

## SOSNICK ON RETAILERS

### Walmart Expectations for April 1<sup>st</sup>

**Rated: Buy**  
**WMT, \$81.50, NYSE**

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**Investment Opinion:** Wage increases, currency translation issues and costs for e-commerce will constrain EPS growth in 2015, limiting upside prospects for WMT until there are **reasons to believe prospects will brighten. That might occur on April 1<sup>st</sup> based on announcement of plans Walmart to run better stores in the US and enable consumers to shop any way they wish.**

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#### Shopkeepers Run the Stores

Years ago, CEO Doug McMillon spent a week training at Woolworths Australia, that country's leading retailer and came away impressed by Greg Foran's attention to the details of running stores. When McMillon headed Walmart's international operations, he appointed Foran to lead a troubled operation in China, which now is running well. As CEO of Walmart, McMillon appointed Foran to lead US Walmart.

**For the first time in about 10 years the company and US Walmart are run by executives with experience operating stores. This is making a discernible positive difference in the business.**

#### What We Expect

On April 1<sup>st</sup>, Foran will announce plans for US expansion and changes to enhance service and assortments in stores. Much of the discussion may be on **how Walmart aims to gain market share the old fashion way, by building hundreds of stores and improving the merchandising and customer service in its 3,400 supercenters.** It will become clear, we believe, that having shopkeepers at the helm will increase the potential for increasing US Walmart's sales and profits.

**We anticipate hearing of plans to open Neighborhood Markets at a faster pace, to roll out Click & Collect sites for pickup of digital orders, and to expand home delivery of food in metro areas and small towns.**

**Few if any food and general merchandise retailers will be capable of matching the investment Walmart is making to integrate stores and digital retailing and to open stores.**

**We believe a big part of Walmart's payoff within the next several years will come from a shakeout of marginal food chains and general merchandise retailers unable to make a complete transition to the digital era.**

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**Bernard Sosnick**

631-964-8716

[bernard.sosnick@gilfordsecurities.com](mailto:bernard.sosnick@gilfordsecurities.com)

**Risks**

This is a dangerous time for Walmart because it no longer is in sole possession of advantages that made it great. It cannot afford slip-ups as retailing in the US and globally change rapidly as e-commerce grows.

Walmart is exposed to a myriad of economic, political, legal and operational risks across the globe. Economic uncertainties and currency risks may cause a shortfall in operating results relative to expectations.

The company has significant exposure to legal matters.

A complete recitation of risks can be obtained at [www.walmartstores.com/investors](http://www.walmartstores.com/investors).

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**ANALYST CERTIFICATION**

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I, Bernard Sosnick, certify that all the views expressed in this research report accurately reflect my personal views of the subject company (ies). I also certify that I have not and will not receive compensation with respect to the issuance of this report.

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**REQUIRED DISCLOSURES**

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In the normal course of business, Gilford Securities seeks to perform investment banking and other services for various companies and to receive compensation in connection with such services. As such, Gilford Securities intends to seek compensation for investment banking services from the subject companies in the next 3 months.

**The research analyst and his immediate family own shares of the subject company.**

The analysts responsible for preparing research reports are compensated on non-investment banking activities such as research fees and from transactional trading which may include commissions on subject company securities.

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**POTENTIAL RISKS**

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As the largest retailer in the US, Mexico and Canada and with representation in Latin America, UK, and Asia, the company faces numerous risks based on economic and political conditions and currency exchange rates. Legislation in the U.S. that might ease union organizing methods and trade and currency issues with China represent the major risks, in our opinion. Gilford Securities, Inc. has prepared the information and opinions in this report based on our analysis of public information. Gilford Securities, Inc. makes every effort to use reliable, comprehensive information, but we make no representation that the information is accurate or complete. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments.

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**ANALYST STOCK RATINGS**

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**Buy** The stock should outperform its industry or peer group by 20% or greater within a 12-18 month time frame.

**Sell** The stock is expected to under-perform its industry or peer group by 20% or greater within a 12-18 month time frame, or where fundamentals of a company have deteriorated significantly and the stock is expected to materially depreciate.

**Neutral** Performance in-line relative to broad market indexes and/or a representative peer-group return over 12-18 months; a potential source of funds.

**Distribution of Gilford Ratings (As of 1-28-15)**

Category	Coverage	IB Services*
Buy	57%	19%
Neutral	35%	0%
Sell	2.7%	0%
Not Rated	5.3%	0%

\* Percentage of companies within this category for whom Gilford has provided investment banking (IB) Services within the last 12 months.

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