

Walmart Inc

F4Q well ahead of forecast; Expect share gains for WMT to continue

Maintain Rating: BUY | PO: 190.00 USD | Price: 176.31 USD

F4Q adj. EPS of \$1.80 & +4.0% US comps beat ests.

WMT's F4Q adj. EPS of \$1.80 was ahead of BofA \$1.61 & Street \$1.64. US comps ex-fuel grew +4.0% (ahead of BofA +2.0%/Street +3.0%) on top of +8.3% last year, & reflected strength in grocery and health & wellness. Comp transactions were +4.3% (up vs. F3Q +3.4%), while ticket comps were -0.3% (vs. F3Q +1.5%). WMT US ecom sales were +17% (vs. our +15%/Street +17%) led by pickup & delivery. Sam's Club comps (ex-fuel) were +3.1% (vs. BofA +4.0%/Street +2.6%) on top of +12.2% last year, with traffic +3.6%, membership income +10% y/y & member count reaching new highs. Global advertising revenue grew +33% y/y, with WMT Connect in the US +22%.

US comps reflect grocery & general merch share gains

Grocery comps were +MSD% (on top of +mid-teens% LY), well outpacing the industry (see [latest Nielsen](#)) as WMT continues to gain \$ & unit share (with positive unit sales despite inflation of +LSD%, -150bp vs. +MSD% in F3Q). General merch. comps also reflected share gains (led by higher incomes), but were -LSD% (vs. -MSD% LY) on softness in home, seasonal & toys due in part to deflation (with units up y/y in home, fashion & hardlines), while automotive categories continued performing well. Health & wellness comps were +mid-teens% (vs. +LDD% LY) helped by increased scripts, favorable mix, strength in immunizations & branded drug inflation.

Gross margin ahead of forecast & +39bp y/y

F4Q gross margin of 23.3% (vs. BofA 23.1% & Street 23.2%) was +39bp y/y helped by WMT's cont'd strong management of price gaps (still strong in our [latest Pricing Study](#)) & lower markdowns from strong inventory management, partially offset by Flipkart's Big Billion Days event shift to F4Q this year (vs. F3Q last year) & cont'd sales mix pressure for WMT US. Adj. SG&A ratio of 20.0% (vs. BofA/Street 20.0%) was +16bp y/y on higher variable pay in the US. Operating income grew +10.9% (constant currency "cc" basis).

WMT provides F25 guidance, incl. total sales +3-4%

WMT provided guidance for F25 adj. EPS of \$6.70-\$7.12 pre-split (vs. our current \$7.00/Street \$7.05 ests.) & \$2.23-\$2.37 post-split. WMT sees F25E total sales +3%-4% (CC basis), with op. income +4-6% (CC) & Capex at ~3.0-3.5% of sales. WMT's guidance assumes a generally stable consumer & cont'd mix pressure from products & formats globally. For F1Q, WMT sees net sales +4%-5% CC (incl. est. 100bp leap day benefit), op. profit +3.0-4.5% (CC) & adj. EPS of \$1.48-\$1.56 pre-split (\$0.49-\$0.52 post-split).

Reaffirm Buy on strong near & long-term outlook

We reaffirm our Buy on WMT as digital advertising, WMT+ membership & growth of 3P marketplace/fulfilment services fees should support sales growing faster than costs as investments in wages, pricing & supply chain/automation, in addition to sales mix initiatives, all support improving long-term profitability. We expect grocery share gains & trade-down to continue supporting WMT's store & online transactions as consumers continue to manage inflation in groceries (25%+ vs. 2019), the post-COVID reduction in SNAP benefits & the return of student loan repayments.

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 20 February 2024 11:57AM EST

20 February 2024

Equity

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Stock Data

Price	176.31 USD
Price Objective	190.00 USD
Date Established	8-Aug-2023
Investment Opinion	A-1-7
52-Week Range	136.09 USD - 171.93 USD
Mkt Val (mn) / Shares Out (mn)	568,071 USD / 3,222.0
Free Float	53.1%
Average Daily Value (mn)	1051.12 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

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Key terms:

LY = last year

CC = constant currency

LSD = low single-digit

MSD = mid single-digit

HSD = high single-digit

LDD = low double-digit

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.

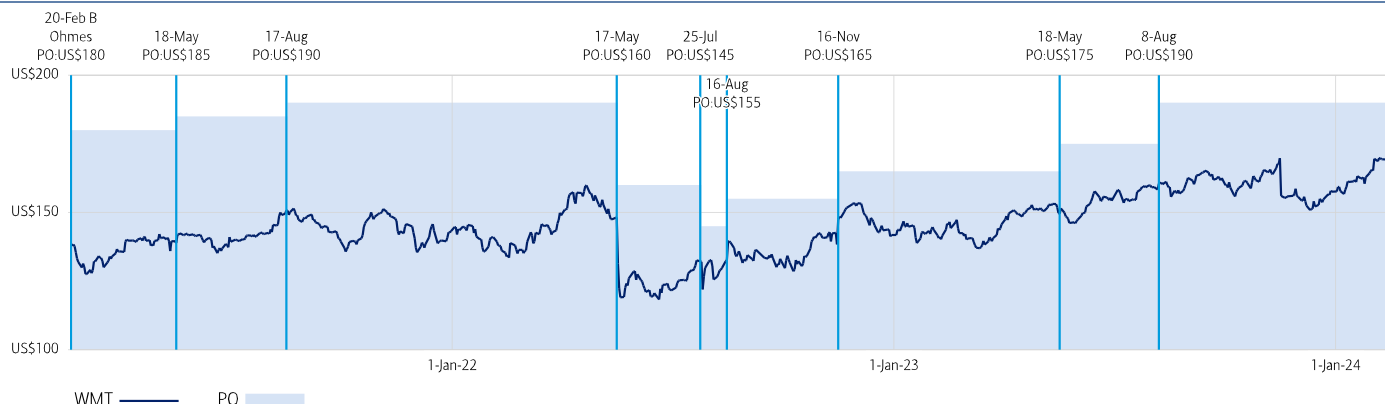
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Walmart (WMT) Price Chart



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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%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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