



Rating
Buy

North America
United States

Consumer
Retailing / Department Stores
& Broadlines

Company
Walmart Inc

Reuters
WMT.N

Bloomberg
WMT US

Exchange
NYS

Ticker
WMT

Date
15 November 2022

Company Update

Price at 15 Nov 2022 (USD)	147.44
Price target	168.00
52-week range	159.87 - 118.29

3Q Int'l Recap: International Holds Its Own

WMT International drove solid results posting SSS up +8.5% by our calculation, with positive comps across all key segments, including double digit growth in Flipkart and Walmex. On a two-year basis we estimate SSS accelerated to +16.8% from +13.7% in 2Q (+8.9% in 1Q). Comp sales outpaced inflation in most markets with positive comp transactions in the key segments. Specifically, SSS advanced **1)** +11.7% at Walmex (transactions up +5.2%, ticket up +6.2%), **2)** +5.6% in China (transactions up +1.0%, ticket up +4.6%), and **3)** +5.2% in Canada (transactions up +5.8%, ticket down -0.5%). Adjusted EBIT expanded 3.2% to \$0.9B, lapping a strong quarter last year. Please see historical country sales mix estimates on pages 3 and 4. For a review of the overall company 3Q performance, see our note [Setting a High Bar in 3Q](#).

Valuation & Risks

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Positive Comps and Transactions Across Geographies...

Walmex led international with net sales up +12.9%, a comp of +11.7%, driven by food and consumables combined with 20 new doors opened in the quarter. Specifically, in Mexico comps grew +11.1% with strength in Bodega and Sam's Club. Both transactions and ticket were strong for Walmex, up +5.2% and +6.2% respectively. China delivered net sales growth of +6.9%, a comp of +5.6% with strength in Sam's Club and e-commerce. Transactions in China increased +1.0% with ticket up +4.6%. Canada performance was also solid with sales growth of +5.5% and a +5.2% comp, driven by strong transactions, up +5.8%, partially offset by slightly negative ticket, down -0.5%. Canada saw sales in food and consumables outpace sales in general merchandise.

...With Initiatives Bearing Fruit

Flipkart performed well in the quarter, with Big Billion Days moving into 3Q this year from 4Q last year. The eight day event drove over 1B site visits with 60% from tier 2 and tier 3 cities, many shopping for the first time while Flipkart ads helped drive the 30% global increase in advertising growth. PhonePe was strong in the quarter with total payment volume, TPV, over \$920B, with a record 3.6B monthly transactions, translating to over 10B transactions for the quarter for the first time. Mexico is driving performance through core sales and profit performance as well as developing customer solutions through alternative businesses, including the Cash payments business, BAIT telecom, and the emerging healthcare business. Finally, in October the company launched Walmart Fulfillment Services in Canada, which will enable two-day shipping to 95% of Canadians.

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E-commerce Continues to Show Strength

We continue to be encouraged by e-commerce strength in the international segment, with 20% of sales initiated digitally, outpacing total company at 13%. E-commerce sales penetration was up 400 bps vs. last year to 23% of net sales (+18.2% contribution in 2Q) with Flipkart a key driver. China also leads in e-commerce, with growth of +63% and penetration at 41%, almost double overall international. Mexico e-commerce net sales were up +17%, +44 % on a two-year basis while in Canada e-commerce sales were up +3%. +34% on a two-year basis.

And Inventories Are Well Managed

Inventory for the international segment was up +2.5% for the quarter, aided by a currency tailwind, however the underlying inventory levels vs. last year have reduced over the last three quarters and management is pleased with the current in-stock levels as the segment laps late orders last year.

But Margins Are Under (Temporary) Pressure

3Q GPM decreased 131 bps (a sequential deceleration from down 18 bps in 2Q), primarily driven by the timing of sales events, including Big Billion Days. Mix was also a headwind, specifically growth in lower margin formats and channels of Sam's Club as well as e-commerce in China. Walmex gross profit rate was relatively flat, as supply chain efficiencies and new revenue streams in Mexico were offset by price investments. Gross margin rates in China and Canada decreased, based on mix impacts from growth in lower margin formats and e-commerce in China and mix into food and consumables and higher shrink in Canada. Operating margins levered (-136 bps) on strong sales, including the timing of sales events. Walmex operating expense rate was relatively flat as savings were reinvested in strategic priorities, while China and Canada saw decreases driven by leverage and productivity.

Figure 1:Wal-Mart International Segment YOY Quarterly Performance in 3Q22

Market	SSS	Total Sales	Transactions	Operating income	Gross profit rate
Walmex (a)	11.7%	12.9%	5.2%	Increase	Relatively Flat
Canada	5.2%	5.5%	5.8%	Decrease	Decrease
China	5.6%	6.9%	1.0%	Increase	Decrease
International Consolidated	8.5% (b)	13.3%	4.6% (b)	3.2%	-131 bps

Notes: all metrics are expressed on a constant currency basis. Same-Store Sales (SSS) are presented on an unadjusted nominal, calendar basis. (a) Walmex includes the consolidated results of Mexico and Central America. (b) DB estimate

Source : Deutsche Bank, Company Filings



Figure 2: International Segment SSS Estimates – Contribution to International SSS by Quarter

	Market	United Kingdom	Walmex	Canada	China	Total	2-Year Stack
	Sales Mix Estimate	NA	50.2%	30.4%	19.3%	100.0%	
Weighted SSS	3Q22	NA	5.9%	1.6%	1.1%	8.5%	16.8%
	2Q22	NA	5.8%	3.1%	2.7%	11.6%	13.7%
	1Q22	NA	4.8%	2.5%	0.7%	8.0%	8.9%
	4Q21	NA	4.3%	1.5%	3.1%	8.9%	13.9%
	3Q21	NA	3.7%	2.0%	2.6%	8.3%	12.1%
	2Q21	NA	2.8%	(1.2%)	0.5%	2.1%	8.7%
	1Q21	NA	(0.4%)	1.1%	0.2%	0.9%	8.5%
	4Q20	1.7%	1.3%	1.9%	0.2%	5.1%	6.3%
	3Q20	0.9%	1.2%	1.7%	0.0%	3.8%	5.5%
	2Q20	1.3%	1.4%	3.0%	0.9%	6.6%	9.0%
	1Q20	1.2%	3.4%	1.8%	1.2%	7.6%	8.8%
	4Q19	(0.4%)	1.2%	0.1%	0.4%	1.2%	3.1%
	3Q19	(0.2%)	1.1%	0.4%	0.4%	1.7%	5.0%
	2Q19	0.2%	1.7%	0.3%	0.3%	2.4%	5.1%
	1Q19	(0.4%)	1.2%	0.3%	0.0%	1.2%	6.5%
	4Q18	0.3%	1.3%	0.2%	(0.0%)	1.9%	4.9%
	3Q18	0.7%	1.8%	0.5%	0.2%	3.3%	6.5%
	2Q18	0.1%	1.8%	0.5%	0.2%	2.7%	6.3%
	1Q18	1.2%	3.2%	0.5%	0.4%	5.4%	5.9%
	4Q17	0.2%	2.1%	0.6%	0.2%	3.1%	4.6%
	3Q17	0.4%	2.4%	0.2%	0.3%	3.2%	4.5%
	2Q17	0.6%	2.4%	0.5%	0.1%	3.7%	3.9%
	1Q17	(1.0%)	1.3%	0.3%	(0.1%)	0.5%	3.0%
	4Q16	(1.0%)	2.2%	0.0%	0.2%	1.5%	2.7%
	3Q16	(1.9%)	2.1%	0.2%	0.1%	1.2%	2.1%
	2Q16	(2.5%)	2.2%	0.2%	(0.0%)	0.3%	0.6%
	1Q16	(1.9%)	2.6%	1.4%	0.1%	2.5%	3.7%
	4Q15	(1.8%)	2.4%	0.8%	(0.2%)	1.2%	1.1%
	3Q15	(1.5%)	1.7%	0.8%	(0.1%)	0.9%	0.7%

Source : Deutsche Bank, Company Filings



Figure 3: International Segment SSS Estimates – Country SSS by Quarter

	Market	United Kingdom	Walmex	Canada	China	Total	2-Year Stack
	Sales Mix Estimate	NA	50.2%	30.4%	19.3%	100.0%	
SSS by Country	3Q22	NA	11.7%	5.2%	5.6%	8.5%	16.8%
	2Q22	NA	11.5%	10.3%	14.1%	11.6%	13.7%
	1Q22	NA	9.2%	7.7%	4.4%	8.0%	8.9%
	4Q21	NA	8.3%	4.6%	19.8%	8.9%	13.9%
	3Q21	NA	7.2%	6.0%	16.5%	8.3%	12.1%
	2Q21	NA	5.4%	(3.6%)	2.9%	2.1%	8.7%
	1Q21	NA	(0.8%)	3.4%	1.3%	0.9%	8.5%
	4Q20	5.1%	3.7%	8.6%	2.0%	5.1%	6.3%
	3Q20	2.7%	3.4%	7.7%	0.4%	3.8%	5.5%
	2Q20	3.8%	4.1%	14.0%	8.7%	6.6%	9.0%
	1Q20	3.5%	9.8%	8.5%	11.7%	7.6%	8.8%
	4Q19	(1.3%)	3.4%	0.6%	3.5%	1.2%	3.1%
	3Q19	(0.5%)	3.1%	1.9%	3.7%	1.7%	5.0%
	2Q19	0.5%	4.8%	1.2%	3.0%	2.4%	5.1%
	1Q19	(1.1%)	3.6%	1.2%	0.4%	1.2%	6.5%
	4Q18	1.0%	3.8%	1.1%	(0.2%)	1.9%	4.9%
	3Q18	2.0%	5.4%	2.5%	2.2%	3.3%	6.5%
	2Q18	0.4%	5.4%	2.6%	1.5%	2.7%	6.3%
	1Q18	3.4%	9.5%	2.6%	4.0%	5.4%	5.9%
	4Q17	0.5%	6.1%	2.9%	2.3%	3.1%	4.6%
	3Q17	1.1%	7.0%	1.0%	2.5%	3.2%	4.5%
	2Q17	1.8%	7.2%	2.5%	0.6%	3.7%	3.9%
	1Q17	(2.8%)	3.7%	1.5%	(1.3%)	0.5%	3.0%
	4Q16	(2.9%)	7.3%	0.2%	2.3%	1.5%	2.7%
	3Q16	(5.8%)	7.0%	1.1%	1.6%	1.2%	2.1%
	2Q16	(7.5%)	7.3%	1.1%	(0.5%)	0.3%	0.6%
	1Q16	(5.7%)	8.6%	6.7%	1.4%	2.5%	3.7%
	4Q15	(5.5%)	8.0%	4.3%	(3.0%)	1.2%	1.1%
	3Q15	(4.6%)	5.9%	4.3%	(0.7%)	0.9%	0.7%

Source : Deutsche Bank, Company Filings



Appendix 1

Important Disclosures

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Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Walmart Inc	WMT.N	138.39 (USD) 14 Nov 2022	2, 7, 14

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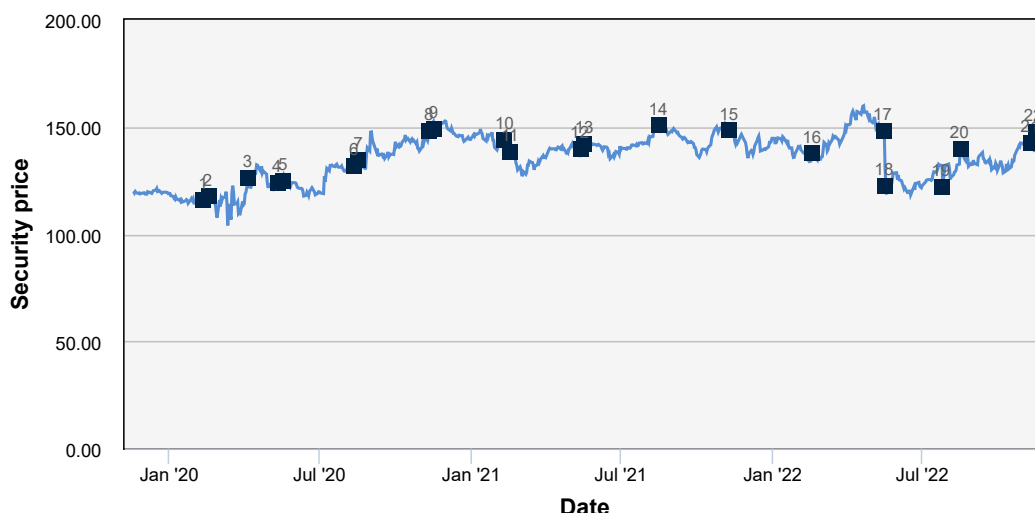
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Historical recommendations and target price: Walmart Inc (WMT.N)

(as of 11/16/2022)



Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	02/12/2020	Buy, Target Price Change USD 132.00 Paul Trussell**	12.	05/14/2021	Buy, Target Price Change USD 165.00 Paul Trussell**
2.	02/19/2020	Buy, Target Price Change USD 129.00 Paul Trussell**	13.	05/19/2021	Buy, Target Price Change USD 181.00 Paul Trussell**
3.	04/06/2020	Buy, Target Price Change USD 131.00 Paul Trussell**	14.	08/17/2021	Buy, Target Price Change USD 185.00 Krisztina Katai
4.	05/13/2020	Buy, Target Price Change USD 134.00 Paul Trussell**	15.	11/10/2021	Buy, Target Price Change USD 186.00 Krisztina Katai
5.	05/19/2020	Buy, Target Price Change USD 139.00 Paul Trussell**	16.	02/18/2022	Buy, Target Price Change USD 184.00 Krisztina Katai
6.	08/13/2020	Buy, Target Price Change USD 142.00 Paul Trussell**	17.	05/16/2022	Buy, Target Price Change USD 181.00 Krisztina Katai
7.	08/18/2020	Buy, Target Price Change USD 144.00 Paul Trussell**	18.	05/18/2022	Buy, Target Price Change USD 166.00 Krisztina Katai
8.	11/12/2020	Buy, Target Price Change USD 163.00 Paul Trussell**	19.	07/26/2022	Buy, Target Price Change USD 142.00 Krisztina Katai
9.	11/18/2020	Buy, Target Price Change USD 168.00 Paul Trussell**	20.	08/17/2022	Buy, Target Price Change USD 162.00 Krisztina Katai
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11.	02/19/2021	Buy, Target Price Change USD 166.00 Paul Trussell**	22.	11/16/2022	Buy, Target Price Change USD 168.00 Krisztina Katai

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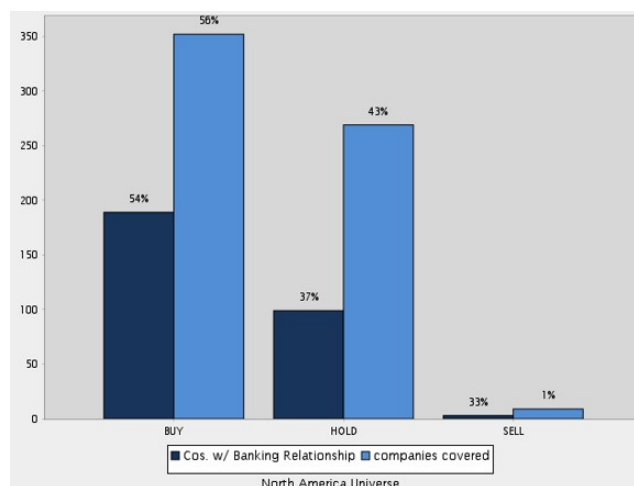
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