Presentation

Case study presentation.

P20

- As we mentioned before, currently, the situations of Walmart some how change, thus the historical data may not be an appropriate material to estimate the current stock price.
- Consequently, we shifted our research perspective from a vertical to a horizontal one, attempting to seek the relevance between Walmart and its peers/competitors, for example, Costco , Target and Dollar General, who are also retail giants. The key process in applying this method is the estimation of the ratios, P/E ratio, P/B ratio, P/S ratio, all of them can respectively give us an intrinsic value.
- To estimate them, we use regression analysis to find the correlation between Walmart and other companies, which is not identical to what our reference material presented. That's because we want to try something different and we believe that it's logical, for the condition of a firm is strongly determined by its industry. Someone may ask, why don't you just take an average of the ratios of the other firms? The correlation between them is more complicated than an average. But regression analysis can capture it. These are the basic ideas behind our selection.
- Due to the unaccessibility to the newest data, we can only take advantage of data up to 31, July, 2024. Since the stock price on that day is already fixed, we have no choice but to use the data prior to that day for regression analysis. We will then compare the final predicted stock price with the actual price on that day to test their correlation and see if our hypothesis holds up.
- So, let's move on to have a look at the outcome.

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We've put the result of regression in the slides, you can give it a look if you're interested, but now, for time reason, I'll just skip them.

P23

This is what we really care about. The P/E ratio we estimated is nearly 36, and the actual number is 35.66. With the P/E ratio and earning per share which we get from financial report, we can get the estimated price 69.46, very close to the actual one 68.64.

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However, P/B ratio is not ideal. Regression provides us with two adoptable P/B ratio and we get two estimated prices. The deviation is quite evident.

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How about P/S ratio? Now we got four adoptable P/S ratios, and respectively we calculate four possible prices, and the one nearest to the actual price is 61.86. There's still a big gap between the reality and estimation.

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- As we can see, some of the regressions happen to have successful results, while some exhibit large difference. I will at first justify our method that with a larger number of data, the models can work better.
- But I have to admit that it's not a successful trial. After reflection, we realize that the substantial growth Walmart witnessed cannot purely boil down to the total market. There must be some factors lie in itself that result in its success in stock market, for example the innovation in business manner, like the Sam's Club, and the expansion in e-commerce sector.
- That's all, thank you for your listening!