

Equity Research Report: Walmart Inc.

Income Summarization

Walmart's total revenue for fiscal 2023 reached \$611.3 billion, reflecting a 6.7% increase from \$572.8 billion in fiscal 2022, driven by strong comparable sales growth in Walmart U.S. (7.0%) and Sam's Club (14.6%). Cost of revenue increased to \$490.1 billion, up from \$463.7 billion, indicating potential cost control issues amid rising supply chain costs and inflationary pressures. Gross profit margin decreased to 23.5% from 24.4%, while operating income margin fell to 3.4% from 4.6%, highlighting challenges in maintaining profitability amidst rising costs. Diluted EPS for fiscal 2023 was \$4.27, down from \$4.87 in fiscal 2022, reflecting reduced net income of \$11.3 billion compared to \$13.9 billion, signaling investor concerns. The company faces operational challenges due to inflation and supply chain disruptions, necessitating strategic cost management and efficiency improvements to sustain growth and profitability.

Business Highlights

Walmart U.S. reported net sales of \$420.6 billion, a 6.9% increase from \$393.2 billion in fiscal 2022. Operating income decreased to \$20.6 billion (4.9% of sales) from \$21.6 billion (5.5% of sales) due to increased wage costs and supply chain expenses. The segment benefited from strong food sales and eCommerce growth, contributing approximately 0.7% to comparable sales. Walmart International's net sales were flat at \$101.0 billion, with operating income decreasing to \$3.0 billion (2.9% of sales) from \$3.8 billion (3.7% of sales). The divestiture of operations in the U.K. and Japan negatively impacted sales by \$5.0 billion. Sam's Club achieved net sales of \$84.3 billion, a 14.7% increase from \$73.6 billion, driven by a 14.6% rise in comparable sales. Operating income decreased to \$2.0 billion (2.3% of sales) from \$2.3 billion (3.1% of sales) due to increased supply chain costs and inventory write-downs.

Company Situation

Walmart Inc. operates in the retail industry, specifically as an omni-channel retailer, providing a wide range of consumer products through both physical stores and eCommerce platforms. Core strengths include price leadership through its Everyday Low Price (EDLP) strategy, a vast network of over 10,500 stores globally, and a strong eCommerce presence. Competitive advantages stem from its extensive supply chain, technological investments, and a diverse product assortment, including private label brands. Current industry trends include the shift towards digital shopping, increased demand for convenience, and sustainability. Challenges involve rising inflation and intense competition from both traditional and online retailers. Recent strategic initiatives include acquisitions of Flipkart and PhonePe, enhancing its digital ecosystem, and expanding omni-channel capabilities to adapt to changing consumer preferences.

Risk Assessment

Walmart faces several key risks: Strategic risks related to the execution of its omni-channel strategy and adapting to consumer preferences; Operational risks from global health pandemics and natural disasters that could disrupt operations; and Financial risks from fluctuations in foreign exchange rates and market expectations for financial performance. The company must navigate these risks to maintain its competitive position and financial stability.

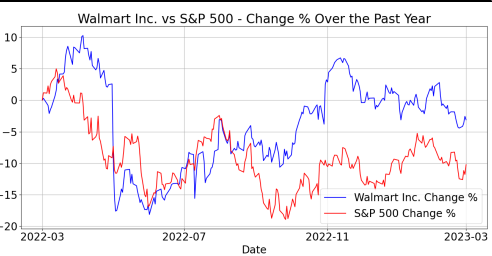
Financial Metrics

FY (USD mn)	2020	2021	2022	2023	2024
Operating Revenue	523964.0	559151.0	572754.0	611289.0	648125.0
Adjusted Net Profit	14881.0	13510.0	13673.0	11680.0	15511.0
Adjusted EPS	1.74	1.59	1.63	1.43	1.92
EBIT Margin	0.04	0.04	0.05	0.03	0.04
ROE	0.2	0.17	0.16	0.15	0.18
PE Ratio	21.93	29.18	28.55	33.56	28.68
EV/EBITDA	11.55	12.92	12.82	14.69	12.77
PB Ratio	4.37	4.85	4.69	5.11	5.3

Key data

Rating	hold
Target Price	N/A
6m avg daily vol (USDmn)	18.91
Closing Price (USD)	45.15
Market Cap (USDmn)	375570.53
52 Week Price Range (USD)	38.70 - 51.12
BVPS (USD)	9.38

Share Performance



PE & EPS

