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VALUING WAL-MART—2010[1]

Professor Stephen R. Foerster wrote this case (updated by Cyrus Zahedi under the supervision of Professor Jim Hatch) solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

In early February 2010, Sabrina Gupta, an investment advisor with a major brokerage firm, was examining Wal-Mart Stores, Inc. (Wal-Mart) stock and its valuation. Gupta wondered whether to recommend the stock to any of her new clients or to existing clients who did not currently have Wal-Mart in their portfolios.

BACKGROUND OF WAL-MART STORES, INC.

Based in Bentonville, Arkansas, and founded by the legendary Sam Walton, Wal-Mart was the world's largest retailer, operating more than 8,400 stores worldwide, including stores in all 50 states; international stores in Argentina, Brazil, Canada, Germany, Mexico, Puerto Rico, South Korea, the United Kingdom; joint venture agreements in China and a stake in a leading Japanese retail chain. Worldwide, Wal-Mart had 2.1 million employees (known as "associates"), who served more than 200 million customers each week. During the fiscal year ended January 31, 2010, Wal-Mart's net sales were more than US$405 billion. Exhibit 1 presents a summary of Wal-Mart's 2009 and 2010 financial statements.

Wal-Mart's strategy was to provide a broad assortment of quality merchandise and services at "everyday low prices." It was best known for its discount stores, which offered merchandise such as apparel, small appliances, housewares, electronics and hardware, but also ran combined discount and grocery stores (Wal-Mart Supercenters), membership-only warehouse stores (SAM'S Club) and smaller grocery stores (Neighborhood Markets). In the general merchandise area, Wal-Mart's competitors included Sears and Target. In terms of specialty retailers, its competitors included Gap and Limited. Department store competitors included Dillard's, Macy's and J.C. Penney. Grocery store competitors included Kroger, Supervalu and Safeway. The major membership-only warehouse competitor was Costco Wholesale.

Wal-Mart became a publicly traded firm in 1970 with an initial stock price of $16.50 per share and subsequently, in March 1974, declared its first cash dividend of $0.05 per share (after two two-for-one

[1] This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Wal-Mart Stores, Inc. or any of its employees.

stock splits). It had undergone 11 two-for-one stock splits, and thus, an original lot of 100 Wal-Mart shares had grown to 204,800 shares after the most recent split in April 1999.

Analysts generally believed that Wal-Mart would continue to be successful in consistently increasing profits. Some analysts forecasted annual earnings growth of 6.00 per cent for the next five years, while other more optimistic analysts forecasted annual growth of up to 10.4 per cent for the next five years. As of February 2010, according to Bloomberg L. P., Wal-Mart shares were ranked as "buys" in the coming six to 12 months by 20 analysts, "holds" by 7 analysts and "sells" by none of the analysts. These rankings (which amounted to an average of 4.41 on a five-point scale) currently exceeded the average buy/hold/sell mix among Standard & Poor (S&P) 500 firms (at 3.94) and among the hypermarkets and supercenters sub-industry (at 4.23). Analysts' consensus projected Wal-Mart's target price was $60.50 per share, relative to a recent closing price of $53.48 per share. Over the 2010 fiscal year, Wal-Mart shareholders had generated a total return (including dividends) of 9.69 per cent, and the consensus stock price forecast ranking (as measured by buys/holds/sells) was above that of the overall market. Wal-Mart's 52-week high stock price was $55.01 per share and the 52-week low was $46.42 per share.

Gupta noticed that Wal-Mart shares had a price-to-trailing earnings (P/E) ratio of 14.40 times (based on the last four quarters of earnings) and an indicated dividend yield (based on the current 2010 quarterly dividend and current stock price) of 2.0 per cent. Exhibit 2 presents a graph of Wal-Mart's stock price for 10 years, and Exhibit 3 provides historical dividend data. In determining whether Wal-Mart was fairly valued, Gupta decided to focus on valuation concepts she had been introduced to in her university business courses and in one of her firm's training courses: the dividend discount model, the capital asset pricing model (CAPM) and price/earnings multiples.

DIVIDEND DISCOUNT MODELS

Dividends in Perpetuity

According to the dividend discount model (DDM), the current stock price of Wal-Mart represents the present value of all expected future dividends, discounted at an investor's required (or expected) rate of return. Under this approach, a share is valued by forecasting dividends in perpetuity, which is not an easy task.

To simplify the daunting task of estimating all future dividends, a growth trend of the dividends can be used in a much simpler version of the model, which is known as the constant growth dividend discount model. According to the constant growth DDM, the current value of a firm's stock price (P_0) is equal to next year's (expected) dividend (D_1) divided by an investor's required rate of return (K_e) minus the expected perpetual dividend growth rate (g).

$$P_0 = D_1 / (K_e - g)$$

Alternatively, by rearranging the model, the required return can be decomposed into two parts: the expected dividend yield (i.e., the dividends anticipated over the next four quarters divided by the current stock price) plus the expected future growth in dividends.

$$K_e = D_1/P_0 + g$$

In other words, the required return can be thought of as both a dividend portion and a growth portion that are reflected in future capital gains.

Anticipated dividend growth (g) is often estimated in a variety of ways. First, observed historical dividend growth can be assumed to continue in a perpetual fashion. Second, future dividend growth can be estimated on the basis of recent estimates of analysts. Gupta noted that the consensus annual Wal-Mart dividend for fiscal year 2011 was $1.21, and one respected analyst had estimated the expected constant dividend growth (in perpetuity) at approximately 5.0 per cent.

When a firm achieves its steady state (i.e., when the annual return on equity is just equal to its cost of equity capital), the sole determinant of the growth in dividends is the annual dividend payout ratio. If all dividends are paid out, the firm's assets do not increase and therefore the dividend stream will not grow. On the other hand, if some of the earnings are retained (i.e., the dividend payout ratio <1), the assets of the firm will grow over time, as will the dividends. To reflect the impact of the payout ratio on the share price under these circumstances, a modified version of the model can be used, as shown below. In this example, anticipated dividends are replaced with anticipated earnings (E_1) multiplied by the anticipated dividend payout ratio (p).

$$P_0 = (E_1 \times p)/ (K_e - g)$$

Notice that the value of g in this model can be shown to be equal to 1 minus the payout ratio times the cost of equity.

$$g = (1 - p) \times K_e$$

Use of Dividends and a Terminal Value

As an alternative to the infinite dividend growth approach, dividends can be estimated for a set number of years (n), at which point a future stock price (P_n) can be estimated and treated as a "terminal value." In such a model, the future stock price represents the present value, at that point, of any future dividends beyond the terminal value date.

$$P_0 = D_1/ (1 + K_e)^1 + D_2/ (1 + K_e)^2 + \ldots. + D_n/ (1 + K_e)^n + P_n/ (1 + K_e)^n$$

The Three-Stage Approach

Some applications of the dividend discount model can be more complex. For example, in its DDM application, Bloomberg divides the future growth in dividends into three periods, all of which have different growth rates. This approach is especially useful when a company's profits are expected to grow rapidly and then gradually decline to an industry average. This approach is modeled in Exhibit 4.[2]

In this model, the projected growth in profits is divided into three categories: growth years (assumed to span three to nine years) during which the company earns abnormal returns, transition years (assumed to span eight to 14 years) during which profitability gradually declines toward an average for the industry and maturity years (beyond 17 years) during which profitability is at the industry average. In this example, the

[2] Notice that this example is a hypothetical situation, and students must input data to determine the valuation for Wal-Mart.

growth in earnings is initially 23 per cent, the span of this rapid growth is five years and the number of years during which the transition to "normal" earnings levels for the industry occurs is 12 years.[3]

A mature firm can be thought of as a company that is able to achieve only its target cost of equity capital. In Exhibit 4, for example, the target cost of capital is assumed to be 12 per cent. If a mature company pays out all of its earnings in the form of dividends (i.e., a payout rate of 100 per cent), there will be no future growth in earnings since the assets of the firm will not be growing over time. On the other hand, if a mature firm retains some of its profits, then its assets and therefore its earnings will continue to grow. Thus the growth of earnings from year 17 onward depends on the assumed payout rate. In this model, we assume that the payout rate at steady state (in 17 years) will be 45 per cent, which is an average for all companies. During the transition years, the model automatically adjusts the payout rate each year from its current level until the steady state payout rate is achieved.

Once the annual anticipated earnings are calculated by using the model, the annual dividend can be computed by multiplying the assumed earnings in a given year by the assumed payout rate for that year. In addition, the terminal value for the stock at the end of the 17th year can be computed using the perpetual dividend growth model. By using all of these projected flows in dividends and the terminal value, the model can compute the stock price today by finding the present value of all of these cash flows at the cost of equity capital. This result is stated as the theoretical stock price of $120.37 per share seen at the bottom of the exhibit.

Gupta noted that analysts had estimated current earnings growth for Wal-Mart at 10.40 per cent and that the current payout of dividends was $1.09 per share on recent earnings of $3.72 per share. It was expected that the payout rate at maturity would be 45 per cent.

CAPITAL ASSET PRICING MODEL

To determine an appropriate equity discount rate for Wal-Mart, Gupta considered using the capital asset pricing model (CAPM), one of the more popular methods for estimating an equity investor's required (or expected) return. The model stipulated that equity investors required a return on what could be earned on risk-free investments, such as government bonds, plus a risk "premium." The current long-term (10-year) government bond yield was 3.68 per cent. The general market risk premium for holding a diversified portfolio of equities was the difference between the expected return on the market (commonly considered to be the S&P 500 index) minus long-term government bond returns. Wal-Mart's risk premium can be calculated as the product of the firm's risk relative to the market (known as beta) times the market risk premium.

By definition, the market has a beta of 1.0, less risky stocks have betas of less than 1.0 and more risky stocks have betas of greater than 1.0. For example, if the market increases (or decreases) by 1.0 per cent, a stock with a beta of 1.2 can be expected to increase (or decrease) by 1.2 per cent. Information related to the estimation of Wal-Mart's beta is presented in Exhibit 5 and shows Bloomberg's beta estimate of 0.66 rounded).[4] Studies had attempted to estimate the historical market premium, or the difference between returns on the equity market and long-term government bonds. From information provided by Bloomberg, Gupta noted that the historical U.S. market risk premium was estimated to be 5.05 per cent.

[3] The total of abnormal growth years and transition years in this particular version of the model must equal 17.
[4] Bloomberg estimated betas by comparing weekly stock returns and S&P 500 returns over the past two years to arrive at a "raw" beta estimate. Based on academic research that suggested betas tended to regress to the mean over time, Bloomberg made an ad hoc "adjustment" to capture the spirit of a forward-looking beta.

THE PRICE/EARNINGS MULTIPLE APPROACH

Price/earnings (P/E) multiples were widely used in the investment industry because they were commonly available and easily used for comparative purposes. The intrinsic value of the stock was often estimated as the projected (upcoming year) earnings per share times an appropriate forward-looking P/E multiple (as determined by an analyst). In general, firms with better growth prospects and/or lower risk commanded higher multiples. Multiples varied through time and across industries. Forward-looking multiples often differed from multiples that were based on trailing earnings, depending on an analyst's assessment of future prospects; however, trailing multiples often provided estimates of forward-looking multiples. As of February 1, 2010, Wal-Mart traded at a trailing P/E ratio of 14.4 times and at a forward P/E ratio of 13.4 times. Exhibit 6 presents some comparable retail industry P/E multiples and Wal-Mart's historical P/E multiples. Over a long history, U.S. market multiples had averaged around 15 times.

Gupta wondered whether the P/E multiple approach could be of any help in determining Wal-Mart's current value or anticipated future price. She would need to assess both growth prospects and risk to determine an appropriate forward-looking multiple.

Analysts were expecting Wal-Mart growth to come primarily from two sources. One was healthier customer traffic versus the majority of other U.S. retailers. Another growth source was the benefit of U.S. initiatives as part of a three-year repositioning now playing out and likely supporting U.S. same-store sales. As mentioned earlier, analysts were anticipating annual earnings growth of approximately 10.40 per cent over the next five years, which was a strong growth rate, slightly more than the annual growth in earnings of approximately 8.75 per cent over the past five years. By comparison, industry growth over the past five years had been approximately 5.85 per cent but had been projected to be 14.62 per cent over the next five years. The estimated industry P/E multiple based on projected 2010 calendar year earnings was 14.23 times. S&P 500 earnings growth over the past five years was approximately –4.50 per cent and was projected to be 10.83 per cent over the next five years. The estimated S&P 500 P/E multiple based on projected 2010 earnings was around 12.25 times. Exhibit 7 provides selected data on Wal-Mart, its closest competitor, Target, the S&P 500 and the hypermarket sub-industry.

In terms of assessing risk, Gupta reviewed Wal-Mart's 10-K filing, an annual report and disclosure document filed through the Securities and Exchange Commission. As part of the documentation, which included Wal-Mart's financial statements, Wal-Mart performed a self-assessment of the risk factors it faced that "could materially and adversely affect our business, financial condition and results of operations." These risks included general economic conditions, impediments to expansion both domestically (including conversion of discount stores to Supercenters) and internationally, failure to attract and retain employees and related labor issues, strong competition, vendor risk, legislation risk and current legal proceedings (some involving federal and state wage laws).

VALUING WAL-MART'S STOCK

Gupta had all the information she needed to value Wal-Mart's stock. She wondered whether the price she was about to calculate would match the current price. If it was higher or lower, would it imply that the stock was a good buy or not, or would she need to reconsider the assumptions and model inputs?

EXHIBIT 1(A): WAL-MART CONSOLIDATED STATEMENTS OF INCOME
(for Fiscal years ended January 31)
(all amounts in US$ millions except per share data)

	2009	2010
Revenues:		
Net sales	401,087	405,046
Other income – net	3,287	3,168
Total revenues	404,374	408,214
Cost of goods sold	304,056	304,657
Gross profit	100,318	103,557
Expenses:		
Operating, selling, and general and administrative expenses	77,520	79,607
Interest expenses – net	1,900	1,884
Total expenses	79,420	81,491
Earnings (income) before taxes and minority interest	20,898	22,066
Income tax	7,145	7,139
Earnings (income) before minority interest	13,753	14,927
Minority interest	- 499	- 513
Earnings from discontinued operations (net of tax)	146	- 79
Earnings after tax (net income)	13,400	14,335
Average number of shares outstanding (millions)	3,939	3,866
Net income per share	$ 3.40	$ 3.71

Source: Adapted from 2010 Wal-Mart Annual Report.

EXHIBIT 1(B): WAL-MART CONSOLIDATED BALANCE SHEETS
(as of January 31)
(all amounts in US$ millions)

	2009	2010
ASSETS		
Current assets:		
Cash and cash equivalents	7,275	7,907
Accounts receivable	3,905	4,144
Inventories	34,511	33,160
Prepaid expenses and other	3,063	2,980
Current assets of discontinued operations	195	140
Total current assets	48,949	48,331
Property, plant and equipment (PPE):		
Land (property)	19,852	22,591
Plant and equipment (PE)	105,968	115,257
Less: accumulated depreciation	32,964	38,304
Net PPE	92,856	99,544
Net property under capital leases	2,797	2,763
Goodwill	15,260	16,126
Other assets	3,567	3,942
Total assets	163,429	170,706
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	1,506	523
Accounts payable	28,849	30,451
Accrued liabilities and income tax	18,789	20,099
Current maturities of long-term debt	5,848	4,050
Obligations under capital leases due within one year	315	346
Current liabilities of discontinued operations	83	92
Total current liabilities	55,390	55,561
Long-term debt	31,349	33,231
Long-term obligations under capital leases	3,200	3,170
Deferred income taxes	6,014	5,508
Minority interest	397	307
Shareholders' equity	67,079	72,929
Total liabilities and equity	163,429	170,706

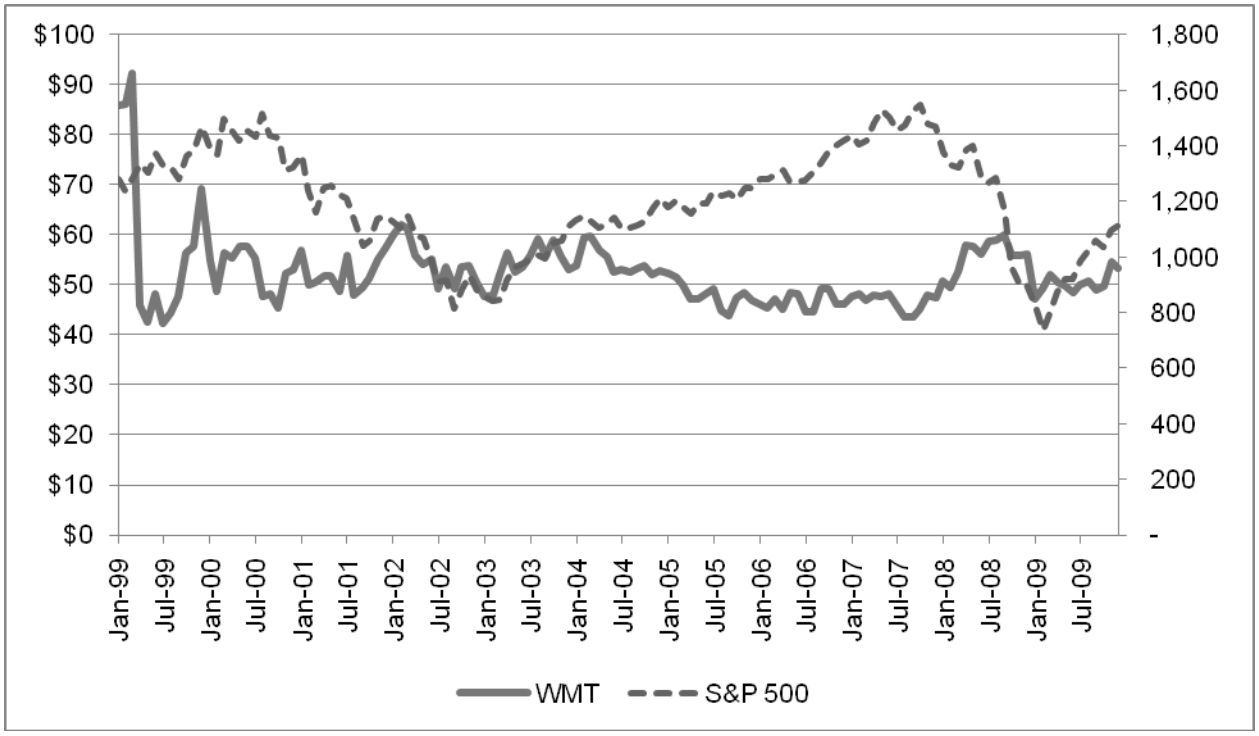
Source: Adapted from Wal-Mart 2010 Annual Report.

EXHIBIT 1(C): WAL-MART CONSOLIDATED STATEMENTS OF CASH FLOW
(for fiscal years ended January 31)
(all amounts in US$ millions)

	2009	2010
Operating activities:		
Net income (continuing operations)	13,753	14,927
Depreciation and amortization	6,739	7,157
Deferred taxes	581	(504)
Net change in operating assets and liabilities	1,305	4,368
Other (net)	769	301
Net cash provided by operating activities	23,147	26,249
Investing activities:		
Purchases of property, plant and equipment (PPE)	(11,499)	(12,184)
Investment in international operations	(1,576)	0
Proceeds from sales and disposals	1,552	1,002
Other investing activities	781	(438)
Net cash used in investing activities	(10,742)	(11,620)
Financing activities:		
Issuance of debt	2,821	4,513
Payments of debt	(5,387)	(6,033)
Purchases of stock	(3,521)	(7,276)
Dividends	(3,746)	(4,217)
Other financing activities	(85)	(1,178)
Net cash used in financing activities	(9,918)	(14,191)
Effect of exchange rate changes	(781)	194
Cash:		
Net increase during year	1,706	632
Balance at beginning of year	5,569	7,275
Balance at end of year	7,275	7,907

Source: Adapted from 2010 Wal-Mart Annual Report.

EXHIBIT 2: WAL-MART (WMT) STOCK PRICE COMPARED WITH THE S&P 500 INDEX
(Monthly, January 1999 to December 2009)



Source: Yahoo! Finance.

EXHIBIT 3: WAL-MART SELECTED EARNINGS AND DIVIDENDS INFORMATION, 1974–2010

Year*	Earnings/ Share $	Dividends/ Share $	Annual Earnings Growth (%)	Annual Dividends Growth (%)	Dividend Payout %
1974	0.002	0.0001	n/a	n/a	5.6
1975	0.002	0.0002	0.0	100.0	11.1
1976	0.003	0.0003	71.1	30.0	8.4
1977	0.004	0.0003	40.3	30.8	7.9
1978	0.006	0.001	30.6	88.2	11.3
1979	0.008	0.001	36.9	37.5	11.4
1980	0.011	0.001	40.9	38.2	11.2
1981	0.014	0.002	29.4	31.6	11.4
1982	0.019	0.002	40.9	30.0	10.5
1983	0.029	0.003	48.4	38.5	9.8
1984	0.044	0.004	52.2	55.6	10.0
1985	0.060	0.007	37.1	50.0	10.9
1986	0.073	0.009	20.8	33.3	12.1
1987	0.099	0.011	37.1	21.4	10.7
1988	0.140	0.015	40.9	41.2	10.7
1989	0.185	0.020	32.1	33.3	10.8
1990	0.240	0.030	29.7	50.0	12.5
1991	0.285	0.035	18.8	16.7	12.3
1992	0.350	0.045	22.8	28.6	12.9
1993	0.435	0.055	24.3	22.2	12.6
1994	0.510	0.065	17.2	18.2	12.7
1995	0.585	0.085	14.7	30.8	14.5
1996	0.595	0.100	1.7	17.6	16.8
1997	0.660	0.110	10.9	10.0	16.7
1998	0.770	0.140	16.7	27.3	18.2
1999	0.980	0.160	27.3	14.3	16.3
2000	1.190	0.200	21.4	25.0	16.8
2001	1.390	0.240	16.8	20.0	17.3
2002	1.470	0.280	5.8	16.7	19.0
2003	1.790	0.300	21.8	7.1	16.8
2004	2.070	0.360	15.6	20.0	17.4
2005	2.410	0.520	16.4	44.4	21.6
2006	2.720	0.600	12.9	15.4	22.1
2007	2.920	0.670	7.4	11.7	22.9
2008	3.160	0.880	8.2	31.3	27.8
2009	3.350	0.950	6.0	8.0	28.4
2010	3.720	1.090	11.0	14.7	29.3
Arithmetic average			25.0	31.3	14.4
Geometric average			26.2	31.9	n/a

Note: Per share information based on dilution; rounded; after adjusting for splits.
* Fiscal year ended January 31.
Source: Wal-Mart Annual Reports: 1979, 1987, 1996, 2005, 2010.

EXHIBIT 4: DIVIDEND DISCOUNT MODEL, THREE-STAGE EXAMPLE

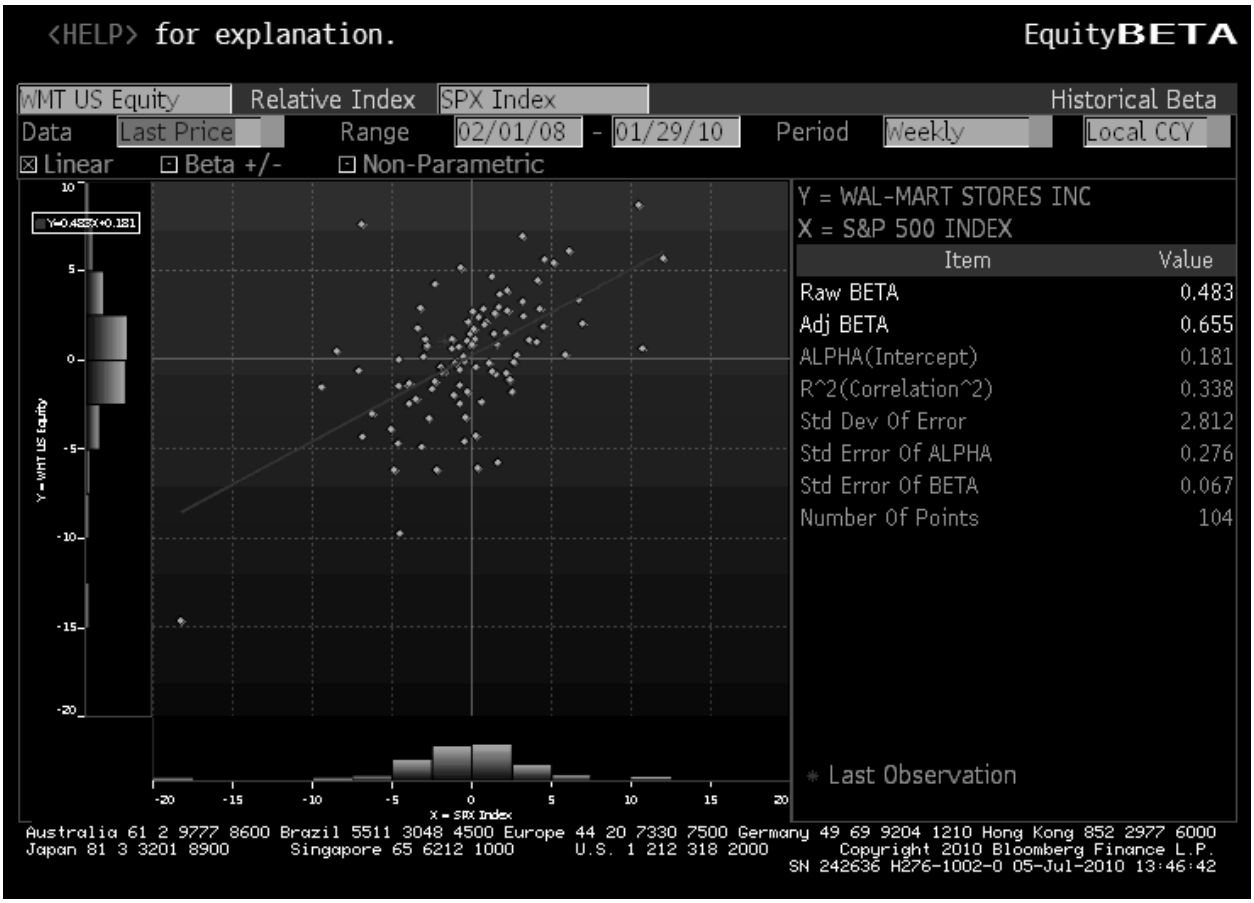
Discount rate (r):	12.00%
Growth period (g1):	
Growth years	5
Initial growth rate of EPS	23.00%
Maturity period (g2):	
Payout at maturity	45%
Retention rate at maturity (retent)	
Growth rate at maturity: r x retent	
Transition period:	
Transition years	12
Growth rate of EPS (incremental)	1.26%
Other information:	
Current fiscal year EPS	4.00
Current calendar year dividend	0.50
Current payout (p1)	12.50%
Growth years payout = current	
Maturity payout (p2)	
Transition years payout (incremental)	
Growth + Transition Years	
Terminal value (TV) = div1/(r-g)	

Calculate

Year	Assumption	EPS	*growth*		Dividend	*payout*	TV	PV (div+TV)
1	Growth year EPS	4.92	23.00%	1	0.62	12.50%		0.55
2	Growth year EPS	6.05	23.00%	2	0.76	12.50%		0.60
3	Growth year EPS	7.44	23.00%	3	0.93	12.50%		0.66
4	Growth year EPS	9.16	23.00%	4	1.14	12.50%		0.73
5	Growth year EPS	11.26	23.00%	5	1.41	12.50%		0.80
6	Transition year EPS	13.85	21.74%	6	2.08	15.00%		1.05
7	Transition year EPS	17.04	20.48%	7	2.98	17.50%		1.35
8	Transition year EPS	20.96	19.22%	8	4.19	20.00%		1.69
9	Transition year EPS	25.78	17.95%	9	5.80	22.50%		2.09
10	Transition year EPS	30.08	16.69%	10	7.52	25.00%		2.42
11	Transition year EPS	34.72	15.43%	11	9.55	27.50%		2.74
12	Transition year EPS	39.64	14.17%	12	11.89	30.00%		3.05
13	Transition year EPS	44.76	12.91%	13	14.55	32.50%		3.33
14	Transition year EPS	49.97	11.65%	14	17.49	35.00%		3.58
15	Transition year EPS	55.16	10.38%	15	20.68	37.50%		3.78
16	Transition year EPS	60.19	9.12%	16	24.08	40.00%		3.93
17	Transition year EPS	64.92	7.86%	17	27.59	42.50%	576.7	88.01
18	Maturity	69.20	6.60%	18	31.14	45.00%		
	Theoretical price							**120.37**

Note: EPS = earnings per share

EXHIBIT 5: WAL-MART BETA ESTIMATE



Source: Bloomberg

EXHIBIT 6: SELECTED HISTORICAL PRICE/EARNINGS INFORMATION

Year*	Wal-Mart	Target	The Gap	Ltd. Brands	Dillard's	J.C. Penney	Macy's	Kroger	Supervalu	Safeway	Costco	S&P 500
1994	20.9	13.9	17.9	15.2	13.6	12.4	-	10.8	17.2	-	19.6	15.3
1995	20.4	18.6	15.0	22.2	13.3	13.9	20.7	11.7	17.1	14.3	14.1	14.9
1996	18.4	14.1	19.0	17.3	16.0	16.1	15.8	15.3	19.5	17.8	14.9	16.0
1997	21.8	17.1	22.3	17.5	15.4	17.9	15.5	17.2	17.9	20.7	16.9	17.3
1998	31.2	22.2	29.2	20.7	13.6	25.2	15.3	23.1	22.5	26.3	24.4	19.3
1999	39.1	25.5	33.5	21.4	12.1	21.6	12.8	22.4	20.5	25.1	30.7	17.5
2000	38.0	22.2	32.5	21.6	13.1	NMF	10.9	15.8	13.5	22.0	31.1	15.4
2001	34.9	23.3	NMF	17.4	20.9	NMF	13.0	16.2	16.0	18.5	29.7	19.5
2002	30.3	20.0	25.2	17.2	13.6	16.4	11.1	11.3	13.0	11.8	26.8	18.3
2003	26.9	18.0	16.7	14.8	NMF	17.1	11.0	14.3	13.5	11.7	21.2	17.6
2004	22.8	22.2	17.7	15.7	15.8	15.7	13.0	16.3	18.7	17.0	20.0	18.7
2005	18.3	19.7	15.8	17.3	14.8	13.8	13.0	14.0	14.4	15.8	22.3	17.1
2006	16.0	16.7	19.8	15.9	48.3	14.0	17.7	14.1	13.7	15.7	22.1	16.9
2007	14.9	18.0	17.2	12.5	n/a	13.9	16.4	16.4	14.3	17.2	21.0	17.2
2008	16.2	16.2	12.5	23.7	48.3	13.1	13.9	14.1	10.7	12.4	23.1	14.7
2009	14.4	15.6	12.2	14.0	22.5	23.4	11.1	12.4	8.0	12.9	22.5	18.0
5-Year Avg	16.0	16.6	14.0	16.7	35.4	16.8	13.8	14.3	11.0	14.2	22.2	16.6
10-Year Avg	23.3	19.2	18.8	17.0	24.7	15.9	13.1	14.5	13.6	15.5	24.0	17.3
Total Avg	24.0	19.0	20.4	17.8	20.1	16.8	14.1	15.3	15.7	17.3	22.5	17.1
Projected	13.4	13.6	10.4	12.4	11.9	15.2	8.2	12.3	8.4	12.6	19.9	12.3

Notes: NMF = "not meaningful"; 2009 trailing company multiples are based on February 1, 2010 share price and past four quarter's earnings (fiscal 2010 earnings);
Projected company multiples are based on February 1, 2010 share price and projected fiscal year 2011 earnings (i.e. through January 31, 2011);
Trailing and projected S&P 500 multiples are based on 2009 and 2010 calendar years, respectively.

* Calendar year.

Source: Value Line, Yahoo! Finance, Bloomberg.

EXHIBIT 7: SELECTED COMPARABLE DATA

Comparable	Trailing P/E	Projected P/E	Past 5 Years Earnings Growth	Next 5 Years Projected Earnings Growth	PEG Ratio (Trailing P/E / Projected Growth)	2010 Net Profit Margin*	2015 Projected Net Profit Margin*	2010 Return on Common Equity*	2015 Projected Return on Common Equity*	2010 Long-Term Debt to Equity*	2015 Projected Long-Term Debt to Equity*
S&P 500	18.00	12.25	-4.50%	10.83%	1.66	n/a	n/a	n/a	n/a	n/a	n/a
Industry	15.64	14.23	5.85%	14.62%	1.07	n/a	n/a	n/a	n/a	n/a	n/a
Target	15.60	13.60	9.78%	12.70%	1.23	3.80%	5.00%	16.20%	16.50%	98.51%	46.00%
Wal-Mart	14.70	13.40	8.75%	10.39%	1.41	3.50%	3.70%	20.10%	20.00%	51.45%	41.00%

Notes: Trailing company multiples are based on February 1, 2010 share price and past four quarter's earnings (fiscal 2010 earnings);
Projected company multiples are based on February 1, 2010 share price and projected fiscal year 2011 earnings (i.e. through January 31, 2011);
Trailing and projected S&P 500 multiples are based on 2009 and 2010 calendar years, respectively.
P/E = price-earnings

* Fiscal year.

Source: Value Line, Yahoo! Finance, Bloomberg.