

# EQUITY VALUATION

## WALMAT INC

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Group 1 MBA 5510

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- ▶ **Background and Industry**
- ▶ **Dupont Analysis**
- ▶ **WACC, DDM, FCFF & FCFE MODELS**
- ▶ **Conclusion**

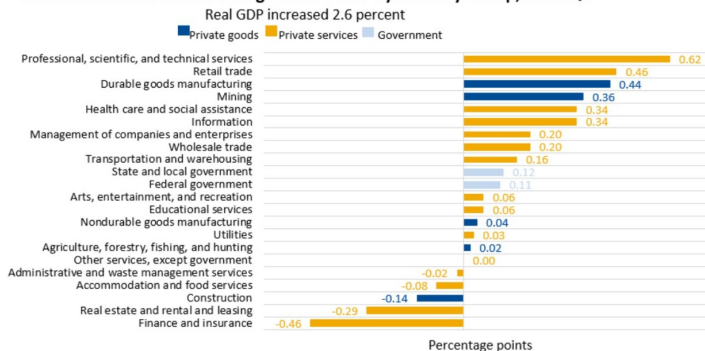
- ▶ Operates a chain of hypermarkets or supercenters with approximately 10,500 stores and clubs under 46 banners in 24 countries and eCommerce websites.
- ▶ Its customer concentration is mainly households and individuals.
- ▶ Operates a differentiated Omni business model with three primary units comprising Walmart U.S., Walmart International, and Sam's Club
- ▶ The retail environment is intensely competitive and is being disrupted by Amazon's expanding scope and distribution strength.
- ▶ Competes with omnichannel retailers who operate chain stores

RATIOS	INDUSTRY	FIRM
Current Price	218.55	144.69
Dividend Yield	2.65	1.54
Gross Margin	29.14	24.83
Net Margin	5.77	2.24
ROE	33.50	17.37
ROA	9.27	5.53
Debt/Equity	105.27	55.83
Current ratio	1.25	0.97
P/E	19.84	25.42
P/S	0.86	0.71
EV/EBITDA	11.22	12.34
P/B	5.55	4.90

Firm	CP	DY	GM	NM	ROE	ROA	D/E	EV/EB
WMT	144.69	1.53%	24.83%	2.42%	17.37%	5.53%	0.56	12.34
CDNAF	141.50	3.69%	35.82%	6.92%	23.44%	3.77%	0.74	8.85
DG	235.83	0.94%	31.8%	7.87%	39.74%	10.91%	2.04	10.72
COST	567.70	0.07%	12.88%	2.56%	27.93%	8.72%	0.58	22.48
BIG	45.05	6.6%	40.29%	10.15%	59.27%	17.41%	1.36	2.49
TGT	176.53	2.40%	29.27%	4.67%	33.25%	9.29%	1.05	10.42

Metric	Long-Run Average	Current	Forecast
GDP Growth	2.3%	7.3%	2.6%
Unemployment	1.01%	3.5%	3.5%
Inflation	3.28%	5.7%	6.0%
1 yr UST Yield	2.88%	2.8%	3.4%
Market Risk Premium	5.50%	6.5%%	5.8%

## Contributions to Percent Change in Real GDP by Industry Group, 2022:Q4



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

	2017	2018	2019	2020	2021	2022	2023	2024
Net Profit Margin	2.81%	1.97%	1.30%	2.84%	2.42%	2.65%	2.90%	3.17%
× Total Asset Turnover	2.44	2.45	2.35	2.22	2.21	2.15	2.08	2.02
× (1 + D/E)	2.47	2.53	2.75	2.90	2.88	3.01	3.15	3.29
= Return on Equity	16.94%	12.20%	8.38%	18.25%	15.43%	17.14%	19.04%	21.14%

- ▶ The market price is \$139.81

	2022
WACC	6.02%
DDM	\$130.61
FCFF	\$113.81
FCFE	\$131.68



- ▶ Walmart has its sales growing and has maintained better net and gross margin than its peer competitors.
- ▶ Any risk averse investor would like to hold Walmart Inc shares for a long time.
- ▶ As Walmart Inc stock is relatively safe, it is not a bad idea to hold already owned share for long term.
- ▶ Currently as the stock is overvalued, we recommend investors not to buy Walmart Inc stock right now.