



Walmart Inc. (WMT)

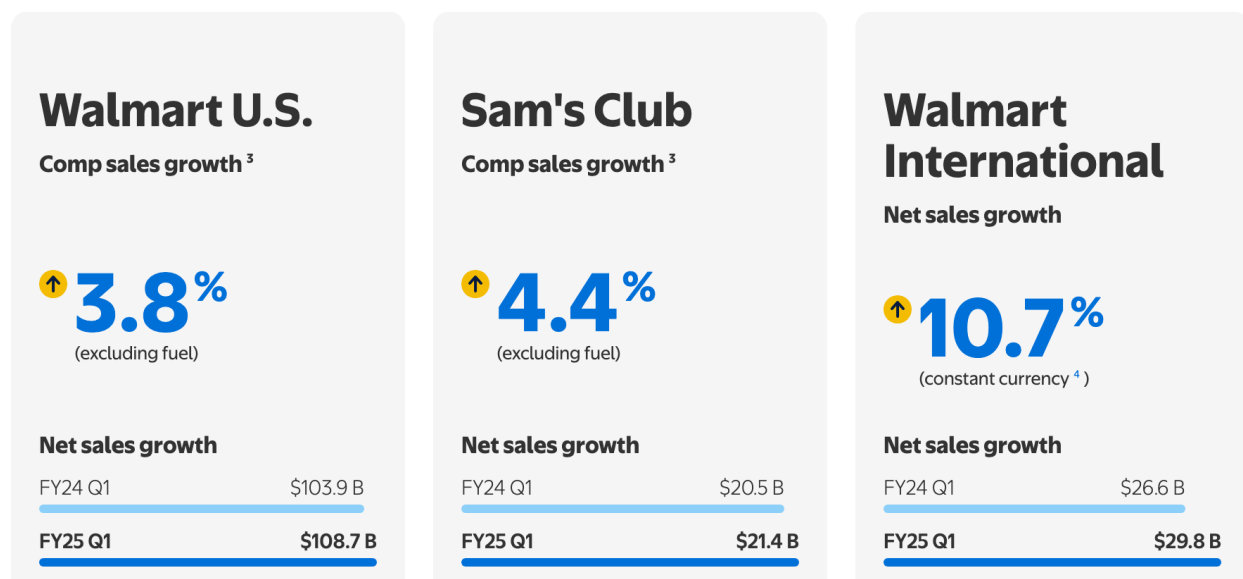
Nelson Tate

Current Price: \$96.81 | Target Price: \$101.13 | Recommendation: Buy | Date: 4/30/2025

### Summary:

Walmart is one of the world's largest retailers headquartered in Bentonville, Arkansas. The company operates under 3 main segments: Walmart U.S., Walmart International, and Sam's Club. Walmart continues to demonstrate strong revenue growth, with its latest earnings showing a 4.13% year-over-year increase for the quarter ending January 31, 2025, and a 5.07% annual increase. Walmart's ability to maintain an online and in-store presence, leverage its supply chain and competitive pricing strategy, and further expand its operations positions it well to maintain market dominance. Additionally, Walmart's market cap and enterprise value have consistently increased, reflecting strong investor confidence and the company's ability to generate long-term value as seen in Exhibit 1. Based on these factors and a DCF analysis, the implied price of \$101.13 results in a buy recommendation.

### Exhibit 1: Walmart Growth



## Online and In-Store Improvements:

The retail industry continues to grow both in the physical space but also in the online space. Since the lockdowns in 2020, the functionality and easiness of online shopping has changed how consumers shop. Online shopping has allowed for huge masses of people to get whatever they want from the comfort of their homes. Walmart.com has over 410 million unique visitors each month. Walmart's investments in digital transformation, such as the creation of its Walmart+ membership have helped increase this engagement and customer retention. A few years ago, Walmart also teamed up with Roblox to create Walmart Discovered (Exhibit 2). Here, like Walmart.com, players can shop in a digitally created Walmart store on Roblox. They can try out items on their characters, and the items that they buy in-game will be shipped to their doorstep. Additionally, Walmart has been experimenting with generative AI to refine the in-store experience further. Wally is Walmart's own generative AI tool that is to be used by merchants to better understand different relationships between products. With Wally, merchants will be able to improve the operations of individual stores as they will be able to cater more to the customers of that location.

### Exhibit 2: Walmart Discovered

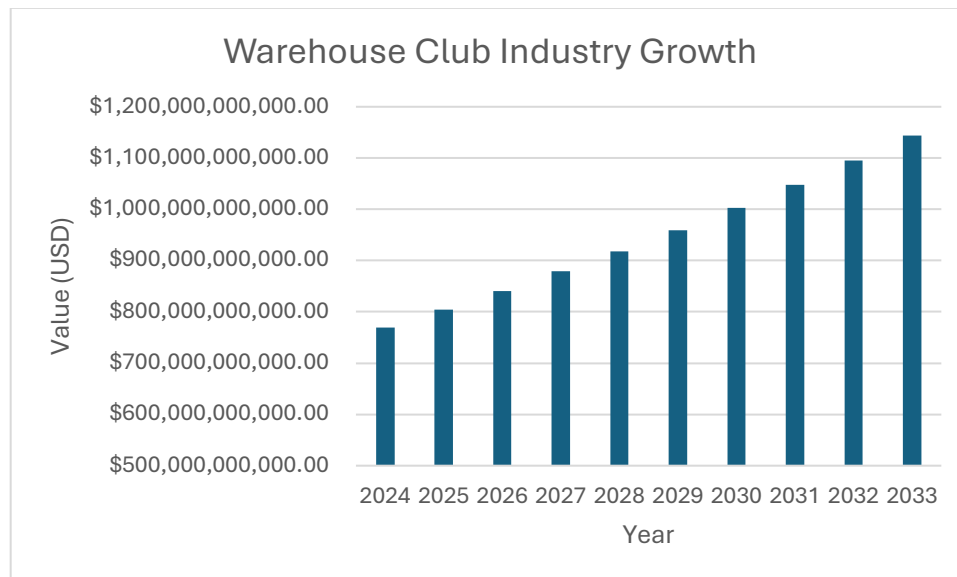


## Warehouse Club Industry:

Due to COVID-19, warehouse clubs became increasingly more popular with consumers. In 2024, the warehouse club industry was valued around \$770 billion. It is expected to continue growing over time with a CAGR of around 4.6% through 2033 (Figure 1). One of the best creations from Walmart is Sam's Club. Founded in 1983, Sam's Club operates on the wholesale method. The segment has outperformed in membership growth and comparable sales, reflecting consumers' increasing preference for bulk purchasing and value-driven shopping. Strong demand in categories like groceries and household essentials, coupled with improvements in

digital integration and curbside pickup, has improved Sam's Club's competitive edge against rivals like Costco and BJ's Wholesale. In 2024, Sam's Club made more than \$90 billion, up over 50% from the end of 2020. The CEO, Chris Nicholas, emphasized expanding physical and digital capabilities of the company. With this, Sam's Club aims to double membership, sales, and profit over the next 8 to 10 years. With this comes the opening of 15 new locations per year and the remodeling of all the current stores in operation.

Figure 1: Warehouse Club Industry Growth



### **Risks:**

Competitive pressure from online retailers and other in-person retailers will continue to be Walmart's biggest risk. It is easy but not cheap to operate in the business that Walmart does, whether it is online or in-person. There are countless big corporations such as Amazon who can operate just as efficiently if not better than Walmart. Supply chain issues can also plague companies like Walmart who rely heavily on the transportation of goods from warehouses to shopping centers. With the recent tariff war going on, Walmart will need to act in a way that may not be favorable to its customers to continue offering certain goods and services. Like all major retailers, Walmart also needs to employ the labor necessary to operate smoothly. If one part of the business is not working, then the entire business will suffer.

In today's day and age, one of the most important issues is cybersecurity. Ransomware attacks happen every day, and businesses lose billions every year because of them. With the development of quantum computing, some cybersecurity techniques will become useless. Walmart also needs to make sure that it continues to protect its data as well as its customers by creating new security measures that can defend against these new quantum computers.

## WACC and DCF:

For calculating the WACC of Walmart, an assumed risk-free rate of 4.15% was obtained as the most recent 10-year bond yield rate. A beta of 0.57 was obtained from Yahoo Finance to perform all further calculations. A market risk premium of 6% was assumed based on historical averages. This gives a cost of equity for Walmart of 7.57%. Walmart's cost of debt was calculated by dividing the interest expense by the total debt for 2024, resulting in a value of 4.41%. According to Yahoo Finance, Walmart's value of equity is around \$777 billion. Per the balance sheet, the value of debt is around \$61 billion. To get a more accurate tax rate for Walmart, the income tax expense was divided by pretax income, giving a tax rate of 24.02%. With all these assumptions and calculations, Walmart's WACC is estimated to be 7.26% (Exhibit 3).

Over the past 5 to 8 years, Walmart's revenues have grown by an average of about 5.5%. To perform a DCF, the 2024 10k from sec.gov was used to obtain all financial data. After obtaining the necessary information for 2024, values for 2025 through 2033 were forecasted using the growth rate (Exhibit 4). Operating profit served as EBT on the DCF which was forecasted at the 5.5% growth rate. With the calculated WACC and tax rate, a DCF was performed on Walmart resulting in a share price of \$101.13 (Exhibit 5). As Walmart moves more into the digital space and puts more resources into Sam's Club, its revenues should increase. The DCF supports a buy recommendation as Walmart is proven to be currently undervalued.

### Exhibit 3: WACC

Risk Free Rate (Rf)	4.15%
Beta	0.57
Market Risk Premium (Rm)	6.00%
Cost of Equity	7.57%
Cost of Debt	4.41%
Value of Equity	\$ 777,000,000,000.00
Value of Debt	\$ 61,321,000,000.00
D/V	7.31%
E/V	92.69%
Corporate Tax Rate	24.02%
WACC	7.26%

### Exhibit 4: sec.gov

	2024	2025	2026	2027	2028
Revenues	\$ 648,125,000,000.00	\$ 683,771,875,000.00	\$ 721,379,328,125.00	\$ 761,055,191,171.88	\$ 802,913,226,686.33
COGS	\$ 490,142,000,000.00	\$ 517,099,810,000.00	\$ 545,540,299,550.00	\$ 575,545,016,025.25	\$ 607,199,991,906.64
Gross Profit	\$ 157,983,000,000.00	\$ 166,672,065,000.00	\$ 175,839,028,575.00	\$ 185,510,175,146.63	\$ 195,713,234,779.69
SG&A	\$ 130,971,000,000.00	\$ 138,174,405,000.00	\$ 145,773,997,275.00	\$ 153,791,567,125.13	\$ 162,250,103,317.01
Operating Profit	\$ 27,012,000,000.00	\$ 28,497,660,000.00	\$ 30,065,031,300.00	\$ 31,718,608,021.50	\$ 33,463,131,462.68
Current Assets	\$ 76,877,000,000.00	\$ 81,105,235,000.00	\$ 85,566,022,925.00	\$ 90,272,154,185.88	\$ 95,237,122,666.10
Current Liabilities	\$ 92,415,000,000.00	\$ 97,497,825,000.00	\$ 102,860,205,375.00	\$ 108,517,516,670.63	\$ 114,485,980,087.51
Working Capital	\$ (15,538,000,000.00)	\$ (16,392,590,000.00)	\$ (17,294,182,450.00)	\$ (18,245,362,484.75)	\$ (19,248,857,421.41)
Working Capital Turnover	\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)
Net PPE	\$ 110,810,000,000.00	\$ 116,904,550,000.00	\$ 123,334,300,250.00	\$ 130,117,686,763.75	\$ 137,274,159,535.76
Depreciation	\$ 11,863,000,000.00	\$ 12,515,465,000.00	\$ 13,203,815,575.00	\$ 13,930,025,431.63	\$ 14,696,176,830.36
PP&E Turnover	\$ 5.85	\$ 5.85	\$ 5.85	\$ 5.85	\$ 5.85

2029	2030	2031	2032	2033
\$ 847,073,454,154.08	\$ 893,662,494,132.55	\$ 942,813,931,309.84	\$ 994,668,697,531.88	\$ 1,049,375,475,896.14
\$ 640,595,991,461.50	\$ 675,828,770,991.89	\$ 712,999,353,396.44	\$ 752,214,317,833.24	\$ 793,586,105,314.07
\$ 206,477,462,692.57	\$ 217,833,723,140.66	\$ 229,814,577,913.40	\$ 242,454,379,698.64	\$ 255,789,370,582.06
\$ 171,173,858,999.44	\$ 180,588,421,244.41	\$ 190,520,784,412.85	\$ 200,999,427,555.56	\$ 212,054,396,071.12
\$ 35,303,603,693.13	\$ 37,245,301,896.25	\$ 39,293,793,500.55	\$ 41,454,952,143.08	\$ 43,734,974,510.95
\$ 100,475,164,412.73	\$ 106,001,298,455.43	\$ 111,831,369,870.48	\$ 117,982,095,213.36	\$ 124,471,110,450.09
\$ 120,782,708,992.32	\$ 127,425,757,986.90	\$ 134,434,174,676.18	\$ 141,828,054,283.37	\$ 149,628,597,268.96
\$ (20,307,544,579.59)	\$ (21,424,459,531.47)	\$ (22,602,804,805.70)	\$ (23,845,959,070.01)	\$ (25,157,486,818.86)
\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)
\$ 144,824,238,310.22	\$ 152,789,571,417.29	\$ 161,192,997,845.24	\$ 170,058,612,726.72	\$ 179,411,836,426.69
\$ 15,504,466,556.03	\$ 16,357,212,216.62	\$ 17,256,858,888.53	\$ 18,205,986,127.40	\$ 19,207,315,364.41
\$ 5.85	\$ 5.85	\$ 5.85	\$ 5.85	\$ 5.85

## Exhibit 5: DCF

Year	2024	2025	2026	2027	2028
	0	1	2	3	4
EBT	\$ 27,012,000,000.00	\$ 28,497,660,000.00	\$ 30,065,031,300.00	\$ 31,718,608,021.50	\$ 33,463,131,462.68
Taxes	\$ 6,489,556,581.30	\$ 6,846,482,193.27	\$ 7,223,038,713.90	\$ 7,620,305,843.16	\$ 8,039,422,664.54
Net Operating Profit	\$ 20,522,443,418.70	\$ 21,651,177,806.73	\$ 22,841,992,586.10	\$ 24,098,302,178.34	\$ 25,423,708,798.14
Depreciation	\$ 11,863,000,000.00	\$ 12,515,465,000.00	\$ 13,203,815,575.00	\$ 13,930,025,431.63	\$ 14,696,176,830.36
Change in NWC	\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)
Capex	\$ 18,610,015,000.00	\$ 19,633,565,825.00	\$ 20,713,411,945.38	\$ 21,852,649,602.37	\$ 23,052,649,602.37
FCF	\$ 32,385,443,460.41	\$ 15,556,627,848.44	\$ 16,412,242,377.81	\$ 17,314,915,706.30	\$ 18,267,236,067.85
TV					
Cash Flows	\$ 32,385,443,460.41	\$ 15,556,627,848.44	\$ 16,412,242,377.81	\$ 17,314,915,706.30	\$ 18,267,236,067.85
DCF	\$32,385,443,460.41	\$14,503,457,359.13	\$14,265,272,824.19	\$14,030,999,899.61	\$13,800,574,346.57

2029	2030	2031	2032	2033
5	6	7	8	9
\$ 35,303,603,693.13	\$ 37,245,301,896.25	\$ 39,293,793,500.55	\$ 41,454,952,143.08	\$ 43,734,974,510.95
\$ 8,481,590,911.09	\$ 8,948,078,411.20	\$ 9,440,222,723.81	\$ 9,959,434,973.62	\$ 10,507,203,897.17
\$ 26,822,012,782.04	\$ 28,297,223,485.05	\$ 29,853,570,776.73	\$ 31,495,517,169.45	\$ 33,227,770,613.77
\$ 15,504,466,556.03	\$ 16,357,212,216.62	\$ 17,256,858,888.53	\$ 18,205,986,127.40	\$ 19,207,315,364.41
\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)	\$ (41.71)
\$ 23,054,545,330.50	\$ 24,322,545,323.68	\$ 25,660,285,316.48	\$ 27,071,601,008.89	\$ 28,560,539,064.38
\$ 19,271,934,049.29	\$ 20,331,890,419.70	\$ 21,450,144,390.49	\$ 22,629,902,329.68	\$ 23,874,546,955.52
				\$ 1,355,342,963,429.53
\$ 19,271,934,049.29	\$ 20,331,890,419.70	\$ 21,450,144,390.49	\$ 22,629,902,329.68	\$ 1,379,217,510,385.05
\$13,573,932,981.19	\$13,351,013,657.25	\$13,131,755,249.13	\$12,916,097,635.06	\$733,901,004,202.04

<b>DCF Valuation</b>		
Enterprise Value		<b>\$875,859,551,614.57</b>
Debt Value		<b>\$ 61,321,000,000.00</b>
Equity Value		<b>\$814,538,551,614.57</b>
Shares Outstanding		<b>8,054,000,000</b>
Share Price		<b>\$101.13</b>

## Relative Valuation:

Even though Walmart has maintained its status, many other companies are continuing to improve their business methods to compete (Exhibit 6). In the retail space, Target (TGT) has maintained its position as a top competitor. While young compared to its rival, Amazon (AMZN) has quickly become the main way to shop online. Walmart remains one of the top contenders in the retail industry boasting a P/E ratio of 37.98, well above the median of 30.28. This P/E ratio is also higher than that of rivals Amazon (33.07) and Target (10.72). Sam's Club also allows Walmart to compete directly in the warehouse club industry with giants such as Costco and BJ's Wholesale who also plan to expand and improve their store operations in the future. While its share price is one of the lower of the companies, Walmart's market cap goes to show that it is one of the most dominant businesses in the world.

## Exhibit 6: Relative Valuation

Company	Ticker	Share Price	Market Cap (Billions USD)	P/E	EV/EBITDA (TTM)	P/Sales	Revenue Growth 5Y CAGR
WALMART INC	WMT US	\$ 95.09	\$ 759.12	37.99	18.86	1.12	4.97%
AMAZON.COM INC	AMZN US	\$ 188.99	\$ 1,974.48	33.07	17.78	3.06	16.52%
TARGET CORP	TGT US	\$ 96.58	\$ 43.60	10.72	8.50	0.41	5.73%
KROGER CO	KR US	\$ 70.00	\$ 46.36	15.58	7.09	0.34	3.50%
COSTCO WHOLESALE CORP	COST US	\$ 977.16	\$ 431.85	56.87	33.30	1.64	10.28%
BJ'S WHOLESALE CLUB HOLDINGS	BJ US	\$ 111.99	\$ 15.01	27.48	11.18	0.73	8.74%
Min		\$ 70.00	\$ 15.01	10.72	7.09	0.34	3.50%
25th Percentile		\$ 95.46	\$ 44.29	18.56	9.17	0.49	5.16%
Median		\$ 104.28	\$ 239.10	30.28	14.48	0.93	7.23%
75th Percentile		\$ 169.74	\$ 677.30	36.76	18.59	1.51	9.89%
Max		\$ 977.16	\$ 1,974.48	56.87	33.30	3.06	16.52%



## Valuation Analysis:

Walmart remains as one of the top retail brands in the U.S and the world. With excellent commitment in-store and online experience, it will only continue to grow as a business. Due to its affordability, Walmart can also remain operational during hard economic times, making it a go to shopping center for millions of people. Despite fierce competition, Walmart's initiatives and assets give it a competitive edge. Sam's Club also remains one of the top warehouse clubs in the world adding on to Walmart's impressive resume.

Sensitivity checks were conducted on the DCF to determine high and low possible prices for WMT (Figure 2). When the growth rate was lowered a little to account for slower business and increased competition, a stock price of \$80.84 was found. Increasing the growth rate to account for Sam's Club's projected growth as well as Walmart itself, an implied price of \$137.50 was found. This price range is much wider than that of the WSJ analysts and the 52-week range from Yahoo Finance. Ultimately, while other businesses continue to battle in the retail industry, Walmart maintains its position and continues to improve on all aspects. Therefore, a buy is recommended.

Figure 2: Football Field:

