

## Walmart Inc - Financial and Strategic Analysis Review

Publication Date: Dec-2021

Reference Code: GDRT35083FSA

### Company Snapshot

#### Key Information

Walmart Inc, Key Information	
Web Address	corporate.walmart.com
Financial year-end	January
Number of Employees	23,00,000
NYSE	WMT
Source : GlobalData	

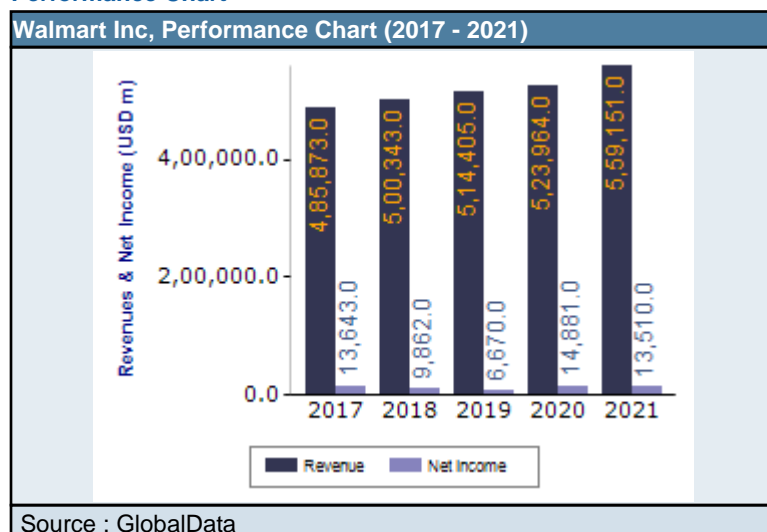
#### Key Ratios

Walmart Inc, Key Ratios	
P/E	28.49
EV/EBITDA	13.32
Return on Equity (%)	16.69
Debt/Equity	0.60
Operating profit margin (%)	2.53
Dividend Yield	1.59
Note: Above ratios are based on share price as of 28-Dec-2021	
Source : GlobalData	

#### Share Data

Walmart Inc, Share Data	
Price (USD) as on 28-Dec-2021	138.75
EPS (USD)	7.74
Book value per share (USD)	28.69
Shares Outstanding (in million)	2,847
Source : GlobalData	

#### Performance Chart



### Company Overview

Walmart Inc (Walmart) is a retailer that operates supermarkets, hypermarkets, grocery stores, department and discount stores, and neighborhood markets. The company's stores offer apparel and home categories, grocery and consumables, technology, health and wellness, office and entertainment, hardlines at everyday low prices. It operates warehouse clubs (including Sam's Clubs) and cash and carry outlets.

### SWOT Analysis

Walmart Inc, SWOT Analysis	
Strengths	Weaknesses
Cash Position	Net Working Capital Deficit
Multi-channel Network	
Increase in Revenue	
Opportunities	Threats
Growth Initiatives	Foreign Currency Fluctuations
Food and Grocery Retail Market in North America	
Consumer Spending in US	
Labor Costs in US	
Risk Associated with Suppliers	
Source : GlobalData	

### Financial Performance

The company reported revenues of (US Dollars) US\$559,151 million for the fiscal year ended January 2021 (FY2021), an increase of 6.7% over FY2020. In FY2021, the company's operating margin was 2.5%, compared to an operating margin of 3.9% in FY2020. In FY2021, the company recorded a net margin of 2.4%, compared to a net margin of 2.8% in FY2020.

The company reported revenues of US\$140,525 million for the third quarter ended October 2021, a decrease of 0.4% over the previous quarter.

## Key Information

Walmart Inc, Key Information			
<b>Corporate Address</b>	702 Sw 8th St, Bentonville, AR, 72716-6209, United States	<b>Ticker Symbol, Stock Exchange</b>	WMT [New York Stock Exchange]
<b>Telephone</b>	+1 479 2734000	<b>No. of Employees</b>	23,00,000
<b>Fax</b>	+1 302 6555049	<b>Fiscal Year End</b>	January
<b>URL</b>	corporate.walmart.com	<b>Revenue (in USD Million)</b>	₹ 5,59,151.0
<b>Industry</b>	Consumer Goods, Energy and Utilities, Retail, Wholesale & Foodservice		
<b>Locations</b>	Botswana, Canada, Chile, China, Costa Rica, El Salvador, Ghana, Guatemala, Honduras, India, Israel, Japan, Kenya, Lesotho, Malawi, Mexico, Mozambique, Namibia, Nicaragua, Nigeria, South Africa, South Korea, Swaziland, Tanzania, Uganda, United States, Zambia		
Source : GlobalData			

## Company Overview

Walmart Inc (Walmart) is a retailer that operates supermarkets, hypermarkets, grocery stores, department and discount stores, and neighborhood markets. The company's stores offer apparel and home categories, grocery and consumables, technology, health and wellness, office and entertainment, hardlines at everyday low prices. It operates warehouse clubs (including Sam's Clubs) and cash and carry outlets. Walmart markets products under various private labels and licensed brand names including Everstart, Equate, Mainstays, George, Onn, Parent's Choice, Bonobos, Wonder Nation, Time and Tru and No Boundaries. The company also offers fuel, gift cards, and financial services and other related products including money orders, prepaid cards, wire transfers, money transfers, check cashing and bill payments. It merchandises products through various e-commerce portals. Walmart is headquartered in Bentonville, Arkansas, the US.

## Walmart Inc - SWOT Analysis

### SWOT Analysis - Overview

Walmart Inc (Walmart) is a global retailer that operates a chain of grocery stores, supermarkets, hypermarkets, department and discount stores, and neighborhood stores. Cash Position, multi-channel network, and increase in revenue are the company's major strengths, whereas net working capital deficit remain cause for concern. Consumer spending in US, food and grocery retail market in North America, and growth initiatives are likely to offer growth opportunities to the company. However, foreign currency fluctuations, risk associated with suppliers, and labor costs in US could affect its business operations.

### Walmart Inc - Strengths

#### Strength - Cash Position

Growth in the cash position improves the company's ability to meet its short-term obligations. As of January 2021, the company had cash and cash equivalents of US\$17,741.0 million, compared to US\$9,465.0 million at the end of previous year. Such growth in cash position helps the company to manage its working capital, without taking any additional loans.

#### Strength - Multi-channel Network

The company owns most of its real estate, which improves its financial flexibility. It serves over 265 million customers every week through 11,400 retail stores operating under 54 banners in 26 countries. As of January 2021, the Walmart US segment operated a total of 4,743 retail stores, including 3,570 supercenters, 374 discount stores and 799 neighborhood stores and other small format stores. It delivers e-commerce orders through 32 e-commerce fulfillment centers. It operated 6,101 retail stores in various international markets such as Argentina, Africa, Canada, Chile, China, Central America, India, Japan, Mexico and the UK, which includes 5,762 retail units, 321 wholesale units and 18 other units. Approximately 79% of the total merchandise is shipped through 162 distribution facilities that are strategically placed across the US. Retail units' range in size from 1,400 sqft to 186,000 sqft; while wholesale stores ranges in size from 25,000 sqft to 156,000 sqft. It had 3,200 grocery pickup and delivery locations across its markets. The company also serves 599 Sam's membership-only warehouse clubs that range from 32,000 sqft and 168,000 sqft with an average size of over 134,000 sqft. Walmart sells merchandise through e-commerce platforms in 10 countries. The company operates online sites under the banner names samsclub, walmart, jet, JD, Walmart Mexico, asda walmart Canada, flipkart, hayneedle, shoes, moosejaw, modcloth and among others.

#### Strength - Increase in Revenue

In FY2021, the company reported revenue of US\$559,151 million as compared to revenue of US\$523,964 million in FY2020, with an annual growth of 6.8%. Revenue growth was due to increase in comparable sales for Sam's Club and Walmart US, increase in comparable store sales form majority of international markets. Strong revenue growth increases the company's ability to allocate adequate funds for its future growth prospect.

### Walmart Inc - Weaknesses

#### Weakness - Net Working Capital Deficit

Walmart reported deficit in its net working capital during FY2020. Such deficit in net working capital could affect the company's short-term business operations. In FY2020, the company reported deficit in its net working capital of US\$2,578.0 million, compared to working capital deficit of US\$15,984.0 million in FY2019. The deficit was due to 19.1% increase in current liabilities to US\$92,645.0 million in FY2020 from US\$77,790.0 million in FY2019.

### Walmart Inc - Opportunities

#### Opportunity - Growth Initiatives

In January 2021, the company partnered with Ribbit Capital to offer next generation digital financial products. This partnership creates a new fintech startup, which is designed to develop and offer affordable, innovative and modern financial solutions. The venture will bring together Ribbit's fintech expertise with Walmart's retail knowledge and scale to deliver tech-driven financial experiences tailored to customers and associates of Walmart. The services will include domestic and international money transfers, money orders and bill payments and will be offered at more than 4,700 Walmart stores. This partnership would offer more choice, convenience and access than ever before to Walmart customers.

#### Opportunity - Food and Grocery Retail Market in North America

The company being a retailer of food and grocery products could benefit from the positive outlook for food and grocery retail market in North America. Favorable economic conditions, increasing consumer spending, demand for fresh products, change in consumer preferences, change in shopping culture, busy lifestyles of customers and increasing urbanization are leading to growth in the retail market. According to in-house research, the food and grocery retail industry in North America is forecast to reach US\$2,986,097.6 million by 2023. The US accounts for 87.1% of the retail market value, followed by Mexico with 7.8% and Canada with 5.1% during 2023. Food is the largest segment of the market in North America, accounting for 71.3% of the value, followed by drinks (21.9%), tobacco (5%), and household products (1.8%). The company offers food and grocery products as well as durable goods.

### Opportunity - Consumer Spending in US

The company could benefit from the increase in spending by consumers in the US. Growing personal income, disposable income and personal consumption expenditure indicate improvement in consumer spending in the US, which could increase the purchase of the company's products and enhance its performance. According to the US Bureau of Economic Analysis (BEA), in March 2021, the personal income (PI) in the US increased 21.1% or US\$4.21 trillion; disposable personal income (DPI) increased 23.6% or US\$4.18 trillion and personal consumption expenditure increased 4.2% over that in the previous month. In March 2021, the real DPI increased 23% and real personal consumption expenditure (PCE) increased 3.6% over that in the previous month.

### Walmart Inc - Threats

#### Threat - Foreign Currency Fluctuations

Unfavorable changes in foreign currency exchange rates may increase the expenses for the company. It has operations in many countries of the world including Argentina, Peru, Brazil and Colombia. The revenues were received in the respective domestic currencies of the countries and were converted in Chilean Peso. A significant portion of the company's indebtedness has been denominated in the US dollar, while a substantial part of its revenues and operating expenses has been denominated in Chilean pesos. If the Chilean peso's value declines against the US dollar, the company would need more Chilean pesos to repay the same amount of dollar-denominated debt. As a result, fluctuations in the Chilean peso to the US dollar exchange rate could affect the company. A significant portion of the company's indebtedness has been denominated in the US dollar, while a substantial part of its revenues and operating expenses has been denominated in Chilean pesos. Such translations are exposed to currency rate fluctuation risks. This is expected to impact the company's competitive position against its close competitors. This, in turn, affects the profitability of the company.

#### Threat - Labor Costs in US

Labor costs in the US have been increasing. Increase in minimum wages could increase the company's operating costs, which affects its profit margins. The tight labor markets, government mandated increase in minimum wages and a higher proportion of full-time employees result in an increase in labor costs. The federal minimum labor costs increased significantly in the US, to reach US\$7.25 per hour in January 2021. Nearly 8 states and 20 cities, including Arizona, Colorado, Connecticut, Washington DC, Massachusetts, Maine and California increased their minimum wage to US\$14 and above. The states of Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Missouri, New Jersey, New Mexico, New York, Oregon, South Dakota, and Washington increased their minimum wages to US\$10.34, US\$12.15, US\$11, US\$13, US\$12.32, US\$12, US\$9.25, US\$11, US\$12.15, US\$11.75, US\$13.5, US\$10.3, US\$12, US\$10.5, US\$12.5, US\$12, US\$9.45 and US\$13.69.

#### Threat - Risk Associated with Suppliers

The company operations are subject to various risks associated with its suppliers. The success of the company depends on low prices and product availability, which is dependent on the supplier's ability to deliver goods at minimum costs. The company's products are sourced from domestic suppliers. It needs to follow various laws which require that the suppliers should be certified to meet the industry standards. It faces challenges in finding qualified suppliers who meet these standards. It also faces challenges in accessing products in a timely and efficient manner from overseas suppliers and goods sourced from sources outside Chile. Various factors could affect Walmart's suppliers including political, and economic instability in the suppliers' country, financial instability of suppliers, suppliers' failure to meet the standards of the company, labor problems, availability of raw materials, merchandise quality issues, currency exchange rates, availability of transport and cost, transport security, and inflation. The risks associated with the company's suppliers could affect the sales of its merchandise and revenue.

**NOTE:** The above strategic analysis is based on in-house research and reflects the publishers opinion only