Market Cap

777 77 USD Bil

Price/FVE

1.60

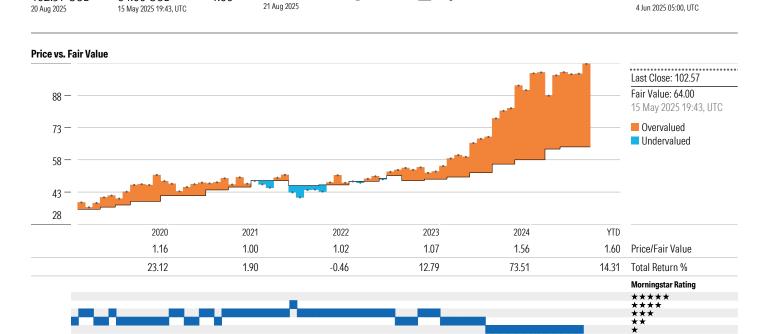
ESG Risk Rating Assessment<sup>1</sup>

**0000** 

## Walmart Inc WMT ★ 20 Aug 2025 23:19, UTC

**Fair Value Estimate** 

64.00 USD



**Economic Moat**<sup>™</sup>

Wide (

**Equity Style Box** 

Large Blend

**Capital Allocation** 

Standard

Uncertainty

Medium

Total Return % as of 20 Aug 2025. Last Close as of 20 Aug 2025. Fair Value as of 15 May 2025 19:43, UTC.

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102.57 USD

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Research Methodology for Valuing Companies

#### Important Disclosure

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The primary analyst covering this company does not own its stock.

The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

# Walmart Earnings: Sales Soar While Profits Sputter; Shares Far From a Bargain

Analyst Note Erin Lash, CFA, Sector Director, 21 Aug 2025

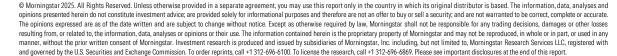
Walmart's fiscal 2026 second-quarter sales were up 4.6% in its US stores on a comparable basis, reflecting a 1.5% benefit from transactions and a 3.1% increase in average ticket. Gross margin expanded just 4 basis points to 24.5%.

**Why it matters:** Despite consumers' financial constraints, Walmart posted solid top-line marks, illustrating the benefits of its scale, attractive price positions, and convenient digital shopping options, which stand to yield further market share gains.

- ▶ Even as tariffs add to costs in some aisles, the firm noted strength in discretionary categories such as apparel, media, gaming, and automotive, with general merchandise up low single digits.
- ▶ Management raised its fiscal 2026 outlook to 3.75%-4.75% (from 3%-4%) for sales growth and \$2.52-\$2.62 (from \$2.50-\$2.60) for adjusted earnings per share, generally squaring with our forecast.

**The bottom line:** We don't foresee a change to our \$64 fair value estimate for wide-moat Walmart. Although the shares fell by midsingle digits in Aug. 21 trading, we view them as pricey, trading more than 50% above our valuation.

▶ We attribute the market's displeasure to Walmart's lack of cost leverage on its recent sales gains. But we see this as an anomaly, pressured by costs around injury claims, and expect investments in supply chain automation to bolster its cost edge over time.





**Last Price** 102.57 USD 20 Aug 2025

Fair Value Estimate 64.00 USD 15 May 2025 19:43, UTC Price/FVE Market Cap
1.60 777.77 USD Bil
21 Aug 2025

Economic Moat™
Wide

Equity Style Box
Large Blend

Uncertainty Medium **Capital Allocation** Standard ESG Risk Rating Assessment<sup>1</sup>
(i) (i) (ii) (iii)
4 Jun 2025 05:00. UTC

Sector

Consumer Defensive

Discount Stores

Industry

#### **Business Description**

Walmart is a leading retailer in the United States, with its strategy predicated on superior operating efficiency and offering the lowest priced goods to consumers to drive robust store traffic and product turnover. Walmart augmented its low-price business strategy by offering a convenient one-stop shopping destination with the opening of its first supercenter in 1988.Today, Walmart operates over 4,600 stores in the United States (5,200 including Sam's Club) and over 10,000 locations globally. Walmart generated over \$460 billion in domestic namesake sales in fiscal 2025, with Sam's Club contributing another \$90 billion to the company's top line. Internationally, Walmart generated \$120 billion in sales. The retailer serves around 270 million customers globally each week.

▶ Longer term, we believe the market is far too zealous as it pertains to Walmart's ability to maintain outsize sales growth amid intense competition.

**Between the lines:** Investments to enhance the omnichannel offering are bearing fruit, with e-commerce sales up 25% in the quarter, an acceleration from the low 20s that had historically characterized the business.

▶ Engaging customers digitally while keeping compelling pricing gaps should bode well for long-term customer retention. We think these efforts have been a driving force for recent market share wins with higher-income households.

#### Business Strategy & Outlook Erin Lash, CFA, Sector Director, 30 May 2025

Wide-moat Walmart's unrivaled scale relative to its brick-and-mortar retail peers allows the firm to formidably adapt to a dynamic retail landscape. Walmart benefits from an expansive physical footprint and entrenched position in the communities it serves, putting the retailer near the vast majority of US consumers. And the firm's wide assortment of goods at low prices has allowed Walmart to maintain its status as a leading domestic retailer for over 30 years.

However, Walmart's position in US retail is not without competition. The industry is cutthroat due to the virtual absence of customer switching costs, not to mention the disruption caused by online penetration and the accelerated rise of e-commerce juggernaut Amazon.

While Amazon is the partner of choice for vendors looking to capitalize on the rise in e-commerce, we believe Walmart retains an enviable position due to its omnipresent store footprint and access to consumer wallets. We expect the firm to continue leveraging its robust positioning to hold down prices and stock its shelves with low-priced goods, reinforcing the firm's cost advantage. Furthermore, Walmart's vast physical presence and financial resources have enabled the retailer to develop omnichannel ordering and fulfillment solutions for its customers while also developing an ecosystem via the likes of its Walmart+ subscription service and third-party online marketplace. Adoption is growing, and we view Walmart as one of the few US companies with enough scale to develop such a platform to engender customer engagement.

After five decades of pronounced growth, Walmart appears at or near the peak of its domestic physical presence. We expect Walmart to instead prioritize driving omnichannel customer engagement, refining its ordering and delivery options, and further automating its supply chain to yield operating efficiencies to support its dominant edge.

Bulls Say Erin Lash, CFA, Sector Director, 30 May 2025

► Margin pressure should abate as Walmart's recent investments in omnichannel fulfillment and its third-party marketplace continue to scale.



Price/Earning

Dividend Yield

52-Week Range Investment Style

Market Cap

43.83

0.89%

818.55 Bil

73.72-105.30

Large Blend

**Last Price Fair Value Estimate** Price/FVE **Economic Moat**™ **Equity Style Box Capital Allocation** ESG Risk Rating Assessment<sup>1</sup> Market Cap Uncertainty 777 77 USD Bil Wide ( Large Blend Medium Standard **0000** 102.57 USD 64.00 USD 1.60 21 Aug 2025 4 Jun 2025 05:00, UTC 20 Aug 2025 15 May 2025 19:43, UTC

#### Competitors Walmart Inc WMT Amazon.com Inc AMZN The Kroger Co KR Costco Wholesale Corp COST **Fair Value Last Close Last Close Last Close** 245.00 71.83 102.57 994.57 Uncertainty: Medium Fair Value **Fair Value Fair Value Last Close** 64.00 620.00 63.00 223.81 Uncertainty: Medium Uncertainty: Medium Uncertainty: Low Wide None None Wide Wide **Economic Moat** USD USD Currency Fair Value 64.00 15 May 2025 19:43, UTC 245.00 1 Aug 2025 01:59, UTC 620.00 30 May 2025 21:40, UTC 63.00 23 Jun 2025 00:19, UTC 1-Star Price 86.40 330.75 837.00 78.75 5-Star Price 44.80 171.50 434.00 50.40 Overvalued 20 Aug 2025 Fairly Valued 20 Aug 2025 Overvalued 20 Aug 2025 Overvalued 20 Aug 2025 Assessment Morningstar Rating ★20 Aug 2025 23:19, UTC ★★★20 Aug 2025 23:23, UTC ★20 Aug 2025 23:20, UTC ★★20 Aug 2025 23:22, UTC Erin Lash, Sector Director Dan Romanoff, Senior Equity Analyst Erin Lash, Sector Director Dan Wasiolek, Senior Equity Analyst Analyst Capital Allocation Standard Exemplary Exemplary Exemplary Price/Fair Value 1.60 0.91 1.60 1.14 Price/Sales 1.21 3.60 1.65 0.34 9.78 7.15 16.26 5.37 Price/Book

▶ Walmart's vast grocery offering insulates the firm from digital competition, given the perishability of the merchandise.

15.86 1.82%

47.49 Bil

50.69-74.90

Mid Value

56.53

0.49%

441.07 Bil

Large Blend

867.16-1,078.24

▶ Walmart's recent investments in supply chain automation should drive margin expansion. The firm may also reinvest the cost savings to hold down prices and drive foot traffic to its stores—a benefit relative to many smaller retailers.

#### Bears Say Erin Lash, CFA, Sector Director, 30 May 2025

- ▶ Walmart's third-party marketplace and third-party fulfilment capacity pale relative to Amazon's scale. We posit Amazon can underprice Walmart on commissions, listing fees, and fulfillment services related to its marketplace.
- ► Sam's Club has woefully underperformed Costco in recent years, and the brand does not provide a compelling value proposition that would allow Sam's to take share.
- ▶ Walmart's sales mix of higher margin general merchandise categories stands to decline due to strong



36.06

0.00%

2,386.91 Bil

Large Blend

161.38-242.52

**Last Price** 102.57 USD 20 Aug 2025

Fair Value Estimate 64.00 USD 15 May 2025 19:43, UTC Price/FVE 1.60 Market Cap 777.77 USD Bil 21 Aug 2025 Economic Moat™
Wide

Equity Style Box
Large Blend

**Uncertainty** Medium **Capital Allocation** Standard digital penetration, prompting long-term margin degradation.

Economic Moat Erin Lash, CFA, Sector Director, 30 May 2025

We believe Walmart warrants a wide economic moat rating, underpinned by a ubiquitous brand resembling low prices in its domestic market and a cost advantage. Walmart is a leading retailer in the United States, with over \$460 billion in annual sales and a massive store footprint of over 4,600 domestic namesake locations. Despite the fragmented and competitive landscape that is inherent in retail, we surmise that Walmart has carved out an enviable position, as the firm benefits from its proximity to the vast majority of US consumers, driving repeat foot traffic. Walmart supercenters (over 3,500 in the US) provide an extensive product assortment at low prices, creating a convenient one-stop shopping experience for consumers. As such, we view Walmart's seemingly unwieldy physical footprint as a strategic asset due to its entrenchment in US communities, allowing the firm to serve customers through multiple channels. Furthermore, the firm leverages its unmatched scale by spreading its omnichannel and distribution investments over a wider sales and profit base, allowing the firm to adapt to the dynamic retail environment while maintaining robust profitability.

Even as the retail industry is properly characterized as cutthroat due to the virtual nonexistence of switching costs, Walmart has built a resonating brand in the United States over the past five decades. In our view, the firm's moat is predicated on the reinforcing flywheel between strong brand recognition that drives consumer foot traffic and unit sales (brand intangible asset), and leverage over suppliers and a vast supply chain network to drive down costs (cost advantage). Consumers are attracted to Walmart's stores due to its unique promise of a wide assortment of goods at low prices (we estimate Walmart stores hold around 140,000 stock-keeping units, compared with Target's 80,000 and Dollar General's 10,000), which in turn drives high transaction volumes and unit sales. Walmart can leverage its robust unit sales and retail presence to subsequently negotiate lower prices with suppliers. The retailer's ability to stock the shelves with low-priced goods is recognized by consumers and thus reinforces consumer traffic to its stores.

The ubiquity of Walmart's brand and physical store base accentuates the company's moat, as its 4,600 US stores (nearly 2.5 times that of rival Target) are located within 10 miles of 90% of the population. As such, stores serve as a convenient option for nearly all US consumers to shop for both groceries and low-priced merchandise. Walmart's position in the US retail industry is uniquely entrenched, as many companies rely on Walmart's access to customers to drive sales. For example, Walmart comprises over 20% of sales for various consumer staple companies, such as narrow-moat General Mills, no-moat Kraft Heinz, and wide-moat Clorox. The retailer's inherent access to the vast majority of consumers' wallets is a strategic asset that we surmise allows Walmart to engage in slightly more favorable contract negotiations with consumer packaged goods companies than its smaller retail peers. Furthermore, Walmart's ability to integrate product suppliers into its supply chain and offer visibility regarding in-



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Market Cap 777.77 USD Bil 21 Aug 2025 Economic Moat™
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Equity Style Box
Large Blend

Uncertainty Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
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4 Jun 2025 05:00. UTC

store stock counts allows the retailer and its vendors to diligently manage the ordering and procurement of goods, keeping costs in check.

The retailer's ability to drive recurring foot traffic has enabled Walmart to boast a dominant position in the domestic retail grocery channel with 25% market share. For comparison, Walmart's market share in US grocery outpaces the aggregate market share of the four next largest grocery channel retailers: no-moat Kroger, wide-moat Costco, no-moat Target, and no-moat Albertsons (about 23% combined market share). Grocery items comprise about 60% of Walmart's US sales, and the retailer's wide assortment of nondiscretionary goods and perishable foods at low prices induces a degree of consistency in foot traffic and top-line resiliency even during times of economic stress. Of the company's domestic store base, over 90% offer an assortment of grocery items. The company has continued to phase out its pure discount stores with minimal grocery offerings over the past two decades while rapidly expanding the number of supercenter formats that combine grocery and merchandise. Perhaps the firm oversaturated several geographic regions through its rapid supercenter expansion, but the strategy has undoubtedly cemented Walmart's presence in communities around the US. The retailer also boasts an impressive array of private-label offerings, such as the Great Value and Spring Valley brands, which comprise 20% of domestic namesake sales and are accretive to the firm's margins.

According to Placer.ai, Walmart's share of superstore visits in the United States was nearly 60% in 2022, far outpacing Target's 21% share. We surmise that a strong flow of customer visits to Walmart's stores enables the firm to sell a large quantity of units. Walmart's sales per square foot in the US (\$660 in fiscal 2025) has consistently outpaced Target's (\$430) for the past two decades, and the firm's operating profit per square foot in the US tends to also outpace that of other retail competitors (Walmart's operating profit per square foot averaged \$28 over the last decade, above Target's \$22 and Kroger's \$18). Given Walmart's superior size and profit base relative to its traditional brick-and-mortar peers, we believe the firm is well cemented as the retail industry's cost leader. As such, the firm is capable of adequately responding to strategic pricing moves from competitors, putting Walmart in the enviable position of effectively controlling its own position within the highly competitive retail landscape.

Furthermore, Walmart's scale and vast financial resources allow the company to maintain its position as the country's preeminent retailer by aggressively investing in omnichannel capabilities and advertising while spreading its costs over a wider sales and profit base. In fiscal 2024, Walmart spent \$5.1 billion on advertising (0.7% of sales) compared with Target's \$1.5 billion (1.4% of sales). As such, Walmart's optionality to make prodigious strategic investments is superior to that of smaller peers.

While the pronounced rise of digital innovation and e-commerce retail sales (which doubled in the fourth quarter of 2024 compared with the fourth quarter of 2019) has challenged the business model of traditional brick-and-mortar retailers, we believe Walmart is positioned to adequately navigate the future retail landscape. Investments in online capabilities flourished at the onset of the pandemic



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Economic Moat™ Wide Equity Style Box
Large Blend

Uncertainty Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
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across the entire retail industry, but we note that Walmart started emphasizing its omnichannel investments in the mid-2010s. Walmart refined its online ordering and service offerings over the past several years and leveraged its existing store footprint to offer in-store or curbside pickup at 4,600 stores and home delivery at 4,500 locations across the country. Walmart also developed an online marketplace (akin to the prominent Amazon Marketplace) for third-party sellers to post and sell products. While consumer adoption of Walmart Marketplace remains nascent, the platform offers over 700 million SKUs (up from 35 million SKUs in 2017), and Walmart has invested in e-commerce fulfillment centers in an attempt to rival fulfillment services offered by Amazon. Furthermore, the retailer rolled out its Walmart+ subscription program in 2020 to drive further digital and brand engagement. The subscription program (costing \$98/year) offers free home delivery from nearby stores (with a \$35 order minimum), free shipping, fuel benefits, and access to the Paramount+ streaming service. In essence, the retailer is attempting to build out an ecosystem that puts the firm at the forefront of consumers' lives. Walmart's overall e-commerce penetration and third-party marketplace relevance are still dwarfed by Amazon, though we surmise that Walmart is in a rare position to contend with changes in the retail landscape given its vast physical footprint and access to capital.

Additionally, we believe the retailer's steadfast presence in grocery helps insulate its business model from online marketplace competition that lacks physical storefronts. Despite e-commerce's prodigious overhaul of certain consumer spending habits, we believe the vast majority of grocery shopping still takes place in physical stores (eMarketer estimates about 13% of grocery orders are conducted online)-and grocery orders placed online are more seamlessly fulfilled when leveraging an existing storefront. According to Euromonitor, Walmart held 40% market share of e-commerce grocery sales in 2024, significantly outpacing the second-largest player, Target, with 8% share.

Shifting over to Sam's Club, the early 2000s saw Sam's Club and Costco post nearly identical domestic sales, splitting the still-nascent warehouse club industry equally. The tide changed over the past decade, however, as Sam's Club has delivered disappointing results relative to Costco's striking success. Today, Costco stands with \$175 billion in domestic sales, leaving Sam's Club's \$90 billion in the distant rearview mirror. While relative market share has turned lopsided, Sam's Club still solidly claims the number two spot in the US warehouse club industry with about 30% share. As such, we surmise that Sam's Club contributes to Walmart's overall competitive standing, though not to the same degree as its corporate brethren.

Sam's Club operates a membership model, predicated on members paying an annual fee for access to the store's variety of discounted items offered in bulk quantities. Operating efficiency is of utmost importance as margins on unit sales are extremely thin, if not nonexistent. For reference, over half of Costco's operating income is generated from membership fee revenue, which drops directly to the bottom line. Excluding income from membership fees, we estimate that Costco's operating margins on unit sales are a mere 1.6%. While Costco has seemingly mastered the dynamics of operating a low-frills



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Equity Style Box
Large Blend

Uncertainty Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
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4 Jun 2025 05:00, UTC

shopping experience (posting about \$2,000 in sales per square foot and \$70 in operating profit per square foot), Sam's Club has lagged far behind (with \$1,100 and \$30 in sales and operating profit per square foot, respectively).

Despite Sam's Club's relative underperformance with that of rival Costco, we believe the warehouse club industry is adequately insulated from third-party competition due to the breadth of distribution capacity and exemplary operating efficiency needed to manage the business (evidenced by the industry's only three main competitors). We surmise that Sam's Club benefits from Walmart's existing supply chain and distribution network, providing the brand with a unique capability to generate profits in the low-margin industry. We also note that Sam's Club has shown evidence of turning around its mediocre performance, with the brand delivering robust member growth over the past several years. While Sam's Club's returns on invested capital remain comfortably ahead of its cost of capital, the brand's ROICs are dwarfed by those of its primary rival.

Internationally, we think Walmart struggles to garner a moat as the company's brand strength in the United States is not commensurately recognized in other countries. Instead, Walmart often combines its own banner with a variety of locally recognized marquees, such as Bodega Aurrera and Superama in Mexico. Furthermore, we find it difficult for Walmart to replicate its domestic distribution scale in an international setting. In the United States, the company is able to leverage its position as the country's leading retailer while optimizing its expansive distribution network and store footprint to mitigate costs. However, we don't believe that the retailer's domestic operating efficiencies can be seamlessly translated to other countries, driving negligible synergies between domestic and international operations.

Walmart's international track record is properly characterized as underwhelming. Catering to new groups of consumers and adapting to cultural preferences is a cumbersome task, not to mention dealing with dynamic political and economic environments. The arduous task of developing a multinational retail powerhouse was acutely apparent in Walmart's failed expansion in Germany beginning in 1997, which the company later sold in 2006. The retailer further trimmed its international portfolio over the past few years by selling its ailing retail operations in the UK, Japan, and Argentina. Positively, Walmart continues to expand its presence in Mexico (with over 2,800 stores), where it serves as the country's preeminent retailer. As such, international expansion can prove lucrative in certain instances, though the company's choppy track record and failed international aspirations by fellow retailers (such as Tesco's underwhelming stint in the US from 2006-2013 and Target's abysmal entry into Canada in the 2010s) serve as indicators that successful retail operations in one country do not necessarily translate to success abroad. As such, we estimate that the Walmart international segment typically generates returns that are merely in line with or below its 7.2% cost of capital.

Overall, Walmart's return on invested capital has trended in the low- to midteens over the past 10



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Market Cap 777.77 USD Bil 21 Aug 2025 Economic Moat™
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**Uncertainty** Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
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years—which comfortably exceeds our 7.2% weighted average cost of capital—though we believe ROICs have been weighed down in recent years by lackluster international results and significant investments to develop a digital retail presence while offering competitive associate pay. We believe Walmart is poised to drive margin expansion in future years, and we expect Walmart's returns to improve over our 10-year forecast, yielding ROICs of around 20%.

#### Fair Value and Profit Drivers Erin Lash, CFA, Sector Director, 30 May 2025

We're maintaining our \$64 per share fair value estimate for Walmart. Recent first-quarter results closely aligned with our expectations, as 2.5% top-line growth (4% in constant currency) was driven by a 4.5% increase in comparable sales at Walmart's namesake stores and 6.7% growth at Sam's Club. Adjusted EPS improved by \$0.01 from the prior year to \$0.61, slightly outpacing our \$0.60 estimate. While tariffs and weak consumer sentiment offer some uncertainty for the remainder of the year, we think Walmart is well-positioned to navigate the tumultuous demand backdrop and take market share. As such, we still model fiscal 2026 revenue growth of 4% and adjusted EPS of \$2.68.

Over a longer-term horizon, we expect Walmart US (about 70% of total sales) to deliver low-single-digit top-line growth. We note that Walmart has reached its effective peak in physical store count and expect the retailer to instead deliver the bulk of its growth through increases in comparable store sales. Our estimate of 3.0% comparable store sales growth is underpinned by modest growth in both volume and price and slightly exceeds the 2.0%-2.5% organic growth rate that Walmart US posted over the past two decades. We believe Walmart is making the requisite investments today to continue attracting consumers to its stores and driving customer loyalty. We expect e-commerce penetration to exceed 20% of domestic sales by the end of our explicit forecast, but we don't view the firm's omnichannel investments as being a catalyst for pronounced organic growth. Rather, we view the firm's investments as an opportunity for Walmart to solidify its existing customer base and take some incremental share from smaller brick-and-mortar retailers that fail to adapt to consumer trends.

Internationally, we believe the firm has adequately positioned its portfolio to capture growth from developing countries after divesting several ailing operations in developed markets. As such, management targets \$200 billion in international gross merchandise value within the next five years. Although these aims seem bullish relative to our mid-single-digit organic growth forecast, Walmart remains the leading retailer in Mexico, and the firm's 2018 investment in Flipkart (which we expect Walmart to take public once optimal market conditions arise) appears poised to benefit from favorable demographic trends in India. We expect the firm to pursue an acquisition of another relatively nascent online marketplace platform similar to the likes of Flipkart, but we do not build acquisitions into our forecast due to the uncertainty of timing and size.

While Sam's Club has benefited from significant membership gains and a robust increase in sales over



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the past five years, we expect the brand's recent pace of growth to abate as membership gains subside. We forecast Sam's to deliver comparable sales growth of around 4% over the next few years before settling into a low-single-digit growth trajectory. We do not expect Sam's to make strides beyond those of Costco; however, this would further solidify it as the number two player in the domestic warehouse club industry.

Regarding the bottom line, we expect Walmart to deliver modest margin expansion over our 10-year forecast as the firm's fulfillment services scale and investments in supply chain automation—which we expect Walmart to aggressively pursue over the next five years—materialize into cost savings.

Furthermore, Walmart's technology investments and granular consumer data may unlock additional monetization via advertising revenue on its marketplace. Still, the retail environment is highly competitive, and we expect Walmart to recycle some of its margin expansion from operational efficiencies and lucrative revenue sources into holding down prices. We forecast a long-term adjusted operating margin of 5.8%, but do not expect the firm to reach this level for several more years.

#### Risk and Uncertainty Erin Lash, CFA, Sector Director, 30 May 2025

We assign Walmart a Medium Uncertainty Rating.

The rise in e-commerce penetration serves as the most formidable threat to Walmart's traditional brick-and-mortar retail model. While Walmart's sales are underpinned by grocery items (60% of domestic sales), which tend to be more insulated from online penetration, we surmise Walmart faces tough online competition for sales of general merchandise such as electronics, apparel, and home decor, which is unlikely to abate anytime soon. Given the higher margins that merchandise sales typically carry over that of grocery, margin pressure could ensue over time if grocery becomes a larger part of its mix. Furthermore, Amazon has entertained the idea of expanding its physical presence in grocery beyond its existing Whole Foods and Amazon Fresh footprint.

Walmart remains in investment mode as the firm continues to develop its omnichannel services, drive Walmart+ subscription adoption, and enhance its third-party marketplace. While we commend the company's efforts, the underlying financial impact remains uncertain and will likely require significant scale to leverage the firm's higher fixed cost base. The firm has also invested in dedicated e-commerce fulfillment centers, the financial impact of which will be contingent upon consumers continuing to shop on Walmart.com, the adoption of Walmart Marketplace, and growth in the firm's fulfillment service offerings to third-party sellers. With that said, Walmart has already made encouraging progress in areas such as online sales penetration and supply chain automation.

Many of the general merchandise items that Walmart sells (such as electronics, toys, and home products) are sourced in countries exposed to tariffs. While tariffs may negatively affect demand for these discretionary categories, Walmart's prodigious exposure to the high-frequency grocery category should stabilize results.



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Uncertainty Medium **Capital Allocation** Standard ESG Risk Rating Assessment<sup>1</sup>
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4 Jun 2025 05:00, UTC

#### Capital Allocation Erin Lash, CFA, Sector Director, 30 May 2025

We award Walmart a Standard Capital Allocation Rating based on its balance sheet health and investment decisions.

After several decades of expanding its store footprint (with 4,600 domestic namesake stores today, up from just 2,500 in 2000), the mid-2010s brought about a significant shift in Walmart's capital allocation priorities, following Doug McMillon's appointment to the helm in early 2014 and Amazon's pronounced rise as the nation's leading online retailer. McMillon initially prioritized investments in the firm's workforce after several years of employee backlash over mediocre pay and emphasized investments to develop the firm's omnichannel offerings. But within a few years of McMillon's appointment, Amazon expanded its reach into the grocery industry through its nearly \$14 billion acquisition of Whole Foods in 2017–prompting the brick-and-mortar retailer to become engrossed with protecting its industry position from a proliferation of online competition. As such, the firm pivoted from expanding its physical footprint to driving omnichannel efficiency and digital engagement. Investments in domestic namesake stores and Sam's Club openings went from 34% of total capital expenditures in fiscal year 2015 to 2% in fiscal year 2025, while the firm's investments in supply chain, technology, and customer initiatives burgeoned from \$3.3 billion to \$14.6 billion during the same time period.

In pursuit of aggressively bolstering its omnichannel presence, Walmart acquired online retailer Jet.com for \$3.3 billion in 2016 (while Jet.com was phased out in 2020, we think the investment at least partially contributed to the development of Walmart's own digital competence), expanded its number of store pickup locations in the US from 1,100 in 2017 to 4,600 in 2024, and built out the Spark Driver platform that connects gig-drivers with nearby Walmart locations to satisfy same-day home delivery. Furthermore, while customer adoption remains nascent, the firm expanded the product breadth available on its third-party marketplace to over 700 million stock-keeping units (SKUs), from 35 million at the beginning of 2017. The company has also prioritized investments to augment its supply chain through automation, targeting 55% of its fulfillment center volume to be automated within the next two years.

We commend Walmart for pivoting its strategy from rapid store expansion to emphasizing the customer experience. In our view, Walmart is making the requisite investments to adapt to the dynamic retail environment amid burgeoning online competition–even if the investments weigh on ROICs in the short and medium term. Developing omnichannel capabilities and expanding third-party fulfillment capacity is no small feat due to the fixed costs involved with operating a larger asset base and the data needed to efficiently manage distribution routes, making it burdensome for most retailers to establish a widespread e-commerce ecosystem. For reference, management suggested that Walmart's domestic e-commerce business now generates a positive contribution margin, though we surmise the firm has yet to fully cover its elevated fixed costs—weighing on the firm's operating margins and return on invested



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Uncertainty Capital Allocation Medium Standard ESG Risk Rating Assessment<sup>1</sup>
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4 Jun 2025 05:00. UTC

capital in recent years. Even though Walmart's omnichannel and marketplace capabilities may remain dwarfed by Amazon's, the company's physical footprint, financial resources, and customer data make it one of the few companies able to adapt to retail trends, distancing itself from its traditional brick-and-mortar peers.

Meanwhile, we commend the firm for divesting several of its ailing international operations in Japan, Argentina, and the UK. The company's international track record in brick-and-mortar retail is choppy as the Walmart banner fails to hold commensurate weight internationally, which we estimate has resulted in segment ROICs often falling short of our 7.2% cost of capital. Walmart has since prioritized international expansion in growth markets with favorable demographic trends, such as India. We look favorably upon the firm's controlling investment in Flipkart-India's largest e-commerce marketplace platform with 45% market share according to Euromonitor-and expect management to prioritize growing its international presence via online channels in the future.

Walmart is properly defined as a dividend aristocrat, as the firm has grown its dividend for 50 consecutive years. We expect the retailer to maintain a dividend payout ratio in the 30%-40% range, which we view as appropriate, and use any leftover cash after capital expenditures, acquisitions, and dividends to repurchase shares. We consider share repurchases a prudent use of cash when shares trade at a discount to our intrinsic valuation.

#### **Analyst Notes Archive**

Walmart Earnings: Strong Year Capped Off by Continued Market Share Gains, but Shares Look Pricey Noah Rohr, Equity Analyst, 20 Feb 2025

We plan to modestly raise our \$58 per share fair value estimate on wide-moat Walmart following its strong fiscal 2025 fourth-quarter earnings, as we expect the firm to increase profits faster than sales for the foreseeable future. Results closely aligned with our forecast, as the retailer's low prices and convenient omnichannel offerings translated into continued share gains in its domestic market. Double-digit growth in high-margin profit streams such as advertising and membership income helped drive a robust 10% increase in adjusted earnings per share to \$0.66 (slightly below our \$0.68 estimate). Despite Walmart's continued outperformance relative to the retail industry, investors pushed shares down about 6% during intraday trading on Feb. 20. We surmise that underwhelming guidance for fiscal 2026 was the primary culprit for the selloff, as management expects EPS to land in a range of \$2.50-\$2.60 next year, landing below our \$2.76 estimate. We remain optimistic about Walmart's ability to increase market share and expand margins longer term (we forecast a midcycle operating margin of about 5.5%, up from 4.4% in fiscal 2025) but continue to view shares, trading around 38 times next year's expected earnings, as overvalued.Comparable sales at Walmart US expanded 4.6% (in line with our forecast), from growth in transaction count and average ticket. Consistent with previous quarters, the grocery, health, and wellness categories drove the bulk of the gains. We were also pleased to see



**Last Price** 102.57 USD 20 Aug 2025

Fair Value Estimate 64.00 USD 15 May 2025 19:43, UTC Price/FVE 1.60 Market Cap 777.77 USD Bil 21 Aug 2025 Economic Moat™
Wide

Equity Style Box
Large Blend

**Uncertainty** Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
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4 Jun 2025 05:00, UTC

modest growth in general merchandise sales despite management citing price deflation across the category. Results at Sam's Club remained enviable as comparable-sales growth of 6.8% mainly stemmed from an increase in transactions. Membership income grew 13% due to new-member growth and higher premium-tier penetration. We expect the warehouse club channel to outperform the broader retail industry and forecast 4%-5% comparable sales growth at Sam's Club over the next couple of years.

## Walmart Earnings: Digital Fulfillment Options and Attractive Prices Drive Further Market Share Wins Noah Rohr, Equity Analyst, 19 Nov 2024

We plan to raise our \$56 fair value estimate on wide-moat Walmart by a low- to- mid-single-digit percentage following its solid fiscal 2025 third-quarter earnings release that featured further market share wins at both its namesake banner and Sam's Club. Growth in alternative profit streams such as membership fees and advertising also contributed favorably to the bottom line as the retail behemoth saw adjusted EPS expand 14% annually to \$0.58 (outpacing our \$0.54 forecast). While we acknowledge that Walmart's attractive price points and burgeoning online presence should translate into continued growth on the top and bottom lines for years to come, we think shares look very overvalued, trading at more than 30 times our forecast for fiscal 2026 adjusted EPS.Comparable sales at Walmart US expanded 5% (outpacing our 4% forecast) amid healthy growth in both transaction count and average ticket. We view the top-line performance as particularly impressive considering product inflation was negligible and the segment lapped a robust 5% gain from the prior year. Consistent with previous quarters, growth was primarily driven by market share wins across high frequency categories such as grocery and health and wellness. However, we were pleased to see sales in general merchandise inflect positively as consumers responded favorably to price deflation across the category. Walmart US' operating margin improved 10 basis points to 4.7% as continued improvement in e-commerce fulfillment and membership income offset elevated marketing and weather-related expenses.Performance at Sam's Club continued to impress as comparable sales expanded 7% amid a strong uptick in transactions. Notably, an increase in membership sign ups and premium tier penetration yielded a robust 15% increase in membership fee income. With the warehouse club channel continuing to grow in popularity, we think Sam's is well positioned to grow comp sales at a 4%-5% pace over the next few years.

## Walmart Earnings: Attractive Prices and Growing Digital Engagement Propel Market Share Gains Noah Rohr, Equity Analyst, 15 Aug 2024

We anticipate raising our \$52 fair value estimate for wide-moat Walmart by a mid- to-high-single-digit percentage in light of strong fiscal 2025 second-quarter results. As recent market share gains look poised to persist, we plan to increase our fiscal 2025 comparable sales growth forecast for the Walmart US segment, which currently sits at 3.5%. Still, our long-term outlook for low-single-digit comp growth



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Large Blend

Uncertainty Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
(i) (i) (ii) (iii)
4 Jun 2025 05:00. UTC

is intact, and we currently view the shares as overvalued. Consistent with recent quarters, the nation's leading retailer continued to drive positive traffic thanks to its low-price value proposition and convenient digital shopping options. Walmart US posted a 4.2% increase in comp sales growth (ahead of our 3.5% forecast) amid a robust 3.6% uptick in transaction volume, which we view as particularly impressive considering that the segment lapped a 6% comp from the prior year. Grocery (up midsingle digits) and health and wellness (up low double digits) continued posting strong growth as we expected, and we were pleasantly surprised to see the general merchandise category stabilize as comp sales held flat. Walmart US' operating margin improved 20 basis points to 5.7% as efficiencies in digital fulfillment helped minimize e-commerce losses. As we expected, robust growth from high-margin alternative profit streams such as advertising (up 30% in the US) and membership fees contributed to margin expansion. Performance at Sam's Club didn't disappoint, as comp sales growth of 5.2% (led by a 6% uptick in volume) surpassed our 3.5% forecast. Sales expanded across all six of its main product categories, and we continue to be impressed by growth in membership fee income, which topped 14%. We think the warehouse club is well positioned to continue taking wallet share from existing shoppers, as management said penetration of its premium membership tier reached a record high (we estimate in the mid-50s).

## Walmart Earnings: Low Prices and Strong Digital Presence Drive Market Share Gains Noah Rohr, Equity Analyst, 16 May 2024

Wide-moat Walmart delivered strong fiscal 2025 first-quarter results as its low prices and digital investments continued to attract a vast array of consumers. Total revenue expanded 6%, with growth dispersed across the domestic and international businesses. Top-line growth and resilient margins prompted a 20% increase in adjusted earnings per share to \$0.60, easily surpassing our \$0.52 forecast. We plan to raise our \$50 fair value estimate by a mid-single-digit percentage (in line with the stock price reaction after the May 16 release) as we think the retailer is well positioned to continue taking market share across various income cohorts. Still, we view the shares as overvalued. Walmart US enjoyed a 3.8% increase in comparable sales during the quarter, ahead of our 3.5% estimate, driven entirely by traffic growth. The firm impressively lapped a difficult 7% comp increase from the prior year as strength in grocery (up midsingle digits) and health and wellness (up high single digits) helped offset weakness in general merchandise sales. We expect higher-margin general merchandise sales to remain pressured in the coming quarters but forecast market share gains in the firm's nondiscretionary categories. Walmart US still eked out a 10-basis-point improvement in segment operating margin to 4.9%, despite unfavorable category mix amid strong inventory management and fewer markdowns. We surmise that growth in alternative high-margin profit channels, such as advertising (up 24%) companywide), also contributed to margin expansion. We remain impressed by the improvement at Sam's Club, which yielded a 4.4% comp gain in the first quarter on top of 7% last year. The warehouse club saw a 13% uptick in membership income, and we were encouraged by continued growth in Sam's



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Wide

Equity Style Box
Large Blend

Uncertainty Medium **Capital Allocation** Standard ESG Risk Rating Assessment<sup>1</sup>

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4 Jun 2025 05:00, UTC

Club Plus membership penetration, which management said reached a new high of 54% (exceeding wide-moat Costco's executive membership penetration in the mid-40s).

Walmart Earnings: Low Prices Winning Over Customers, Who Are Spending More Noah Rohr, Equity Analyst, 20 Feb 2024

Wide-moat Walmart capped off a strong fiscal 2024 with solid fourth-guarter results that exceeded our expectations. The firm's \$1.80 in adjusted EPS for the quarter landed about 8% ahead of our forecast as the company's low prices continued to attract consumers. However, management issued fiscal 2025 guidance that came in slightly below our expectations on both the top and bottom lines. As such, we do not plan to alter our \$147 fair value estimate materially. Walmart US saw comparable sales expand 4% during the quarter (5.6% for the full year), as transaction gains helped offset a modest decline in average ticket. We have been impressed by Walmart's consistent domestic transaction growth during the year. We view its fourth-quarter comparable sales growth as particularly impressive, given its lapping of an 8% increase in the prior year. The grocery category continued to gain market share with sales up by a mid-single-digit percentage, but sales of general merchandise again posted a slight decline. Despite the unfavorable sales mix, Walmart US posted a 5.2% operating margin during the quarter (up about 40 basis points annually), due to less promotional destocking activity. We do not expect pronounced margin expansion in the near term, as we forecast continued softness in the highermargin general merchandise category and further investments in store remodels after 700 remodels were completed in fiscal 2024. Sam's Club also capped off a strong fiscal 2024 with comparable sales expanding 3% (4.8% for the full year), driven by gains in transaction volume. It also delivered impressive 9% average comparable sales growth over the past four years, and we expect it to expand at a lowsingle-digit trajectory for the foreseeable future. Internationally, sales expanded 13%, driven by midsingle-digit growth in comparable sales in Mexico and China and growth from India's online marketplace, Flipkart.

Walmart Earnings: Top Line Expands Further as Consumers Seek Value Amid Tighter Economic Conditions Noah Rohr, Equity Analyst, 16 Nov 2023

Wide-moat Walmart delivered third-quarter results that were mostly in line with our expectations as it continued to attract value-conscious consumers to its stores. The stock tumbled, though, as management cited tumultuous spending patterns leading into the holiday season as inflation and tighter economic conditions remain headwinds. We believe Walmart is well positioned to navigate a slower spending environment given its impressive scale and enticing low-price value proposition in high-frequency categories such as grocery. We plan to modestly raise our \$145 fair value estimate due to time value of money as shares approach fairly valued territory. Comparable sales (excluding fuel) for Walmart U.S. improved 4.9% in the third quarter, driven by a 3.4% increase in transaction volume. Grocery saw a mid-single-digit percentage increase in sales, and management noted the category



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Fair Value Estimate 64.00 USD 15 May 2025 19:43, UTC Price/FVE 1.60 Market Cap 777.77 USD Bil 21 Aug 2025 Economic Moat™
Wide

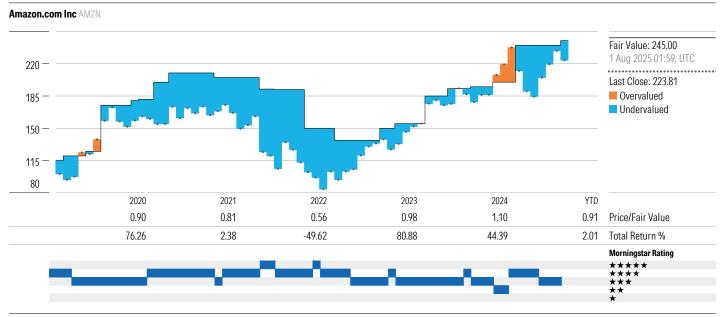
Equity Style Box
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Uncertainty Medium Capital Allocation Standard ESG Risk Rating Assessment<sup>1</sup>
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4 Jun 2025 05:00, UTC

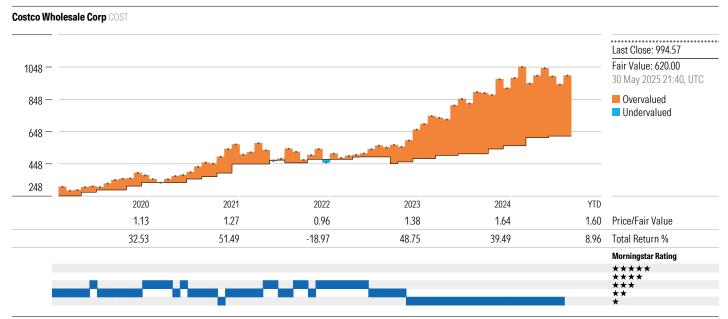
enjoyed market share gains, which we expect to continue in coming quarters. Health and wellness also delivered solid growth, though a reduced appetite for general merchandise, particularly for discretionary items, partially offset the strength in frequency categories. Despite less promotional destocking than the prior year, operating margin for Walmart U.S. declined by 30 basis points due to unfavorable sales mix, wage expense, and store remodels. Walmart has completed 494 remodels so far in fiscal 2024, and we expect reinvestment to remain a priority as the firm revamps the customer experience and refines its omnichannel offerings. Coupled with our expectation for continued softness in higher-margin discretionary categories, we expect margins to remain pressured.Sam's Club posted solid comparable sales growth of nearly 4%, driven entirely by improved transaction volume.

Encouragingly, management noted that membership count reached a record level. Internationally, sales improved over 5% (constant currency), driven by 8% comparable sales growth in Mexico and a near 19% improvement in China.

#### **Competitors Price vs. Fair Value**



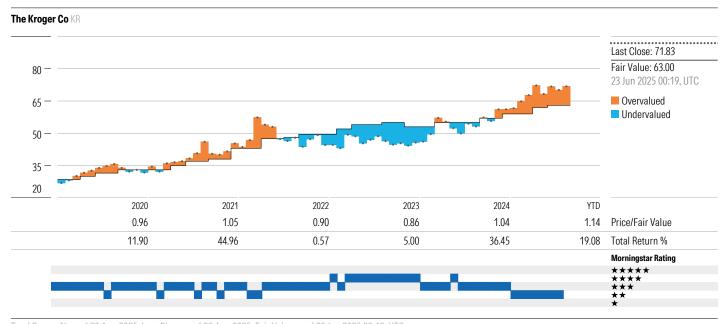
Total Return % as of 20 Aug 2025. Last Close as of 20 Aug 2025. Fair Value as of 1 Aug 2025 01:59, UTC.



Total Return % as of 20 Aug 2025. Last Close as of 20 Aug 2025. Fair Value as of 30 May 2025 21:40, UTC.



#### **Competitors Price vs. Fair Value**



Total Return % as of 20 Aug 2025. Last Close as of 20 Aug 2025. Fair Value as of 23 Jun 2025 00:19, UTC.



**Last Price** 102.57 USD 20 Aug 2025

Fair Value Estimate 64.00 USD 15 May 2025 19:43, UTC Price/FVE Market Cap
1.60 777.77 USD Bil
21 Aug 2025

Economic Moat™ Wide Equity Style Box

Large Blend

Uncertainty Medium **Capital Allocation** Standard ESG Risk Rating Assessment<sup>1</sup>
(i) (i) (ii) (iii)
4 Jun 2025 05:00, UTC

Morningstar Valuation Model Summary										
Financials as of 15 May 2025	ı	Actual			Forecast					
Fiscal Year, ends 31 Jan	=	2023	2024	2025	2026	2027	2028	2029	2030	
Revenue (USD Mil)		611,289	648,125	680,985	708,113	734,977	759,871	785,539	811,509	
Operating Income (USD Mil)		24,602	27,105	29,504	31,429	34,546	37,791	41,458	45,085	
EBITDA (USD Mil)		31,373	38,865	42,321	44,883	48,364	51,924	55,912	59,855	
Adjusted EBITDA (USD Mil)		35,547	38,958	42,477	44,883	48,364	51,924	55,912	59,855	
Net Income (USD Mil)		11,680	15,511	19,436	21,125	23,881	26,439	29,212	31,969	
Adjusted Net Income (USD Mil)		17,203	17,971	20,244	21,527	23,881	26,439	29,212	31,969	
Free Cash Flow To The Firm (USD Mil)		9,297	9,194	12,307	13,676	17,977	23,758	27,818	30,300	
Weighted Average Diluted Shares Outstanding (Mil)		8,202	8,109	8,081	8,038	7,984	7,884	7,727	7,549	
Earnings Per Share (Diluted) (USD)		1.42	1.91	2.41	2.63	2.99	3.35	3.78	4.23	
Adjusted Earnings Per Share (Diluted) (USD)		2.10	2.22	2.51	2.68	2.99	3.35	3.78	4.23	
Dividends Per Share (USD)		0.75	0.76	0.83	0.94	1.10	1.25	1.40	1.55	
Margins & Returns as of 15 May 2025		Actual			Forecast					
	3 Year Avg	2023	2024	2025	2026	2027	2028	2029	2030	5 Year Avç
Operating Margin %	3.9	4.0	4.2	4.3	4.4	4.7	5.0	5.3	5.6	5.0
EBITDA Margin % Adjusted EBITDA Margin %	_	5.1 5.8	6.0 6.0	6.2 6.2	6.3 6.3	6.6 6.6	6.8 6.8	7.1 7.1	7.4 7.4	6.9
Net Margin %	2.4	1.9	2.4	2.9	3.0	3.3	3.5	3.7	3.9	3.5
Adjusted Net Margin %	2.9	2.8	2.4	3.0	3.0	3.3	3.5	3.7	3.9	3.5
Free Cash Flow To The Firm Margin %	1.6	1.5	1.4	1.8	1.9	2.5	3.1	3.5	3.7	3.0
Growth & Ratios as of 15 May 2025		Actual			Forecast					
·	3 Year CAGR	2023	2024	2025	2026	2027	2028	2029	2030	5 Year CAGI
Revenue Growth %	5.9	6.7	6.0	5.1	4.0	3.8	3.4	3.4	3.3	3.6
Operating Income Growth %	4.2	-5.6	10.2	8.9	6.5	9.9	9.4	9.7	8.8	8.9
EBITDA Growth %	6.2	-14.3	23.9	8.9	6.1	7.8	7.4	7.7	7.0	7.2
Adjusted EBITDA Growth %	5.0 14.0	-3.2 -12.4	9.6	9.0 25.7	5.7 9.3	7.8 13.8	7.4	7.7 12.7	7.0	7.′ 12.0
Earnings Per Share Growth % Adjusted Earnings Per Share Growth %	14.0	-12.4 -2.7	34.3 5.7	13.0	9.3 6.9	11.7	12.1 12.1	12.7	12.0 12.0	12.0
Valuation as of 15 May 2025		Actual	5.1	15.0	Forecast	11.7	12.1	12.7	12.0	12.0
Table 1 as of 15 may 2025	-	2023	2024	2025	2026	2027	2028	2029	2030	
Price/Earning		22.8	24.8	39.1	38.3	34.3	30.6	27.1	24.2	
Price/Sales		0.6	0.7	1.2	1.2	1.1	1.1	1.0	1.0	
Price/Book		5.1	5.3	8.7	8.1	7.3	6.8	6.5	6.1	
Price/Cash Flow										
EV/EBITDA		12.4	12.9	19.8	19.5	18.1	16.9	15.7	14.6	
EV/EBIT		18.0	18.5	28.4	27.9	25.4	23.2	21.1	19.4	
Dividend Yield % Dividend Payout %		1.6 35.6	1.4 34.3	0.9 33.1	0.9 35.1	1.1 36.8	1.2 37.3	1.4 37.0	1.5 36.6	
Free Cash Flow Yield %		- 33.0					JI.J —	- 51.0 -	J0.0 —	
Operating Performance / Profitability as of 15 May 2025	ı	Actual			Forecast					
Fiscal Year, ends 31 Jan	-	2023	2024	2025	2026	2027	2028	2029	2030	
ROA %		4.8	6.2	7.4	7.6	8.2	8.8	9.5	10.1	
ROE%		14.0	17.2	20.0	19.4	19.9	20.8	22.3	23.4	



<b>Last Price</b> 102.57 USD 20 Aug 2025	Fair Value Estimate 64.00 USD 15 May 2025 19:43, UTC	Price/FVE 1.60	Market Ca 777.77 U 21 Aug 2025	SD Bil 👛 🖒	<b>omic Moat™</b> Vide	Equity Style Box Harge Blend		<b>Incertainty</b> Medium	Capital Allocation Standard	<b>ESG Risk I (1) (1) (</b> 4 Jun 2025	
Financial Leverag	ge (Reporting Currency)			Actual			Forecast				
Fiscal Year, ends 31	Jan			2023	2024	2025	2026	2027	2028	2029	2030
Debt/Capital %				13.2	12.1	7.1	7.0	6.6	5.9	5.7	5.5
Assets/Equity				2.9	2.8	2.7	2.5	2.4	2.4	2.3	2.3
Net Debt/EBITDA				1.6	1.3	1.2	0.6	0.5	0.4	0.4	0.3
Total Debt/EBITDA	. =			1.7	1.6	1.4	0.9	0.8	0.7	0.6	0.6
EBITDA/ Net Intere	· ·			19.0	18.2	18.9	20.0	20.7	23.5	25.1	26.8
	<b>is</b> as of 30 May 2025			2026			2027		2028		
Prior data as of 15 M	*			Curre		Prior	Curi	ent	Prior	Current	t Prior
	e Change (Trading Curre	ncy)		64.0		63.50		_	<u> </u>		
Revenue (USD Mil)				708,1	13	708,113	734,	977	734,977	759,871	759,871
Operating Income	(USD Mil)			31,42	29	31,429	34,	546	34,546	37,791	37,791
EBITDA (USD Mil)				44,88	33	44,883	48,	364	48,364	51,924	51,924
Net Income (USD N	Λil)			21,52	27	21,527	23,	881	23,881	26,439	26,439
Earnings Per Share	e (Diluted) (USD)			2.0	53	2.63	2	2.99	2.99	3.35	3.35
Adjusted Earnings	Per Share (Diluted) (USD	)		2.0	58	2.68		2.99	2.99	3.35	3.35
Dividends Per Sha	re (USD)			0.0	94	0.94	1	.10	1.10	1.25	1.25
Key Valuation Dri	vers as of 15 May 2025			Discounted Cas	h Flow Val	<b>uation</b> as of	f 15 May 2025				
Cost of Equity % Pre-Tax Cost of De Weighted Average Long-Run Tax Rate	Cost of Capital %		7.5 5.3 7.2 25.0	Present Value Sta Present Value Sta Present Value Sta	age II		ŕ				<b>USD Mil</b> 186,820 141,752 210,609
Stage II EBI Growth Stage II Investmen Perpetuity Year	n Rate %		3.5 17.5 20	Total Firm Value  Cash and Equiva							<b>539,182</b> 9,037
Additional estimates and scenarios available for download at https://pitchbook.com/.			Debt Debt							45,790	
Additional collinates and St	ochanos avaliable foi upwillodu at II	ttpo.//pitonbook.com/		Other Adjustmer	its						-1,579
				Equity Value							500,850
				Projected Diluted	d Shares						8,019
				Fair Value per Sha	re (USD)						64.00

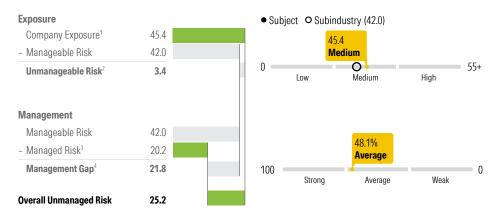


**Last Price Fair Value Estimate** Price/FVE Market Cap **Economic Moat**™ **Equity Style Box** Uncertainty **Capital Allocation** ESG Risk Rating Assessment<sup>1</sup> 777.77 USD Bil Wide ( Large Blend Medium Standard **@@@@** 102.57 USD 64.00 USD 1.60 21 Aug 2025 4 Jun 2025 05:00, UTC 20 Aug 2025 15 May 2025 19:43, UTC

#### **ESG Risk Rating Breakdown**

**ESG Risk Rating** 

Negligible



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- ► Exposure is assessed at the Subindustry level and then specified at the company level
- ► Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure
- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

#### ESG Risk Rating Assessment<sup>5</sup>













ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

Medium

25.16 **Medium** 

Low

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 48.1% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating is of Jun 04, 2025. Highest Controversy Level is as of Aug 08, 2025. Sustainalytics Subindustry: Food Retail. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 04 Jun 2025	Peers are selected f	Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values						
Company Name	Exposure		Management		ESG Risk Rating			
Walmart Inc	45.4   Medium	0 55+	48.1   Average	100 - 0	25.2   Medium	0 40+		
The Kroger Co	48.0   Medium	0 55+	48.7   Average	100 0	26.4   Medium	0 — 40+		
Amazon.com Inc	39.2   Medium	0 55+	37.2   Average	100 0	25.8   Medium	0 — 40+		
Costco Wholesale Corp	44.8   Medium	0 — 55+	37.8   Average	100 0	29.1   Medium	0 — 40+		
Target Corp	33.8   Low	0 55+	50.0   Strong	100 0	18.2   Low	0 — 40+		

High

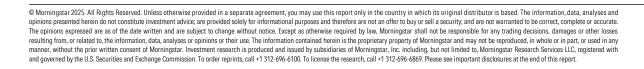
Severe



## **Appendix**

## Historical Morningstar Rating

Walmart Inc	WMT 20 Aug	2025 23:19, UT	C								
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	★	★	★	★	★	★	★	★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★	★	★	★	★	★★	★★	★★	★★	★★	★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★	★★	★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★	★★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★	★★★	★★★	★★★	★★	★★★	★★★	★★	★★	★★★	★★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★	★★	★★	★★	★★	★★★	★★	★★	★★★	★★★	★★
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#### Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

#### 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a

long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

#### 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

#### Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest,

after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

#### Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")-to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10-15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

#### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

#### 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

#### **Morningstar Equity Research Star Rating Methodology**



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outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, companyspecific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

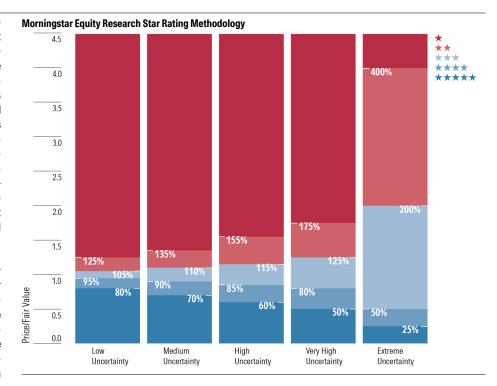
	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	*****Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

#### 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com



#### **Morningstar Star Rating for Stocks**

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

- \*\*\*\*
   We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.
- ★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.
- ★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).
- ★★ We believe investors are likely to receive a less than fair risk-adjusted return.
- ★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

#### **Other Definitions**

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,



and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score.

Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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