



# Walmart Inc. (WMT)

Updated February 25<sup>th</sup>, 2024, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$59	<b>5 Year CAGR Estimate:</b>	7.3%	<b>Market Cap:</b>	\$471 B
<b>Fair Value Price:</b>	\$54	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	03/14/24
<b>% Fair Value:</b>	109%	<b>5 Year Valuation Multiple Estimate:</b>	-1.7%	<b>Dividend Payment Date:</b>	04/01/24
<b>Dividend Yield:</b>	1.4%	<b>5 Year Price Target</b>	\$79	<b>Years Of Dividend Growth:</b>	51
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Hold

## Overview & Current Events

Walmart traces its roots back to 1945 when Sam Walton opened his first discount store. The company has since grown into the largest retailer in the world, serving more than 230 million customers each week. Revenue should be around \$668 billion this year and the stock trades with a market capitalization of \$471 billion. Walmart is one of the largest employers in the world, counting a staggering 2.1 million people in its ranks. Walmart has increased its dividend for 51 consecutive years, making it a new member of the prestigious Dividend Kings. Walmart began trading on a post-stock-split basis on February 26<sup>th</sup>, 2024, following a 3-for-1 split. Our numbers have been updated and adjusted accordingly. Walmart posted fourth quarter and full-year earnings on February 20<sup>th</sup>, 2024, and results were quite strong, as well as good guidance that sent shares rising to a new high. Adjusted earnings-per-share came to \$1.80, which was 15 cents ahead of expectations. Revenue was up 5.7% to \$173.4 billion, which beat estimates by more than \$4 billion. The company noted global ecommerce sales soared 23% year-over-year, and the company's burgeoning advertising business was up 33%, including 22% for Walmart Connect in the US. Comparable sales in the US rose 4% to top the estimate of 3.2%. Transactions were 4.3% higher, while average ticket was off 0.3%. Sam's Club saw transaction growth of 3.6%, with ticket size falling slightly for total comparable sales growth of 3.1%.

Consolidated operating income was up 13.2% on an adjusted basis, positively impacted by currency and LIFO inventory adjustments of 2.3% and 1.0% respectively. Walmart sees revenue growth of 3% to 4% for this year, and offered up guidance that sees us estimating \$2.35 in earnings-per-share.

Walmart approved a dividend of 83 cents per share for this year, a 9% increase over the prior year dividend of 76 cents. In addition, Walmart has agreed to acquire Vizio (VZIO), a TV maker, for \$11.50 per share in cash. That's a total consideration of \$2.3 billion for Walmart, and we expect that transaction to close later this year.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$1.69	\$1.52	\$1.44	\$1.47	\$1.64	\$1.64	\$1.83	\$2.14	\$2.10	\$2.22	<b>\$2.35</b>	<b>\$3.45</b>
<b>DPS</b>	\$0.64	\$0.65	\$0.67	\$0.68	\$0.69	\$0.71	\$0.72	\$0.73	\$0.75	\$0.76	<b>\$0.83</b>	<b>\$0.92</b>
<b>Shares<sup>1</sup></b>	9684	9486	9144	8856	8742	8565	8478	8307	8088	8070	<b>8050</b>	<b>7900</b>

The largest concern for Walmart is operating margins, as gross margins have remained flat while operating expenses have risen in recent quarters. This is the product of Walmart's focus on building out its online business as well as integrating its acquisitions, both of which are expensive endeavors. We note that while operating margins have improved of late and finished 2023 on a high note, given the pace of revenue growth, one would generally expect higher margins, but Walmart simply isn't delivering as it reinvests in pricing and digital channels, as well as dealing with labor cost inflation. We see strength in comparable sales, as well as gross margins rising more quickly than operating expenses as supporting earnings growth. Revenue growth for 2024 is forecast to be subdued, so margins will be in focus once more.

<sup>1</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Walmart Inc. (WMT)

Updated February 25<sup>th</sup>, 2024, by Josh Arnold

Looking forward, we are forecasting 8% annual earnings growth for the next five years as Walmart continues to work through its margin issues and caution on consumer spending. The company continues to buy back stock as well. We see low single-digit sales growth each year, with its e-commerce business being the primary driver of top line growth. That combination should be good enough to create mid-single-digit growth without the benefit of margin expansion. We note that revenue growth was much better in 2020 and 2021 due to COVID-19, but that this performance should not be repeatable. Guidance on this year's revenue supports this. We continue to be bullish on Walmart's ability to grow revenue, but with a watchful eye on margins. We note the fast-growing advertising business has extremely high margins, so as that grows as a percentage of revenue, we could see operating margins creep higher over time.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	15.4	15.5	16.2	18.9	18.8	22.3	24.1	21.9	22.5	23.7	25.1	23.0
Avg. Yld.	2.5%	2.8%	2.9%	2.1%	2.3%	1.9%	1.6%	1.6%	1.6%	1.4%	1.4%	1.2%

Walmart's valuation has deteriorated somewhat as the share price has risen. We are forecasting the price-to-earnings multiple to decline from the current 25.1 to 23, implying a headwind to total annual returns from the valuation. The yield is 1.4%, which is still below its historical range. Given small dividend increases in recent years, we've reduced our dividend growth forecast accordingly. The most recent increase of 9% was much higher than normal.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	37%	38%	43%	46%	42%	43%	39%	34%	36%	34%	35%	27%

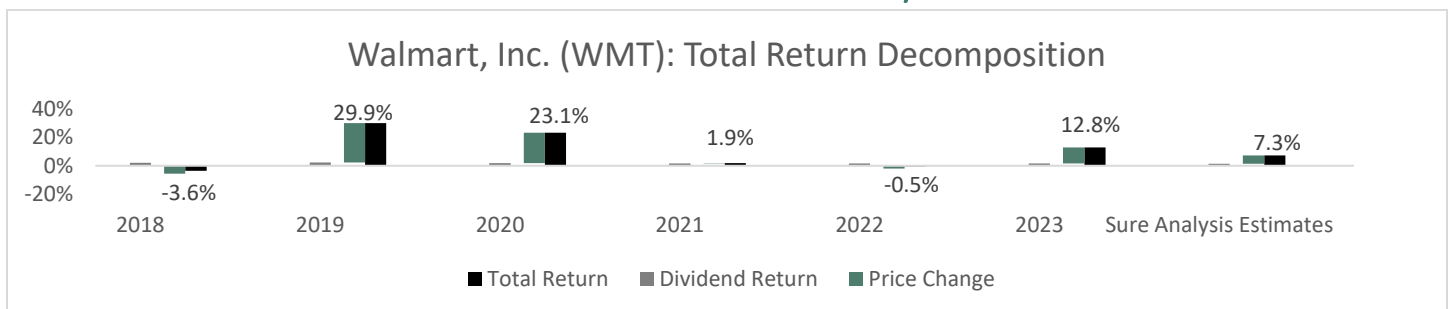
The company's payout ratio is quite low at 35% of earnings, making for a conservative dividend policy. The dividend should be very safe, even if earnings decline meaningfully.

Walmart's competitive advantage is in its enormous size as it can buy and ship product at scales no other company can rival. This allows it to operate with low prices to consumers and as more than half of its revenue comes from groceries, its recession performance is excellent. The company managed to increase earnings steadily during and after the Great Recession. Hard economic conditions tend to send consumers on the margins to Walmart, which is also an advantage. We note that Walmart's strength during the COVID-19 crisis highlights its recession resistance.

## Final Thoughts & Recommendation

Overall, Walmart looks poised to deliver decent returns in the coming years. We are forecasting total five-year annual returns of 7.3%, as the yield remains low at 1.4%, and the valuation is ahead of our fair value estimate, driving a 1.7% headwind, despite 8% projected growth. Walmart is a safe, defensive stock in times of economic hardship, and the stock remains a hold.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Walmart Inc. (WMT)

Updated February 25<sup>th</sup>, 2024, by Josh Arnold

## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue (\$B)</b>	485.65	482.13	485.87	500.3	514.41	524.0	559.2	572.7	611.3	648.1
<b>Gross Profit (\$B)</b>	120.57	121.15	124.62	127.0	129.10	129.4	138.8	143.8	147.6	158.0
<b>Gross Margin</b>	24.8%	25.1%	25.6%	25.4%	25.1%	24.7%	24.8%	25.1%	24.1%	24.4%
<b>SG&amp;A Exp. (\$B)</b>	93.42	97.04	101.85	106.5	107.15	108.8	116.3	117.8	127.1	131.0
<b>D&amp;A Exp.</b>	9173	9454	10080	10529	10678	10,987	11,152	10,658	10,945	11,853
<b>Operating Profit</b>	27147	24105	22764	20437	21957	20,568	22,548	25,942	20,428	27,012
<b>Op. Margin</b>	5.6%	5.0%	4.7%	4.1%	4.3%	3.9%	4.0%	4.5%	3.3%	4.2%
<b>Net Profit</b>	16363	14694	13643	9862	6670	14,881	13,510	13,673	11,680	15,511
<b>Net Margin</b>	3.4%	3.0%	2.8%	2.0%	1.3%	2.8%	2.4%	2.4%	1.9%	2.4%
<b>Free Cash Flow</b>	16390	16075	21054	18286	17409	14,550	25,810	11,075	11,984	15,120
<b>Income Tax</b>	7985	6558	6204	4600	4281	4,915	6,858	4,756	5,724	5,578

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets (\$B)</b>	203.49	199.58	198.83	204.52	219.30	236.5	252.5	244.9	243.5	252.4
<b>Cash &amp; Equivalents</b>	9135	8705	6867	6756	7722	9,465	17,741	14,760	8,885	9,867
<b>Acc. Receivable</b>	6778	5624	5835	5614	6283	6,284	6,516	8,280	7,933	8,796
<b>Inventories</b>	45141	44469	43046	43783	44269	44,435	44,949	56,511	56,576	54,892
<b>Goodwill &amp; Int.</b>	18102	16695	17037	18242	31181	31,073	28,983	29,014	28,174	28,113
<b>Total Liab. (\$B)</b>	117.55	115.97	118.29	123.70	139.66	154.9	164.5	153.0	159.5	161.8
<b>Accounts Payable</b>	38410	38487	41433	46092	47060	46,973	49,141	55,261	54,002	56,812
<b>Long-Term Debt</b>	47272	43667	39370	39040	50621	49,651	44,533	38,077	39,212	40,457
<b>Total Equity</b>	81394	80546	77798	77869	72496	74,669	81,298	83,253	76,693	83,861
<b>LTD/E Ratio</b>	0.58	0.54	0.51	0.50	0.70	0.66	0.55	0.46	0.51	0.48

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	8.0%	7.3%	6.8%	4.9%	3.1%	6.5%	5.5%	5.5%	4.8%	6.3%
<b>Return on Equity</b>	20.8%	18.1%	17.2%	12.7%	8.9%	20.2%	17.3%	16.7%	14.6%	17.8%
<b>ROIC</b>	12.2%	11.3%	11.0%	8.2%	5.3%	11.4%	10.3%	10.4%	9.2%	12.2%
<b>Shares Out.</b>	3,228	3,162	3,048	2,952	2,914	2,855	2,826	2,769	2,734	2,703
<b>Revenue/Share</b>	145.08	149.75	149.87	156.13	166.23	182.69	196.40	204.19	223.59	239.78
<b>FCF/Share</b>	5.05	5.00	6.77	6.08	5.91	5.07	9.07	3.95	4.38	5.59

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.