

Walmart Walmart (WMT US)



Walmart Inc is a leading retail consumer staples company that owns about 25% of market shares which operates around 10,500 stores along with e-commerce sites in 25 countries. The company runs various types of stores (supermarkets, warehouses, discount stores, etc.) and their strategy is to make daily necessities that include broad reaching products and services at low prices.

Walmart Inc. currently manages over 5,400 stores in U.S. and an additional 4,800 overseas, with more than 72% U.S. stores offering same-day delivery. The majority of Walmart Inc.’s revenue comes from the Walmart U.S. segment which generates 70% of their total revenue.

Aggressive Lead through Drone Technology

Walmart has been challenging Amazon’s delivery and e-commerce sectors by expanding its partnerships with small to mid-sized business whilst also reinforcing its pick-up and delivery services. Their previous \$16 bn buyout of Flipkart in 2018 along with their recent investments in companies such as Ninjacart, contracts with Shopify and buyouts of ShoeBuy has helped reinforce their international segment and highlights their aggressive push into e-commerce. Walmart has also established a drone delivery service (with Droneup, Flytrex and Zipline) which was a success, recording over 6000 successful deliveries across 34 locations in 7 states.

Domestic and Foreign Success in All Segments

Total revenue generated this quarter increased from 8.79% to \$152.871 bn which could be attributed to the increase in sales (which contributed to \$104.775 bn in the U.S. segment, an increase of 8.5% QoQ), in particular the e-commerce part of U.S. segment sales increased by 16%.

All segments, Walmart U.S., Walmart International and Sam’s Club, experienced sizeable sales growth of 8-13% which can be attributed to inflation, success in food, pharmacy and in the e-commerce sector. The largest growths observed in the e-commerce sectors reflects the 40% growth in advertising as well as their strength in pick-up and delivery and marketplace and fulfillment services.

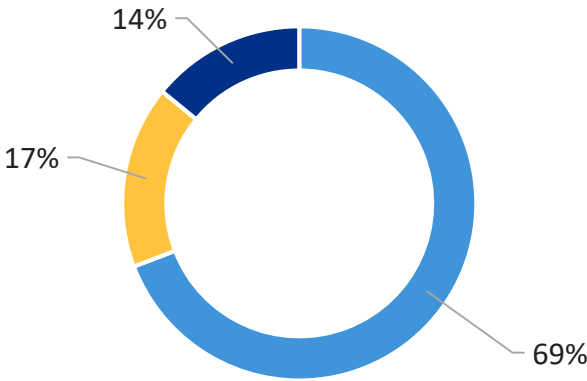
Sam’s Club experienced an increase of 8% in membership income reaching a new peak membership count. Deutsche Bank are encouraged at the performance of Walmart’s e-commerce sector within the International Walmart segment with e-commerce in China growing 63%, Mexico 17% and Canada 3% with Zacks Company believing that Walmart Inc’s drone delivery service may continue to accelerate the growth of the company due to the positive response from the activity.

| | |
|-----------------|-----------|
| Industry | Retail |
| Last Price | USD146.44 |
| Bloomberg TP | USD162.33 |
| Upside/Downside | 10.9% |

| Financial (USD) | 22A | 23E | 24E |
|-----------------------|---------|---------|---------|
| Revenue (Millions) | 572,754 | 606,763 | 626,847 |
| Net Profit (Millions) | 143,754 | 143,669 | 148,826 |
| Profit Margin | 25.1% | 23.7% | 23.7% |
| EBITDA Margin | 6.9% | 5.7% | 5.9% |
| Earning Per Share | 2.56 | 4.15 | 5.57 |

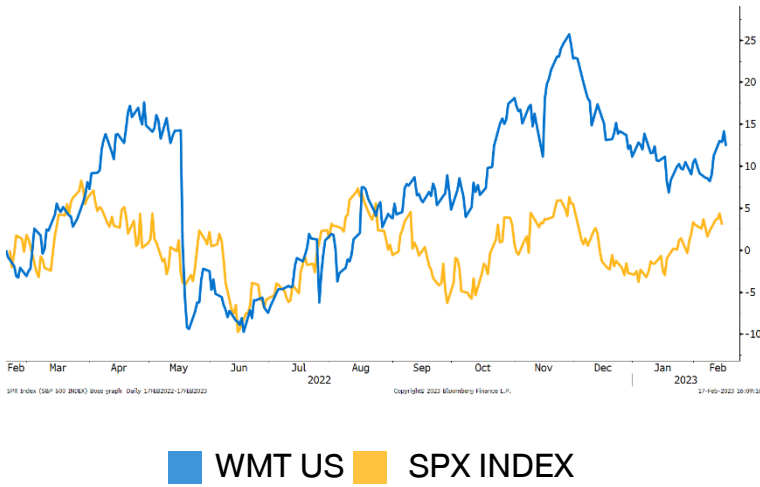
| Valuation | 22A | 23E | 24E |
|-----------|------|------|------|
| P/E (x) | 6.46 | 6.11 | 6.53 |
| P/B (x) | 4.64 | 4.99 | 4.60 |

Revenue Breakdown



Wal-Mart Stores Walmart International Sam's Club

YTD Return VS S&P 500 Index



Valuation

Comparing Walmart Inc. to its competitors, Walmart Inc. is under-valued. Though the PE ratio is 21.64 lower than the industry average at 33.45. The PBV ratio lower than their competitors at 4.64. PEG is high at 4.77, much higher than the competitors analyzed and perhaps does not represent the recent growth of Walmart’s strategy.

Disclaimer: This report has been prepared by Finansia Syrus Securities (FSS). The information has been obtained from sources believed to be reliable and accurate; however FSS is not responsible for the accuracy and completeness of such information. Information and opinions contained in the report are subject to change, correction or addition at any time without prior notice. FSS has no intention to persuade or solicit investors to buy or sell securities mentioned in the report. In addition, FSS does not guarantee returns or prices of securities based on the information presented in any way. FSS is therefore not liable for any loss or damage that occurs due to use of information or opinions in the report. Investors should study this report carefully in making investment decisions and exercise discretion when making investment decisions. The company reserves all rights to the information and opinions contained in this report. This report may not be reproduced, distributed or published by any person for any manner or purpose without written permission from FSSIA. Investing in securities has risk. Investors are advised to carefully study all available information before making any investment decision.

Sources: Yahoo Finance, Zacks Company, Deutsche Bank, Bloomberg(as of 07.02.23)

