

Applied Financial Analysis

FIN 464/529

WALMART

&

COSTCO



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American multinational **retail corporation** that operates

- Chain of hypermarkets,
- Discount department stores, and
- Grocery stores.

The Walmart business model is based on providing **low prices** for products and services while employing strategies such as:

- Economies of scale,
- Everyday low prices (EDLP),
- Price leadership,
- International expansion, and
- E-commerce.



Costco Wholesale is a membership-based retail chain that operates on a business model that is centered around providing value to its members through offering high-quality goods and services at low prices

Costco purchases products in bulk quantities to offer lower prices, has a limited selection of high-quality products, and offers private label products under its Kirkland Signature brand. The company relies on word-of-mouth recommendations instead of advertising and operates large warehouse-style stores with low overhead costs.

Costco differentiates itself from competitors like Walmart through its **in-house brands, store design, and shared economies of scale.**

Metric

FY23 Guidance

Consolidated net sales

- Increase about 3% in constant currency
 - Excluding divestitures¹, increase about 4%

Comp sales growth

- Walmart U.S., slightly above 3%, ex. fuel

Consolidated operating income

- Increase about 3% in constant currency
 - Excluding divestitures¹, increase at a rate higher than net sales

Effective tax rate

25% to 26%

EPS growth

- Increase mid single-digits
 - Excluding divestitures¹, increase 5% to 6%

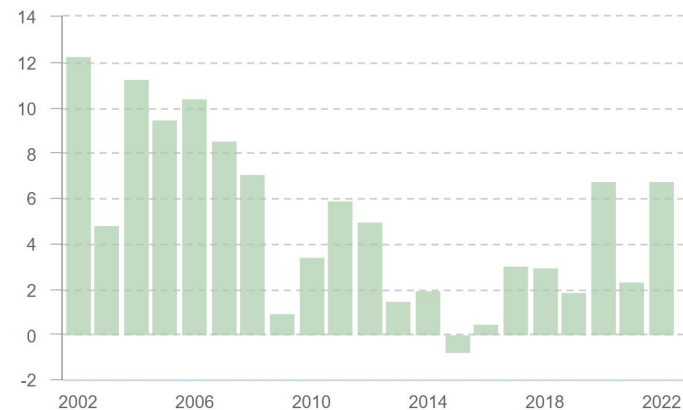
Capital expenditures

Upper end of 2.5% to 3% of net sales with a focus on supply chain, automation, customer-facing initiatives and technology

Dividend Yield



Sales Growth (%) (Nominal)



Price(Apr 25) **151.57** USD

Warranted Price **129.66** **-14%**

Market Cap (bil) **408.2** USD

Revenue Growth 3.5%

Cost of Revenue 75.8%

Gross Margin 24.2%

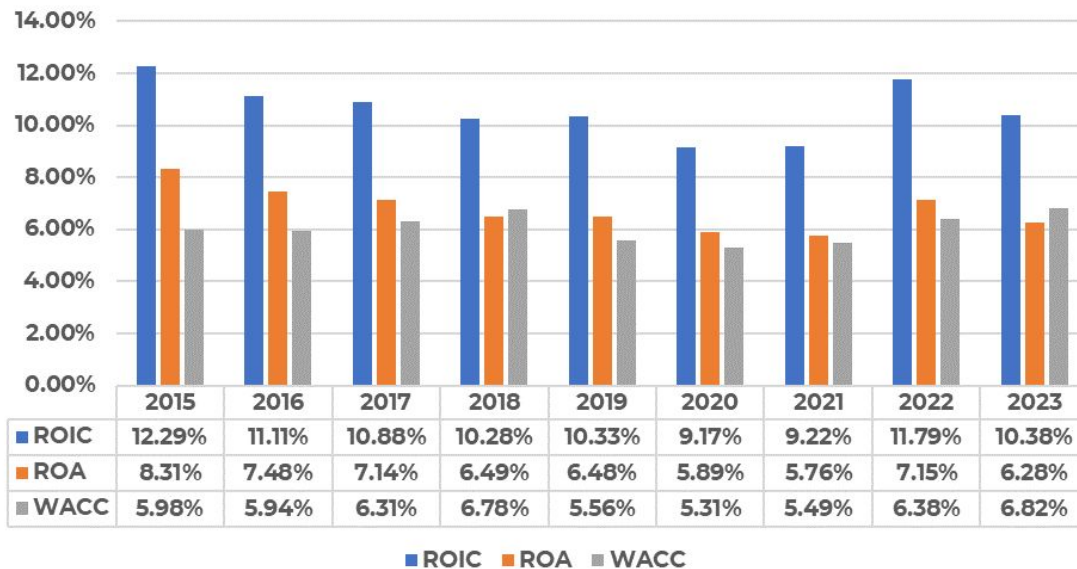
Sales & Marketing 20.7%

Operating Income 3.5%

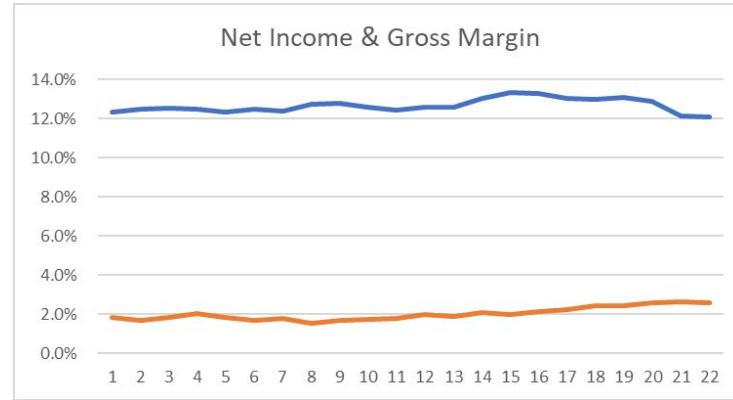
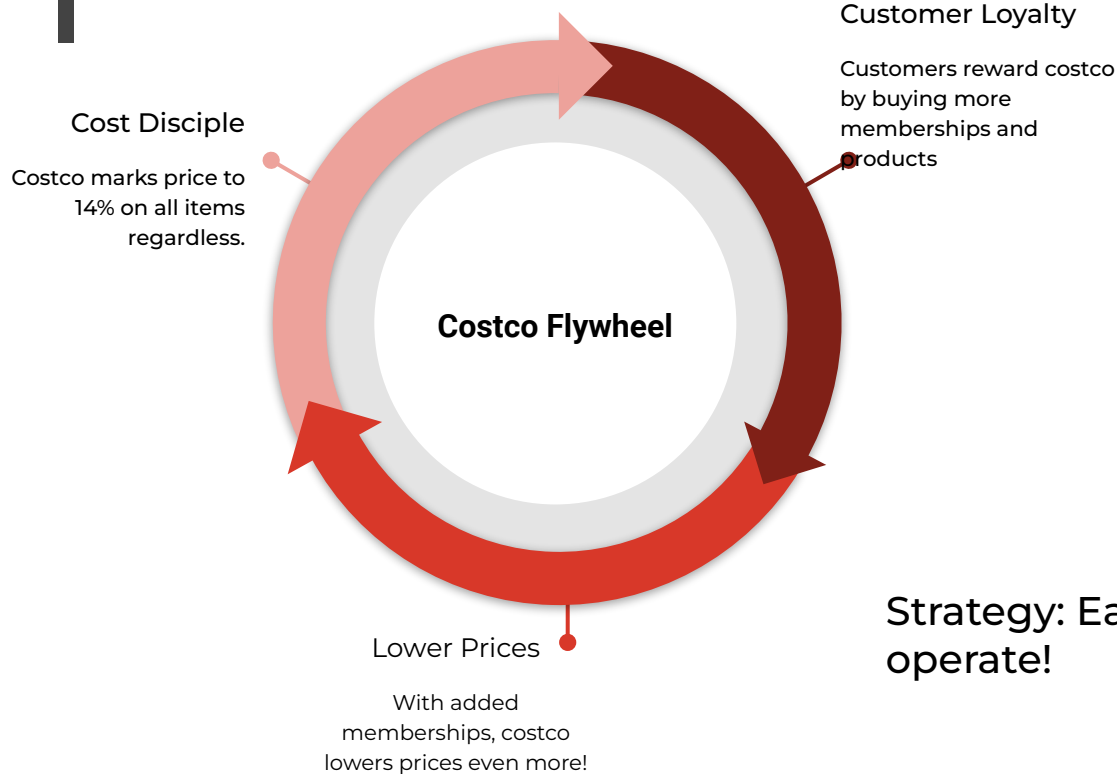
Capital Expenditures 5.0%

Working Capital Additions \$ 1,000

ROIC - WACC - ROA



Costco : Shared Economies of Scale



Strategy: Easy to understand and hard to operate!

Costco : Multiples & Ratios

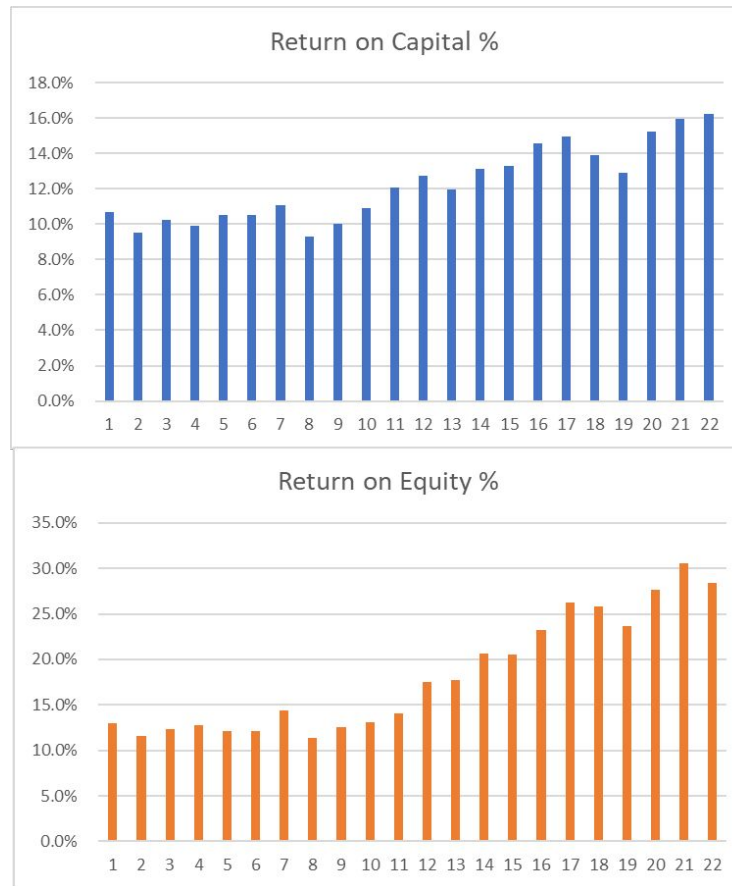
Total Revenue 11.5%

Common Equity 14.2%

Unlevered Free Cash Flow 8.1%

Capital Expenditures 8.9%

EPS growth 18%





Thank You

Q&A