

Walmart NYSE: WMT		Recommendation: BUY
Target Price: \$161.13	Market Cap: \$379.14B	P/E Ratio: 22.6
Current Price: \$139.79	Dividend Yield: 1.62%	EV/EBITDA: 11.4
Stop Loss: 25%	Beta: 0.49	EBITDA Margin: 5.13%
52 Week High/Low: 117.27 / 160.77	ROE: 12.84%	Gross Margin: 24.14%

Company Background:

Walmart is a multinational retail corporation operating a variety of supermarkets, which provide an array of everyday items. They focus heavily on low-priced essential consumer products, achieved through economies of scale.

Industry Outlook:

The overall spending of consumers is increasing, which is helping this sector. While at the same time, inflation and other macroeconomic factors still have an effect. With this, consumers will still turn to a discount retail store to purchase basic needs.

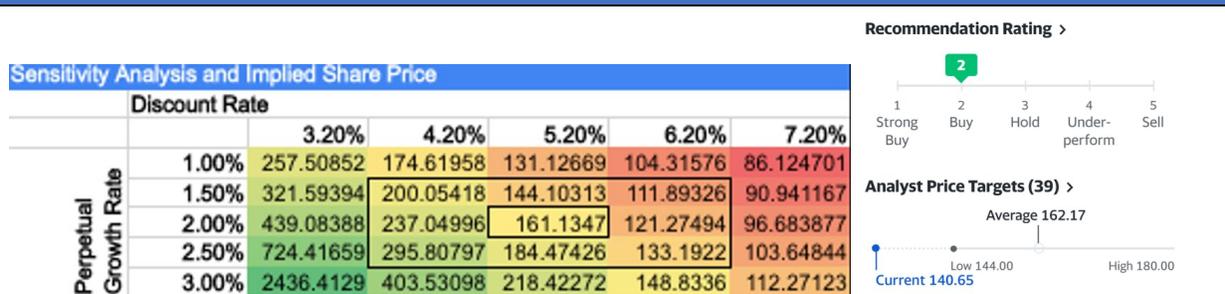
Investment Thesis:

Capital allocation, expanding market share, pricing power, fresh grocery edge.

Investment Risks:

Inflationary risks still linger. In addition, consumer spending could still see a shift downwards. With the expansion into e commerce, this could pose a threat if it is not executed in line with competitors.

Financial Performance



Valuation: Discounted Cash Flow Analysis

														Implied Perpetuity Growth Rate	
														Terminal Year FCF	\$17,401
														Discount Rate	5.20%
														Terminal Value	\$554,660
														Perpetuity Growth Rate	2.00%
														Implied Equity Value and Share Price	
														PV of FCF	\$132,472
														PV of Terminal Value	\$334,095
														Enterprise Value	\$466,566
														Less: Debt	\$34,649
														Add: Cash & Equivalents	\$8,625
														Equity Value	\$440,542
														Diluted Shares Outstanding	2,734
														Implied Share Price	\$161.13
														Current Price	\$139.79
														Margin of Safety	13.25%
WMT US Equity	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Revenue	\$500,343	\$554,405	\$523,964	\$559,151	\$572,754	\$611,289	\$635,741	\$661,170	\$687,617	\$715,122	\$743,727	\$773,476	\$804,415	\$836,591	\$870,005
% Growth	2.8%	10.8%	-5.8%	6.7%	2.4%	6.7%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Cost of Sales	\$373,796	\$385,301	\$374,665	\$420,515	\$429,600	\$463,721	\$476,805	\$495,878	\$515,713	\$536,341	\$557,795	\$580,107	\$603,311	\$627,443	\$652,541
% Margin	24.6%	30.9%	28.9%	24.2%	24.9%	26.9%	26.9%	26.9%	26.9%	26.9%	26.9%	26.9%	26.9%	26.9%	26.9%
Gross Profit	\$126,547	\$169,104	\$149,300	\$138,636	\$143,154	\$147,568	\$158,935	\$165,293	\$171,904	\$178,790	\$185,932	\$193,369	\$201,104	\$209,148	\$217,464
% Margin	25.3%	30.5%	28.6%	24.8%	25.1%	24.1%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
SG&A Expense	\$106,510	\$107,147	\$108,791	\$116,238	\$117,812	\$127,140	\$133,506	\$138,846	\$144,400	\$150,176	\$156,183	\$162,430	\$168,927	\$175,684	\$182,712
% Margin	21.3%	20.8%	20.8%	20.9%	20.8%	20.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
R&D Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% Margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Operating Expense	\$106,510	\$107,147	\$108,791	\$116,238	\$117,812	\$127,140	\$133,506	\$138,846	\$144,400	\$150,176	\$156,183	\$162,430	\$168,927	\$175,684	\$182,712
% Margin	21.3%	20.8%	20.8%	20.8%	20.8%	20.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Other (Expense) Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% Margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	\$20,417	\$21,957	\$20,568	\$22,548	\$25,942	\$20,428	\$25,430	\$26,447	\$27,505	\$28,605	\$29,749	\$30,939	\$32,177	\$33,464	\$34,802
% Margin	4.1%	4.3%	3.9%	4.0%	4.5%	3.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income Tax Expense	\$4,600	\$4,281	\$4,915	\$6,838	\$4,736	\$5,724	\$6,357	\$6,612	\$6,876	\$7,151	\$7,437	\$7,735	\$8,044	\$8,366	\$8,703
Effective Tax Rate	22.5%	19.5%	23.9%	30.4%	18.3%	28.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
NOPLAT	\$15,817	\$17,676	\$15,653	\$15,690	\$21,186	\$14,704	\$19,072	\$19,835	\$20,629	\$21,454	\$22,312	\$23,204	\$24,133	\$25,098	\$26,100
% Margin	3.2%	3.4%	3.0%	2.8%	3.7%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Add: D&A	\$10,529.0	\$10,678.0	\$10,987.0	\$11,152.0	\$10,658.00	\$10,945.00	\$12,714.81	\$13,223.40	\$13,752.34	\$14,302.43	\$14,874.53	\$15,469.51	\$16,088.29	\$16,731.82	\$17,403.10
% Revenue	2.1%	2.1%	2.1%	2.0%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Less: Capex	\$10,051.00	\$10,340.00	\$10,705.00	\$10,364.00	\$11,106.00	\$16,857.00	\$15,893.51	\$16,529.25	\$17,190.42	\$17,878.04	\$18,593.16	\$19,336.89	\$20,110.37	\$20,914.78	\$21,751.37
% Revenue	2.01%	2.01%	2.04%	1.84%	2.29%	2.76%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Less: Change in NWC	\$9,618	\$3,277	\$484	\$13,606	\$1,711	\$20,234	\$1,179	\$1,306	\$1,438	\$1,574	\$1,719	\$1,867	\$2,022	\$2,183	\$2,350
% Revenue	-1.92%	0.64%	-0.09%	2.40%	-0.63%	-1.67%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
FCF	\$25,983	\$14,793	\$16,339	\$3,172	\$22,469	\$19,026	\$12,715	\$13,223	\$13,752	\$14,302	\$14,875	\$15,470	\$16,088	\$16,732	\$17,403
% Revenue	5.2%	2.9%	3.1%	0.6%	3.9%	3.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Relative Valuation

Summary of Current Multiples							
Name	2Y Corr	Mkt Cap (USD)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
11) Walmart Inc		379.14B	22.6x	11.4x	16.6x	0.7x	4.9x
Current Premium to Comps Mean			-2%	-14%	-6%	-47%	-27%
Mean (Including WMT US)		109.11B	23.1x	13.2x	17.6x	1.3x	6.8x
12) Costco Wholesale Corp	0.58	216.31B	32.3x	18.9x	23.5x	0.8x	9.5x
13) Dollar General Corp	0.50	45.35B	17.6x	12.0x	14.6x	1.5x	8.2x
14) Target Corp	0.47	71.87B	17.2x	9.9x	14.5x	0.8x	6.4x
15) BJ's Wholesale Club Holdings I	0.37	10.06B	18.7x	10.2x	13.9x	0.6x	9.6x
16) Dollar Tree Inc	0.36	29.97B	19.3x	11.0x	15.4x	1.3x	3.4x
17) Five Below Inc	0.33	11.09B	33.9x	19.3x	25.1x	3.3x	8.1x

ESG

Environment, Social and Governance (ESG) Risk Ratings ©

Total ESG Risk score	Environment Risk score	Social Risk score	Governance Risk Score
25 43rd percentile Medium	4.4	13.9	6.3