

Walmart Inc

Consumer Conference Key Takeaways

Maintain Rating: BUY | PO: 67.00 USD | Price: 61.41 USD

Key highlights from WMT group meetings

We hosted WMT Investor Relations for group meetings at our 2024 Consumer Conference in Miami, FL. We reaffirm our Buy rating and highlight key takeaways below:

WMT is gaining unit share across categories

WMT continues to gain share in both grocery & general merchandise, with overall unit sales positive for WMT in F4Q in contrast to cont'd negative (but improving) trends for the industry. WMT is seeing unit growth across categories excl. certain areas of general merchandise with longer life cycles (vs. positive units in higher velocity areas like apparel & home). In both 3Q & 4Q, WMT grew share across all 9 categories of general merch.

Dry grocery disinflation has slowed, WMT is pushing back

While general merchandise deflation continues (tracking in the -HSD-LDD% range), and WMT's private label brand portfolio is also deflationary overall, WMT continues to see inflation in dry grocery and consumables on the national-branded side (which had been slowing until F4Q). Now as disinflation has slowed, WMT is working diligently with its suppliers to help push back on prices (incl. encouraging the renegotiation of rates from manufacturers where it makes sense).

WMT continues to work towards 1P ecom profitability

WMT remains focused on improving ecommerce profitability and sees a path to 1P ecom breaking even in the next ~3 years when including subsidization streams (digital advertising, memberships etc.). In the next ~5 years, WMT could achieve 1P ecom profitability on a standalone basis by densifying routes (helped by WMT's Spark Driver platform, which not only fulfills the vast majority of last mile delivery for WMT but is also open to other retailers) and growing general merchandise mix.

See support from growing digital advertising revenue

We see margin support for WMT as increasing contributions from higher-margin profit streams (including digital advertising, 3P marketplace & fulfillment services) help offset ongoing mix headwinds (as sales of higher-margin general merchandise likely continue lagging grocery & health/wellness). In addition to WMT's existing digital advertising business (\$3.4bn at F24 year-end), WMT now has meaningful potential in the connected TV advertising space supported by its recently announced acquisition of VIZIO.

Automation enabling labor productivity

WMT continues to add labor hours to its store network given continued ecom growth & the utility of stores to fill orders. However, WMT should be able to grow its business without meaningfully expanding its workforce as it unlocks profitability through tech & automation. By automating some of its most hour-intensive and least enjoyable tasks (such as shelf price changes), WMT is able open up time for associates to help customers. I.e., Sam's Club last year eliminated 35mn tasks from its associate experience and redeployed those hours to its growing curbside pickup business.

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Equity

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Stock Data

Price	61.41 USD
Price Objective	67.00 USD
Date Established	20-Feb-2024
Investment Opinion	A-1-7
52-Week Range	45.53 USD - 61.57 USD
Mkt Val (mn) / Shares Out (mn)	593,589 USD / 9,666.0
Free Float	53.3%
Average Daily Value (mn)	1418.22 USD
BofA Ticker / Exchange	WMT / NYS
Bloomberg / Reuters	WMT US / WMT.N
ROE (2025E)	19.5%
Net Dbt to Eqty (Jan-2024A)	34.7%
ESGMeter™	Medium

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Key terms:

HSD = high single-digit

LDD = low double-digit

1P = first party

3P = third party

Price objective basis & risk

Walmart Inc (WMT)

Our \$67 price objective is based on 27x our F26E adj. EPS of \$2.50, 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 Club and/or Walmart International.

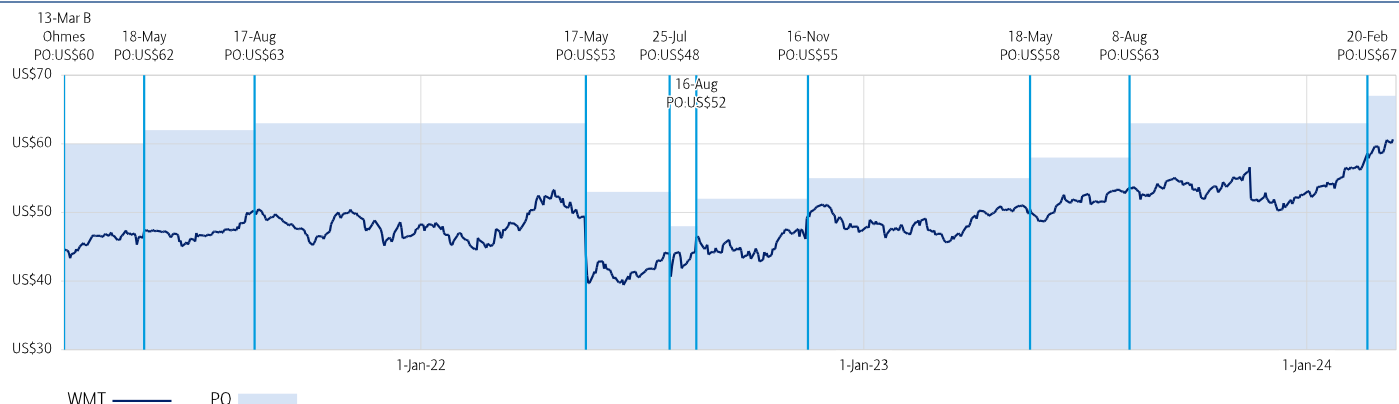
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Walmart (WMT) Price Chart



WMT — PO ■■■■
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)

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Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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