



Walmart Inc. (WMT)

Updated September 2nd, 2025, by Josh Arnold

Key Metrics

Current Price:	\$97	5 Year CAGR Estimate:	3.5%	Market Cap:	\$773 B
Fair Value Price:	\$65	5 Year Growth Estimate:	11.0%	Ex-Dividend Date:	11/15/25 ¹
% Fair Value:	149%	5 Year Valuation Multiple Estimate:	-7.7%	Dividend Payment Date:	12/02/25
Dividend Yield:	1.0%	5 Year Price Target	\$110	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Sector:	Consumer Staples	Rating:	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 \$700 billion this year and the stock trades with a market capitalization of \$773 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 52 consecutive years, making it a new member of the prestigious Dividend Kings.

Walmart posted second quarter earnings on August 21st, 2025, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to 68 cents, which was six cents ahead of estimates. Revenue was up almost 5% year-on-year to \$177.4 billion, beating estimates by \$3 billion.

Comparable sales in the US were up 4.6%, 50 basis points ahead of consensus. Transactions were 1.5% higher, while the average ticket was up 3.1%. E-commerce sales were up 26% and contributed 350 basis points to comparable sales, implying the physical stores contributed 110 basis points.

Sam's Club comparable sales were up 5.9%, on strength in grocery and health & wellness. International sales were up 5.5% to \$31.2 billion. The advertising business was up 46% during the quarter.

Adjusted operating income was up just 0.4% during the quarter on sales leverage, offset by margin losses from tariffs. The company ended Q2 with cash of \$9.4 billion and total debt of \$0.3 billion. Free cash flow was \$6.9 billion, and inventories were up 3.8% year-over-year to \$57.7 billion.

Guidance is for 3.75% to 4.75% sales growth for the year, up slightly from prior guidance. We've left our estimate of earnings unchanged on tariff uncertainty, which is reducing margins and offsetting sales growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.52	\$1.44	\$1.47	\$1.64	\$1.64	\$1.83	\$2.14	\$2.10	\$2.22	\$2.51	\$2.60	\$4.38
DPS	\$0.65	\$0.67	\$0.68	\$0.69	\$0.71	\$0.72	\$0.73	\$0.75	\$0.76	\$0.82	\$0.94	\$1.20
Shares²	9486	9144	8856	8742	8565	8478	8307	8088	8070	8032	8000	7900

The largest concern for Walmart is operating margins, as gross margins have remained flat while operating expenses have risen over time. 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, given the pace of revenue growth, one would generally expect higher margins. Margins have outpaced revenue in recent quarters, boosting profits. We see strength in comparable sales, as well as gross margins rising more quickly than operating expenses as supporting earnings growth. Revenue growth for 2025 is forecast to be modest, so margins will be in focus once more, and any potential buyback activity. Q1 results showed strong revenue growth, but tariffs are a potential headwind going forward. These concerns showed up in Q2 again.

¹ Estimated date

² Share count in millions

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Looking forward, we are forecasting 11% 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 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. That business is growing at several times the rate of the total company.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.5	16.2	18.9	18.8	22.3	24.1	21.9	22.5	23.7	36.0	37.3	25.0
Avg. Yld.	2.8%	2.9%	2.1%	2.3%	1.9%	1.6%	1.6%	1.6%	1.4%	0.9%	1.0%	1.1%

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 37.3 to 25, implying a significant headwind to total annual returns from the valuation. The yield is 1%, which is still below its historical range. We note an extreme overvaluation in shares today. Given small dividend increases in recent years, we've reduced our dividend growth forecast accordingly.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	43%	46%	42%	43%	39%	34%	36%	34%	33%	36%	27%

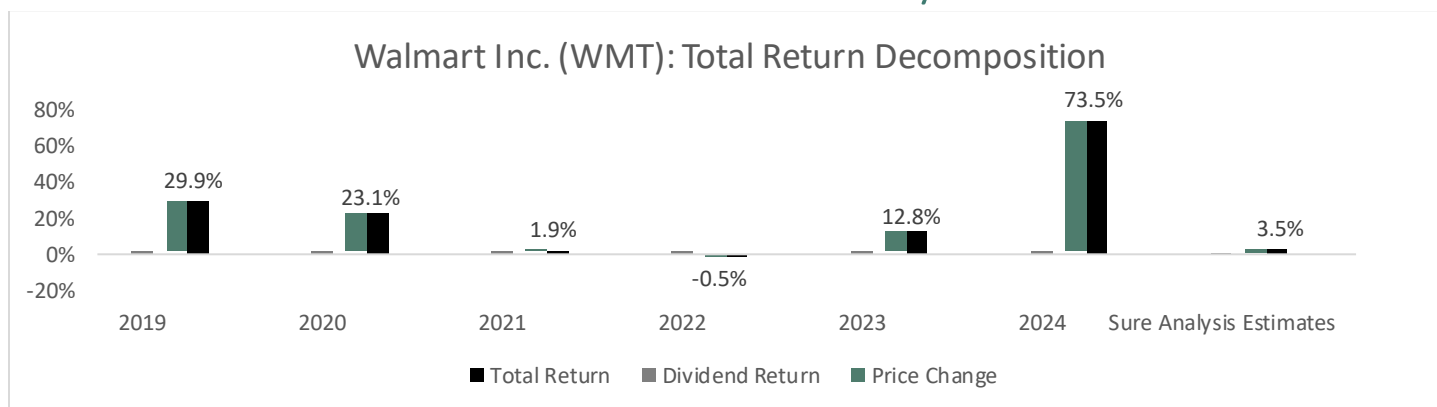
The company's payout ratio is quite low at 36% of earnings, making for a conservative dividend policy. The dividend should be very safe, even if earnings decline meaningfully.

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 modest returns in the coming years. We are forecasting total five-year annual returns of 3.5%, as the yield remains low at 1%, and the valuation is ahead of our fair value estimate, driving a 7.7% headwind, despite 11% projected growth. Walmart is a safe, defensive stock in times of economic hardship, and the stock remains a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	482.13	485.87	500.3	514.41	524.0	559.2	572.7	611.3	648.1	681.0
Gross Profit (\$B)	121.15	124.62	127.0	129.10	129.4	138.8	143.8	147.6	158.0	169.2
Gross Margin	25.1%	25.6%	25.4%	25.1%	24.7%	24.8%	25.1%	24.1%	24.4%	24.9%
SG&A Exp. (\$B)	97.04	101.85	106.5	107.15	108.8	116.3	117.8	127.1	131.0	139.9
D&A Exp.	9454	10080	10529	10678	10,987	11,152	10,658	10,945	11,853	12,973
Operating Profit	24105	22764	20437	21957	20,568	22,548	25,942	20,428	27,012	29,348
Op. Margin	5.0%	4.7%	4.1%	4.3%	3.9%	4.0%	4.5%	3.3%	4.2%	4.3%
Net Profit	14694	13643	9862	6670	14,881	13,510	13,673	11,680	15,511	19,436
Net Margin	3.0%	2.8%	2.0%	1.3%	2.8%	2.4%	2.4%	1.9%	2.4%	2.9%
Free Cash Flow	16075	21054	18286	17409	14,550	25,810	11,075	11,984	15,120	12,660
Income Tax	6558	6204	4600	4281	4,915	6,858	4,756	5,724	5,578	6,152

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	199.58	198.83	204.52	219.30	236.5	252.5	244.9	243.5	252.4	260.8
Cash & Equivalents	8705	6867	6756	7722	9,465	17,741	14,760	8,885	9,867	9,037
Acc. Receivable	5624	5835	5614	6283	6,284	6,516	8,280	7,933	8,796	9,975
Inventories	44469	43046	43783	44269	44,435	44,949	56,511	56,576	54,892	56,435
Goodwill & Int.	16695	17037	18242	31181	31,073	28,983	29,014	28,174	28,113	28,792
Total Liab. (\$B)	115.97	118.29	123.70	139.66	154.9	164.5	153.0	159.5	161.8	163.1
Accounts Payable	38487	41433	46092	47060	46,973	49,141	55,261	54,002	56,812	58,666
Long-Term Debt	43667	39370	39040	50621	49,651	44,533	38,077	39,212	40,457	39,067
Total Equity	80546	77798	77869	72496	74,669	81,298	83,253	76,693	83,861	91,013
LTD/E Ratio	0.54	0.51	0.50	0.70	0.66	0.55	0.46	0.51	0.48	0.43

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.3%	6.8%	4.9%	3.1%	6.5%	5.5%	5.5%	4.8%	6.3%	7.6%
Return on Equity	18.1%	17.2%	12.7%	8.9%	20.2%	17.3%	16.7%	14.6%	17.8%	20.6%
ROIC	11.3%	11.0%	8.2%	5.3%	11.4%	10.3%	10.4%	9.2%	12.2%	14.5%
Shares Out.	3,162	3,048	2,952	2,914	2,855	2,826	2,769	2,734	2,703	8,081
Revenue/Share	149.75	149.87	156.13	166.23	182.69	196.40	204.19	223.59	239.78	84.27
FCF/Share	5.00	6.77	6.08	5.91	5.07	9.07	3.95	4.38	5.59	1.57

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

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