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## Walmart Inc

### Solid Print; In-Line Guide; Key Takes and Laterals

WMT posted strong sales with US comps of 5.6%, in line with consensus 5.4% per Consensus Metrix but below our previewed +7% expectations/our estimate. EPS was slightly ahead of consensus (+2%) with a small operating profit shortfall offset by interest and tax. As we [previewed](#), the margin upside was driven by strong WMT US performance (+54 bps) while the company's overall gross margin was flat vs. Street down 30, but in line with our estimate.

**Guidance brackets Street.** On the guidance front, WMT introduced its FY23 guide with US comps of "slightly above" 3% vs. Street +3.0% heading into today, and EPS +MSD ex-divestitures vs. Street +5%.

**Tweaking estimates; maintaining \$157 Dec 2022 price target.** We are tweaking our estimates and maintaining our Dec 22 PT of \$157 based on 21x FY1 PE on our 2023 estimate.

- **Key conclusions from the call and our follow-up. (1) Guidance implies comp acceleration throughout the year.** WMT expects US comps of 1-2% in 1Q, followed by somewhat higher comps in the remainder of the year, which we believe implies a ~4%+ comp in 4Q. While 1Q laps stimulus payments, in our view, the embedded acceleration is also driven by improving in-stocks, increasing value-seeking behavior as the consumer becomes more price sensitive, and improved gen merch performance due to online enhancements. We believe WMT expects inflation to moderate over the year but not turn deflationary. *Recall, grocery inflation started 2021 at +3.5%, dipped to +1% over the summer and then accelerated to 6.5% to finish 2021. Like TSCO appears to be implying, inflation seems to be here to stay.* (2) **WMT not seeing meaningful trade down (yet); passing through more price with gaps slightly wider vs. pre-COVID.** WMT has yet to see anything meaningful in terms of trade down, with private label penetration flat YOY (*though recent Nielsen data suggests a small tick up*). Moreover, we believe the company passed through more price in 4Q compared to 3Q as a result of cost inflation, noting its price gaps are only "slightly" wider than pre-COVID with the addition of slightly noteworthy. Like TGT, we believe WMT acted as a price shock absorber in 3Q and then let more price through in 4Q (with WMT potentially benefitting YOY in GM rate). As discussed in our latest [group update deep drive](#), we continue to be wary of the low-end consumer given the significant step-up of price inflation in the 2H21 as well as SNAP (~160 bps) and Child Tax Credit (120 bps) lap in 2H..

## Neutral

WMT, WMT US

Price (16 Feb 22): \$133.53

Price Target (Dec-22): \$157.00

### Retailing/Broadlines & Hardlines

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### Key Changes (FYE Jan)

	Prev	Cur
Adj. EPS - 22E (\$)	6.79	6.86
Adj. EPS - 23E (\$)	7.63	7.64

### Quarterly Forecasts (FYE Jan)

Adj. EPS (\$)	2021A	2022E	2023E
Q1	1.69	1.46	
Q2	1.78	1.98	
Q3	1.45	1.60	
Q4	1.53	1.82	
FY	6.45	6.86	7.64

### Style Exposure

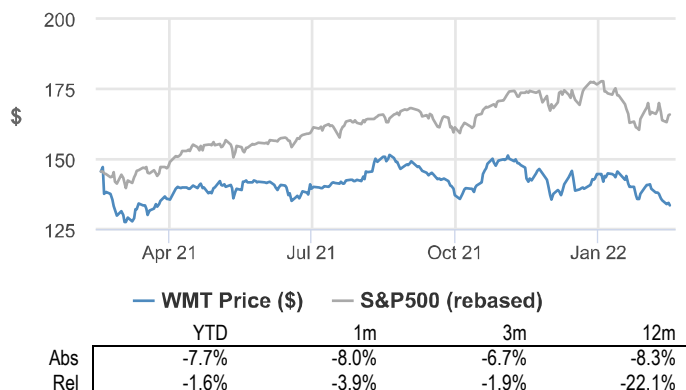
Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	46	51	59	55	18
Growth	77	76	66	73	24
Momentum	55	56	52	29	77
Quality	27	35	20	35	46
Low Vol	6	5	3	26	26
ESGQ	12	93	94	77	8

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

### See page 9 for analyst certification and important disclosures.

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## Price Performance



## Company Data

Shares O/S (mn)	2,782
52-week range (\$)	152.57-126.28
Market cap (\$ mn)	371,480.50
Exchange rate	1.00
Free float(%)	52.5%
3M - Avg daily vol (mn)	9.60
3M - Avg daily val (\$ mn)	1,351.7
Volatility (90 Day)	18
Index	S&P 500
BBG BUY HOLD SELL	31 11 0

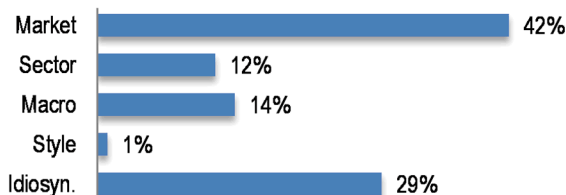
## Key Metrics (FYE Jan)

\$ in millions	FY21A	FY22E	FY23E
<b>Financial Estimates</b>			
Revenue	572,754	584,735	605,809
Adj. EBITDA	36,823	37,618	39,945
Adj. EBIT	26,165	26,744	28,921
Adj. net income	18,103	18,750	20,387
Adj. EPS	6.45	6.86	7.64
BBG EPS	6.42	6.75	7.29
Cashflow from operations	24,181	34,297	31,320
FCFF	16,742	18,955	17,828
<b>Margins and Growth</b>			
Revenue growth	2.4%	2.1%	3.6%
Same store sales growth	6.5%	2.6%	3.2%
Gross margin	24.2%	24.3%	24.4%
EBITDA margin	6.4%	6.4%	6.6%
EBITDA growth	7.3%	2.2%	6.2%
EBIT margin	4.6%	4.6%	4.8%
Net margin	3.2%	3.2%	3.4%
Adj. EPS growth	17.7%	6.2%	11.4%
<b>Ratios</b>			
Net debt/EBITDA	0.8	0.7	0.7
ROIC	-	-	-
ROE	22.0%	22.3%	23.5%
<b>Valuation</b>			
FCFF yield	4.5%	5.2%	5.0%
Dividend yield	1.6%	1.7%	1.9%
EV/Revenue	0.7	0.7	0.7
EV/EBITDA	11.1	10.8	10.2
Adj. P/E	20.7	19.5	17.5

## Summary Investment Thesis and Valuation

We believe WMT is moving with speed and decisiveness into/through the new world of omnichannel retailing. However, we find the valuation full and believe that the hardest part is ahead with its high share in the hyper-competitive grocery market (25% share) and low share in general merchandise (~6%) where AMZN dominates online. Moreover, the company faces stiff comparisons to last year given abnormal share of wallet in food at home and record stimulus to the lower end consumer over the past year. Hence, we remain Neutral on the stock with our \$157 Dec 22 PT based on 21x FY1 PE on our 2023 estimates, below the historical average given a tough 1H setup.

## Performance Drivers



Factors	6M Corr	1Y Corr
<b>Market:</b> MSCI US	0.47	0.67
<b>Sect:</b> Cons Staples	0.60	0.54
<b>Ind:</b> Food & Staples Retail	0.89	0.85
<b>Macro:</b>		
Crude Oil	-0.35	-0.36
Economic Surprise	-0.29	-0.28
Non-Energy Commodity	-0.34	-0.19
<b>Quant Styles:</b>		
LowVol	0.35	0.33
Size	0.27	0.28
Quality	0.29	0.26

- **(3) Strong GM performance in the US driven by price, mix; management bullish on 2022 outlook.** WMT US gross margin was up 54 bps driven by price management (which could have been positive YOY vs. negative in 3Q), advertising (15e), and vaccine distribution (25e), partially offset by supply chain costs. Looking ahead, WMT expects further GM expansion in 2022 driven by continued pricing actions and contributions from alternative profit pools. Freight pressures are expected to continue but should moderate throughout the year and (we believe) become a tailwind to GM in the 2H. We also believe that lapping significant channel mix headwinds in international could be a benefit in 2H (with Flipkart's Billion Dollar Days shifting to 3Q from 4Q a potential operating margin benefit to 4Q and vice versa). **(4) Expecting SG&A deleverage on wages/investments with more pressure in the 1H.** WMT expects overall SG&A deleverage for the year with more pressure in the 1H as the company laps significant wage investments in February and September with September the larger of the two. **(5) BJ/TGT Laterals.** WMT's two-year trends seemingly accelerated in grocery in the US, with gen merch flat and health and wellness decelerating. WMT US said January was the best on a two-year stacked basis, **which bodes well for OW-rated TGT**, which was a key stimulus destination last year. **Using the two-year CAGR trend from Sam's indicates a ~4-5% comp for BJ, which is above the Street's 3.7% forecast.**
- **Introduces FY23 guidance in line with the street and LT growth algorithm.** WMT introduced its preliminary FY23 guide. It expects a +3% net sales increase (4% ex divestitures), US comp "slightly above" +3% ex fuel (vs. Street +3.0%), operating income increase about 3% (ex-divestitures, at a higher rate than net sales), tax rate 25-26%, EPS increase MSD (vs. Street +5%), and capital expenditures at the higher end of 2.5 -3.0% of sales.
- **4Q in review:** WMT reported 4Q EPS of \$1.53 (+10% YOY) vs. consensus \$1.49 on a US comp of 5.6% vs. consensus of 5.4% with US ecommerce growing 1% (for +70% on a two-year stack). Gross margin was flattish YOY vs. consensus down 30 primarily due to pricing actions, and mix partially offset by higher supply chain costs. US GM leverage of 54 bps was driven by pricing and increased contributions from its growing digital businesses partially offset by increased costs in the supply chain. WMT US SG&A was up 95 bps YOY driven by investments in wages partly offset by strong sales and lower COVID costs benefitting 40 bps.
- **From a merchandising standpoint,** US grocery comps were up HSD reflecting continued market share gains aided by slightly wider price gaps than pre-pandemic levels. Health & wellness comps were +mid-teens and gen merch was +LSD with strength in apparel, automotive, and seasonal items including strong holiday sales performance.

Figure 1: Actuals vs. Estimates

	4Q21 JPMe	4Q21 Consensus	4Q21 Actual	Actual Vs. Consensus	4Q20 Actual	Change
EPS	\$1.59	\$1.49	\$1.53	better	\$1.40	13.4%
Walmart US Comps	7.0%	5.4%	5.6%	better	8.6%	(160)
Sam's Comps	15.7%	9.2%	10.4%	better	10.8%	489
Total Sales (\$ millions)	\$154,122	\$151,498	\$152,871	better	\$152,079	1.3%
Gross Margin	23.8%	23.5%	23.8%	better	23.7%	14.4
SG&A as % of sales	20.5%	19.5%	20.6%	worse	20.6%	(10)
Operating Margin	4.1%	4.0%	4.0%	in-line	3.7%	41
Walmart	5.4%		4.9%	-	5.2%	24
Sam's	2.7%		2.9%	-	2.4%	32
International	3.5%		3.1%	-	2.8%	71
Inventory			51,546		44,949	14.7%
<b>Category Growth (US)</b>						
Food			+HSD		+HSD	
Health & Wellness			+mid-teens		+MSD	
General Merchandise			+LSD		LDD	

Source: Company reports, Consensus Metrix, J.P. Morgan Estimates

Figure 2: Guidance

2022	
<b>Sales</b>	Increase about 3% in CC (ex-divestitures increase about 4%)
<b>WMT US Comp</b>	Slightly above 3% ex-fuel
<b>Operating Income</b>	Increase about 3% in CC; ex-divestitures increase at a rate higher than net sales
<b>Tax rate</b>	25-26%
<b>EPS</b>	Increase MSD%; ex-divestitures +5-6%
<b>Capex</b>	Upper end of 2.5-3% of net sales
Cadence	
WMT US Comp	1-2% in 1Q; somewhat higher comp sales throughout remainder of the year
Op Income/EPS	1Q down LDD to low-teens; 2Q and 3Q up LTMSD; 4Q up high-teens

Source: Company reports

## Investment Thesis, Valuation and Risks

### Walmart Inc (Neutral; Price Target: \$157.00)

#### Investment Thesis

**Maintain Neutral.** We believe WMT is moving with speed and decisiveness into/through the new world of omnichannel retailing. However, we find the valuation full and believe the hardest part is ahead with its high share in the hyper-competitive grocery market (25% share) and low share in general merchandise (~6%), where AMZN dominates online. COVID-19 should only accelerate curbside and delivery investments from its grocery peers, while the CPG category likely just experienced an inflection online. Hence, we remain Neutral on the stock.

#### Valuation

Our Dec 2022 price target of \$157 is based on ~21x our FY23 EPS estimate, slightly below the historical FY1 average given a tough 1H22 setup.

#### Valuation Matrix

	2020	2021	2022E	2023E
EPS	\$5.48	\$6.45	\$6.86	\$7.64
PE	25.3x	21.5x	20.2x	18.1x
Avg. Peak	23.4x	21.8x	21.8x	21.8x
Average	21.6x	21.6x	21.0x	20.3x
Avg. Trough	17.6x	17.6x	17.3x	17.3x
EBITDA	\$34,332.0	\$36,822.6	\$37,617.8	\$39,945.4
EV/EBITDA	12.3x	11.5x	11.2x	10.6x
Peak		12.4x	12.2x	12.2x
Average		9.0x	8.7x	8.7x
Trough		7.6x	7.8x	7.8x
Price Target			\$157.00	
PE	28.6x	24.3x	22.9x	20.5x
EV/EBITDA	14.1x	13.0x	12.4x	0.9x
Yield			1.4%	
Upside / (Downside)			13.3%	

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

## WMT Quarterly Income Statement

Wal-Mart (WMT) - Quarterly Income Statement	\$4.91	\$4.93	\$1.18	\$1.56	\$1.34	\$1.40	\$5.48	\$1.69	\$1.78	\$1.45	\$1.53	\$6.45	\$1.46	\$1.98	\$1.60	\$1.82	\$6.86	\$7.64
(January Fiscal Year)	2018	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
Sales																		
Wal-Mart	331,666	341,004	88,743	93,282	88,353	99,585	369,963	93,167	98,192	96,609	105,279	393,247	95,006	100,951	98,423	109,328	403,708	416,684
Sam's Club	57,833	58,792	15,163	16,375	15,845	16,527	63,910	16,692	18,644	18,971	19,249	73,556	17,697	19,902	19,257	19,592	76,447	79,484
Total U.S.	389,499	399,796	103,906	109,657	104,198	116,112	433,873	109,859	116,836	115,580	124,528	466,803	112,703	120,853	117,680	128,919	480,155	496,168
International	120,807	120,130	29,766	27,167	29,554	34,873	121,360	27,300	23,035	23,627	26,997	100,959	20,650	24,819	25,009	28,810	99,288	104,032
Total Sales	510,306	519,926	133,672	136,824	133,752	150,985	555,233	137,159	139,871	139,207	151,525	567,762	133,353	145,672	142,689	157,729	579,443	600,200
Other income, net	4,076	4,038	950	918	956	1,094	3,918	1,151	1,177	1,318	1,346	4,992	1,220	1,248	1,397	1,427	5,292	5,609
Revenue	514,382	523,964	134,622	137,742	134,708	152,079	559,151	138,310	141,048	140,525	152,871	572,754	134,573	146,919	144,086	159,156	584,735	605,809
Cost of Goods Sold	385,301	394,605	102,026	102,689	100,339	115,261	420,315	103,272	105,183	105,023	115,522	429,000	100,960	109,783	107,395	119,281	437,419	452,587
Gross Profit	129,081	129,359	31,596	35,053	34,363	36,814	138,836	33,887	34,688	34,184	36,003	138,762	32,394	35,889	35,294	38,448	142,024	147,613
SG&A	107,147	107,940	27,372	28,537	28,591	31,156	115,656	28,129	28,511	29,710	31,239	117,589	27,779	29,444	30,516	32,833	120,572	124,300
Wal-Mart Stores OpInc	17,386	17,830	4,302	5,437	4,589	5,168	19,496	5,455	6,089	4,860	5,183	21,587	4,557	6,253	5,110	6,184	22,104	24,046
Sam's Club OpInc	1,520	1,642	494	592	431	389	1,906	575	609	475	549	2,259	603	704	487	604	2,398	2,572
International OpInc	4,883	3,771	806	889	1,078	964	3,737	1,194	861	871	839	3,765	966	1,001	1,002	960	3,929	4,052
Other	(1,832)	(1,824)	(378)	(402)	(320)	(859)	(1,959)	(315)	(256)	(414)	(677)	(1,682)	(291)	(267)	(424)	(705)	(1,687)	(1,748)
Operating Income	21,957	21,419	5,224	6,516	5,778	5,662	23,188	6,449	7,354	5,792	6,110	26,165	5,835	7,692	6,175	7,442	26,744	28,921
Interest Expense, net	2,129	2,410	549	635	516	494	2,194	536	478	442	380	1,836	335	335	322	322	1,314	1,308
Pretax Income	19,828	19,009	4,675	5,881	5,262	5,168	20,994	6,373	6,876	5,350	5,730	24,329	5,500	7,357	5,853	6,720	25,430	27,613
Income tax	4,852	4,589	1,237	1,467	1,373	1,131	5,206	1,508	1,784	1,267	1,344	5,902	1,375	1,839	1,463	1,680	6,358	6,903
Net income before M.I.	14,976	14,420	3,438	4,414	3,889	4,037	15,788	4,865	5,092	4,083	4,386	18,426	4,125	5,518	4,390	5,040	19,073	20,710
Minority Interest	(509)	(277)	(84)	37	(66)	(83)	(196)	(81)	(88)	(27)	(127)	(323)	(81)	(88)	(27)	(127)	(323)	(323)
Net income before extra.	14,467	14,143	3,354	4,451	3,823	3,954	15,584	4,784	5,004	4,056	4,259	18,103	4,044	5,430	4,362	4,914	18,750	20,387
Net Income	14,467	14,143	3,354	4,451	3,823	3,954	15,584	4,784	5,004	4,056	4,259	18,103	4,044	5,430	4,362	4,914	18,750	20,387
Operating EPS	\$4.91	\$4.93	\$1.18	\$1.56	\$1.34	\$1.40	\$5.48	\$1.69	\$1.78	\$1.45	\$1.53	\$6.45	\$1.46	\$1.98	\$1.60	\$1.82	\$6.86	\$7.64
Fully Diluted Shares O/S	2,945.0	2,888.0	2,849.0	2,848.0	2,849.0	2,826.0	2,843.0	2,829.0	2,812.0	2,797.0	2,782.0	2,805.0	2,783.0	2,744.0	2,725.0	2,706.0	2,734.5	2,688.5
Dividends per share	\$2.08	\$2.12	\$0.54	\$0.54	\$0.54	\$0.54	\$2.16	\$0.55	\$0.55	\$0.55	\$0.55	\$2.20	\$0.57	\$0.57	\$0.57	\$0.57	\$2.28	\$2.51
% of Revs																		
Wal-Mart	65%	65.6%	66%	68%	66%	66%	66.6%	68%	70%	69%	69%	69.3%	71%	69%	69%	69%	69.7%	69.4%
Sam's Club	11%	11.3%	11%	12%	12%	11%	11.5%	12%	13%	14%	13%	13.0%	13%	14%	13%	12%	13.2%	13.2%
Total U.S.	76%	76.9%	78%	80%	78%	77%	78.1%	80%	84%	83%	100%	82.2%	85%	83%	82%	82%	82.9%	82.7%
International	24%	23.1%	22%	20%	22%	23%	21.9%	20%	16%	17%	18%	17.8%	15%	17%	18%	18%	17.1%	17.3%
Gross Profit	24.5%	24.1%	23.7%	24.9%	25.0%	23.7%	24.30%	24.7%	24.8%	24.6%	23.8%	24.44%	24.3%	24.6%	24.7%	24.4%	24.51%	24.59%
SG&A	21.00%	20.8%	20.1%	20.9%	21.4%	20.6%	20.83%	20.5%	20.4%	21.3%	20.6%	20.71%	20.8%	20.2%	21.4%	20.8%	20.81%	20.71%
Wal-Mart Stores OpInc	5.2%	5.2%	4.8%	5.8%	5.2%	5.2%	5.3%	5.9%	6.2%	5.0%	4.9%	5.5%	4.8%	6.2%	5.2%	5.7%	5.5%	5.8%
Sam's Club OpInc	2.6%	2.8%	3.3%	3.6%	2.7%	2.4%	3.0%	3.4%	3.5%	2.5%	2.9%	3.1%	3.4%	3.5%	2.5%	3.1%	3.1%	3.2%
International OpInc	4.0%	3.1%	2.7%	3.3%	3.6%	2.8%	3.1%	4.4%	3.7%	3.7%	3.1%	3.7%	4.7%	4.0%	4.0%	3.2%	4.0%	3.9%
Other	(0.4%)	(0.4%)	(0.3%)	(0.3%)	(0.2%)	(0.6%)	(0.4%)	(0.2%)	(0.2%)	(0.3%)	(0.4%)	(0.3%)	(0.2%)	(0.2%)	(0.3%)	(0.4%)	(0.3%)	(0.3%)
Operating Income	4.27%	4.09%	3.9%	4.7%	4.3%	3.7%	4.15%	5.0%	5.2%	4.1%	4.0%	4.57%	4.3%	5.2%	4.3%	4.4%	4.57%	4.77%
Interest Expense, net	0.41%	0.5%	0.41%	0.46%	0.38%	0.32%	0.4%	0.39%	0.34%	0.31%	0.25%	0.3%	0.25%	0.23%	0.22%	0.20%	0.2%	0.2%
Tax Rate	24.5%	24.1%	26.4%	24.9%	26.1%	21.9%	24.8%	23.7%	25.9%	23.7%	23.5%	24.3%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net income before extra.	2.8%	2.7%	2.5%	3.2%	2.8%	2.6%	2.8%	3.5%	3.5%	2.9%	2.8%	3.2%	3.0%	3.7%	3.0%	3.1%	3.2%	3.4%
Minority Interest	(0.1%)	(0.1%)	(0.1%)	0.0%	(0.0%)	(0.1%)	(0.0%)	(0.1%)	(0.1%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)
YOY Growth																		
Wal-Mart	4.1%	2.8%	10.5%	9.5%	6.2%	7.9%	8.5%	5.0%	5.3%	9.3%	5.7%	6.3%	2.0%	2.8%	1.9%	3.8%	2.7%	3.2%
Sam's Club	(2.3%)	1.7%	9.6%	8.8%	8.3%	8.1%	8.7%	10.1%	13.9%	19.7%	16.5%	15.1%	6.0%	6.7%	1.5%	1.8%	3.9%	4.0%
Total U.S.	3.1%	2.6%	10.3%	9.4%	6.5%	8.0%	8.5%	5.7%	6.5%	10.9%	30.5%	7.6%	2.6%	3.4%	1.8%	(14.9%)	2.9%	3.3%
International	2.3%	(0.6%)	3.4%	(6.8%)	1.3%	5.5%	1.0%	(8.3%)	(15.2%)	(20.1%)	(22.6%)	(16.8%)	(24.4%)	7.7%	5.9%	6.7%	(1.7%)	4.8%
Total Sales	2.9%	1.9%	8.7%	5.7%	5.3%	7.4%	6.8%	2.6%	2.2%	4.1%	0.4%	2.3%	(2.8%)	4.1%	2.5%	4.1%	2.1%	3.6%
Other Income Growth	(2.7%)	(0.9%)	(2.7%)	(7.2%)	(5.3%)	2.9%	(3.0%)	21.2%	28.2%	37.9%	23.0%	27.4%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Gross Profit	2.0%	0.2%	5.8%	8.5%	7.5%	8.7%	7.7%	7.1%	1.6%	2.3%	0.8%	2.8%	(4.4%)	3.5%	3.2%	6.8%	2.4%	3.9%
SG&A	2.7%	0.7%	5.5%	6.2%	5.6%	11.1%	7.1%	2.8%	(0.1%)	3.9%	0.3%	1.7%	(1.2%)	3.3%	2.7%	5.1%	2.5%	3.1%
Wal-Mart Stores	1.7%	2.8%	3.9%	16.7%	9.9%	6.9%	9.3%	26.9%	9.0%	5.9%	0.3%	10.7%	(16.5%)	2.7%	5.2%	19.2%	8.8%	2.4%
Sam's Club	1.9%	6.0%	9.5%	23.3%	31.8%	1.3%	16.1%	16.4%	11.5%	10.2%	41.1%	18.5%	4.9%	6.7%	2.5%	9.9%	6.1%	7.3%
International	(8.3%)	(22.8%)	9.2%	(0.4%)	14.8%	(19.7%)	(0.9%)	48.1%	(3.1%)	(19.2%)	(13.0%)	0.7%	(17.5%)	16.3%	15.0%	14.4%	4.3%	3.1%
Other	28.6%	(0.4%)	(2.1%)	(10.5%)	(23.6%)	50.7%	7.4%	(16.7%)	(26.3%)	29.4%	(21.2%)	(15.2%)	(7.5%)	4.1%	2.5%	4.1%	1.5%	2.6%
Operating Income	(2.4%)	(2.5%)	5.6%	16.7%	15.0%	(3.5%)	8.2%	32.3%	12.9%	0.2%	7.9%	12.9%	(15.5%)	4.6%	6.6%	15.3%	2.2%	8.1%
Interest Expense, net	(2.2%)	13.2%	(12.2%)	8.5%	(12.4%)	(19.1%)	(9.0%)	(2.4%)	(24.7%)	(14.3%)	(23.1%)	(16.3%)	(37.5%)	(29.9%)	(27.2%)	(15.3%)	(28.4%)	(0.4%)
Net Income	9.1%	(2.2%)	2.7%	22.6%	15.7%	0.3%	10.2%	42.6%	12.4%	6.1%	7.7%	16.2%	(15.6%)	8.5%	7.5%	15.4%	3.6%	8.7%
Earnings - diluted	12%	0.4%	4%	23%	16%	1%	11.2%	44%	14%	8%	9%	17.7%	(13%)	11%	10%	19%	6.2%	11.4%
EBIT Mix																		
Wal-Mart Stores	79%	83%	82%	83%	79%	91%	84%	79%	83%	84%	85%	83%	78%	81%	83%	88%	83%	83%
Sam's Club	7%	8%	9%	9%	7%	7%	8%	9%	9%	8%	9%	9%	10%	9%	8%	9%	9%	9%
International	22%	18%	15%	14%	19%	17%	16%	17%	12%	15%	14%	14%	17%	13%	16%	14%	15%	14%
Other	(8%)	(9%)	(7%)	(6%)	(6%)	(15%)	(8%)	(5%)	(3%)	(7%)	(11%)	(6%)	(5%)	(3%)	(7%)	(10%)	(6%)	(6%)
Sales/Store Analysis																		
WMT US	3.6%	2.8%	10.0%	9.3%	6.4%	8.6%	8.6%	6.0%	5.2%	9.2%	5.6%	6.5%	2.0%	2.8%	1.9%	3.9%	2.6%	3.2%
Neighborhood Markets																		
Sam's	3.8%	0.7%	12.0%	13.3%	11.1%	10.8%	11.8%	7.2%	7.7%	13.9%	10.4%	9.8%	5.6%	6.1%	0.6%	0.8%	3.3%	3.0%
Number of Stores																		
Discount	386	376	376	375	374	374	374	373	372	371	370	370	368	366	363	360	360	350
Supercenters	3,570	3,571	3,569	3,569	3,570	3,570	3,570	3,570	3,570	3,571	3,573	3,573	3,575	3,577	3,580	3,583	3,583	3,593
Neighborhood Markets	698	687																

### Risks to Rating and Price Target

- *Key Upside Risks.* WMT's customers may prove more resilient than anticipated, and the company may benefit from trade-down among higher income consumers. Also, gas prices could benefit more than we currently anticipate. Finally, the stock may relatively outperform in a tougher market.
- *Key Downside Risks.* The consumer tends to limit spending on higher-margin and more discretionary product categories during times of belt tightening. Increased competitive pricing, including from online-only players, could adversely impact both sales and merchandise margins. Finally, International profitability could deteriorate.



## Walmart Inc: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY20A	FY21A	FY22E	FY23E	FY24E		1Q22E	2Q22E	3Q22E	4Q22E	
Revenue	559,151	572,754	584,735	605,809	-	Revenue	134,573	146,919	144,086	159,156	
COGS	(420,315)	(429,000)	(437,419)	(452,587)	-	COGS	(100,960)	(109,783)	(107,395)	(119,281)	
Gross profit	134,918	138,762	142,024	147,613	-	Gross profit	-	-	-	-	
SG&A	(115,656)	(117,589)	(120,572)	(124,300)	-	SG&A	(27,779)	(29,444)	(30,516)	(32,833)	
Adj. EBITDA	34,332	36,823	37,618	39,945	-	Adj. EBITDA	8,541	10,398	8,906	9,773	
D&A	(11,152)	(10,658)	(10,874)	(11,024)	-	D&A	(2,706)	(2,706)	(2,731)	(2,731)	
Adj. EBIT	23,180	26,165	26,744	28,921	-	Adj. EBIT	5,835	7,692	6,175	7,042	
Net Interest	(2,194)	(1,836)	(1,314)	(1,308)	-	Net Interest	(335)	(335)	(322)	(322)	
Adj. PBT	20,986	24,329	25,430	27,613	-	Adj. PBT	5,500	7,357	5,853	6,720	
Tax	(5,206)	(5,902)	(6,358)	(6,903)	-	Tax	(1,375)	(1,839)	(1,463)	(1,680)	
Minority Interest	(196)	(323)	(323)	(323)	-	Minority Interest	(81)	(88)	(27)	(127)	
Adj. Net Income	15,584	18,103	18,750	20,387	-	Adj. Net Income	4,044	5,430	4,362	4,914	
Reported EPS	5.48	6.45	6.86	7.64	-	Reported EPS	1.46	1.98	1.60	1.82	
Adj. EPS	5.48	6.45	6.86	7.64	-	Adj. EPS	1.46	1.98	1.60	1.82	
DPS	2.16	2.20	2.28	2.51	-	DPS	0.57	0.57	0.57	0.57	
Payout ratio	39.4%	34.1%	33.3%	32.8%	-	Payout ratio	38.9%	28.8%	35.6%	31.4%	
Shares outstanding	2,843	2,805	2,735	2,669	-	Shares outstanding	2,763	2,744	2,725	2,706	
Same Store Sales Growth	8.6%	6.5%	2.6%	3.2%	-	Same Store Sales Growth	2.0%	2.8%	1.9%	3.9%	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY20A	FY21A	FY22E	FY23E	FY24E		FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	17,741	14,760	13,343	12,407	-	Gross margin	24.1%	24.2%	24.3%	24.4%	-
Accounts receivable	6,516	8,280	7,303	7,564	-	EBITDA margin	6.1%	6.4%	6.4%	6.6%	-
Inventories	44,949	56,511	50,333	52,079	-	EBIT margin	4.1%	4.6%	4.6%	4.8%	-
Other current assets	20,861	1,519	1,550	1,606	-	Net profit margin	2.8%	3.2%	3.2%	3.4%	-
Current assets	90,067	81,070	72,529	73,656	-	ROE	20.0%	22.0%	22.3%	23.5%	-
PP&E	92,201	94,515	100,747	105,329	-	ROA	6.4%	7.3%	7.7%	8.3%	-
LT investments	-	-	-	-	-	ROCE	13.4%	15.5%	15.9%	16.9%	-
Other non current assets	70,228	69,275	69,731	70,541	-	SG&A/Sales	20.7%	20.5%	20.6%	20.5%	-
Total assets	252,496	244,860	243,007	249,526	-	Net debt/equity	0.4	0.3	0.3	0.3	-
Short term borrowings	3,830	3,724	3,724	3,724	-	P/E (x)	24.4	20.7	19.5	17.5	-
Payables	49,141	55,261	52,730	54,558	-	P/BV (x)	4.7	4.5	4.3	4.0	-
Other short term liabilities	39,674	28,394	28,930	29,883	-	EV/EBITDA (x)	11.9	11.1	10.8	10.2	-
Current liabilities	92,645	87,379	85,384	88,165	-	Dividend Yield	1.6%	1.6%	1.7%	1.9%	-
Long-term debt	45,041	39,107	37,607	37,607	-	Sales/Assets (x)	2.3	2.3	2.4	2.5	-
Other long term liabilities	27,279	26,483	26,483	26,483	-	Interest cover (x)	15.6	20.1	28.6	30.5	-
Total liabilities	164,965	152,969	149,474	152,255	-	Operating leverage	122.4%	529.3%	105.8%	225.9%	-
Shareholders' equity	81,298	83,253	84,895	88,632	-	Revenue y/y Growth	6.7%	2.4%	2.1%	3.6%	-
Minority interests	6,233	8,638	8,638	8,638	-	EBITDA y/y Growth	5.9%	7.3%	2.2%	6.2%	-
Total liabilities & equity	252,496	244,860	243,007	249,526	-	EBIT y/y Growth	8.2%	12.9%	2.2%	8.1%	-
BVPS	28.60	29.68	31.05	33.21	-	Tax rate	24.8%	24.3%	25.0%	25.0%	-
y/y Growth	9.8%	3.8%	4.6%	7.0%	-	Adj. Net Income y/y Growth	10.2%	16.2%	3.6%	8.7%	-
Net debt/(cash)	31,130	28,071	27,988	28,924	-	EPS y/y Growth	11.2%	17.7%	6.2%	11.4%	-
Cash flow from operating activities	36,074	24,181	34,297	31,320	-	DPS y/y Growth	1.9%	1.9%	3.6%	10.0%	-
o/w Depreciation & amortization	11,152	10,658	10,874	11,024	-	Store Count	-	-	-	-	-
o/w Changes in working capital	7,784	(6,597)	5,129	719	-	Sales per Store	-	-	-	-	-
Cash flow from investing activities	(10,071)	(6,015)	(17,106)	(15,606)	-	Total Square Footage	-	-	-	-	-
o/w Capital expenditure	(10,264)	(13,106)	(17,106)	(15,606)	-	Sales per sq foot	-	-	-	-	-
as % of sales	1.8%	2.3%	2.9%	2.6%	-						
Cash flow from financing activities	(16,117)	(22,828)	(18,608)	(16,650)	-						
o/w Dividends paid	(6,116)	(6,152)	(6,235)	(6,693)	-						
o/w Net debt issued/(repaid)	0	(5,872)	(1,500)	0	-						
Net change in cash	10,121	(4,802)	(1,417)	(936)	-						
Adj. Free cash flow to firm	15,805	16,742	18,955	17,828	-						
y/y Growth	(21.2%)	5.9%	13.2%	(5.9%)	-						

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Jan. o/w - out of which



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Walmart Inc (WMT, WMT US) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
17-May-19	N	101.31	110
15-Aug-19	N	106.20	115
08-Nov-19	N	120.23	130
19-Feb-20	N	119.63	125
20-May-20	N	124.95	133
12-Aug-20	N	130.20	132
18-Aug-20	N	135.60	137
09-Nov-20	N	145.77	158
17-Nov-20	N	152.44	160
12-Feb-21	N	144.02	157
18-Feb-21	N	147.20	148
18-May-21	N	138.89	157
12-Nov-21	N	148.50	165
16-Nov-21	N	146.91	156
11-Feb-22	N	136.08	157

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage Jan 21, 2000. All share prices are as of market close on the previous business day.

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IB clients**	53%	46%	34%
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IB clients**	74%	68%	50%

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