

Walmart Inc - Financial and Strategic Analysis Review

Publication Date: Jan-2024

Reference Code: GDRT35083FSA

Company Snapshot

Key Information

Walmart Inc, Key Information	
Web Address	www.corporate.walmart.com
Financial year-end	January
Number of Employees	21,00,000
NYSE	WMT
Source : GlobalData	

Key Ratios

Walmart Inc, Key Ratios	
P/E	34.77
EV/EBITDA	16.07
Return on Equity (%)	15.23
Debt/Equity	0.58
Operating profit margin (%)	3.34
Dividend Yield	1.44
Note: Above ratios are based on share price as of 04-Jan-2024	
Source : GlobalData	

Share Data

Walmart Inc, Share Data	
Price (USD) as on 04-Jan-2024	151.36
EPS (USD)	5.27
Book value per share (USD)	28.48
Shares Outstanding (in million)	2,734
Source : GlobalData	

Performance Chart



Company Overview

Walmart Inc (Walmart) is a retail company. The company operates department and discount stores, grocery stores, supermarkets, hypermarkets, and neighborhood markets. Its stores provide apparel and home categories, grocery and consumables, office and entertainment, health and wellness, technology, and hardlines at low prices. The company also operates warehouse clubs, which include Sam's Clubs; and cash and carries outlets.

SWOT Analysis

Walmart Inc, SWOT Analysis	
Strengths	Weaknesses
Multi-channel Network	Decline in Liquidity Position
Inventory Turnover Ratio	
Business Model: Customer-centric	
Opportunities	Threats
Growing Demand for Global Online Retail Market	Foreign Currency Fluctuations
Growth Initiatives	
Growing Outlook for Global Advertising Industry	
	Labor Costs in US
	Risk Associated with Suppliers
Source : GlobalData	

Financial Performance

The company reported revenues of (US Dollars) US\$611,289 million for the fiscal year ended January 2023 (FY2023), an increase of 6.7% over FY2022. In FY2023, the company's operating margin was 3.3%, compared to an operating margin of 4% in FY2022. In FY2023, the company recorded a net margin of 1.9%, compared to a net margin of 2.4% in FY2022.

The company reported revenues of US\$160,804 million for the third quarter ended October 2023, a decrease of 0.5% over the previous quarter.

Key Information

Walmart Inc, Key Information			
Corporate Address	702 SW 8th Street, Bentonville, AR, 72716, United States	Ticker Symbol, Stock Exchange	WMT [New York Stock Exchange]
Telephone	+1 800 9256278	No. of Employees	21,00,000
Fax		Fiscal Year End	January
URL	www.corporate.walmart.com	Revenue (in USD Million)	6,11,289.0
Industry	Energy and Utilities, Pharmaceuticals and Healthcare, Retail, Wholesale & Foodservice		
Locations	Botswana, Canada, Chile, China, Costa Rica, El Salvador, Ghana, Guatemala, Honduras, India, Israel, Kenya, Lesotho, Malawi, Mexico, Mozambique, Namibia, Nicaragua, Nigeria, Singapore, South Africa, Tanzania, Uganda, United States, Zambia		
Source : GlobalData			

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Walmart Inc - SWOT Analysis

SWOT Analysis - Overview

Walmart Inc (Walmart) is a global retailer that operates a chain of grocery stores, hypermarkets, supermarkets, department and discount stores, and neighborhood stores. Business model: customer-centric, multi-channel network, and inventory turnover ratio are the company's major strengths, whereas the decline in liquidity position remains a cause for concern. Growing demand for the global advertising industry, growing demand for the global online market, and growth initiatives are likely to offer growth opportunities to the company. However, foreign currency fluctuations, the risk associated with suppliers, and labor costs in the US could affect its business operations.

Walmart Inc - Strengths

Strength - Multi-channel Network

The company retails its products through in-store and online business formats. As of January 2023, the Walmart US segment operates through 4,717 retail stores, which include 3,572 supercenters, 781 neighborhood stores, 364 discount stores, and other small-format stores. The company owns most of its real estate, which improves its financial flexibility. It serves over 240 million customers every week through 10,500 retail stores operating in 20 countries. The company shipped merchandise through 163 distribution facilities, which are strategically placed across the US. It also delivers e-commerce orders through approximately 100 e-commerce fulfillment centers. Walmart operates through 5,306 retail stores in various international markets such as the Americas, Africa, and Asia, including 4,968 retail units and 338 wholesale units. Its retail units selling area range in size from 1,400 sq. ft. to 186,000 sq. ft., while wholesale stores selling area range in size from 24,000 sq. ft. to 158,000 sq. ft. The company had more than 8,100 pickup and 7,000 delivery locations globally. It also operates 600 Sam's membership-only warehouse clubs, which range from 32,000 sq. ft. and 168,000 sq. ft. with an average size of over 134,000 sq. ft. Walmart sells its merchandise through e-commerce platforms across various countries. The company, through its own website, offers home and apparel products, general merchandise, technology, health and wellness, office, and entertainment-related products to its users.

Strength - Inventory Turnover Ratio

The company's higher inventory turnover days and lower inventory turnover days incur low inventory carrying costs, enabling it to enhance its operating performance. Walmart reported an inventory turnover ratio of 8.2 in FY2023. This was higher than its competitors, such as Macy's Inc. and Target Corp, which reported inventory turnover ratios of 6.0 and 3.5, respectively. The company's turnover ratio defines that it takes 45 days to sell its inventory compared to 61 days taken by Target Corp and 104 days taken by Macy's Inc.

Strength - Business Model: Customer-centric

The company implements various programs, that help it achieve price leadership. The company's major programs include everyday low price (EDLP), everyday low cost (EDLC), and Omni-channel offerings. Its EDLC program controls the expenses and other overhead costs by applying various strategies that make sure to meet or record below the competitor's advertised price. The savings are transferred to its customers. In the EDLP program, the company offers and sells merchandise at various lower prices and assures customers that its prices do not change under frequent promotional activities. The company's Omni-channel offerings include pickup and delivery services and its Walmart+ membership offering. These offerings improve convenience and focus on serving customers in the ways they want to be served. Walmart+ offers omnichannel shopping helps such as unlimited free shipping on eligible items with no order minimums, and delivery and other benefits that help customers save more time and money. The company's pickup service is an online order system, which enables customers to order online and pick it up for free through its stores or distribution facilities. These activities enable the company to build long-term relationships with its existing customers and also help to attract new customers in emerging and potential markets. Walmart provides a vast assortment of products to its users at competitive prices compared to its peers.

Walmart Inc - Weaknesses

Weakness - Decline in Liquidity Position

Limited cash and liquidity put the company at a disadvantage when funding any potential opportunities in the market. Walmart reported a current ratio of 0.8 at the end of FY2023. This suggests that the company's inability to meet its short-term obligations. At the end of the year FY2023, the company's total current assets stood at US\$75,655 million, a decrease of 6.7% over the previous year compared to US\$81,070 million in FY2022. Walmart's current ratio was below that of its competitors such as Kohl's Corp and Macy's Inc, which reported current ratios of 1.2 each, respectively.

Walmart Inc - Opportunities

Opportunity - Growing Demand for Global Online Retail Market

According to in-house research, the global online retail market is expected to reach a value of US\$2,796.4 billion by 2025 growing at a CAGR of 10.5% from US\$2,419 billion in 2020. The global online retail business is expanding as a result of consumers' growing online involvement and higher acceptance of mobile internet. Electrical and electronics accounted for 29.8% of the global e-retail market's total value in 2020, followed by food and grocery retail at 21.3%, apparel retail at 19.5%, home and garden products at 11.2%, furniture and floor coverings at 5.6%, jewelry, watches and accessories at 4%, and others at 8.6%. Geographically, Asia-Pacific accounted for 42.8% of the global online sales in 2020, followed by the US with 31.2%, Europe with 21.7%, the Middle East with 0.7% and Rest of the World with 3.6%. Walmart merchandises these products through walmart.com.mx, walmart.ca, walmart.cn, flipkart.com, and other sites. The company could further enhance its competitive position in the e-commerce market, which would help the company to improve its sales through brand awareness and user-friendly features on its websites. Besides, it will save on the operating cost, which is much lower in the online retail format as compared to the physical store format. Walmart undertook several initiatives, which could gain an advantage from the growing online retail market.

Opportunity - Growth Initiatives

In February 2023, Walmart and CareSource agreed to address racial health inequities. The three-year agreement will take advantage of CareSource's role in administering and delivering Medicare, Medicaid, and other health plan benefits and services, and Walmart's position as a retailer and provider of health and wellness services. Through this agreement, both companies will focus on developing innovative solutions to improve health outcomes in underserved and under-resourced communities, where racial health inequities are widespread. In January 2023, Walmart Commerce Technologies and Walmart GoLocal announced a partnership with Salesforce Inc, to provide retailers with access to solutions and technologies that provide local pickup and delivery for shoppers everywhere. Under the partnership, both Walmart GoLocal delivery solutions and Walmart Commerce Technologies Store Assist local fulfillment app, will be available through Salesforce AppExchange. The company's partnership with Salesforce will provide retailers access to technologies that Walmart uses. These solutions will deliver personalized and easy commerce experiences with order visibility and reliable local pickup and delivery.

Opportunity - Growing Outlook for Global Advertising Industry

According to an in-house, research report released in March 2023, the global advertising industry is estimated to reach a value of US\$ 841,032.6 million by the end of 2027 at a CAGR of 3.6% from US\$704,595 million in 2022. The US accounted for 41% of the global advertising market's total value in 2022, followed by Asia-Pacific at 31.8%, Europe at 21.1%, the Middle East at 0.4%, and the Rest of the World at 5.7%. The retailer segment accounted for 16.6% of the industry in FY2022. Walmart also offers an in-house advertising offering through Walmart Connect. The business is estimated to harness the company's vast omnichannel presence, knowledge of its customer base, and the power of its closed-loop system to bring brands measurably closer to their intended audience.

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's revenues. 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

The tight labor markets, government-mandated increases in minimum wages, and a higher proportion of full-time employees are increasing labor costs. Effective January 2023, 24 states in the US increased their minimum wages. Alaska, South Dakota, Vermont, Ohio, Florida, Montana, Minnesota and Nebraska increased their hourly minimum wage based on the cost of living to US\$10.85, US\$10.80, US\$13.18, US\$10.10, US\$11, US\$9.95, US\$10.59 and US\$10.50, respectively.

Delaware, Maryland, Arizona, Colorado, Arkansas, California, Illinois, Maine, and Massachusetts increased their hourly minimum wages to US\$11.75, US\$13.25, US\$13.85, US\$13, US\$15.50, US\$13.65, US\$13.80, and US\$15.00, respectively. Whereas states such as New Jersey, Michigan, Missouri, New York, Washington, New Mexico increased their hourly minimum wages due to previously approved legislation to US\$14.13, US\$10.10, US\$12, US\$13, US\$12, US\$14.20, \$15.74, and US\$12, respectively.

Threat - Risk Associated with Suppliers

Walmart 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