

Walmart

The Berkshire Anne Hathaway's

By: CMO Tasha Phillips, CNO Nathan Ramos, CAO Jacob Bravo, CIO Ernie Stephenson, CFO April Estes, CEO Phil Bauch, and CPO Eli Von Berg

History

- Founded by Sam Walton
- Started as a small discount retailer in Rogers, Arkansas in 1962
- Began building supercenters in 1988
- Opened first Sam's Club in 1991 near Mexico City, which also made it an international Company
- Today:
 - Operates more than 10,900 retail units
 - Located in 27 countries
 - Online in 10 countries
 - Employs about 2.2 million associates

Wal-Mart Stores

- Walmart Discount Store
 - Opened first discount store in Rogers, Arkansas in 1962
 - Smaller than a supercenter but offer same merchandise
 - Employs about 200 associates
- Walmart Supercenter
 - Began building in 1988
 - Employs about 300 associates
 - Most are open 24 hours and some include specialty shops

Wal-Mart Stores

- Walmart Neighborhood Market
 - Designed in 1998 as a smaller footprint option for small communities in need of a pharmacy, affordable groceries and merchandise
 - Employs about 95 associates
- Walmart Express
 - Created in 2011
 - Offered in urban and rural areas that lack access to larger stores
 - Only about 1/12 of supercenter

Sam's Club

- Opened first Sam's Club in 1983
- Created to meet the needs of customers who wanted to buy merchandise in bulk
 - Club member's pay annual fee to shop
- More than 600 clubs in US and 100 Internationally
- Employs 110,000 associates in the US

Global eCommerce

- Offers customers seamless access to the products they want anytime, anywhere
- World's largest, fastest-growing and most dynamic ecommerce organization
- Walmart.com sees 45 million visits a month
- Mobile Apps puts power directly in the customers' hands
- Operates eCommerce websites in 10 countries

Wal-Mart International

- Became International in 1991 and operates in 26 countries outside the US.
- Employs 800,000 associates in over 5,500 stores
- Fastest growing part of Wal-Mart's overall operations

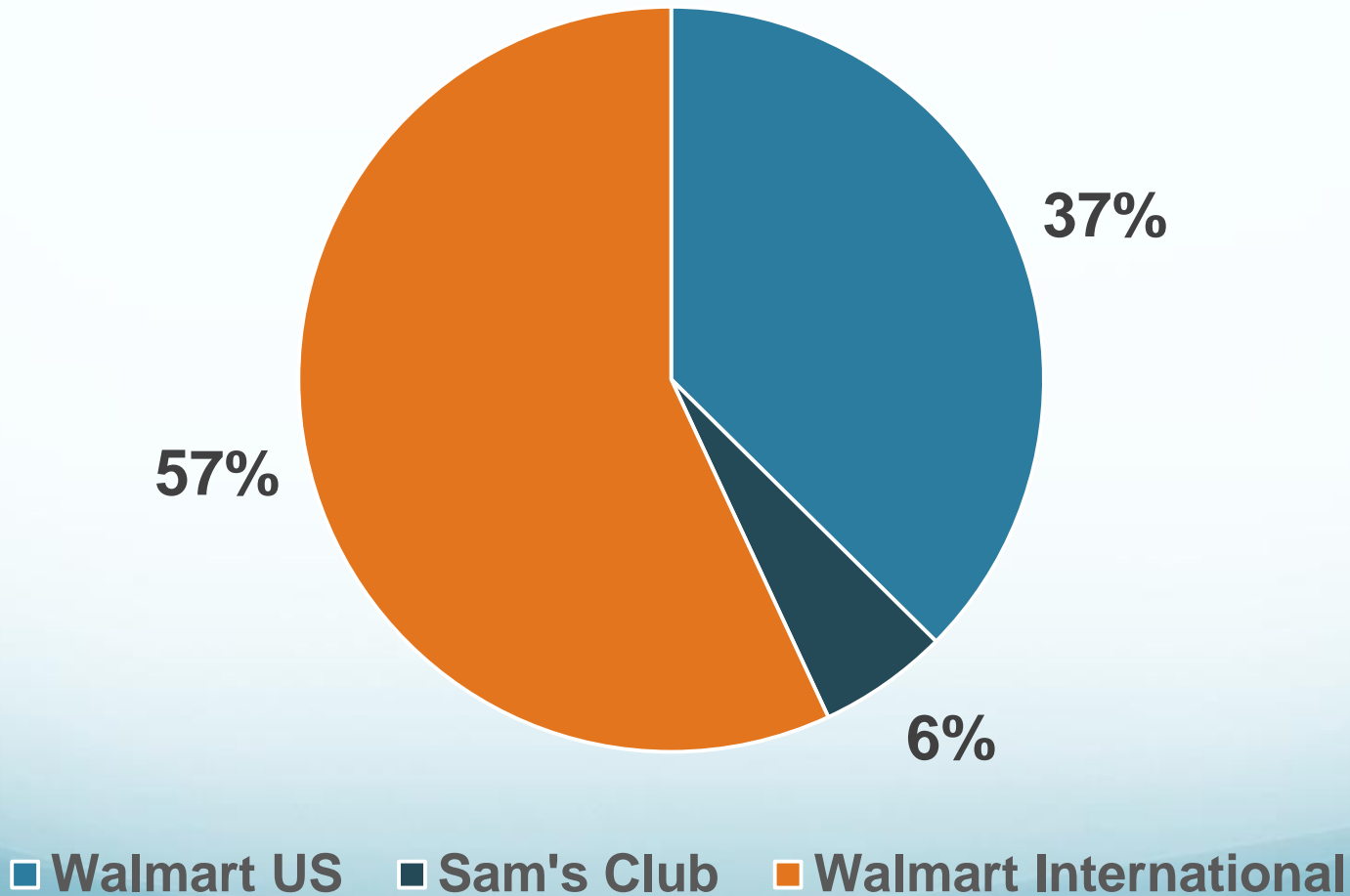
Logistics Company

- Logistics
 - Move products from manufacturer to distribution center to shelves in Wal-Mart
 - Private Fleet of 6,500 tractors, 55,000 trailers, and more than 7,000 drivers
- Distribution Centers
 - One of the largest distribution operations in the world
 - 158 Distribution Centers
 - 9 Disaster Distribution Centers
 - Each support 90 to 100 stores in a 200 mile radius

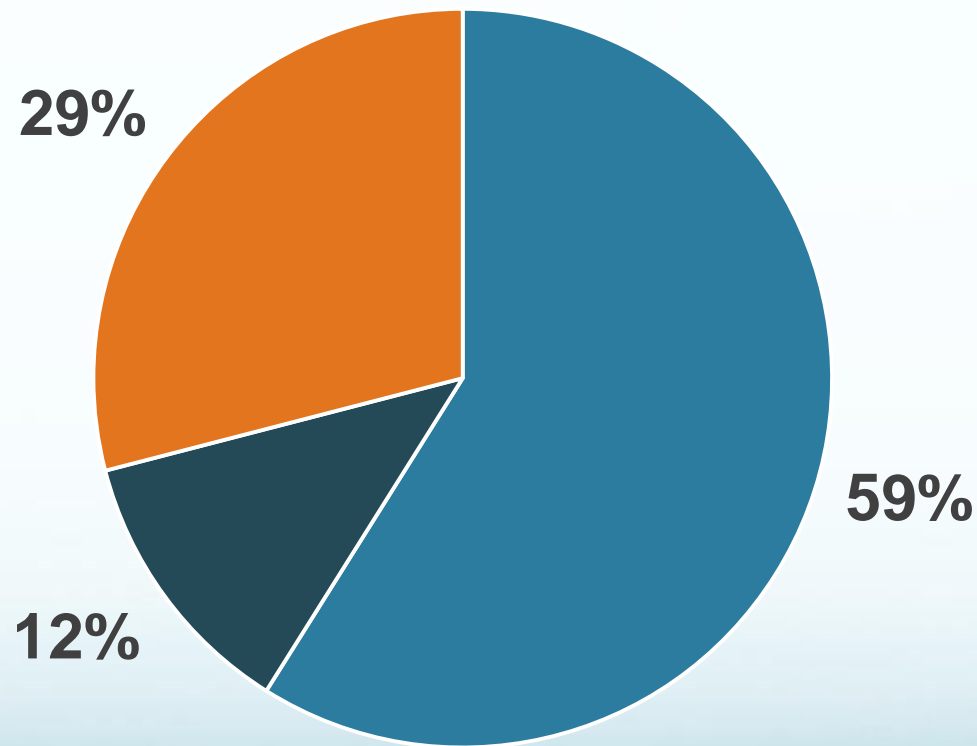
Store Growth

- 2003 – 4906 stores
- 2013 – 11455 stores
- Annualized Growth – 8.8%

% of Stores by Business Segments

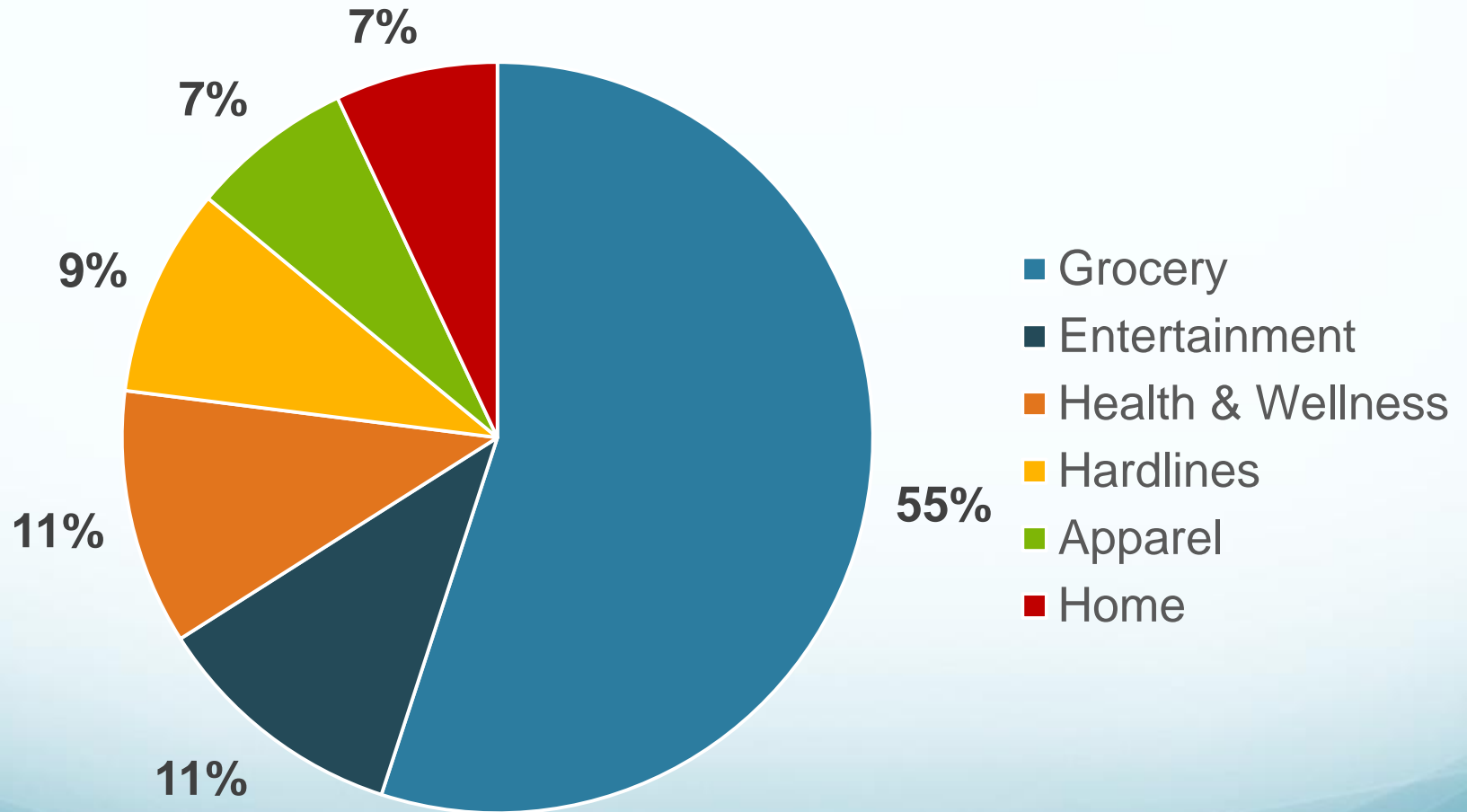


Sales by Business Segments



■ Walmart U.S. ■ Sam's Club ■ Walmart International

Sales by Category



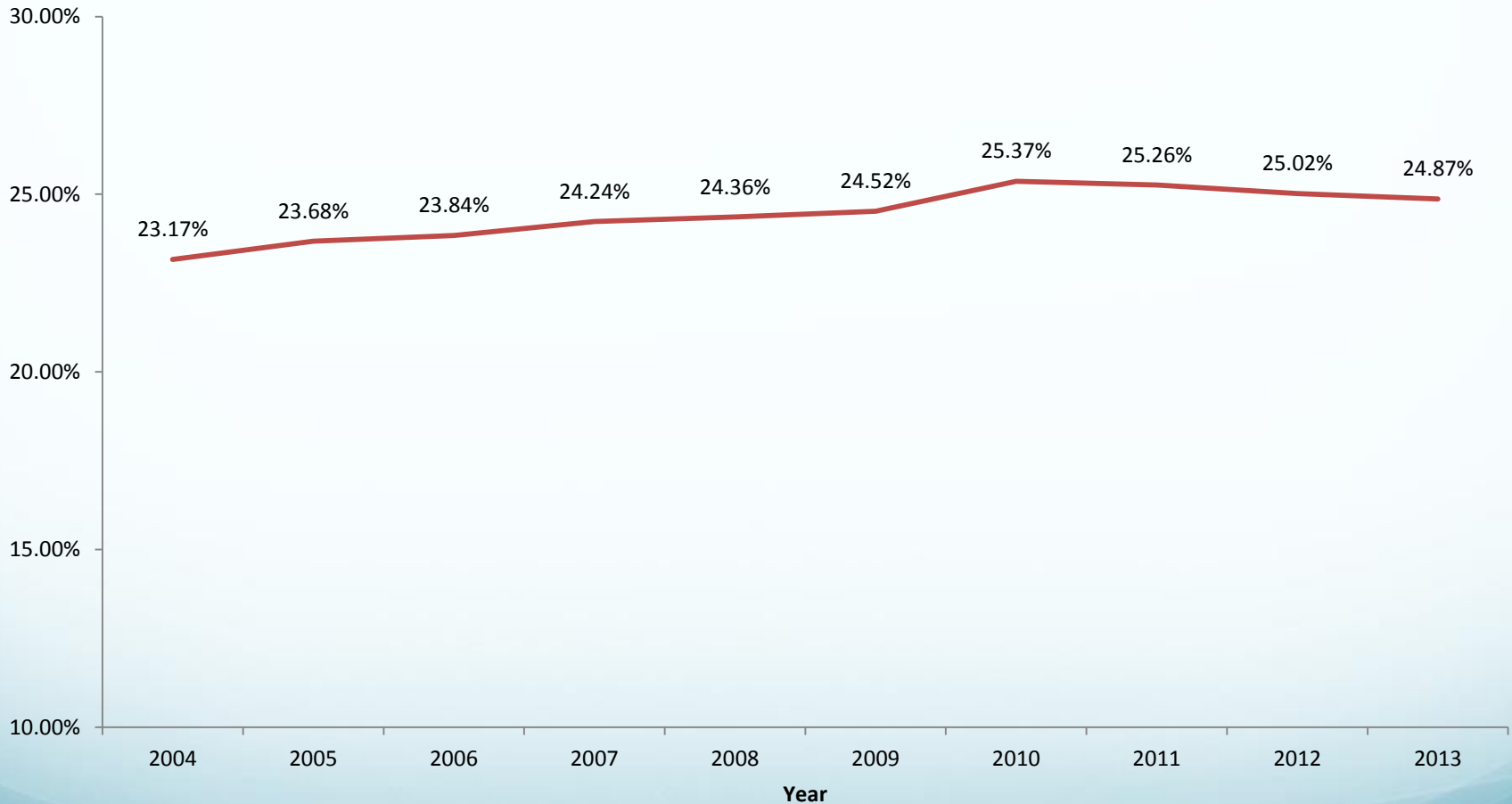
Main Competitors

- Costco Wholesale Corp. (COST)
- Target Corp. (TGT)
- Family Dollar Stores Inc. (FDO)
- BonTon Stores Inc. (BONT)

Risk Factors

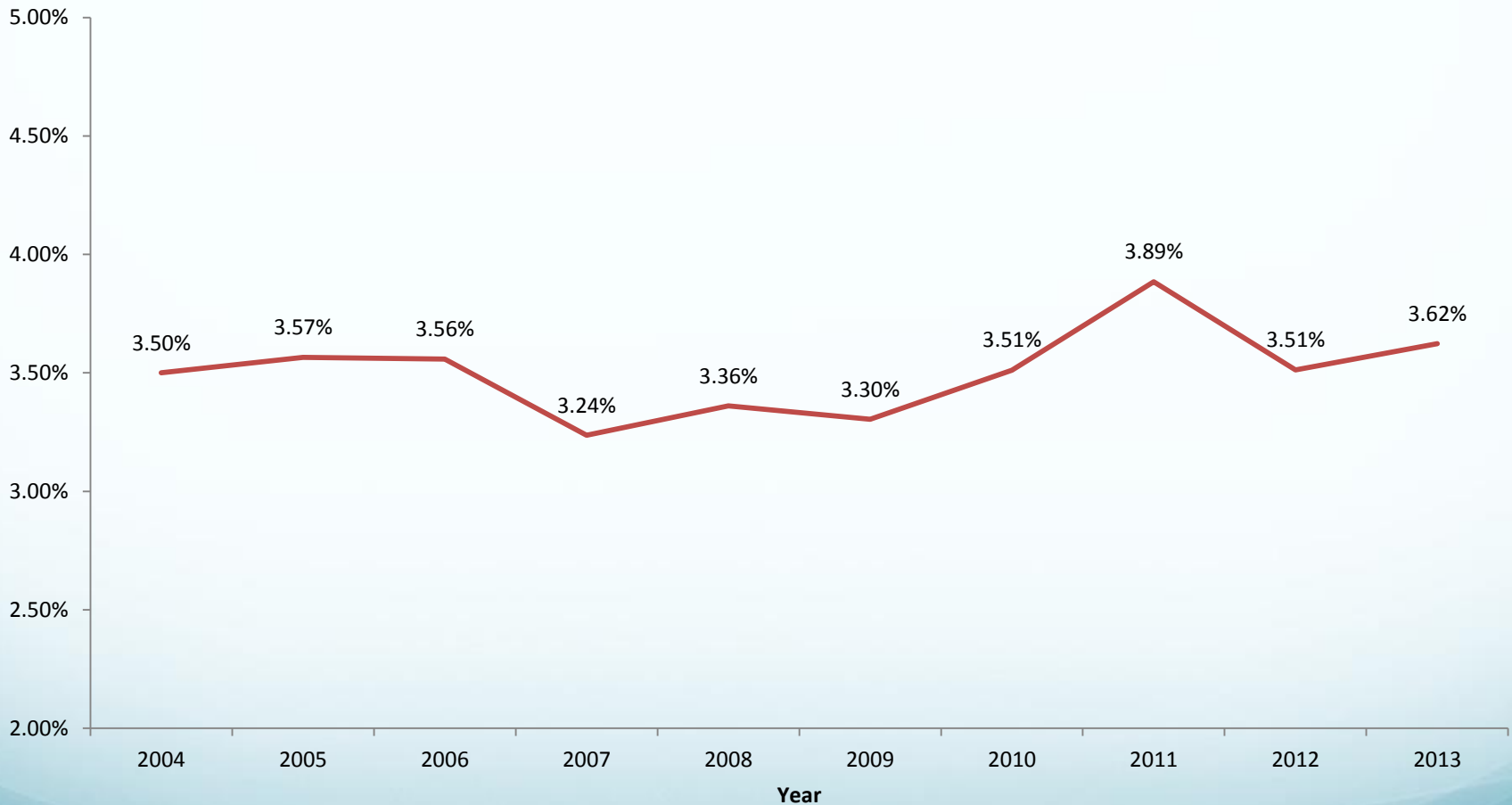
- Domestic and International macro-economic factors
- Domestic and International impediments to expansion
- Failure to attract and retain qualified personnel
- Supplier risk
- Legislative, judicial, accounting, regulatory, and political risks
- Legal Proceedings
- Technology based systems preventing customers from using online site
- Ability to not identify consumer trends

Gross Profit Margin



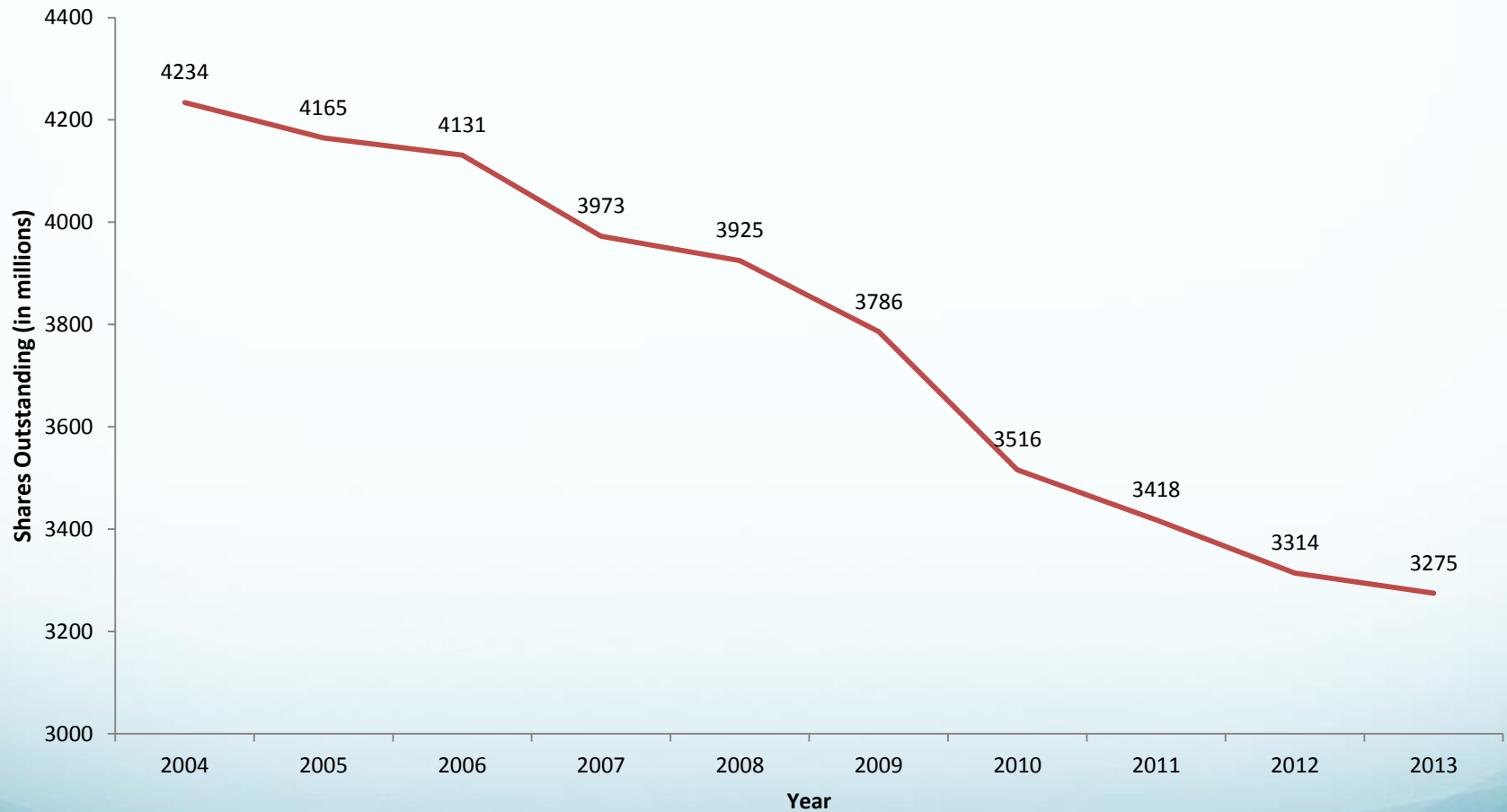
Does not meet 40% threshold, but is consistent.

Net Profit Margin



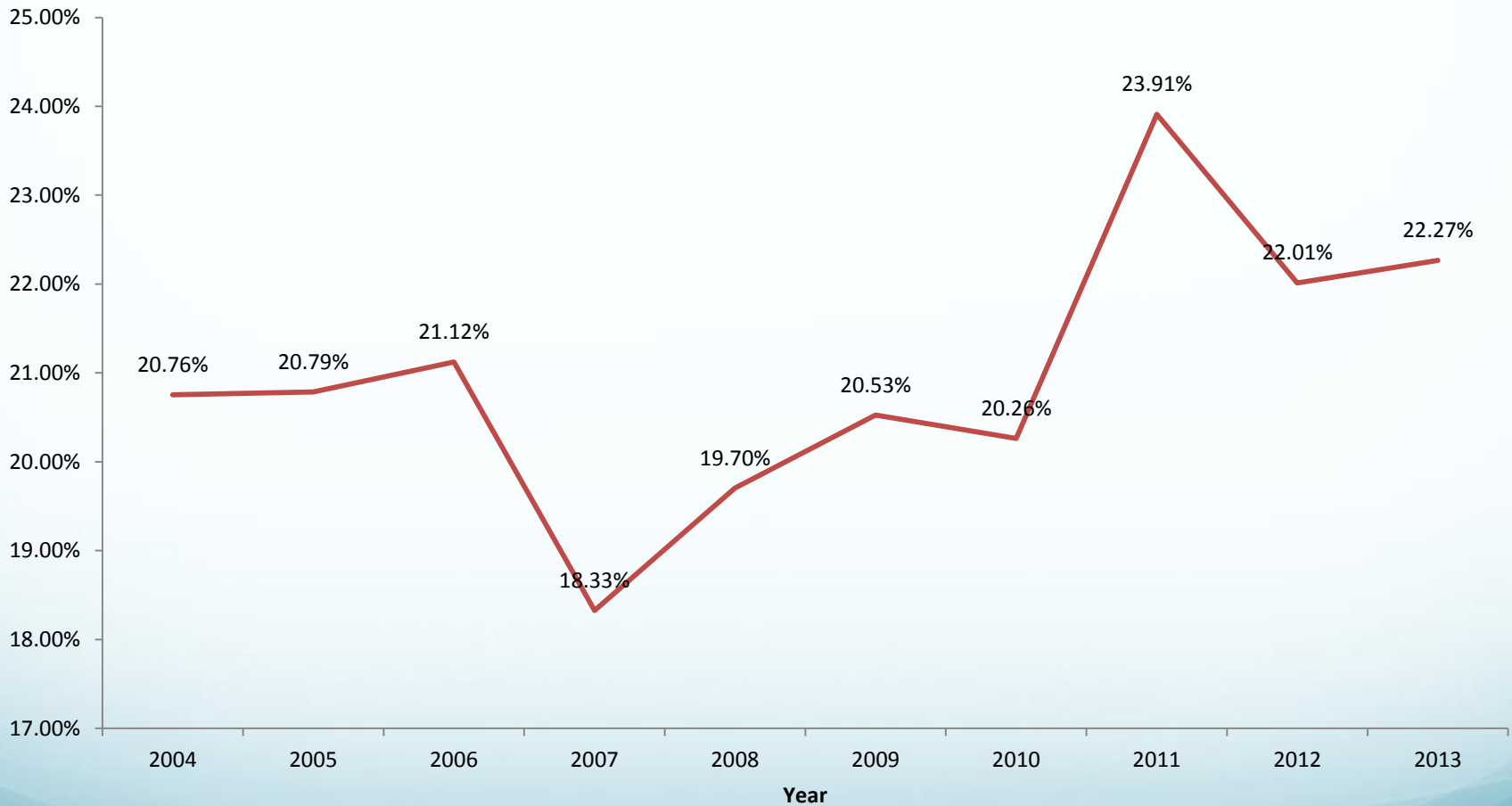
Consistently around 3.5%.

Shares Outstanding



Favorable decreasing trend.

Return on Equity



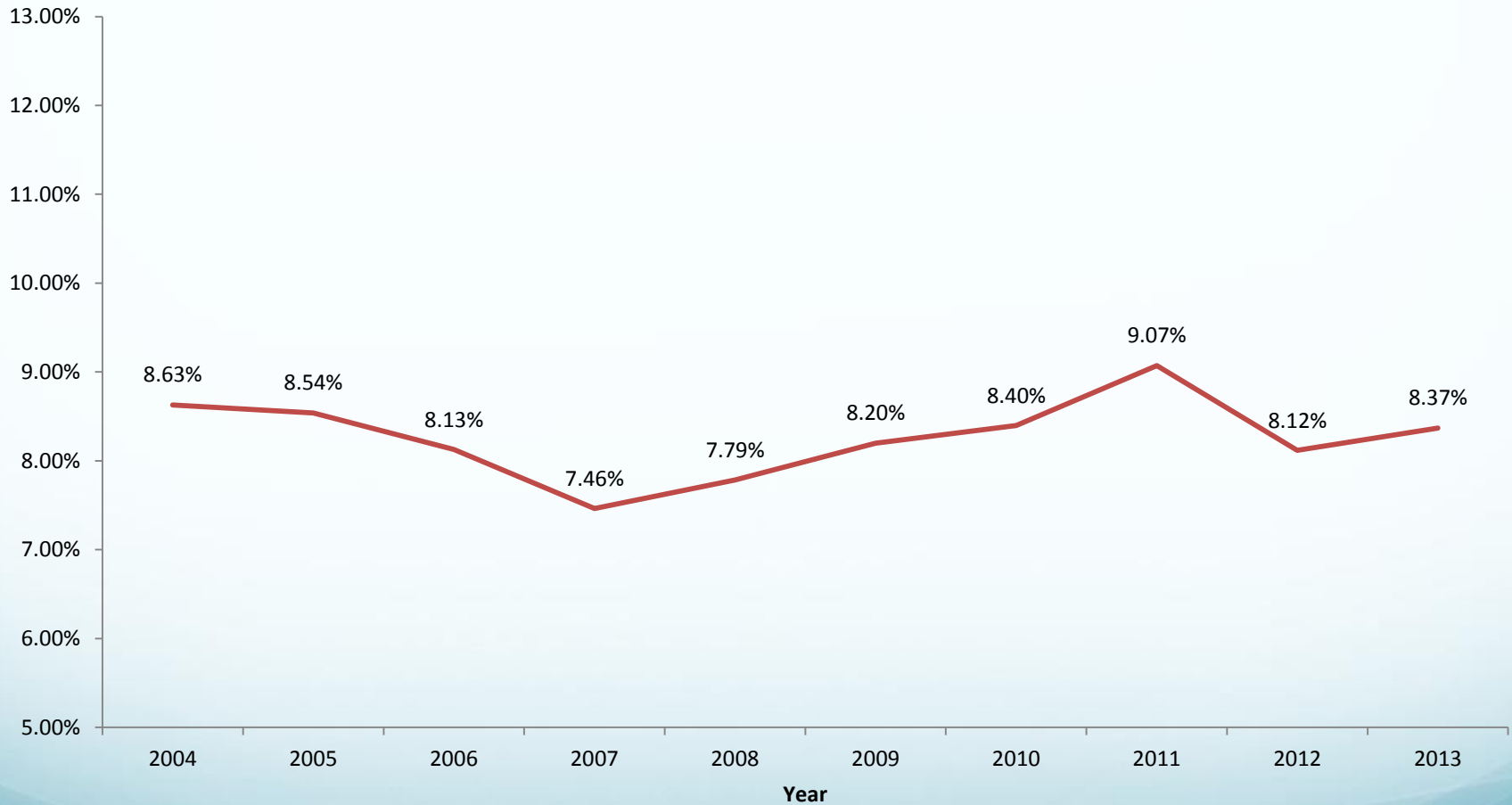
Meets 15% threshold all 10 years.

Return on Capital



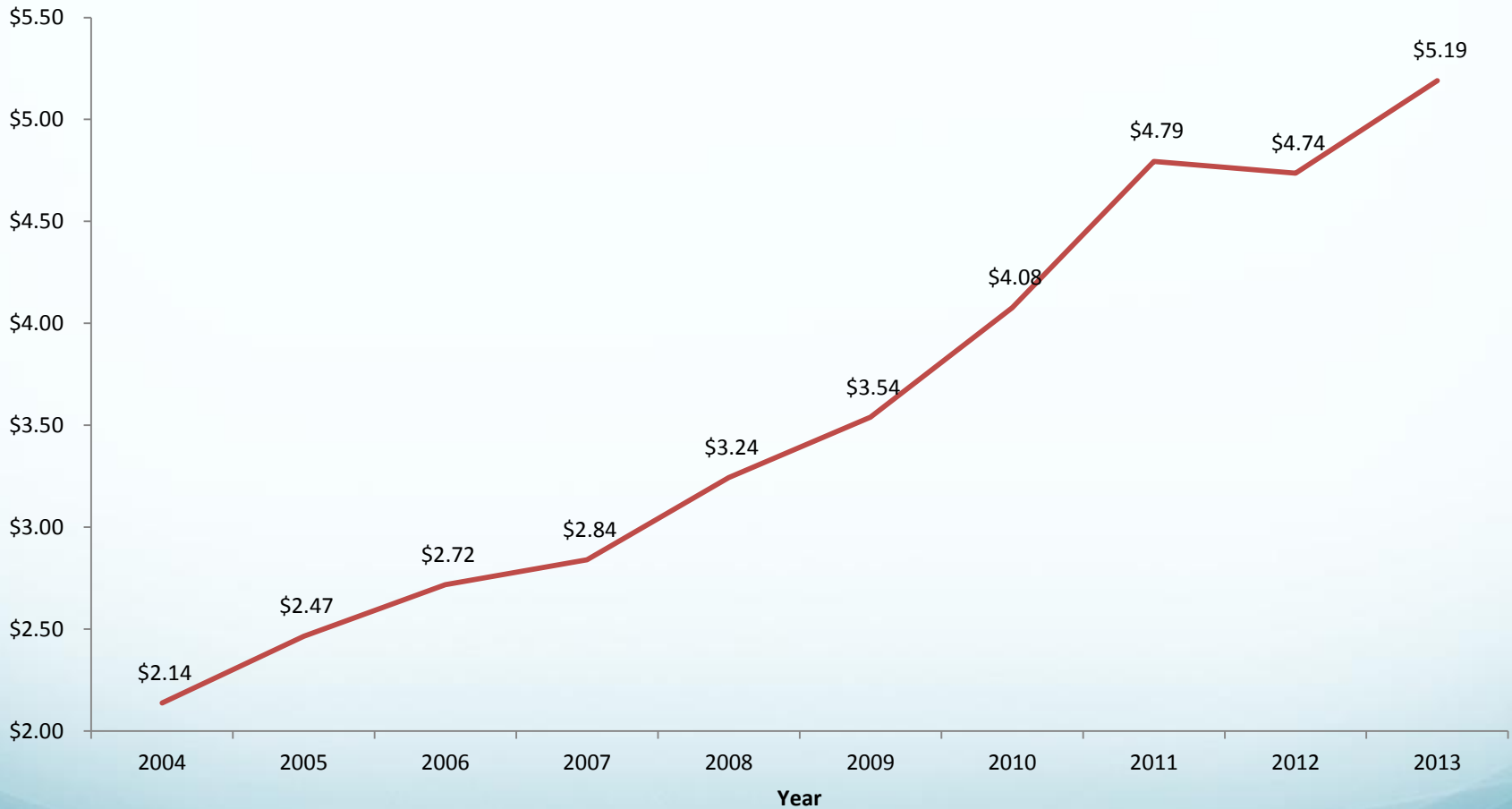
Does not meet 15% threshold.

Return on Assets

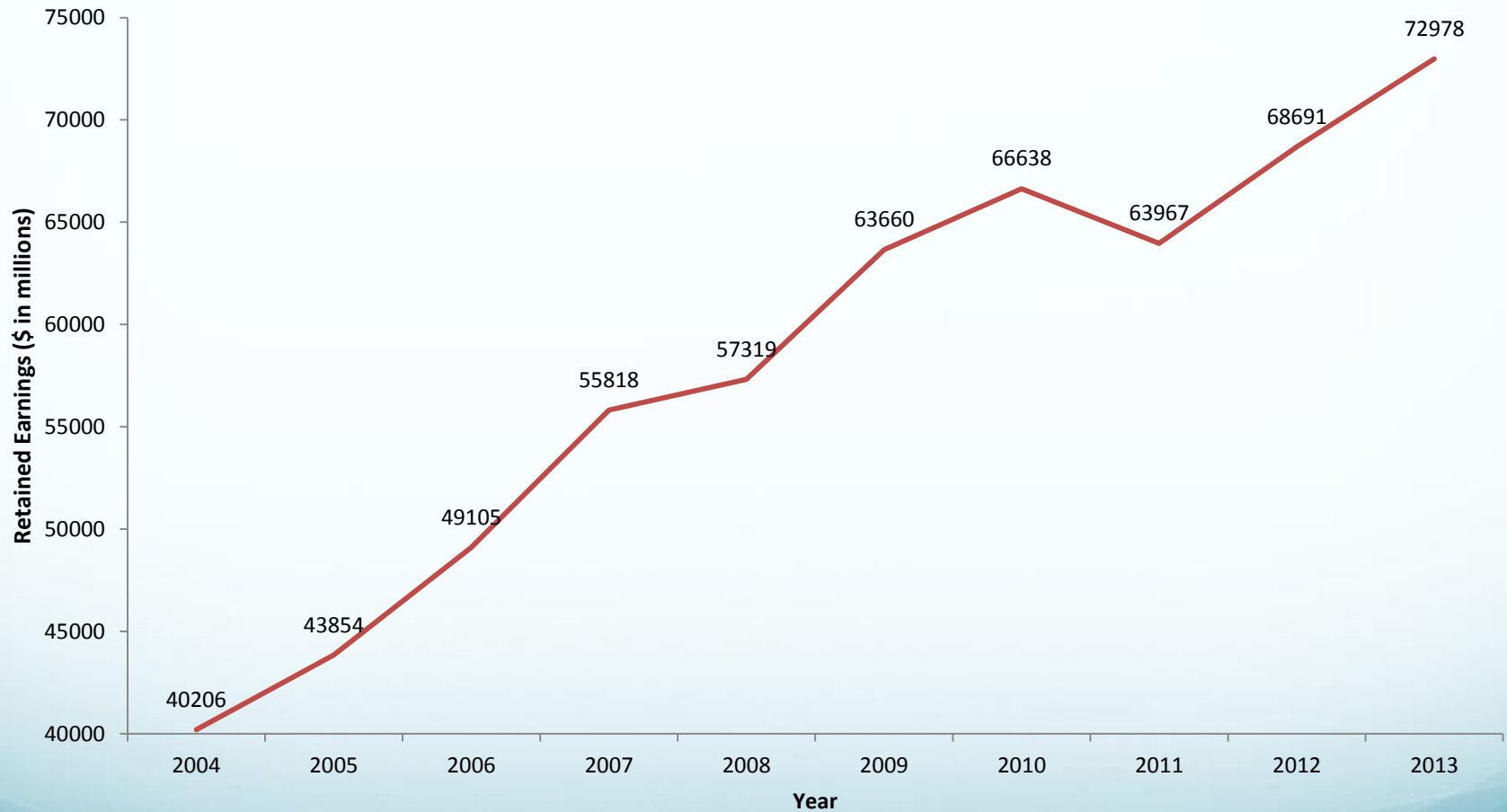


Consistent between 7.5%-9%.

Earnings per Share



Retained Earnings Trend



IOFS



Income Statement		Criteria	Pass?
Gross Profit Margin:	24.92%	$\geq 20\%$	Yes
SGA % of GP:	76.27%	$\leq 80\%$	Yes
DD&A % of GP:	7.37%	$\leq 10\%$	Yes
Interest % of OP:	8.17%	$\leq 15\%$	Yes
Net Profit Margin:	3.61%	$X \geq 10\%$	No
Balance Sheet			
Current Ratio:	0.830892	> 1	No
Obligation Ratio:	3.25	< 5 years	Yes
Eff. Ratios			
Return on Equity:	23.85%	$> 15\%$	Yes
Return on Capital:	14.83%	$> 15\%$	No
CAPEX % of NP	79.70%	$< 25\%$	No
Dividend Payout Ratio:	33.67%	$< 60\%$	Yes
Ownership Ratio:	19.54	> 10	Yes
Guru Focus Predictability Stars:	5	> 3 stars	Yes
Financial Strength:	A++	$> B+$	Yes
Price Stability:	100	> 80	Yes
Earnings Predictability:	100	> 80	Yes

Buffetology



<u>Statistical Array Analysis</u>	
Increasing trends?	
Sales per Share	Yes
Cashflows per Share	Yes
Earnings per Share	Yes
Dividends Declared per Share	Yes
Capital Spending per Share	Yes
Book Value per Share	Yes
Revenues (Sales)	Yes
Gross Profit Margin	Stable
Operating Profit Margin	Stable
Number of Stores	Yes
Net Profit	Yes
Net Profit Margin	Stable
Working Capital	Yes but negative
Shareholder's Equity	Yes
Return on Total Capital	Yes
Return on Shareholder's Equity	Stable above 20%
Common Shares Outstanding	Decreasing
Long-Term Debt	Increasing
LT Debt Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes
Annual Growth Rate Analysis	Not growing as fast as in past

Buffetology Con't.

<u>Qualitative Review</u>	
What type of business is this: commodity or sustained competitive advantage?	Sustained Competitive Advantage
Can you easily explain what the business does?	Ability to sell products at low cost since they are logistics company
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	No
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	Yes but immaterial
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage.	No

Conscious Investor 3-year Default

WMT Wal-Mart Stores Inc Symbol [Details](#) [Print](#) [Save Image](#) [Save](#) [Load](#) [Default](#) [Safety](#)

Industry: Discount, Variety Stores Market: USA

Earnings Per Share (EPS)										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
2.070	2.410	2.680	2.710	3.130	3.390	3.700	4.470	4.520	5.020	EPSStm 5.130

Sales Per Share										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
59.459	67.365	75.012	83.513	94.268	102.228	107.822	119.980	130.764	141.570	Chart 3 HGROWTH 8.63% STAEGRTM 99.94%

Net Profit Margin (NPM)										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
3.53	3.60	3.59	3.27	3.40	3.34	3.64	4.03	3.67	3.78	Current NPM 3.78 Chart

Return on Equity (ROE)										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
20.80	20.80	21.10	18.30	19.70	20.50	21.00	24.80	23.00	23.30	Current ROE 23.30 Chart

Price Earnings Ratio (PE Ratio)										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
29.10	25.40	20.10	19.20	16.40	18.80	14.90	13.00	13.70	15.50	Current 15.59 High Current PE 14.55 Chart
22.40	21.20	15.80	15.60	13.40	13.80	12.50	10.70	10.70	11.40	13.13 Low

Price										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
60.20	61.31	53.74	52.15	51.44	63.85	55.20	57.90	62.00	79.96	Current 79.96 High Current Price 74.65 Chart
46.27	51.08	42.31	42.31	42.09	46.92	46.25	47.77	48.31	67.37	67.37 Low

Payout Ratio (PR)										
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	
17	22	22	25	28	28	29	27	32	32	Current PR 32% Chart

STRETD®

current year 25 Sep 2013

Price

Dividend Reinvestment Strategy Buy additional shares Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

EPStm

PE Ratio

HGrowth %

Payout %

Investment Period years

Tax - dividends %

Tax - capital gains %

per year

TARGD®

current year

Req Return %

Dividend Reinvestment Strategy Buy additional shares Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

EPStm

PE Ratio

HGrowth %

Payout %

Investment Period years

Tax - dividends %

Tax - capital gains %

EPSttm

5.130

Years

3

HGROWTH

Calc

5.97%

STAEGR™

98.49%

Chart

3

HGROWTH

Calc

8.63%

STAEGR™

99.94%

Current NPM

3.78

Chart

Current ROE

23.30

Chart

STRETD®

current year

25 Sep 2013

Price

74.65

Dividend Reinvestment Strategy

EPSttm

5.130

Buy additional shares

PE Ratio

13.60

Invest at the rate below

HGrowth

5.97

%

Payout

30

%

Note: PE and PR Ratios are ave of 4 yrs

Investment Period

5



years

Tax - dividends

0



%

Tax - capital gains

0



%

Calculate

6.85%

per year

Sync with TARG

6-year Default

WMT Wal-Mart Stores Inc Symbol Details Print Save Image Save Load Default Safety

Industry: Discount, Variety Stores Market: USA

Earnings Per Share (EPS)											EPSStm	Years	HGROWTH	STAEGR™	
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13		5.130	6	Calc	10.17%	98.28%
2.070	2.410	2.680	2.710	3.130	3.390	3.700	4.470	4.520	5.020						
Sales Per Share											HGROWTH		STAEGR™		
59.459	67.365	75.012	83.513	94.268	102.228	107.822	119.980	130.764	141.570		Chart	6	Calc	8.55%	99.5%
Net Profit Margin (NPM)											Current NPM		Chart		
3.53	3.60	3.59	3.27	3.40	3.34	3.64	4.03	3.67	3.78					3.78	
Return on Equity (ROE)											Current ROE		Chart		
20.80	20.80	21.10	18.30	19.70	20.50	21.00	24.80	23.00	23.30					23.30	
Price Earnings Ratio (PE Ratio)											Current		Current PE	Chart	
29.10	25.40	20.10	19.20	16.40	18.80	14.90	13.00	13.70	15.50		15.59	High	14.55		
22.40	21.20	15.80	15.60	13.40	13.80	12.50	10.70	10.70	11.40		13.13	Low			
Price											Current		Current Price	Chart	
60.20	61.31	53.74	52.15	51.44	63.85	55.20	57.90	62.00	79.96		79.96	High	74.65		
46.27	51.08	42.31	42.31	42.09	46.92	46.25	47.77	48.31	67.37		67.37	Low			
Payout Ratio (PR)											Current PR		Chart		
17	22	22	25	28	28	29	27	32	32				32%		

EPSStm	Years	HGROWTH	STAEGR™
5.130	6	Calc 10.17%	98.28%
HGROWTH		STAEGR™	
Chart	6	Calc 8.55%	99.5%
Current NPM		Chart	
3.78			
Current ROE		Chart	
23.30			

STRETD®

current year 25 Sep 2013

Price

Dividend Reinvestment Strategy Buy additional shares Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

EPSStm

PE Ratio

HGrowth

Payout

Tax - dividends

Tax - capital gains

Investment Period years

Calculate per year Sync with TARG

TARGD®

current year

Req Return

Dividend Reinvestment Strategy Buy additional shares Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

EPSStm

PE Ratio

HGrowth

Payout

Tax - dividends

Tax - capital gains

Investment Period years

Calculate Sync with STRET

EPSttm

Years

HGROWTH

STAEGR™

5.130

6

Calc

10.17%

98.28%

Chart

6

Calc

8.55%

99.5%

Current NPM

3.78

Chart

Current ROE

23.30

Chart

STRETD®

current year

25 Sep 2013

Dividend Reinvestment Strategy

- Buy additional shares
- Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price

74.65

EPSStm

5.130

PE Ratio

13.60

HGrowth

10.17

%

Payout

30

%

Investment Period

5  years

Tax - dividends

0  %

Tax - capital gains

0  %

Calculate

11.09% per year

Sync with TARG

10-year Default

WMT Wal-Mart Stores Inc Symbol Default Market: USA

Earnings Per Share (EPS)									
1/04	1/05	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13
2.070	2.410	2.680	2.710	3.130	3.390	3.700	4.470	4.520	5.020
Sales Per Share									
59.459	67.365	75.012	83.513	94.268	102.228	107.822	119.980	130.764	141.570
Net Profit Margin (NPM)									
3.53	3.60	3.59	3.27	3.40	3.34	3.64	4.03	3.67	3.78
Return on Equity (ROE)									
20.80	20.80	21.10	18.30	19.70	20.50	21.00	24.80	23.00	23.30
Price Earnings Ratio (PE Ratio)									
29.10	25.40	20.10	19.20	16.40	18.80	14.90	13.00	13.70	15.50
22.40	21.20	15.80	15.60	13.40	13.80	12.50	10.70	10.70	11.40
Price									
60.20	61.31	53.74	52.15	51.44	63.85	55.20	57.90	62.00	79.96
46.27	51.08	42.31	42.31	42.09	46.92	46.25	47.77	48.31	67.37
Payout Ratio (PR)									
17	22	22	25	28	28	29	27	32	32

EPStm	Years	HGROWTH	STAEGR™
5.130	10	Calc 10.1%	97.39%
Chart		Calc 9.92%	98.29%
Current NPM		3.78	Chart
Current ROE		23.30	Chart

STRETD®

current year 25 Sep 2013

Price

EPStm

PE Ratio

HGrowth

Payout

Dividend Reinvestment Strategy

Buy additional shares

Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Investment Period years

Tax - dividends %

Tax - capital gains %

per year

TARGD®

current year

Req Return

EPStm

PE Ratio

HGrowth

Payout

Dividend Reinvestment Strategy

Buy additional shares

Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Investment Period years

Tax - dividends %

Tax - capital gains %

EPSttm	Years		HGROWTH	STAEGR™
<input type="text" value="5.130"/>	<input type="text" value="10"/> ▼	<input type="button" value="Calc"/>	<input type="text" value="10.1%"/>	<input type="text" value="97.39%"/>
<input type="button" value="Chart"/>	<input type="text" value="10"/> ▼	<input type="button" value="Calc"/>	<input type="text" value="9.92%"/>	<input type="text" value="98.29%"/>
			Current NPM	<input type="button" value="Chart"/>
			<input type="text" value="3.78"/>	
			Current ROE	<input type="button" value="Chart"/>
			<input type="text" value="23.30"/>	

STRETD®

current year

25 Sep 2013

Price

74.65

EPSttm

5.130

PE Ratio

13.60

HGrowth

10.1

%

Payout

30

%

Dividend Reinvestment Strategy

Buy additional shares

Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Investment Period

5 

years

Tax - dividends

0  %

Tax - capital gains

0  %

Calculate

11.02%

per year

Sync with TARG

Safety

STRETD®

current year

25 Sep 2013

Dividend Reinvestment Strategy

- Buy additional shares
- Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Price

74.65

EPSttm

5.130

PE Ratio

12.29

HGrowth

7.34

%

Payout

27

%

Investment Period

5 

years

Tax - dividends

0  %

Tax - capital gains

0  %

Calculate

6.05%

per year

Sync with TARG

Kill It

current year		STRETD®		Price	73.59
		1 Oct 2013		EPSttm	5.130
Dividend Reinvestment Strategy				PE Ratio	10
<input checked="" type="radio"/> Buy additional shares				HGrowth	7 %
<input type="radio"/> Invest at the rate below				Payout	30 %
Note: PE and PR Ratios are ave of 4 yrs					
Investment Period	5	↑ ↓	years	Tax - dividends	0 %
				Tax - capital gains	0 %
Calculate	2.54%		per year	Sync with TARG	

Kill it Again

STRETD®

current year

1 Oct 2013

Price

73.59

EPSttm

5.130

PE Ratio

9

HGrowth

6.6

%

Payout

27

%

Dividend Reinvestment Strategy

Buy additional shares

Invest at the rate below

Note: PE and PR Ratios are ave of 4 yrs

Investment Period

5  years

Tax - dividends

0  %

Tax - capital gains

0  %

Calculate

0.02%

per year

Sync with TARG

Recent News

- Oct. 1, 2013 - New large-scale centers to fill online orders faster and cheaper. There will be one in Fort Worth, Texas and one in Bethlehem, Pa. They will create 600 new full-time jobs.
- Aug. 22, 2013 – Government officials and suppliers meet up at Walmart U.S. Manufacturing Summit in order to try and rebuild opportunities. They plan to infuse more than \$70 million into factory growth and create more than 1000 jobs.

Van Den Berg Metrics

Fiscal Period	4-Jan	5-Jan	6-Jan	7-Jan	8-Jan	9-Jan	10-Jan	11-Jan	12-Jan	13-Jan	Latest Q.
PE Ratio(ttm)	26.01	21.83	17.21	17.6	16.26	13.9	14.44	12.46	13.57	13.93	15.19
Price to Tangible Book	6.9	5.75	4.69	4.14	4.17	3.7	3.72	3.84	4.14	4.18	3.40
Price-to-Free-Cash-Flow ratio	41.11	101	62.31	44.16	37.04	15.87	14.52	18.38	19.6	18.55	21.95
PS Ratio	0.91	0.77	0.61	0.57	0.54	0.46	0.51	0.49	0.47	0.5	0.55
EV-to-Revenue	0.98	0.86	0.71	0.66	0.64	0.54	0.58	0.57	0.57	0.6	0.64
EV-to-EBITDA	13.47	11.54	9.66	8.86	8.53	7.45	7.6	7.26	7.39	7.71	8.28
EV-to-EBIT	16.92	14.51	12.11	11.23	10.98	9.65	9.86	9.43	9.66	10.06	10.85
Earnings Yield (Joel Greenblatt)	5.9	6.9	8.3	8.9	9.1	10.4	10.1	10.6	10.4	9.9	9.2
Forward Rate of Return	18.94	16.73	16.24	13.82	14.21	13.42	12.82	12.91	13.85	14.95	14.29
Shiller PE Ratio	34.07	28.68	21.77	20.46	19.04	16.44	16.9	15.98	15.93	16.61	17.59

P/E



P/Tangible Book



P/Free Cash Flow



P/Sales



EV/Sales



EV/EBITDA



EV/EBIT



Recommendation

- Place limit order to buy WMT at \$73.00