

Walmart Inc

F4Q preview & bull/bear analysis: Expect share gains to continue in F4Q & beyond

Maintain Rating: BUY | PO: 190.00 USD | Price: 170.30 USD

See potential F4Q sales upside when WMT reports on 2/20

WMT will report F4Q24 earnings on Tuesday 2/20. We forecast \$1.61 adj. EPS and +2.0% US comps (both slightly below Visible Alpha consensus, see Exhibit 2 for more). Our F4Q comp forecast implies a deceleration vs. F3Q's +4.9% given moderating grocery inflation & likely continued softness in general merchandise. However, we think strong observed sales & transactions for WMT in F4Q according to Bloomberg Second Measure credit & debit card data implies potential for upside (see Exhibit 3 – Exhibit 9).

Grocery & general merch. share gains should continue

We expect grocery share gains & trade-down to continue supporting WMT's store & online transactions as consumers continue to manage grocery inflation (25%+ vs. pre-COVID), the reduction in SNAP benefits & the return of student loan repayments. While we see cont'd softness in discretionary, we see support for WMT general merch. share gains to continue from initiatives incl. store remodels, online SKU expansion (incl. thru 3P), & strong pickup/delivery execution (which is a key driver of share gains with higher-incomes & has become the most productive channel for acquiring WMT+ members).

See margin support from growing digital ad contributions

We see cont'd gross margin expansion for WMT in F4Q as increasing contributions from higher-margin profit streams (digital advertising, 3P marketplace & fulfillment services) help offset ongoing mix shift headwinds (as sales of higher-margin general merchandise continue lagging grocery & health/wellness) & International pressure from Flipkart's Big Billion Days shift into F4Q (vs. F3Q last year). We see cont'd operating expense deleverage in F4Q on higher y/y variable pay expenses as well as store remodels.

Maintain Buy on strong near & long-term outlook

We reaffirm our Buy on WMT as digital advertising, WMT+ membership & rapid growth of 3P marketplace/fulfilment services fees should support sales growing faster than costs over the next ~5 years as investments in wages, pricing & supply chain/automation, in addition to sales mix initiatives, all support improving LT profitability. WMT also continues to work towards achieving 1P US ecom profitability by leveraging stores to fulfill & activate local delivery networks (incl. thru Spark Driver). **See Exhibit 1 for our detailed bull/bear case analysis.**

Estimates (Jan) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.45	6.28	6.45	7.00	7.50
GAAP EPS	4.87	4.28	5.32	7.00	7.50
EPS Change (YoY)	17.7%	-2.6%	2.7%	8.5%	7.1%
Consensus EPS (Bloomberg)			6.48	7.09	7.80
DPS	2.19	2.24	2.31	2.36	2.42
Valuation (Jan)					
P/E	26.4x	27.1x	26.4x	24.3x	22.7x
GAAP P/E	35.0x	39.8x	32.0x	24.3x	22.7x
Dividend Yield	1.3%	1.3%	1.4%	1.4%	1.4%
EV / EBITDA*	15.7x	16.3x	15.2x	14.3x	13.5x
Free Cash Flow Yield*	2.9%	2.6%	2.4%	2.4%	2.8%

* For full definitions of *IQmethod*SM measures, see page 9.

13 February 2024

Equity

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Stock Data

Price	170.30 USD
Price Objective	190.00 USD
Date Established	8-Aug-2023
Investment Opinion	A-1-7
52-Week Range	136.09 USD - 170.66 USD
Mrkt Val (mn) / Shares Out (mn)	548,707 USD / 3,222.0
Free Float	53.1%
Average Daily Value (mn)	1032.56 USD
BofA Ticker / Exchange	WMT / NYS
Bloomberg / Reuters	WMT US / WMT.N
ROE (2024E)	19.5%
Net Dbt to Eqty (Jan-2023A)	36.9%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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Timestamp: 13 February 2024 03:12PM EST

iQprofileSM Walmart Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.1%	12.6%	13.0%	13.0%	12.8%
Return on Equity	20.2%	19.5%	19.5%	18.6%	17.6%
Operating Margin	4.5%	4.0%	4.1%	4.3%	4.4%
Free Cash Flow	15,866	14,333	12,907	13,310	15,127

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.6x	1.8x	1.7x	1.7x	1.6x
Asset Replacement Ratio	1.2x	1.5x	1.5x	1.5x	1.5x
Tax Rate	23.9%	24.7%	25.8%	26.5%	26.5%
Net Debt-to-Equity Ratio	25.9%	36.9%	25.7%	16.2%	7.2%
Interest Cover	13.5x	14.1x	13.7x	14.1x	15.0x

Income Statement Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	572,754	611,289	644,788	665,135	689,252
% Change	2.4%	6.7%	5.5%	3.2%	3.6%
Gross Profit	143,754	147,568	156,724	163,651	169,762
% Change	3.5%	2.7%	6.2%	4.4%	3.7%
EBITDA	36,708	35,547	37,910	40,504	42,805
% Change	6.9%	-3.2%	6.6%	6.8%	5.7%
Net Interest & Other Income	(1,929)	(1,742)	(1,931)	(2,031)	(2,031)
Net Income (Adjusted)	18,084	17,158	17,427	18,856	20,129
% Change	16.1%	-5.1%	1.6%	8.2%	6.8%

Free Cash Flow Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	18,084	17,158	17,427	18,856	20,129
Depreciation & Amortization	10,658	10,945	11,545	11,909	12,341
Change in Working Capital	230	3,087	992	602	714
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	0
Capital Expenditure	(13,106)	(16,857)	(17,057)	(18,057)	(18,057)
Free Cash Flow	15,866	14,333	12,907	13,310	15,127
% Change	17.3%	-9.7%	-10.0%	3.1%	13.7%
Share / Issue Repurchase	(7,572)	(19,181)	0	0	0
Cost of Dividends Paid	(6,152)	(6,114)	(6,236)	(6,361)	(6,488)
Change in Debt	(6,436)	1,191	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	14,760	8,885	15,369	22,368	31,056
Trade Receivables	8,280	7,933	8,368	8,632	8,945
Other Current Assets	58,030	59,097	62,336	64,303	66,634
Property, Plant & Equipment	94,515	100,760	106,272	112,420	118,136
Other Non-Current Assets	55,517	53,227	53,277	53,327	53,377
Total Assets	231,102	229,902	245,621	261,049	278,148
Short-Term Debt	3,724	5,130	5,130	5,130	5,130
Other Current Liabilities	81,321	85,128	89,793	92,627	95,985
Long-Term Debt	34,864	34,649	34,649	34,649	34,649
Other Non-Current Liabilities	18,568	20,495	20,358	20,458	20,558
Total Liabilities	138,477	145,402	149,930	152,864	156,322
Total Equity	91,891	83,754	94,945	107,440	121,080
Total Equity & Liabilities	230,368	229,156	244,875	260,303	277,402

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Supermarkets/Food Retailers

Company Description

Walmart is the world's largest retailer, operating retail stores under the formats of Walmart Stores, Supercenters, Neighborhood Markets and Sam's Club locations in the United States as well as a growing ecommerce business (including Jet.com). Internationally Wal-Mart also operates locations in several countries, including Canada, China & Mexico.

Investment Rationale

We believe WMT's omni-channel transformation in the US will continue to gain momentum and support more sustainable and predictable positive same-store sales and traffic at US Supercenters and US ecommerce and GMV growth that should support P/E multiple expansion.

Stock Data

Average Daily Volume 6,041,154

Quarterly Earnings Estimates

	2023	2024
Q1	1.30A	1.47A
Q2	1.77A	1.84A
Q3	1.50A	1.53A
Q4	1.71A	1.61E

Exhibit 1: WMT Bull/Bear Debate

We reiterate our Buy rating on WMT and outline key bull/bear case arguments below

	WMT - BULL	WMT - BEAR
Sales / Traffic	WMT grocery comps (+MSD% in F3Q on top of +mid-teens% LY) are significantly outperforming peers, with units up y/y as WMT gains \$ & unit share (incl. w/ higher-income) supported by price leadership & pickup/delivery. Even as inflation wanes on a y/y basis, the shift to value grocers like WMT could continue as consumers are still adjusting to grocery prices up 25%+ vs. pre-Covid & facing other macro pressures. While discretionary softness could persist, WMT share gains in general merchandise should continue supported by remodels, online SKU expansion (incl. thru 3P) & other initiatives. Strong credit card data for WMT (observed sales & transactions) bodes well for F4Q earnings on 2/20. WMT should also continue to see strong momentum Sam's Club & International momentum.	Stronger comp sales & traffic for WMT vs. peers in 2023 imply tough comparisons in 2024, & waning food inflation could eventually result in an easing (or even a reversal) in the consumer shift towards value grocers like WMT. Discretionary spending could remain weak in F25 as consumers continue adjusting to elevated grocery prices vs. pre-Covid & face other macro pressures. International sales could be unfavorably impacted by FX fluctuations, & Sam's Club momentum could slow on tough comparisons. Additionally, WMT expects F4Q to be impacted by sales headwinds from store closures/recovery costs associated with the hurricane near Acapulco, Mexico.
Inflation / Unit Sales	Food at Home inflation remains positive y/y, & inflation in non-perishables could prove to be persistent/stubborn, resulting in modest levels of food inflation continuing into 2024 (vs. flat or negative trends) & benefitting comps for Food Retailers. The cooling of food inflation to more normalized levels (with likelihood of continued moderation) should further support unit sales trends & could also help to ease pressure on (higher-margin) discretionary category spending.	WMT sales growth should moderate as grocery inflation continues to wane, with potential risk for dry grocery to turn deflationary and pressure WMT's average transaction size. Waning food inflation (or deflation) could also impair WMT traffic trends as lower prices or increased promotions at competitors could dilute customer value perception at WMT.
Gross Margin	WMT should see continued gross margin expansion as increasing contributions from higher-margin profit streams (digital advertising, 3P marketplace & fulfillment services) help offset ongoing mix shift headwinds (as sales of higher-margin general merchandise continue lagging grocery & health/wellness) & International pressure from Flipkart's Big Billion Days shift into F4Q (vs. F3Q last year). WMT also continues to work toward 1P ecommerce profitability by leveraging stores to fulfill & activate local delivery networks (incl. through Spark Driver, which has enabled -15% reduction in store-to-home delivery costs as of F3Q).	WMT should see mix shift headwinds in F4Q (& potentially into F25) as sales of higher-margin general merchandise continue lagging lower margin grocery & health/wellness as well as International margin pressure from Flipkart's Big Billion Days shift into F4Q (vs. F3Q last year). WMT could also see pressure from unfavorable fuel or pharmacy profitability. Long term, WMT gross margins/profitability could be pressured by e-commerce competitors incl. Amazon, Temu, etc. (incl. competition in fulfillment speeds) as well as the growth of deep discount grocery competitors ALDI and GO (Grocery Outlet).
SG&A	While WMT should see expense deleverage in F4Q on higher y/y variable pay expenses and store remodels, the company's investments in wages & supply chain position it well to grow sales faster than costs over the next 3-5 years. By F26, ~65% of WMT's stores should be serviced by automation, with ~55% of fulfillment center volume moving through automated facilities & avg. unit costs potentially improving by ~20%.	WMT should see cont'd Opex deleverage in F4Q on higher y/y variable pay & store remodels. LT, profitability could be pressured by cont'd tech investments to support expansion of app capabilities, fintech & healthcare opps., 3P marketplace & delivery/pick-up execution plus investments in supply chain/automation. Wage pressure could also pressure SG&A (In Jan. '24, WMT announced an increase in avg. store manager salaries to \$128k from \$117k & with bonuses that could be as much as 2x manager salaries tied to store sales & profit performance).
Ecom-merce	WMT has seen 20%+ 1P US ecom sales growth in F24-TD. Strong pickup/delivery execution is a key driver of share gains with higher-income customers & has become the most productive channel for acquiring WMT+ members. WMT's large 1P & 3P marketplace platform enables significant monetization opps. incl. digital advertising (already ~\$3bn at F23-YE) & 3P marketplace & fulfillment services fees. WMT's improving & superior customer insights vs. smaller peers should support continued growth in share of digital advertising spend. WMT's dominant US store footprint (close to 5k US locations w/ inventory already near customers, parking lots for pickup/drive up & heavy truck volumes) supports localized fulfillment advantages (speed and profitability) vs. AMZN & other competitors.	Ecommerce sales should remain less profitable vs. traditional brick & mortar for WMT, which implies mix shift headwinds as ecommerce continues to grow faster than in-store sales -- especially if WMT's efforts to improve ecommerce profitability are not as successful as expected. Moreover, WMT may not be able to approach the size of AMZN in digital advertising given WMT's higher mix of grocery (with potentially less digital advertising potential vs. general merchandise) and given AMZN has a much larger 3p Marketplace and its Prime Video business to support digital ad growth.
Valuation	WMT's current ~22x P/E is in line with its 5-year avg. but below its 5-year high of ~27x (and all time high of ~39x in 1999). Multiple expansion for WMT should be supported by continued strong core business momentum, continued ecommerce growth, improving profitability, and rising visibility on WMT's high-margin alternative profit stream opportunities enabled by its growing digital audience (esp. digital advertising).	WMT's current ~22x P/E is in line with its 5-year avg., which implies limited potential for meaningful multiple expansion ahead, especially as WMT faces tough sales comparisons in F1H25.
Other	WMT has key advantages vs. AMZN in grocery as Food Retail (esp. fresh/perishables) is more complex than non-perishables & is a business where WMT has a significant head-start vs. other potential omni-channel grocery competitors, as well as top of mind advantage as the largest US grocer (esp. with lower-income consumers & in rural markets, where AMZN is less penetrated). Aside from digital advertising, WMT also has ancillary business opportunities in healthcare & financial services in the US (in addition to rapidly growing International businesses like PhonePe & Cashii) that should increasingly benefit top line & profitability over time.	AMZN has a huge advantage over WMT due to its AWS business and other subsidization streams, like digital advertising and 3P (which WMT is also growing but remains earlier stages vs. AMZN), which support greater profitability & the ability to invest in (or forgo profitability from) retail prices & ecommerce fulfillment.

Source: BofA Global Research, Company reports

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Exhibit 2: WMT F4Q24E BofA vs. Consensus Delta Analysis

Our F4Q24 adj. EPS estimate of \$1.61 is slightly below Visible Alpha consensus of \$1.64

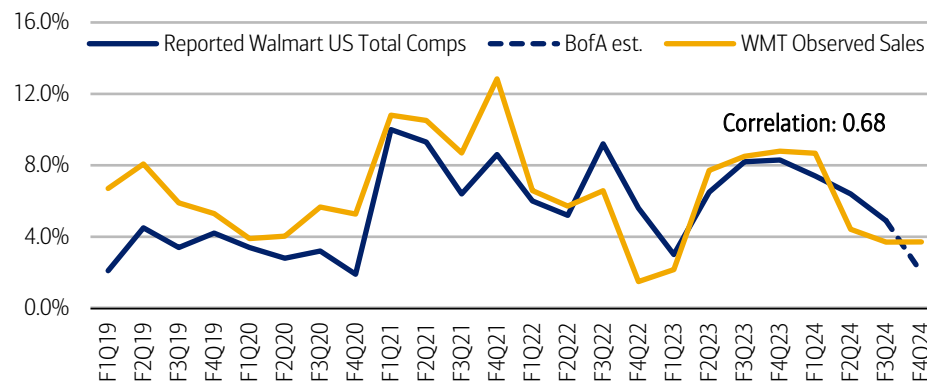
	BofA Est.	Consensus Est.	Delta (BofA-Consensus)	y/y % change (BofA)
Total Revenues	\$170,051	\$170,465	-\$415	3.7%
WMT US Same-store sales	2.0%	3.0%	-98 bps	-630 bps
WMT US owned ecommerce growth	15.0%	17.2%	-215 bps	-200 bps
EBIT	\$6,607	\$6,771	-\$164	3.1%
EPS	\$1.61	\$1.64	-\$0.02	-5.9%
Gross Margin	23.1%	23.2%	-13 bps	15 bp
Expense Ratio	20.0%	20.0%	-4 bps	18 bp
Operating Margin	3.9%	4.0%	-9 bps	-2 bp

Source: Visible Alpha, BofA Global Research estimates

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Exhibit 3: Bloomberg Second Measure credit and debit card data – Observed Sales

WMT F4Q observed sales were flat vs. F3Q, which implies potential upside to our forecast for slowing US same-store sales trends

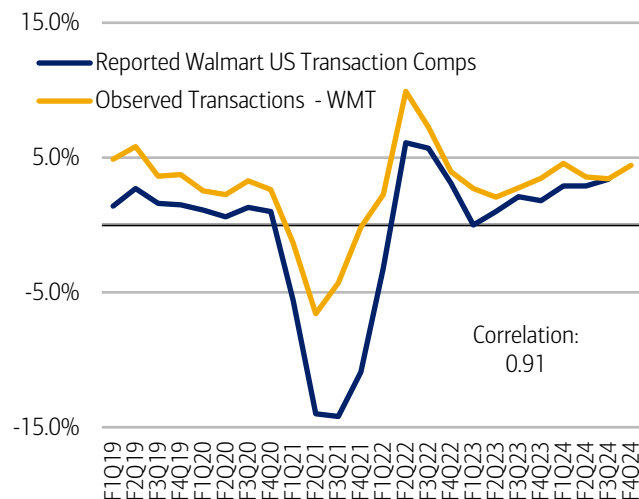


Source: Bloomberg Financial LP – ALTD <GO>, company filings, BofA Global Research estimates

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Exhibit 4: Bloomberg Second Measure – Observed Transactions

WMT observed transactions accelerated in F4Q, which bodes well for F4Q traffic/comp results (which WMT is reporting on 2/20)

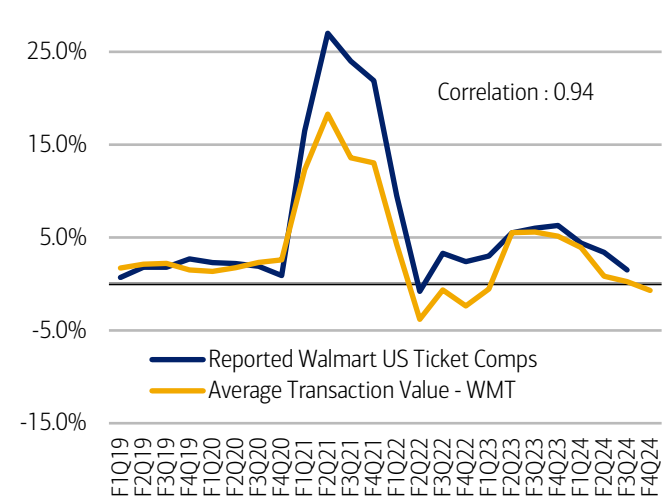


Source: Bloomberg Financial LP – ALTD <GO>, company filings

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Exhibit 5: Bloomberg Second Measure – Avg. Transaction Value

WMT average transaction value slowed in F4Q, which could reflect slowing food inflation

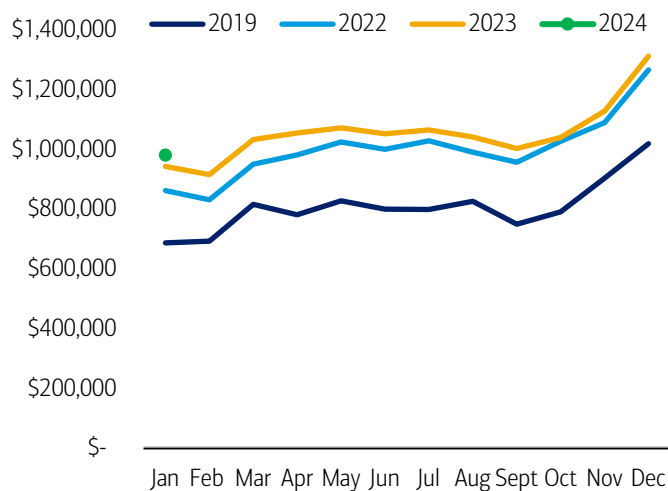


Source: Bloomberg Financial LP – ALTD <GO>, company filings

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Exhibit 6: WMT observed sales according to Bloomberg Second Measure credit & debit card data (in thousands \$)

Observed sales outpace last year in January

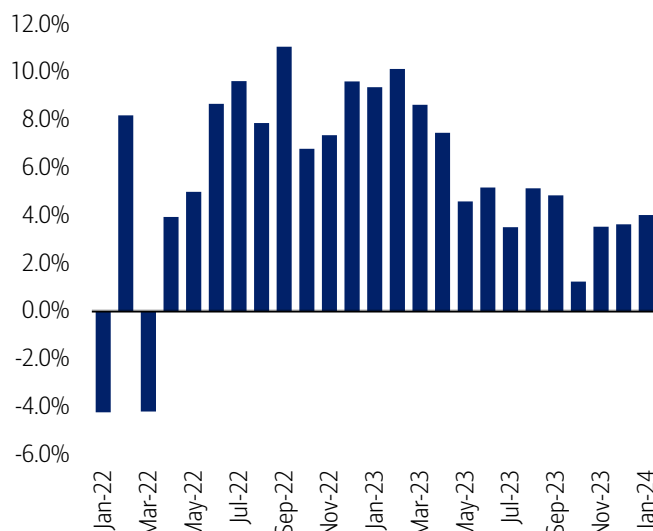


Source: Bloomberg Financial LP- ALTD <GO>

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Exhibit 7: Y/Y % change in WMT observed sales according to Bloomberg Second Measure credit & debit card data

WMT observed sales were up +4.0% y/y in January vs. +3.6% in December

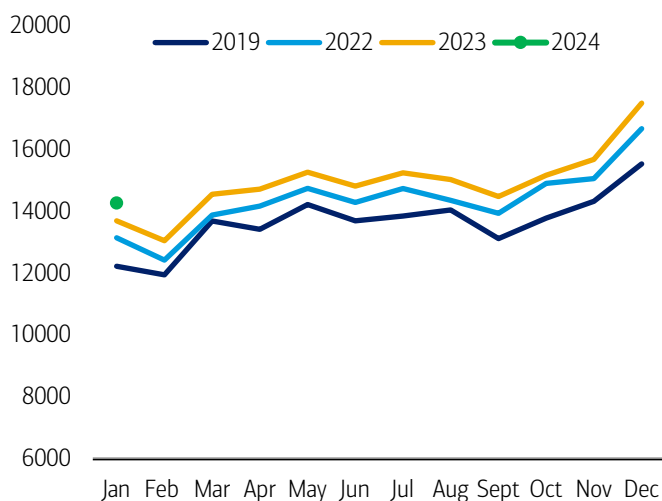


Source: Bloomberg Financial LP- ALTD <GO>

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Exhibit 8: WMT observed transactions according to Bloomberg Second Measure credit & debit card data (in thousands)

Observed transactions remain above historical levels

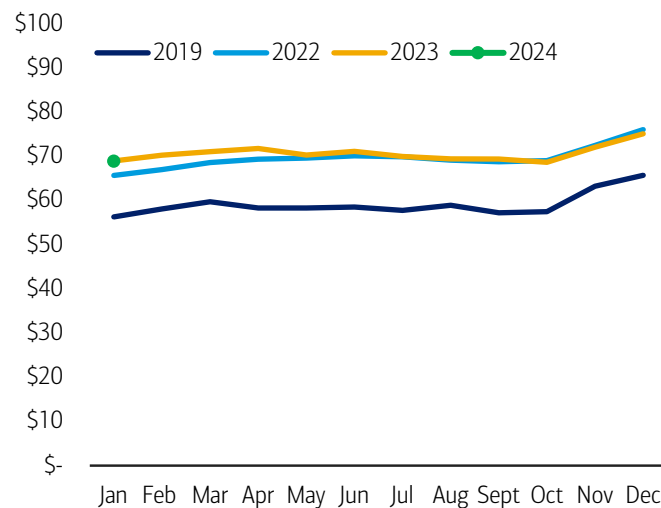


Source: Bloomberg Financial LP- ALTD <GO>

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Exhibit 9: WMT average transaction value according to Bloomberg Second Measure credit & debit card data

Average transaction value remains relatively in-line with last year

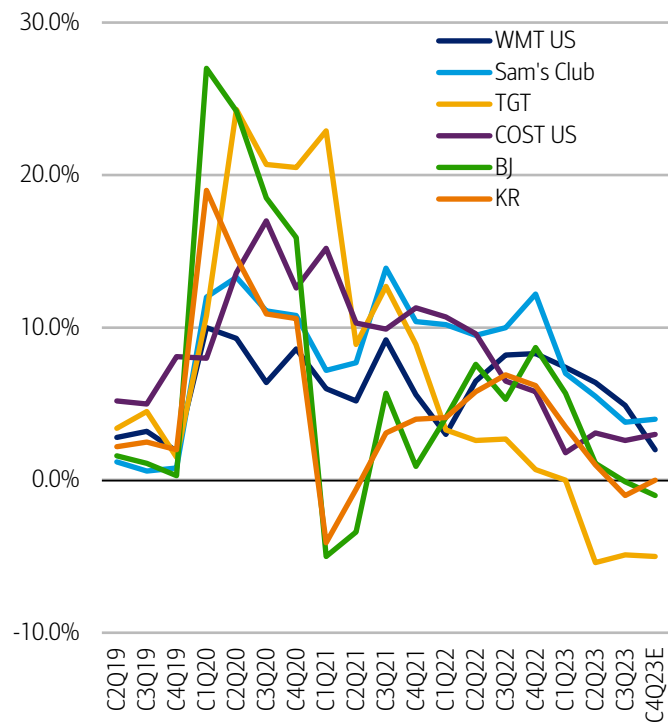


Source: Bloomberg Financial LP- ALTD <GO>

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Exhibit 10: Food & Discount Retailer same-store sales (ex-fuel)

WMT US & Sam's Club comp trends strong relative to peers

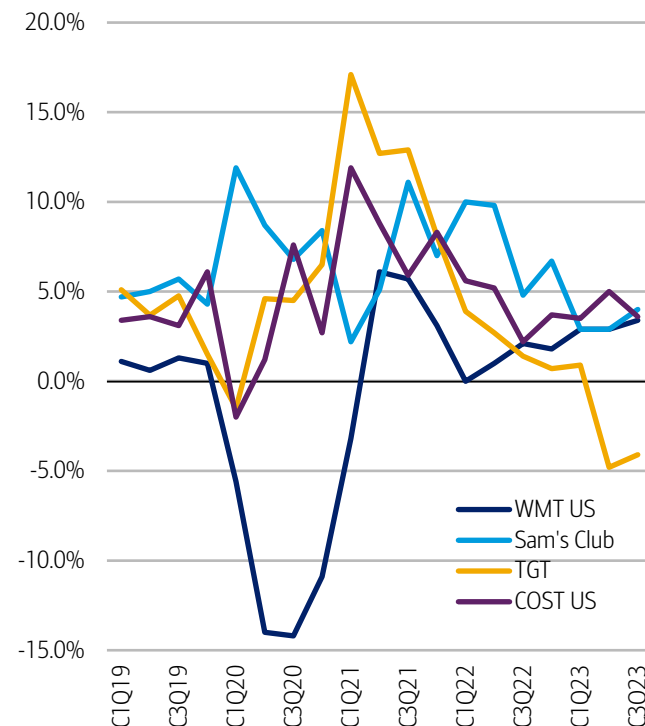


Source: Company filings

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Exhibit 11: Food & Discount Retailer comp traffic

WMT US & Sam's Club traffic stronger vs. TGT, in line with COST US

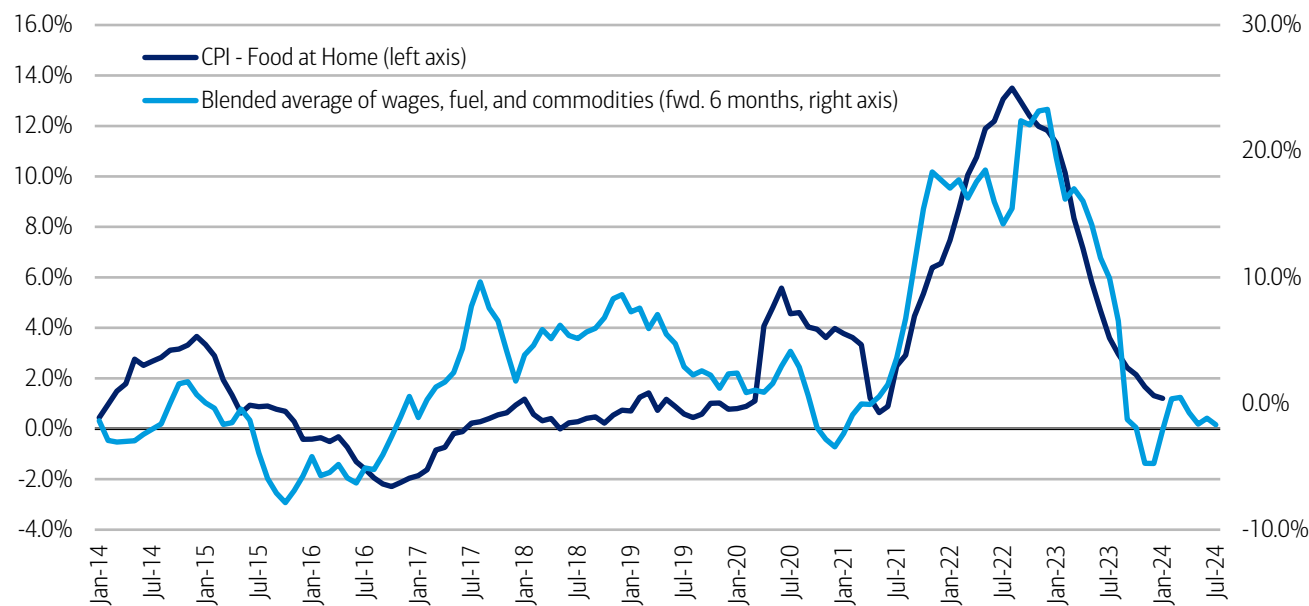


Source: Company filings

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Exhibit 12: Food at Home CPI Forecast based on blended average of wages, fuel & commodities (forward 6 months) y/y % change

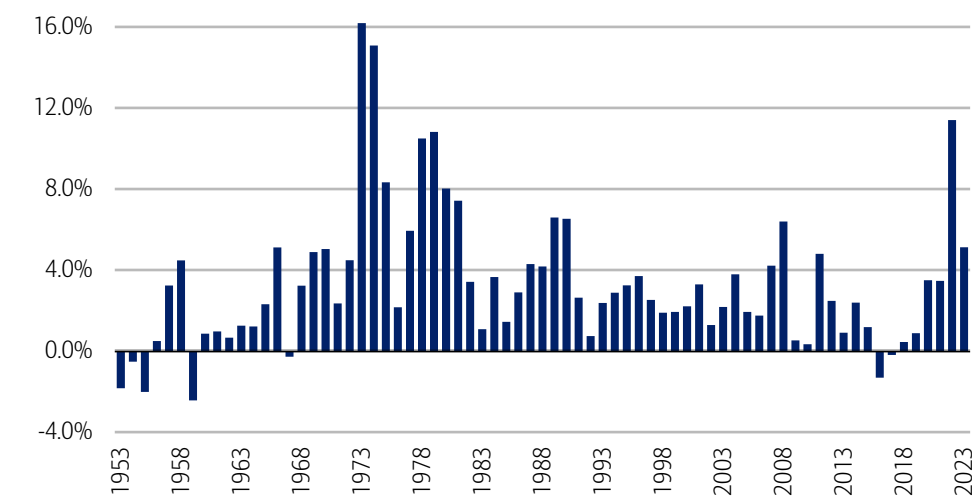
A blended average of wage, fuel & commodity costs implies potential continued moderation (with some volatility) in the Food at Home CPI towards -0% over the next 6 months



Source: Bureau of Labor Statistics, Atlanta Fed, EIA, BofA Global Research

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Exhibit 13: Annual average Food at Home CPI y/y % change
Food at Home inflation +5.1% in 2023 compared to +11.4% in 2022



Source: Bureau of Labor Statistics, BofA Global Research

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Price objective basis & risk

Walmart Inc (WMT)

Our \$190 price objective is based on 27x our F25E adj. EPS of \$7.00, which is above WMT's average 2-year forward P/E multiple of roughly 21x but in line with a high of 27x over the past 5 years. Our multiple reflects an outlook for positive US comps (with positive traffic), omni-channel momentum, and healthy free cash generation. This P/E is more in line with other high-performing retailers but still a discount to other global ecommerce retailers.

Downside risks to our PO are the impacts of FX, pharmacy headwinds, slowing food inflation or deflation, Walmart's longer-term ability to continue gaining incremental market share given its large size, a weakening global retailing environment, competitive pressures at Sam's Clubs and/or Walmart International.

Analyst Certification

I, Robert F. Ohmes, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOX	FOX US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
NEUTRAL				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
UNDERPERFORM				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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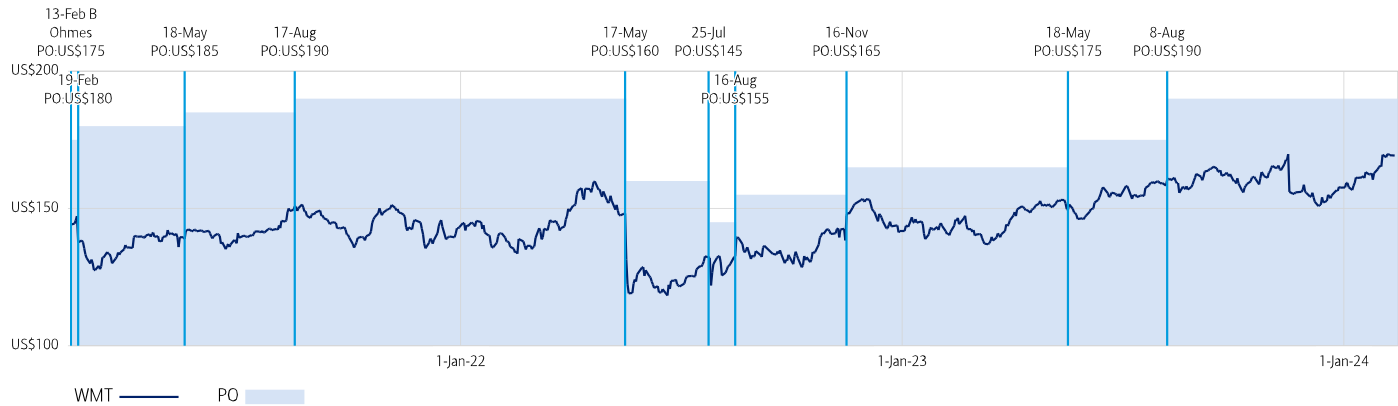
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Walmart (WMT) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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