

TOM COOKLIN
FRANCISCO SANTOS

DECEMBER 4TH 2023



Financial Modelling: Walmart Group Project

Try Pitch

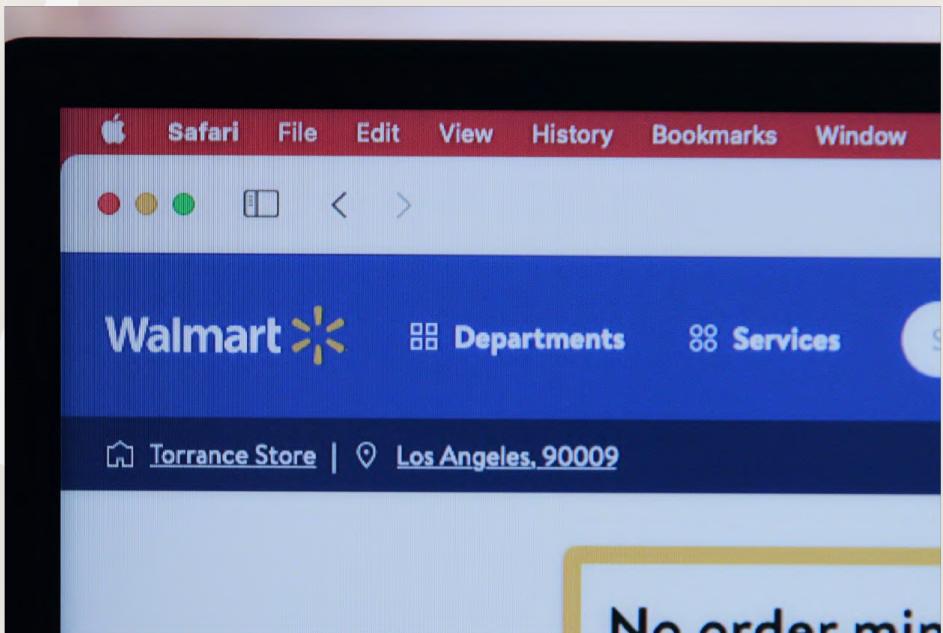
Agenda

- Introduction
- Financial Statements
- Profitability Analysis
- Forecasting
- Ratio Analysis
- DuPont Analysis
- Financial Distress
- Economic Profit Analysis
- Risk & Return
- Stock Valuation
- Conclusion



Introduction

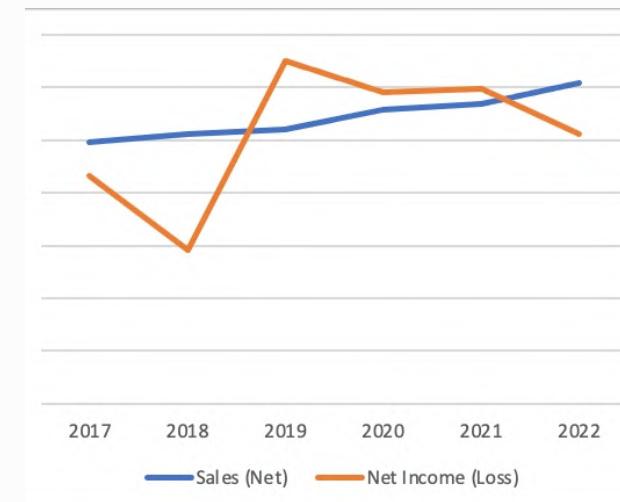
- Founded by brothers Sam and James Walton in Arkansas, 1962
- American multinational retailer
- Over 11.500 stores in 28 different countries
- Worlds largest company by revenue (\$570b)
- Worlds largest private employers (2.2m employees)





Last 5 Years

NI peaked in the pandemic



- WMT Stock prices increased by 36%
- No. of employees decreased by 4.35%
- Shift to online

Balance Sheet

BALANCE SHEET	2017	2018	2019	2020	2021	2022
ASSETS						
Cash and Short-Term Investments	6,756	7,722	9,465	17,741	14,760	8,625
Receivables	5,614	6,283	6,284	6,516	8,280	7,933
Inventories - Total	43,783	44,269	44,435	44,949	56,511	56,576
Current Assets - Other	3,511	3,623	1,622	20,861	1,519	2,521
Current Assets - Total	59,664	61,897	61,806	90,067	81,070	75,655
Prop. Plant & Equip. - Total (Net)	114,818	111,395	127,049	109,848	112,624	119,234
Invest. & Advances - Eq. Meth.	.	.	0	0	0	0
Invest. & Advances - Other	.	.		14,422	12,888	11,169
Intangibles	18,242	36,981	36,273	33,883	33,814	32,474
Assets - Other	11,798	9,022	11,367	4,276	4,464	4,665
Net Fixed Assets - Total	144,858	157,398	174,689	162,429	163,790	167,542
Assets - Total	204,522	219,295	236,495	252,496	244,860	243,197
LIABILITIES						
Debt in Current Liabilities	9,662	7,830	8,241	5,296	5,207	6,603
Accounts Payable	46,092	47,060	46,973	49,141	55,261	53,742
Income Taxes Payable	645	428	280	242	851	727
Current Liabilities - Other	22,122	22,159	22,296	37,966	26,060	31,126
Current Liabilities - Total	78,521	77,477	77,790	92,645	87,379	92,198
Long-Term Debt - Total	36,825	50,203	64,192	57,950	52,116	52,320
Liabilities - Other	4,523	5,685	6,757	5,925	6,557	7,419
Def. Taxes and Invest. Tax Cred.	3,831	6,296	6,204	8,445	6,917	7,269
Noncontrolling Interest - Redeemable	0	0	0	0	0	237
Liabilities - Total	123,700	139,661	154,943	164,965	152,969	159,443
SHAREHOLDERS' EQUITY						
Common Equity - Total	77,869	72,496	74,669	80,925	83,253	76,693
Shareholders Equity - Parent	77,869	72,496	74,669	80,925	83,253	76,693
Noncontrolling Interest - Nonredeemable	2,953	7,138	6,883	6,606	8,638	7,061
Shareholders Equity - Total	80,622	79,634	81,552	87,531	91,891	83,754
Total Liabilities and Shareholders Equity	204,522	219,295	236,495	252,496	244,860	243,197

- Increase in liabilities
- 2020 impacted by 2019
- Intangibles and equipment driving assets increase

Income Statement

	2017	2018	2019	2020	2021	2022
INCOME STATEMENT						
Sales (Net)	496,785	511,729	521,426	556,933	569,962	608,481
Cost of Goods Sold	362,867	374,623	383,618	409,163	418,342	452,776
Selling, General, and Administrative Expense	104,736	106,957	107,669	111,733	115,204	122,966
Operating Income Before Depreciation	29,182	30,149	30,139	36,037	36,416	32,739
Depreciation and Amortization	10,529	10,678	10,987	11,152	10,658	10,945
Operating Income After Depreciation	18,653	19,471	19,152	24,885	25,758	21,794
Interest Expense	2,330	2,346	2,599	2,315	1,994	2,128
Nonoperating Income (Expense)	152	-625	4,685	3,549	383	1,124
Special Items	-4,523	-5,040	-1,122	-5,555	-5,451	-3,774
Pretax Income	15,123	11,460	20,116	20,564	18,696	17,016
Income Taxes - Total	4,600	4,281	4,915	6,858	4,756	5,724
Minority Interest	661	509	320	196	267	-388
Income Before Extraordinary Items	9,862	6,670	14,881	13,510	13,673	11,680
Dividends - Preferred	0	0	0	0	0	0
Income Before Extraordinary Items - Available for Common	9,862	6,670	14,881	13,510	13,673	11,680
Common Stock Equivalents - Dollar Savings	0	0	0	0	0	0
Income Before Extraordinary Items - Adjusted for Common Stock Equivalents	9,862	6,670	14,881	13,510	13,673	11,680
Extraordinary Items and Discontinued Operations	0	0	0	0	0	0
Net Income Adjusted for Common Stock Equivalents	9,862	6,670	14,881	13,510	13,673	11,680
Net Income (Loss)	9,862	6,670	14,881	13,510	13,673	11,680

- GPM is stable
 - ~27%
- No preferred dividends
- Tax cut in 2019

Profitability Analysis

NPM = Positive last 5 years

Sales CAGR: 4.14%

NI inconsistent

	2017	2018	2019	2020	2021	2022
Sales	496785	511729	521426	556933	569962	608481
NI	9862	6670	14881	13510	13673	11680
NPM	1.99%	1.30%	2.85%	2.43%	2.40%	1.92%



Forecasting

ASSUMPTIONS

Different Assumption Methodologies

- Previous Time Period Averages
- Proportion to Sales
- Same As Last Year
- Proportion to other items



Forecasting

FINDINGS

Balance Sheet

- Positive Growth Projections
- Result of current assets and liabilities growth
- Which were projected proportionally with sales
- DFN faces (insignificant) Surplus

Financial Statement for: WALMART INC				
	Fiscal Years: 2013 to 2026			
	2023	2024	2025	2026
BALANCE SHEET - FORECASTING				
ASSETS				
Cash and Short-Term Investments	8,625.000	8,625.000	8,625.000	8,625.000
Receivables	7,911.453	8,240.732	8,583.715	8,940.974
Inventories - Total	56,270.96	58,612.99	61,052.49	63,593.53
Current Assets - Other	6,498.964	6,769.454	7,051.203	7,344.678
Current Assets - Total	79,306.377	82,248.175	85,312.412	88,504.184
Prop. Plant & Equip.- Total (Net)	115,828.000	115,828.000	115,828.000	115,828.000
Invest. & Advances - Eq.Meth.	0	0	0	0
Invest. & Advances - Other	12826.33333	12826.33333	12826.33333	12826.33333
Intangibles	31,944.500	31,944.500	31,944.500	31,944.500
Assets - Other	7,598.667	7,598.667	7,598.667	7,598.667
Net Fixed Assets - Total	168,197.500	168,197.500	168,197.500	168,197.500
Assets - Total	247,503.877	250,445.675	253,509.912	256,701.684
LIABILITIES				
Debt in Current Liabilities	8,456.180	8,808.131	9,174.730	9,556.587
Accounts Payable	57,923.681	60,334.497	62,845.652	65,461.323
Income Taxes Payable	528.833	528.833	528.833	528.833
Current Liabilities - Other	31,229.533	32,529.323	33,883.212	35,293.449
Current Liabilities - Total	98,138.227	102,200.784	106,432.427	110,840.192
Long-Term Debt - Total	52,320.000	52,320.000	52,320.000	52,320.000
Liabilities - Other	6,144.333	6,144.333	6,144.333	6,144.333
Def. Taxes and Invest.Tax Cred.	6,493.667	7,026.200	7,208.750	7,543.667
Noncontrolling Interest - Redeemable	237.000	237.000	237.000	237.000
Liabilities - Total	163,333.227	167,928.317	172,342.510	177,085.192
SHAREHOLDERS' EQUITY				
Common Equity - Total	77,791.937	76,319.309	75,163.640	73,821.417
Shareholders Equity - Parent	77,791.937	76,319.309	75,163.640	73,821.417
Noncontrolling Interest - Nonredeemable	6,546.500	6,546.500	6,546.500	6,546.500
Shareholders Equity - Total	84,338.437	82,865.809	81,710.140	80,367.917
Total Liabilities and Shareholders Equity	247,671.664	250,794.126	254,052.650	257,453.109
DFN	-167.79	-348.45	-542.74	-751.43
DFN Status	Surplus	Surplus	Surplus	Surplus
Iteration Dummy	0	0	0	0

Forecasting

FINDINGS

Income Statement

- Net Income is predicted to grow consistently
- Result of confident sales projections based of past sales growth rates



Financial Statement for: WALMART INC Fiscal Years: 2017 to 2022				
	2023	2024	2025	2026
INCOME STATEMENT				
Sales (Net)	633,806.314	660,185.682	687,662.974	716,283.886
Cost of Goods Sold	465,950.729	485,343.855	505,544.133	526,585.159
Selling, General, and Administrative Expense	130,053.118	135,466.000	141,104.170	146,977.003
Operating Income Before Depreciation	37,802.468	39,375.827	41,014.671	42,721.724
Depreciation and Amortization	10,824.833	10,824.833	10,824.833	10,824.833
Operating Income After Depreciation	26,977.634	28,550.994	30,189.837	31,896.891
Interest Expense	2,128.000	2,289.941	2,464.205	2,651.731
Nonoperating Income (Expense)	1,367.154	1,471.195	1,583.153	1,703.631
Special Items	-3774.00	-3774.00	-3774.00	-3774.00
Pretax Income	27,256.480	28,563.858	29,916.479	31,315.529
Income Taxes - Total	8,387.438	8,789.748	9,205.980	9,636.499
Minority Interest	260.833	260.833	260.833	260.833
Income Before Extraordinary Items	18,608.209	19,513.277	20,449.666	21,418.196
Income Before Extraordinary Items - Available for Common	18,608.209	19,513.277	20,449.666	21,418.196
Net Income Adjusted for Common Stock Equivalents	18,608.209	19,513.277	20,449.666	21,418.196
Net Income (Loss)	18,608.209	19,513.277	20,449.666	21,418.196

Ratio Analysis

MAIN TAKEAWAYS

Liquidity Ratios

- Slightly below Industry
- Went down in 2022

Efficiency Ratios

- Good Overall

Coverage ratios

- Most Faced Improvement but still below competition

Profitability Ratios

- All went down in 2022

Ratio	Walmart			
	2021	2022	Industry	Analysis
Liquidity Ratios				
Current Ratio	0.93x	0.82x	0.92x	BAD
Quick Ratio	0.28x	0.21x	0.22x	BAD
Efficiency Ratios				
Inventory Turnover	7.40x	8.00x	6.07x	GOOD
A/R Turnover	68.84x	76.70x	64.38x	GOOD
Average Collection Period	5.23 days	4.69 days	5.59 days	GOOD
Fixed Asset Turnover	3.48x	3.63x	4.13x	OKAY
Total Asset Turnover	2.33x	2.50x	2.05x	GOOD
Leverage Ratios				
Total Debt Ratio	62.47%	65.56%	22.58%	BAD
Long-term Debt Ratio	21.28%	21.51%	34.96%	OKAY
LTD to Total Capitalization	36.19%	38.45%	62.41%	OKAY
Debt to Equity	0.69x	0.77x	1.70x	OKAY
LTD to Equity	56.72%	62.47%	166.02%	OKAY
Coverage Ratios				
Times Interest Earned	18.26x	15.38x	13.70x	OKAY
Cash Coverage Ratio	23.61x	20.53x	19.35x	OKAY
Profitability Ratios				
Gross Profit Margin	26.60%	25.59%	19.26%	OKAY
Operating Profit Margin	6.39%	5.38%	3.45%	OKAY
Net Profit Margin	2.40%	1.92%	2.49%	BAD
Return on Total Assets	5.58%	4.80%	5.43%	BAD
Return on Equity	14.88%	13.95%	18.02%	BAD
Return on Common Equity	16.42%	15.23%	18.02%	BAD

Dupont Analysis



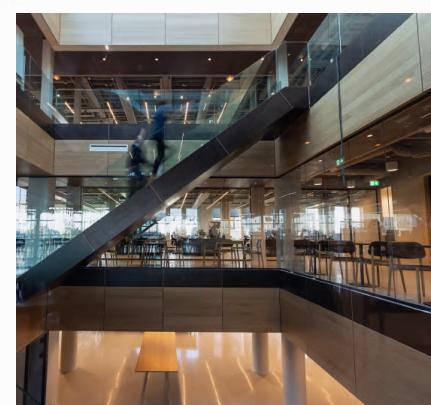
RETURN ON EQUITY

14.88% → 13.95%



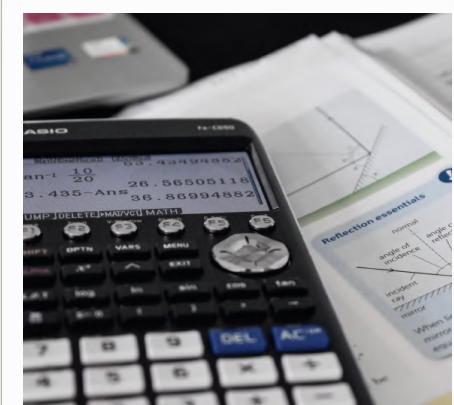
NET PROFIT MARGIN

2.40% → 1.92%



TOTAL ASSET TURNOVER

2.33x → 2.50x



EQUITY MULTIPLIER

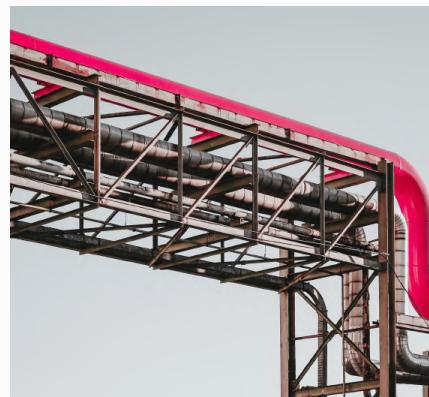
2.66x → 2.90x

Extended Dupont Analysis



NET PROFIT MARGIN

2.40% → 1.92%



OPERATING PROFIT MARGIN

6.39% → 5.38%



INTEREST BURDEN

51.34% → 51.97%



TAX BURDEN

73.13% → 68.64%

Financial Distress

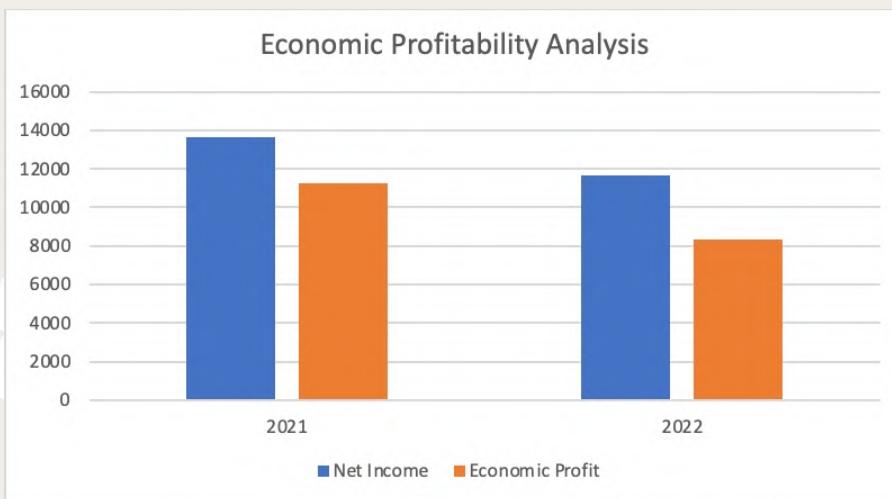
Z Score Analysis for 2021 and 2022

	2021	2022	Coefficient for Original Model
X1	-0.025765744	-0.068023043	1.2
X2	0.319112963	0.293815302	1.4
X3	0.105194805	0.089614592	3.3
X4	0.600716485	0.52529117	0.6
X5	2.327705628	2.50200866	1
Z-score	3.451117631	3.442625287	
Verdict	No Financial Distress Predicted	No Financial Distress Predicted	

STABILITY AND CONSISTENCY



Economic Profit Analysis



Economic profit shares same trend as NI

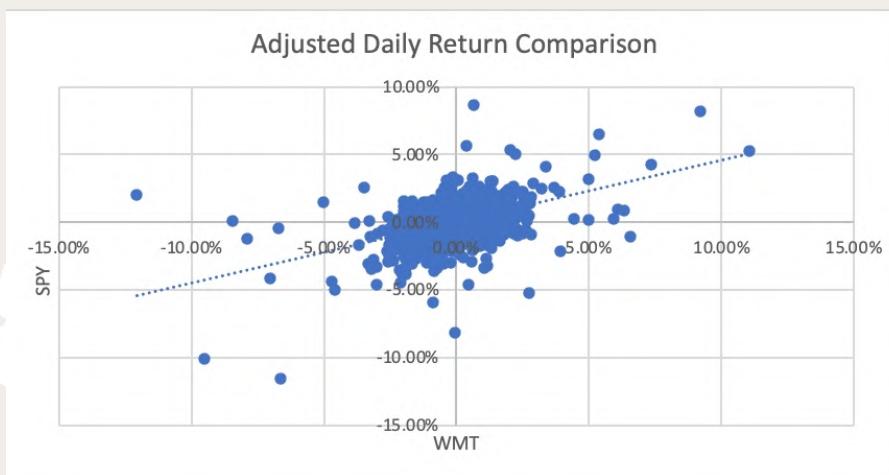
Decrease driven by 50 percentage point decrease in NPM

- NI Decrease
- Sales Increase
- Foreign Regulations, Project Gigaton, PeachCare

Risk & Return

Beta: 0.454

- Stable stock

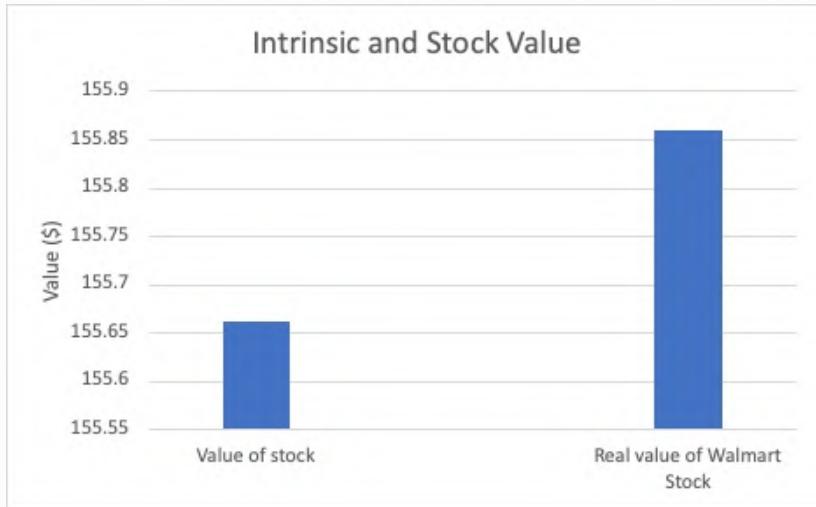


2022 slump due to over estimated profit outlook

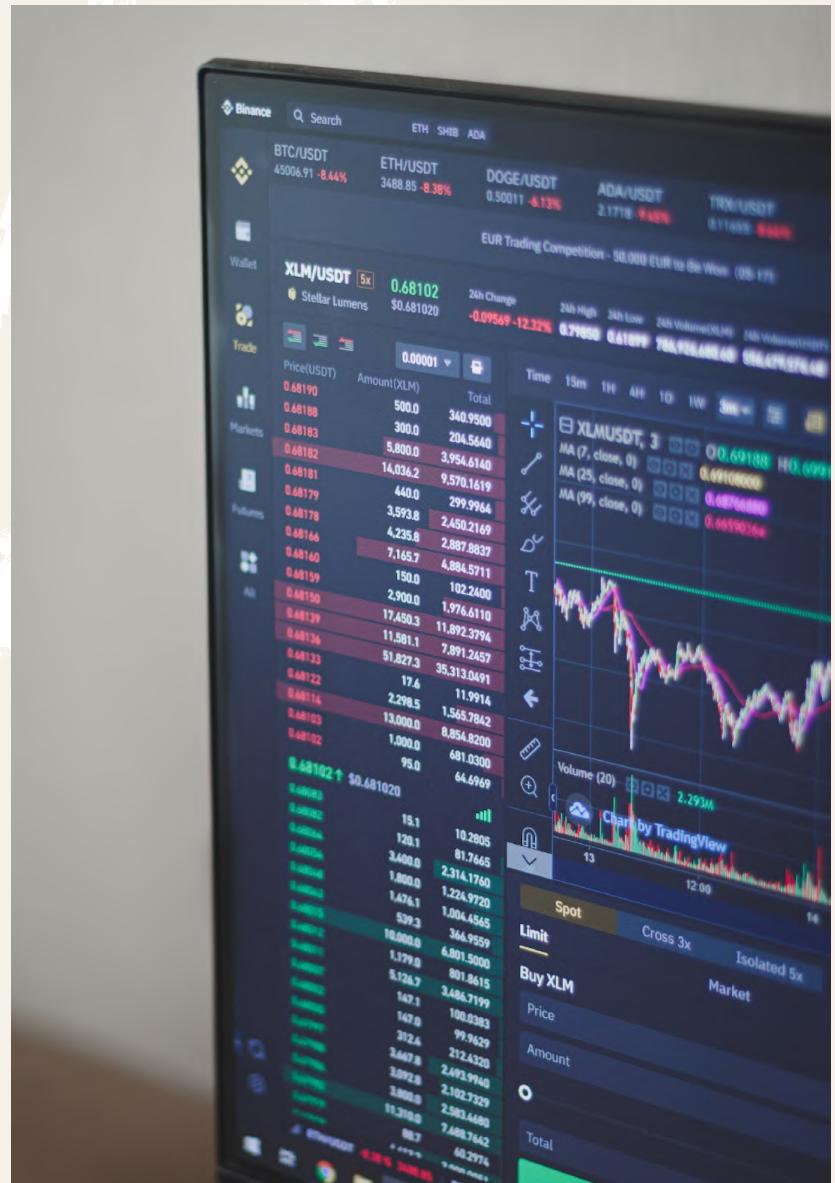
Stock Valuation

Earnings Model

Required rate of return: 10%



Sources: Macrotrends (EPS), Walmart Investor Relations (D1), Koyfin (Dividend Payout Ratio)





CONCLUSION

- **Financially stable**
- **Positive projections**
- **Increasing sales**
- **Stable stock**
 - **Moves with the market**



ANY QUESTIONS?



LAUNCH