receivable	Bullish	
Days Sales Outstanding	Bullish	
Inventory	Bearish	
Accounts Payable	Bearish	
Accrual Ratios	Bullish	



Balance Sheet and Income Statement	2
Accrual Ratios	1
Revenue Metrics and Capital Productivity	5
Goodwill Trends	1
<b>Merriam Report Score</b>	<b>9</b>

### Investment Opinion: BUY / HOLD

**Estimated Fair Value: \$44.49**

**Current Price to Est. Fair Value: +1.14%**

**Earnings Quality: B+**

Management has done a great job with the balance sheet and we note that although operating cash-flow remains negative, dual cash flow indicators display improvements in OCF as a % of revenues in each of the prior three periods.

Capital productivity has improved and lower use of accruals validates improvement in overall earnings quality. "Goodwill" improvements appear to be largely the result of more favorable lease buyback and finance terms which provide the benefit of reduced amortization charges against other long-term assets.

We are also encouraged by the bullish accrual ratio trends which have improved in each quarter since the period ending Sept. 2008. The only blemish we can see on the balance-sheet is the 5.1% jump in June '09 accounts payable, which is modestly > than the 4.6% rise in sales for the same period.

All-in-all, Ross Stores Inc. is a very well-managed retailer in the discount apparel arena.

Intermediate trading range appears to be in the \$42-46 area. We believe any pull-back to the \$40 area would provide a good entry point for partial positions. Full positions should be considered up to \$35.

The opinions expressed herein are solely those of the author and there is no guarantee to the accuracy or completeness of information contained herein. This report is not a solicitation to buy or sell any security mentioned and it is always recommended to conduct a thorough due-diligence of any security or issue before making an investment. \* "Estimated Fair-Value" is provided as a point of reference to data presented and the trading price of a security as of "Date of Report". It is intended for informational use only and should not be relied on as a true measure of "fair-value" regarding any security discussed or mentioned in this report.

**Date of Report: 10-28-09**

**Disclosure of holdings: None**

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