

WalMart



The Bad Assets



History

1962: Started in Arkansas

1970: Became publicly traded

1972: Listed on NYSE

1980's: First Sam's Club and Walmart Supercenter



History (Cont.)

1991: First international store is opened

2002: WMT tops the Fortune 500

2007: Began online purchases

2011: @WalmartLabs



Acquisitions

Under @WalmartLabs

- Luvocracy
- Stylr
- Adchemy



Recent News

Misrepresentation and misapplication of leases

Labor improvements

- New competitive strategies implemented
- Wage increases
- Long term

New terms imposed on WMT Suppliers



Business Segments

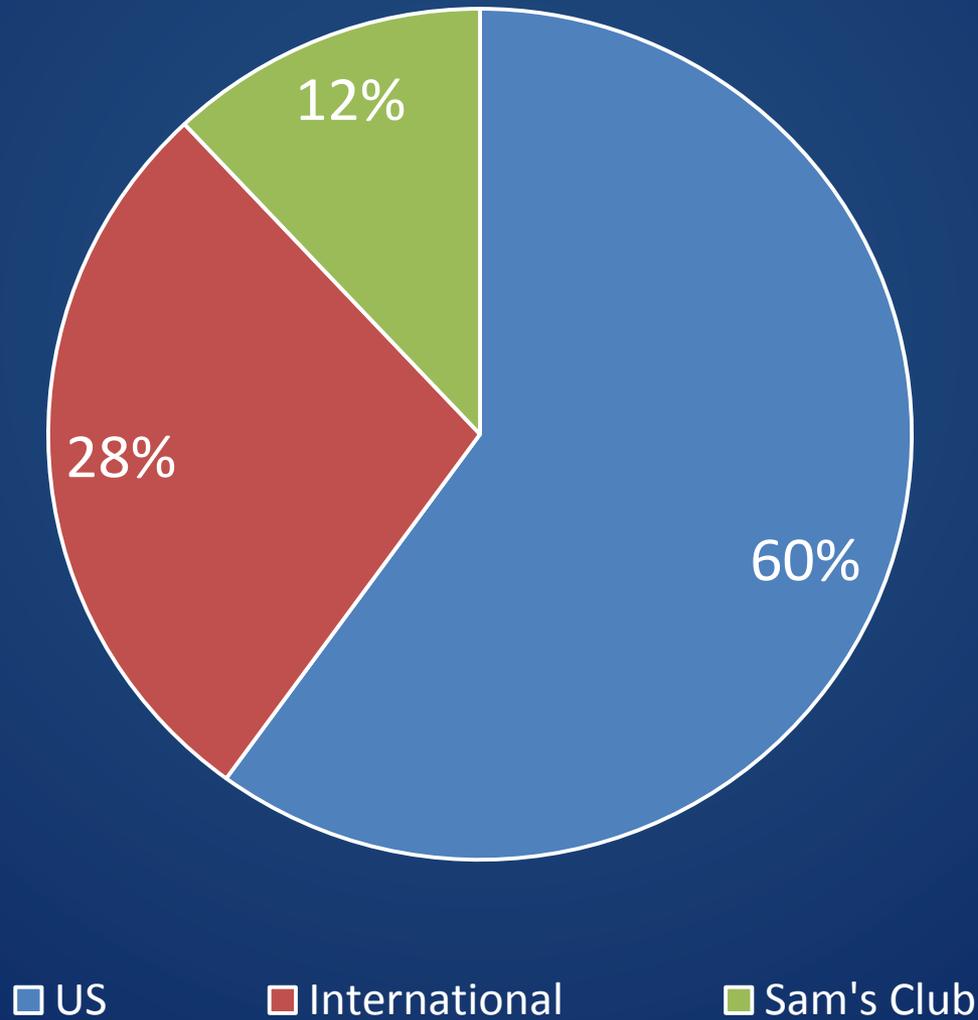
Walmart US

Walmart International

Sam's Club

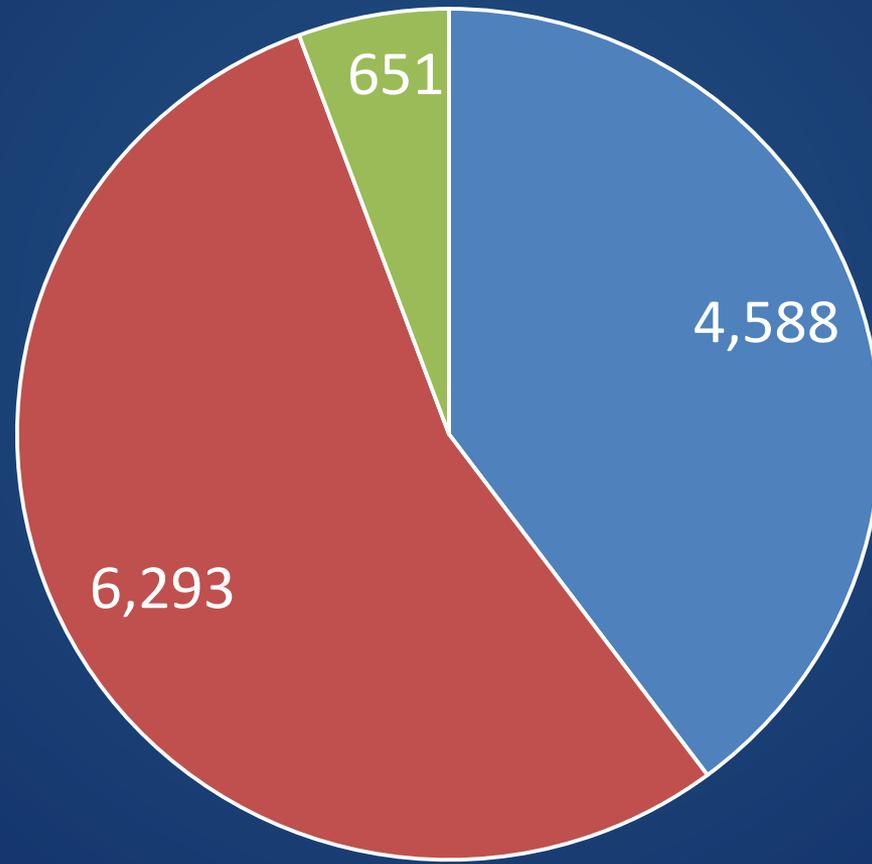


Percent of Total Net Sales





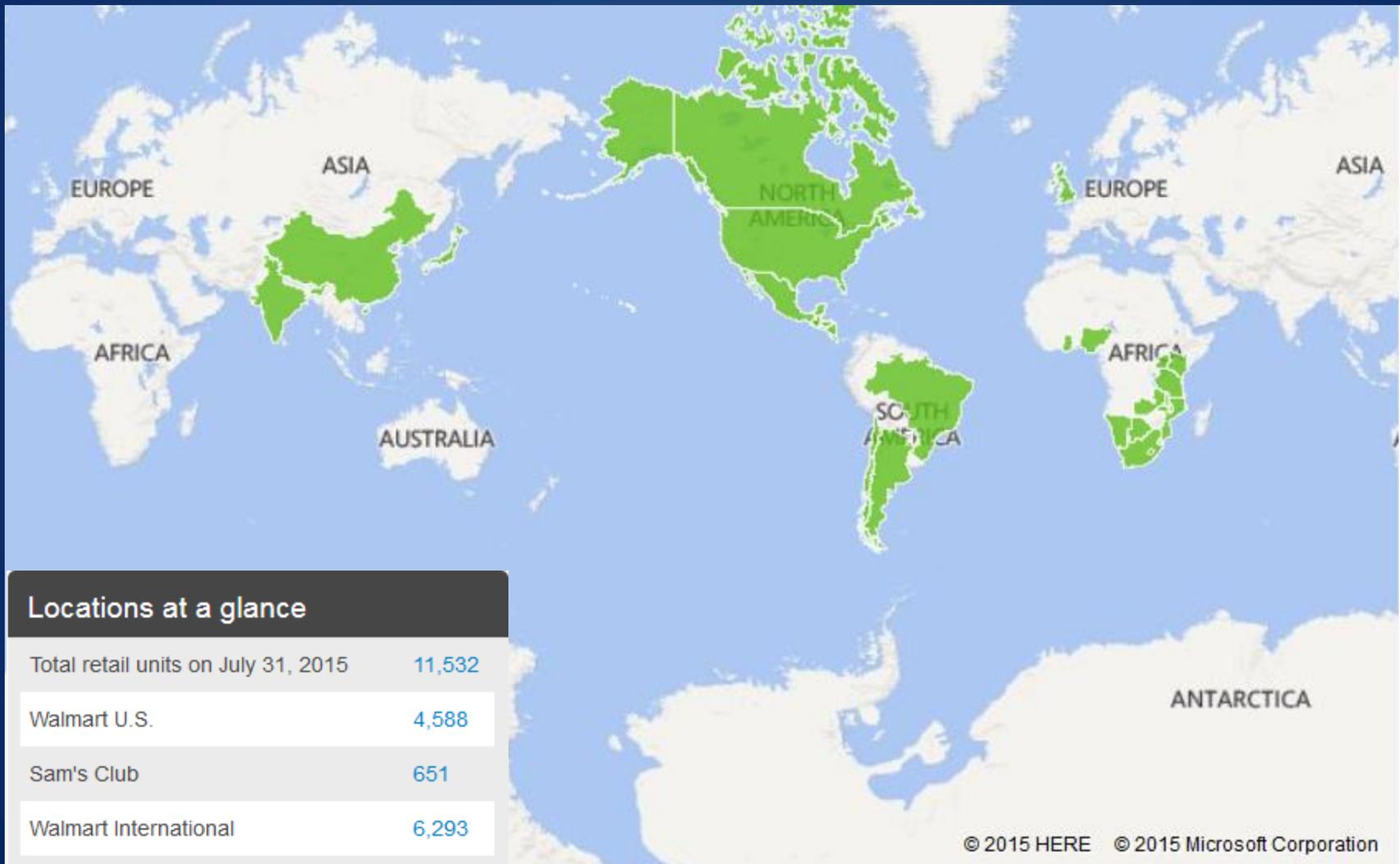
Retail Units



■ US ■ International ■ Sam's Club



WalMart International





Brazil





Asia-Pacific



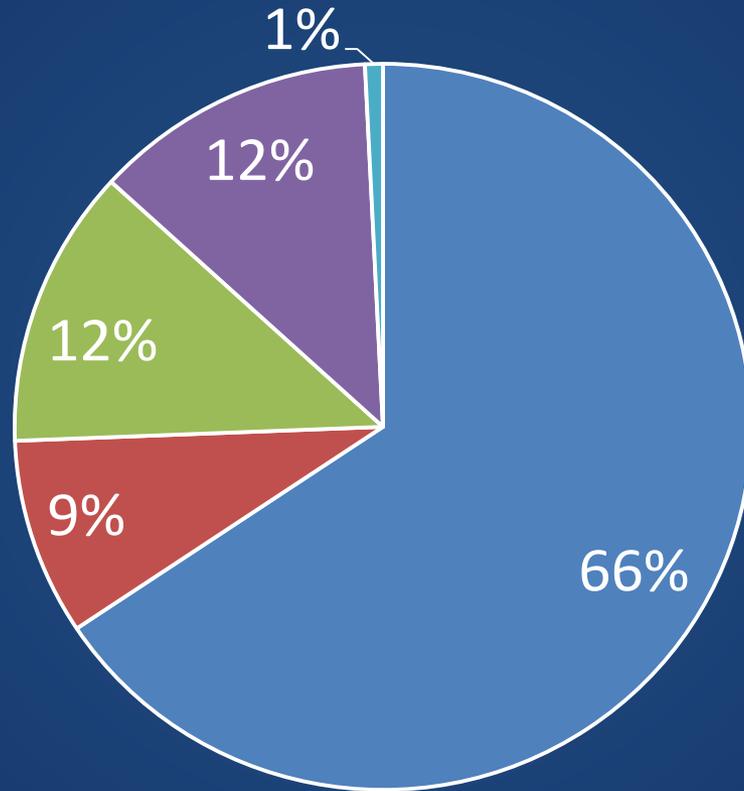


United Kingdom





Storefronts



■ Supercenters

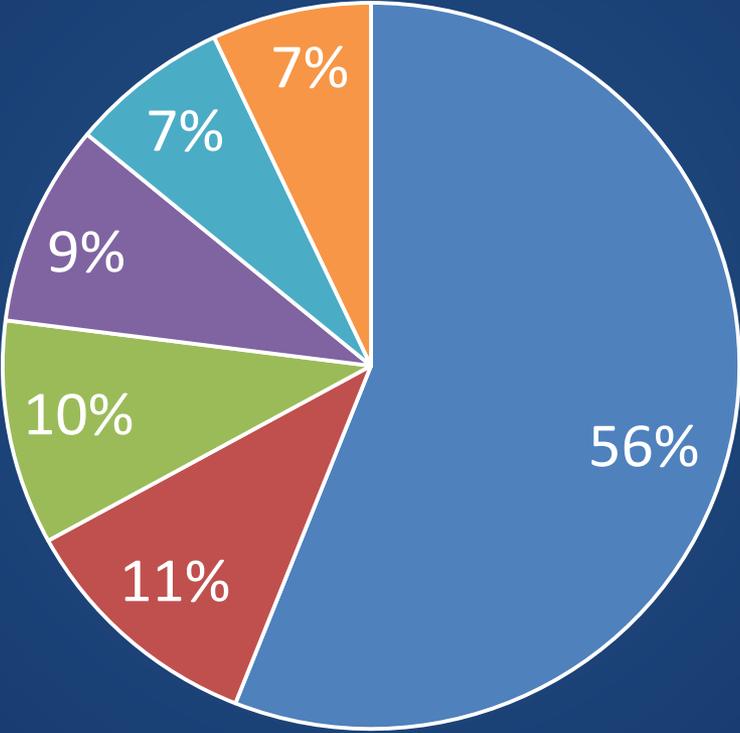
■ Neighborhood Markets

■ Small Formats

■ Discount Stores

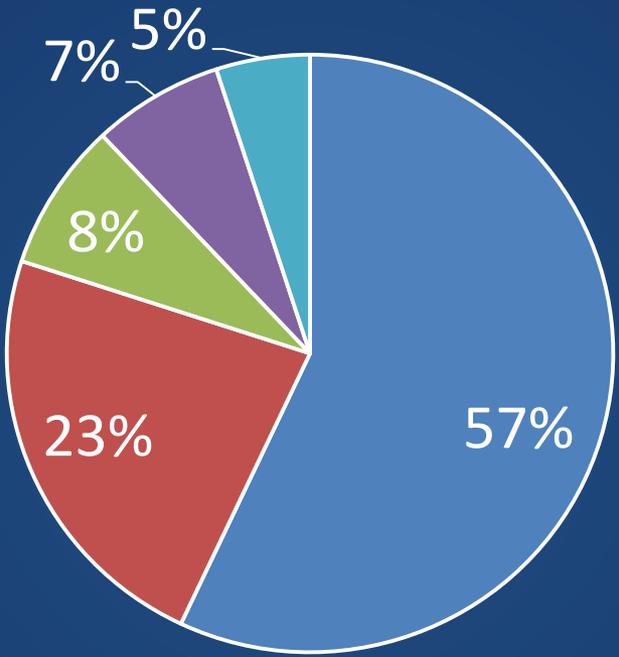
■ Sam's Club

Walmart Merchandise Percentage of Sales



- Groceries
- Entertainment
- Apparel
- Health and Wellness
- Hardlines
- Home

Sam's Club Merchandise Sales



- Groceries and consumables
- Fuel and other categories
- Home and apparel



Business Model

Customer proposition is focused on 4 areas:

- Price – Every Day Low Pricing
- Access
- Assortment
- Experience



Employees

2.2 million associates

- 1.4 million in US
- 3,600 e-commerce employees

\$1 billion incremental investment

- Increased their minimum wage to \$10 per hour
- \$500 million in bonuses earned by hourly associates in FY 2015



Logistics





Distribution Centers

158 distribution centers

- Approximately 1 million square feet in size
- Up to 12 miles of conveyor belts in regional centers
- Cross Docking
- Supports 90-100 stores within a 200 mile radius

9 disaster distribution centers



Private Fleet of Trucks

The Fleet:

- 6,500 tractors
- 55,000 trailers
- Over 7,000 drivers

100,000 miles per driver averaged annually
“like driving around the world 4 times”

In 2014, WMT delivered nearly 161 million more cases, while only adding 24 million new miles



E-Commerce

Largest collection of commerce data in the world

Operational in 10 countries

Walmart.com has 45 million visits per month

Mobile Apps:

- Savings Catcher
- Fast and Easy Refills
- Shop Walmart.com



E-commerce and Growth

75% of Walmart.com sales come from non-store inventory

Increased Walmart.com assortment by 60% in FY 2015

Invested \$300 million to improve e-commerce; \$1 billion incremental plan



International E-commerce Growth

Global sales grew 22% in FY 2015

Brazil sales grew faster than the market

China- Yihaodian saw a traffic increase of over 60% in FY 2015

Growth From Fiscal Year 2011 to 2015



\$64 billion increase in consolidated net sales

\$64 billion returned to shareholders

19% increase in EPS

Growth Over Fiscal Year 2015



Net sales increased by 3.1%

International net sales grew by 3.6%

Added 183 new stores

Generated \$16 billion in free cash flow

- best performance in a decade

Growth Over Fiscal Year 2015



Sam's Club

- Membership income increased by 10%
- Sales increased by 1.5%
- Operating income increased by 2%
- Doubled its organic product offerings

Growth Plan for Fiscal Year 2016



General Growth Plan

- Grow its operating income at a faster rate than net sales by growing its expenses at a slower rate
- Top growth priority- run great stores in all markets

Continue to grow product offering

Growth Plan for Fiscal Year 2016



Add 15-16 million total net retail square feet

Expand operations in the US, Mexico, and Japan

Open 4 new US e-commerce fulfillment centers



Growth Plan for Fiscal Year 2016

- Sam's Club:
 - Open 9-12 new and relocated clubs
 - Remodel at least 55 clubs
 - Innovate SamsClub.com



Future Growth Plans

Off-balance sheet arrangements

- Future lease commitments for land and buildings for approximately 282 future locations



Risk Factors

Macro-economic factors

Regulations

Consumer Trends

Legal Proceedings

Data Privacy

Suppliers



Competitive Advantage

Insider Ownership

Size

Infrastructure

- Distribution network



Size

- U.S Retail Sales exceed Kroger, Target & Costco combined
- Outpaced 2nd largest company in the World, Exxon Mobile, by \$103 Billion
- 3rd largest employer in the World



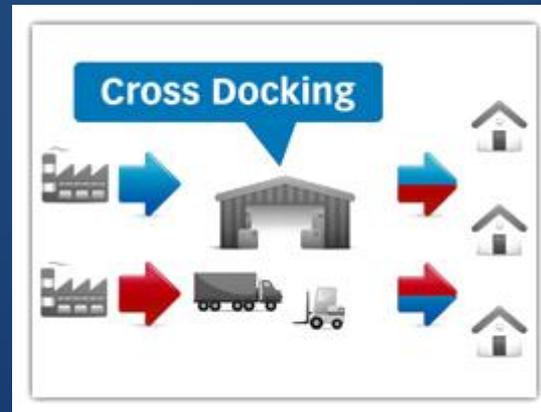
Infrastructure

Own 104 of 134 US Distribution Centers

- 52 of 156 International DC

Sam's Club Logistical Technique

- Cross Docking





Qualitative Review

Qualitative Question	
What type of business is this: commodity or sustained competitive advantage	Sustained Competitive Advantage
Can you easily explain what the business does	Yes
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?	Yes & No
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	No
If I gave you \$1 billion could you develop a competitor?	No



Quantitative Analysis

Interpretation of the Financial Statements



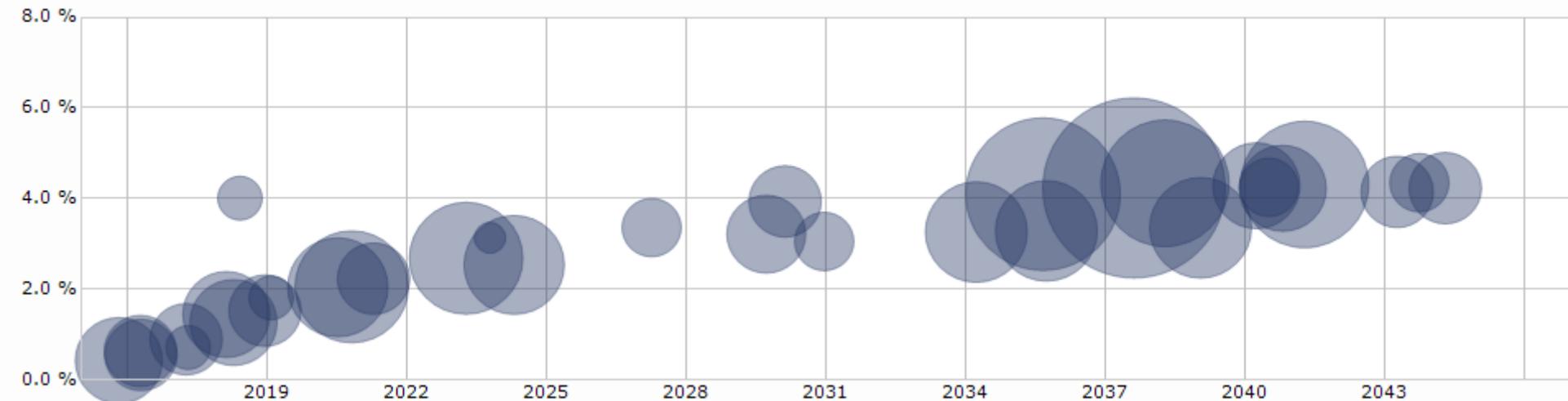
<u>TTM</u>	Value	Low Threshold	Pass?	High Threshold
Gross Profit Margin	24.86%	≥ 20%	Yes	≥ 40%
% SGA	78.49%	≤ 80%	Yes	≤ 30%
% R&D	0.00%	≤ 10%	Yes	0%
% Depreciation	7.71%	≤ 10%	Yes	≤ 8%
Interest % of OP	-10.43%	≤ 15%	Yes	≤ 10%
Net Profit Margin	3.19%	≥ 10%	No	≥ 20%
Current Ratio	0.89	≥ 1	No	≥ 1.2
Obligation Ratio	3.30	< 5 years	Yes	< 3 years
Adj. Debt to Shareholder Equity	1.52	< 0.8	No	< 0.6
Return on Equity	19.64%	≥ 15%	Yes	≥ 30%
Return on Capital	13.16%	≥ 15%	No	≥ 30%
Dividend Payout Ratio	44.81%	≤ 60%	Yes	≤ 40%
Preferred Stock	None	None	Yes	None
Capital Expenditures	78.13%	≤ 25%	No	≤ 15%
Net Earning Trend	Up	Up	Yes	Up
Retained Earnings Trend	Up	Up	Yes	Up



Long-Term Debt Analysis

Yield to Maturity

● Debt ● Preferred ● Convertible ● ● ● Circle size determined by issue amount





Long-Term Debt Analysis

Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Wal-Mart Stores 6.5%	08/15/2037	3,000.0	---	132.4	6.500	Fixed	No	No	4.23
Wal-Mart Stores 5.25%	09/01/2035	2,500.0	---	115.8	5.250	Fixed	No	No	4.10
Wal-Mart Stores 5.625%	04/15/2041	2,000.0	---	120.4	5.625	Fixed	No	No	4.31
Wal-Mart Stores 6.2%	04/15/2038	2,000.0	---	126.9	6.200	Fixed	No	No	4.34
Wal-Mart Stores 3.25%	10/25/2020	1,750.0	---	106.1	3.250	Fixed	No	No	2.05
Wal-Mart Stores 2.55%	04/11/2023	1,750.0	---	99.1	2.550	Fixed	No	No	2.68
Wal-Mart Stores In 5.625%	03/27/2034	1,538.0	---	133.1	5.625	Fixed	No	---	3.26
Wal-Mart Stores In 4.875%	01/19/2039	1,538.0	---	124.7	4.875	Fixed	Yes	---	3.35
Wal-Mart Stores In 5.25%	09/28/2035	1,538.0	---	129.0	5.250	Fixed	No	---	3.29
Wal-Mart Stores 3.3%	04/22/2024	1,500.0	---	106.1	3.300	Fixed	No	No	2.53

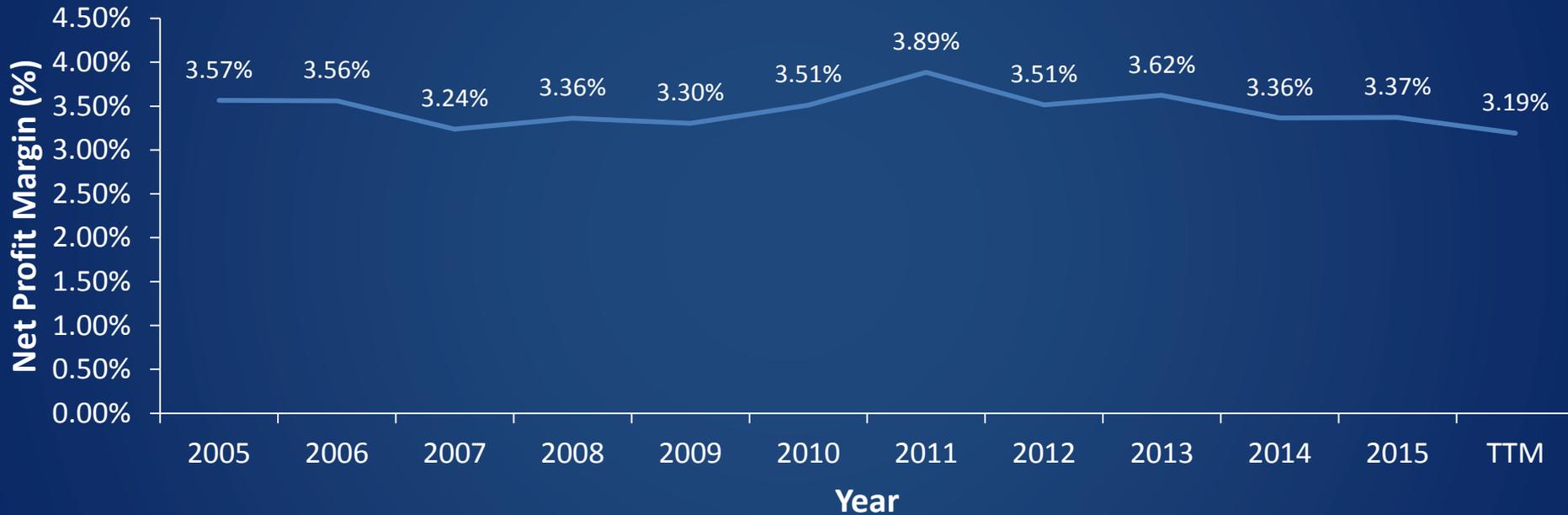


DuPont Analysis

Year	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
2008	3.36%	2.32	2.53	19.70%
2009	3.30%	2.48	2.50	20.53%
2010	3.51%	2.40	2.42	20.34%
2011	3.89%	2.34	2.64	23.91%
2012	3.51%	2.31	2.71	22.01%
2013	3.62%	2.31	2.66	22.27%
2014	3.36%	2.33	2.69	21.01%
2015	3.37%	2.38	2.50	20.10%
TTM	3.19%	2.44	2.52	19.64%

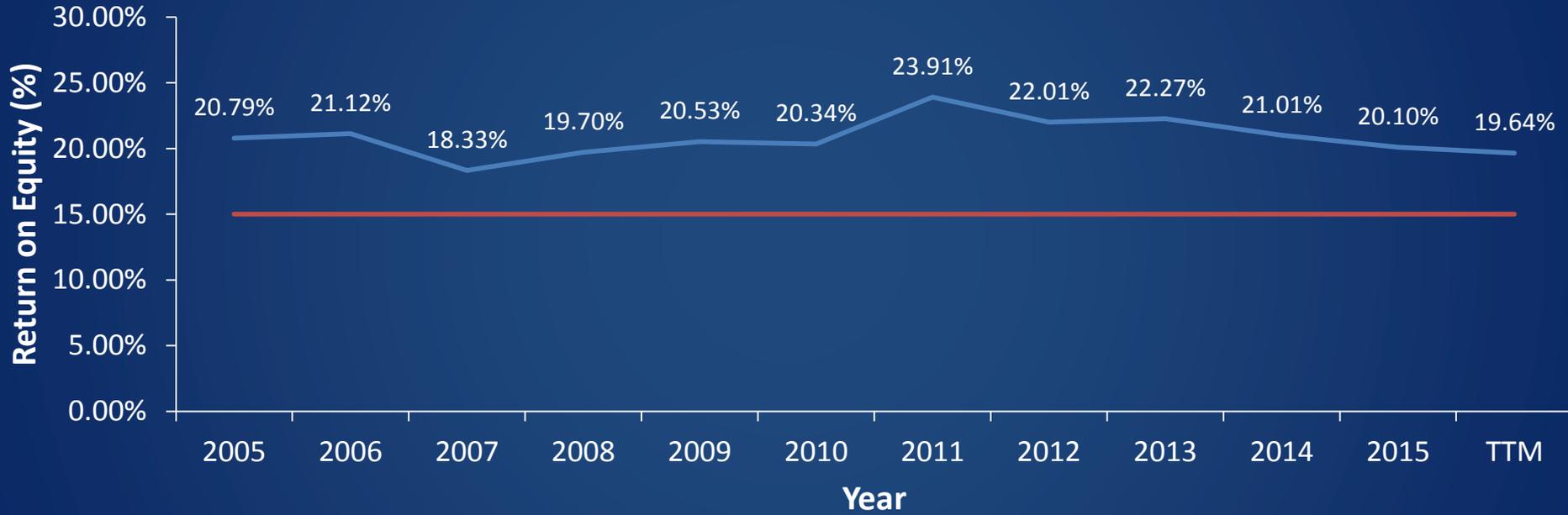


Net Profit Margin





Return on Equity





Return on Capital





Working Capital

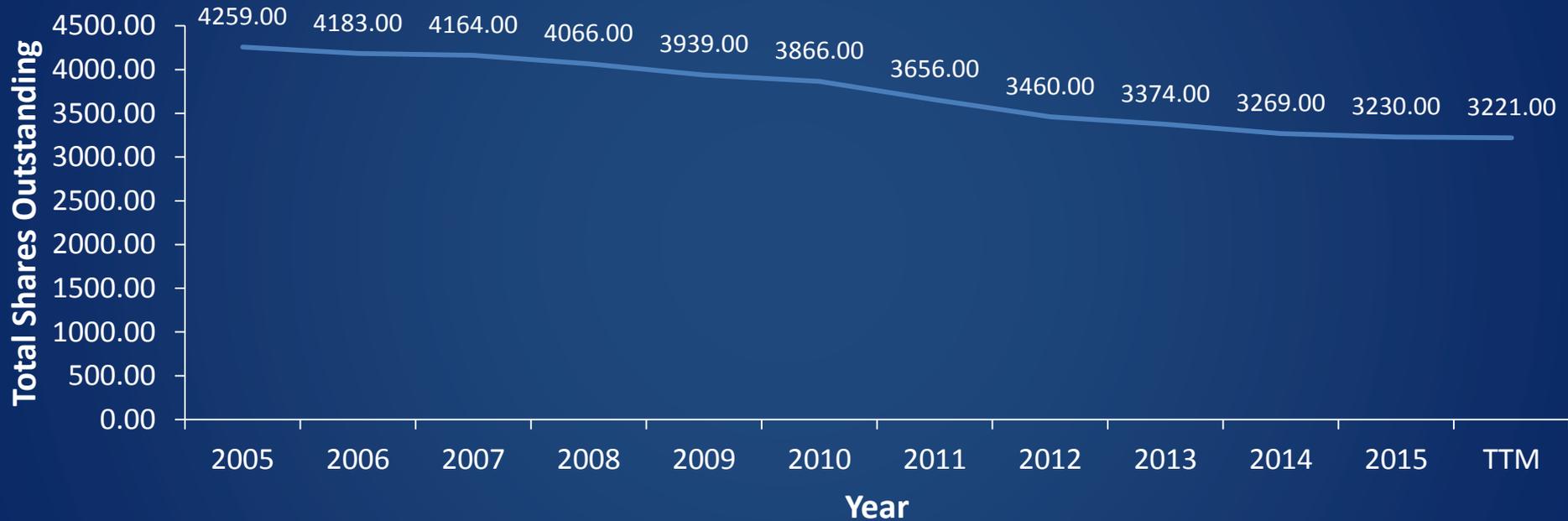




Retained Earnings



Shares Outstanding (in millions)





Buffettology

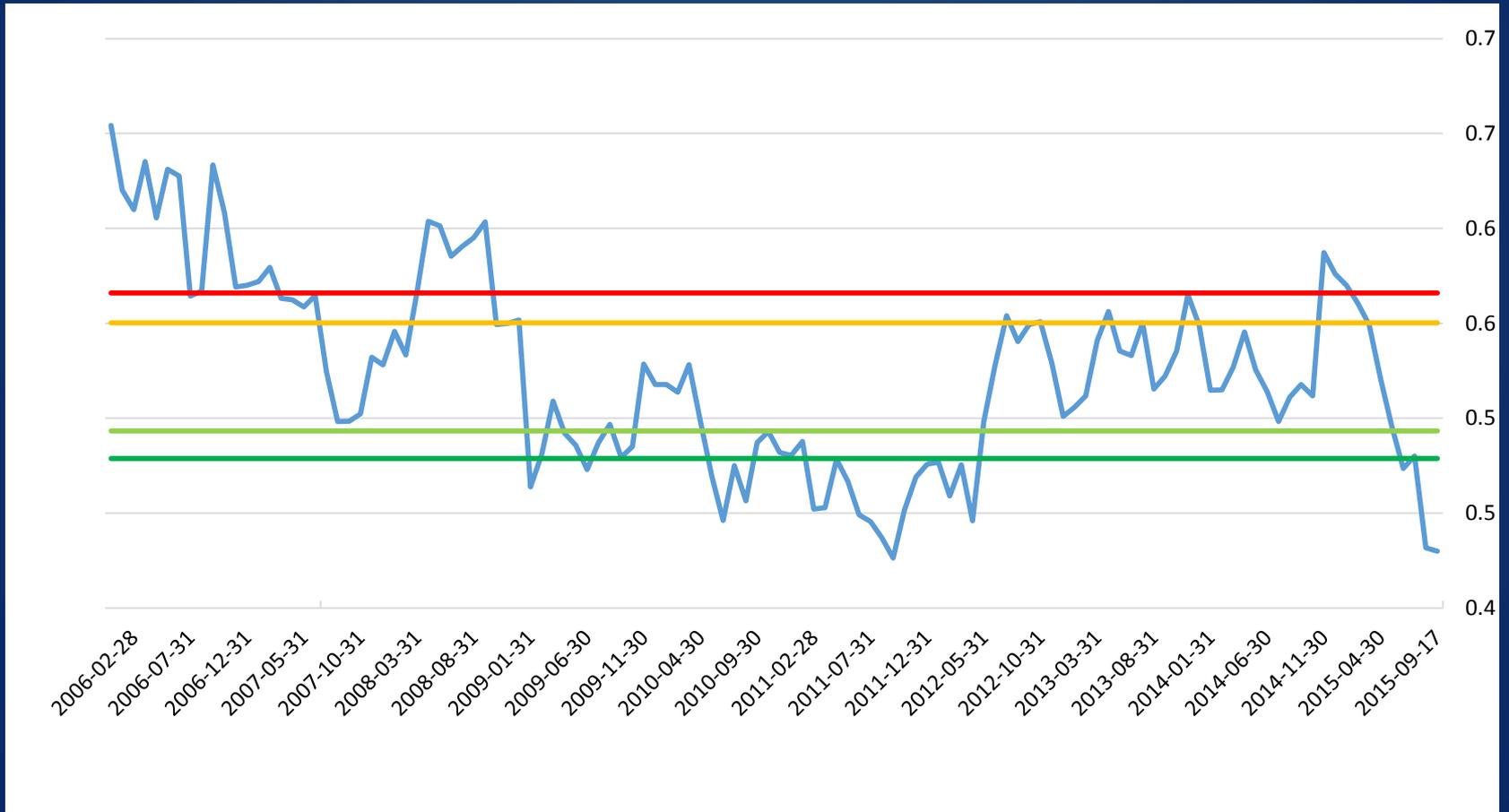
Increasing trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Stable
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Stable
Operating Profit Margin	Stable
Number of Stores	Increasing
Net Profit	Recent decline
Net Profit Margin	Recent decline
Shareholder's Equity	Increasing
Return on Total Capital	Stable
Return on Shareholder's Equity	Decreasing some
Common Shares Outstanding	Decreasing
LT Debt Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes
Annual Growth Rate Analysis	Decreasing



Value Bands

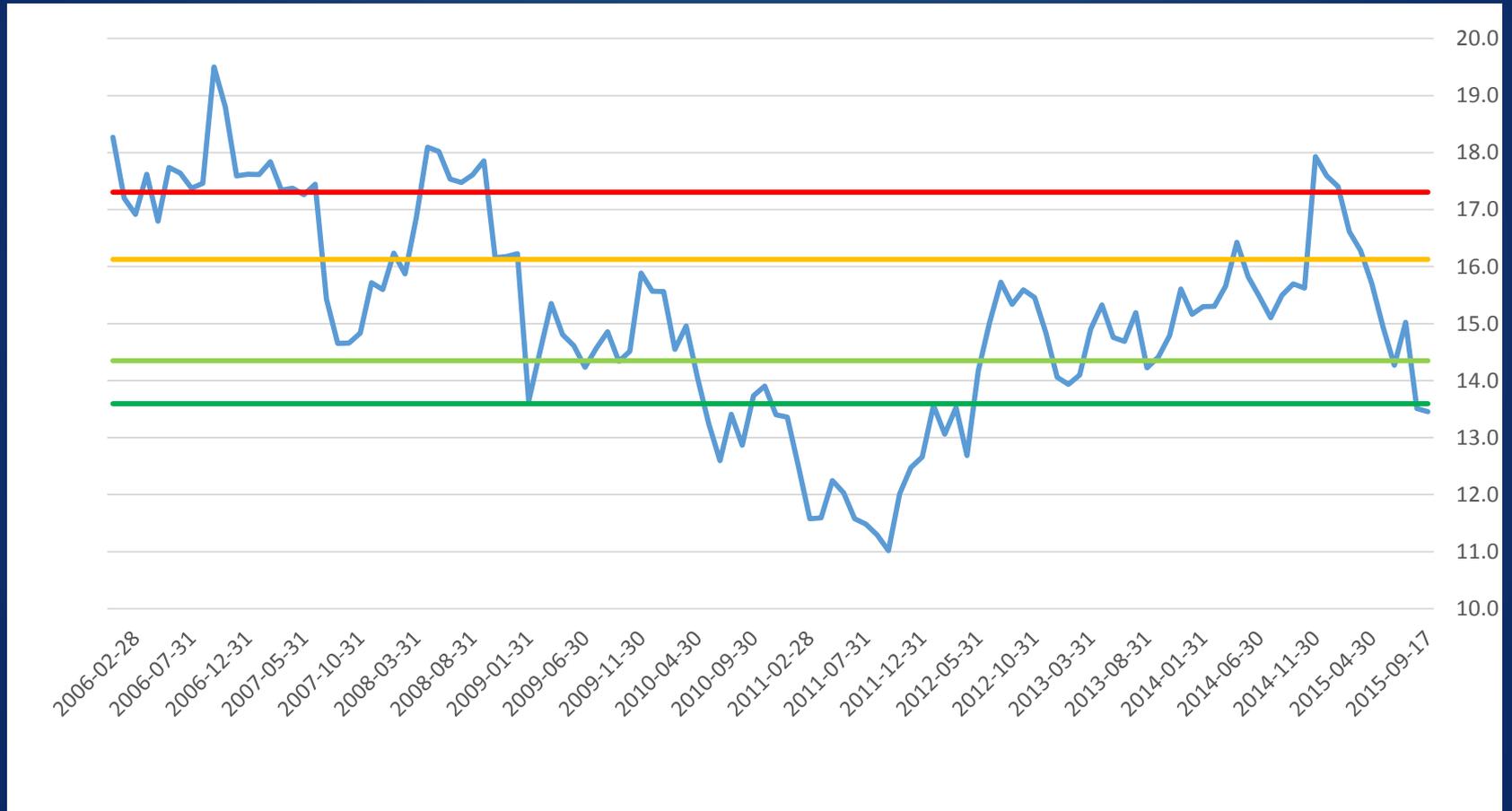


Price/Sales



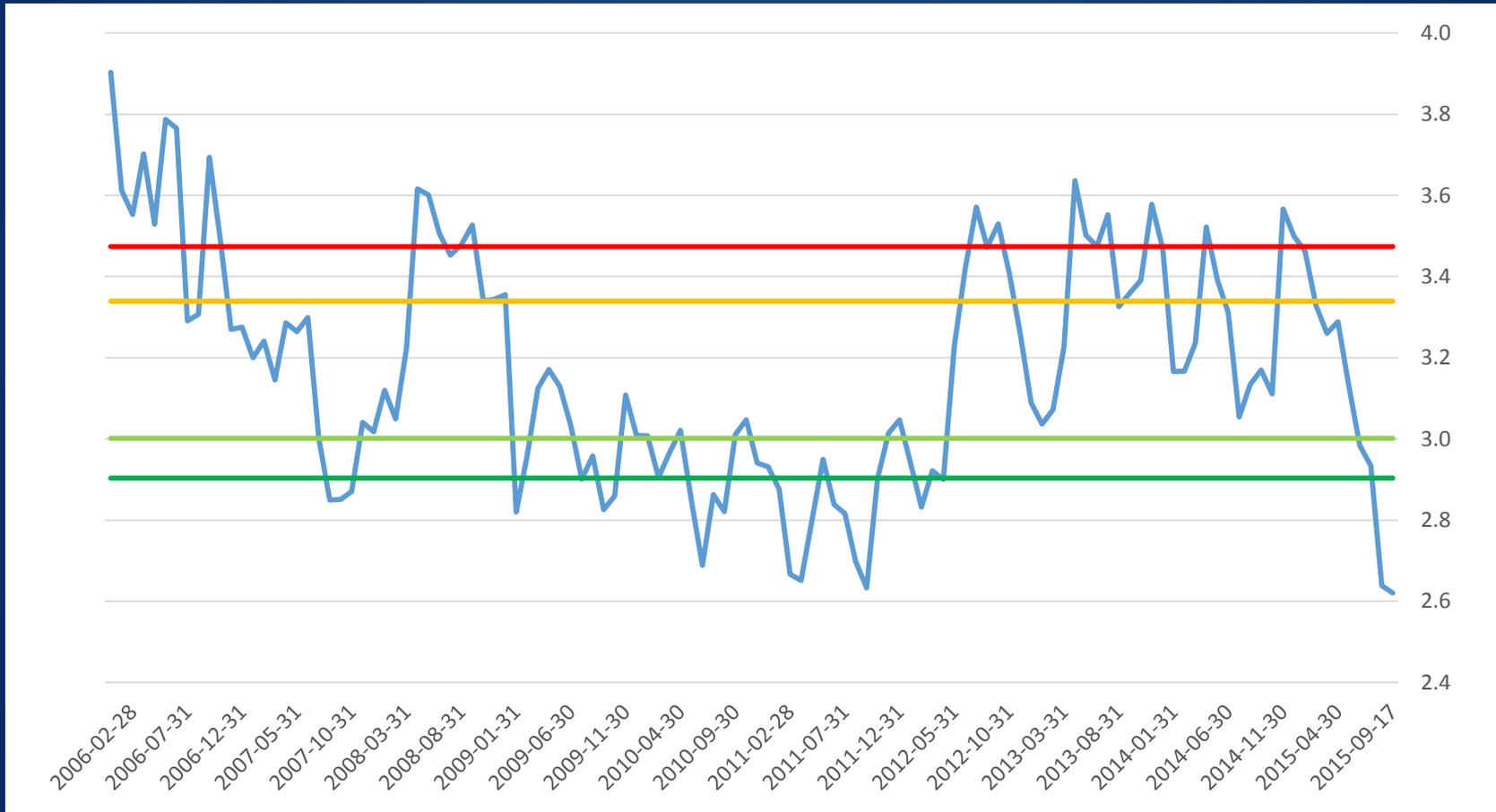


Price/Earnings



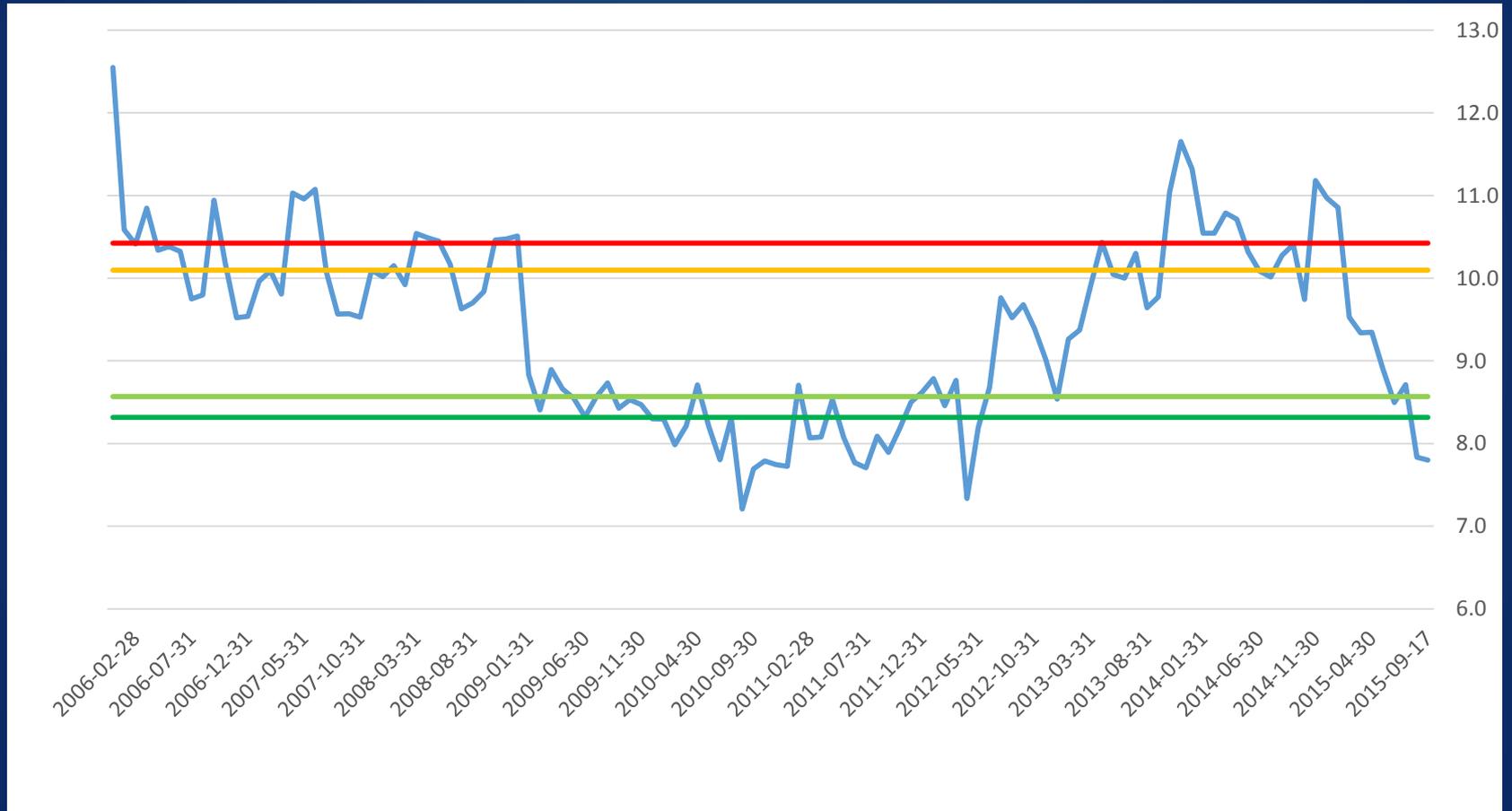


Price/Book



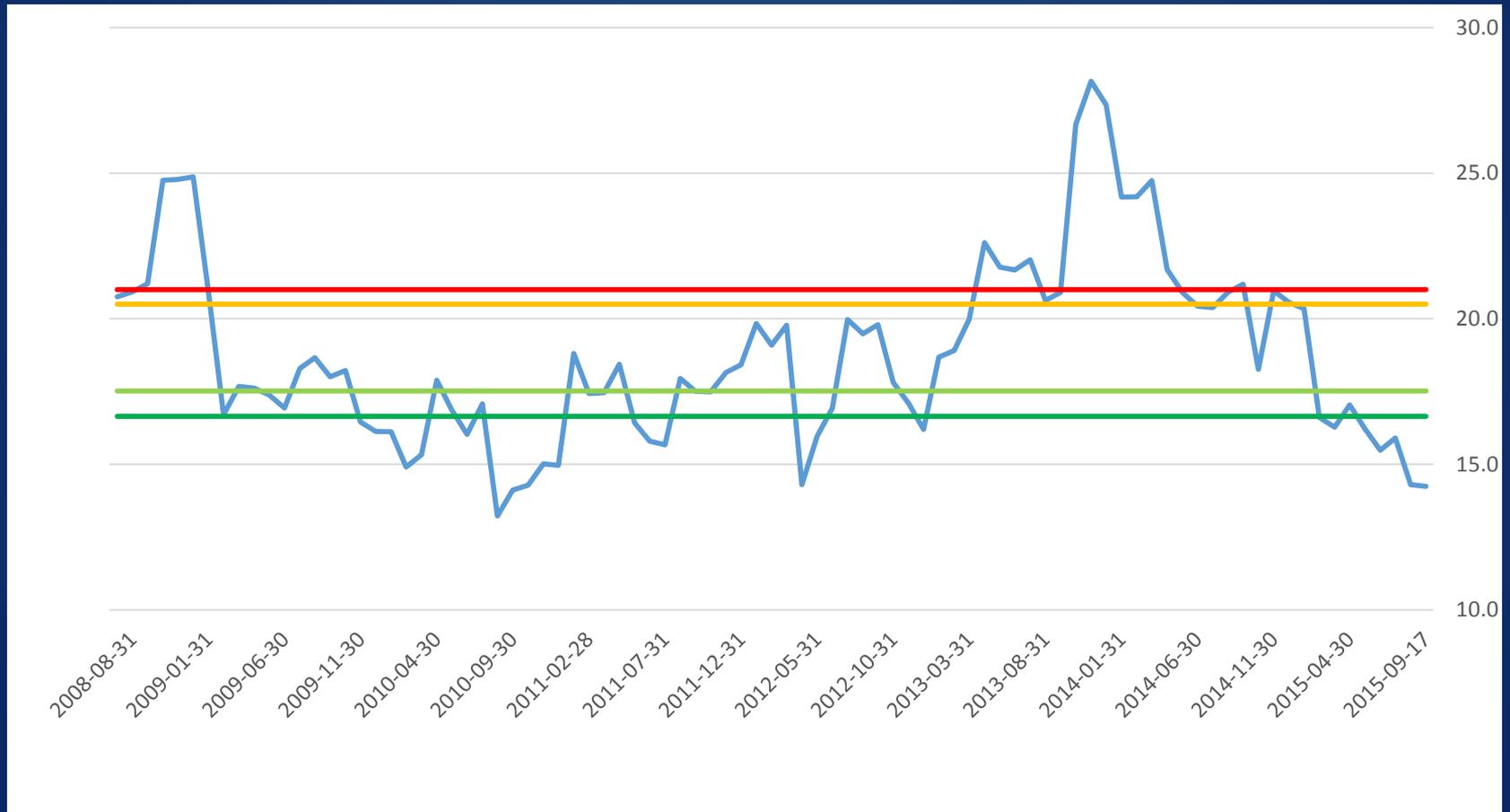


Price/Cash Flow



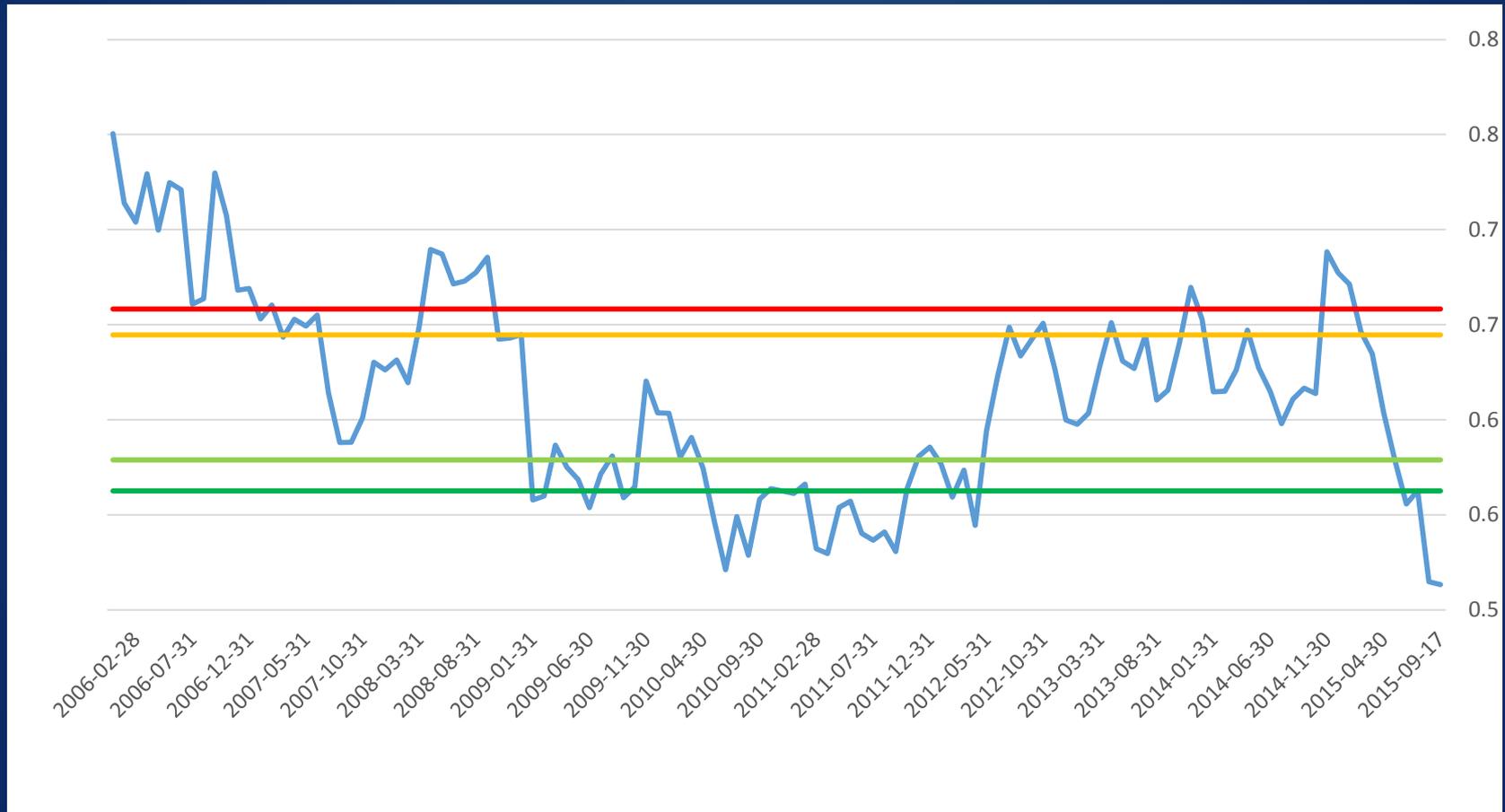


Price/Free Cash Flow



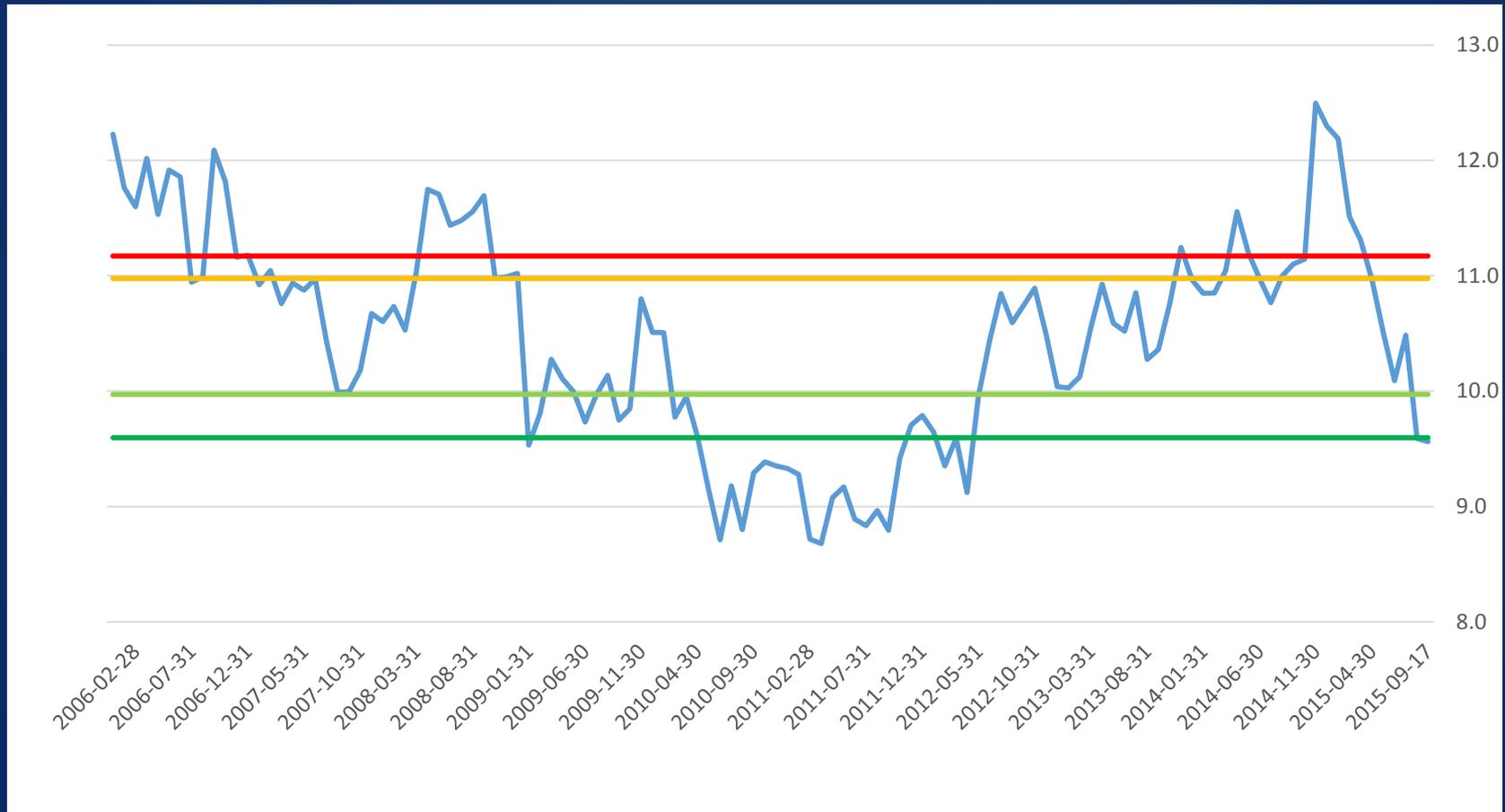


Enterprise Value/Revenue



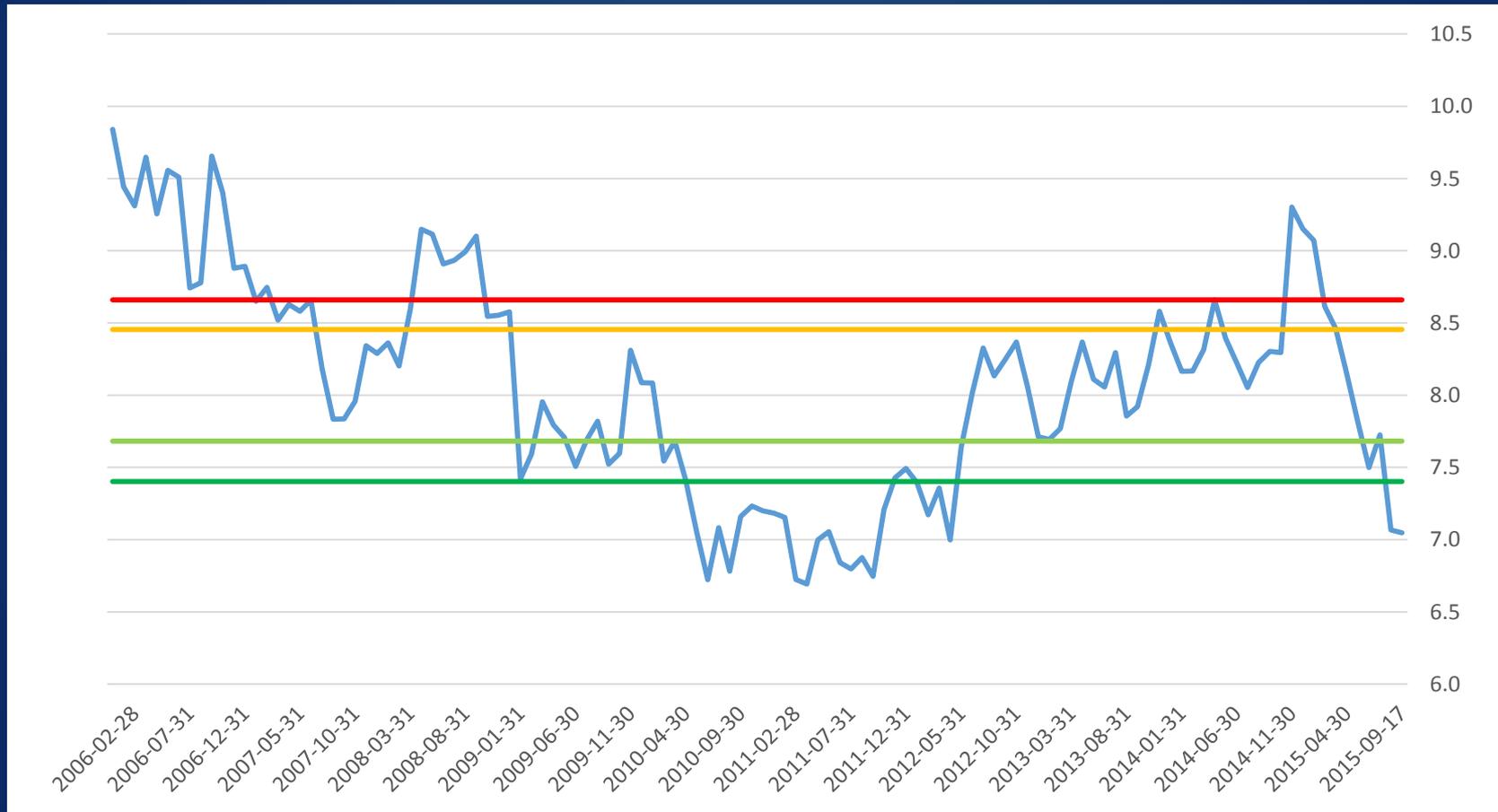


Enterprise Value/EBIT





Enterprise Value/EBITDA





Discounted Cash Flow

Discounted Cash Flow: Default



Earnings Per Share : \$	<input type="text" value="4.79"/>	?
Growth Rate In the Next:	<input type="text" value="10"/> Years :	<input type="text" value="8.10"/> % ?
Business Predictability	<input type="text" value="★★★★★"/> ?	
Terminal Growth Rate:	<input type="text" value="4"/> %	?
Years of Terminal Growth:	<input type="text" value="10"/>	?
Discount Rate:	<input type="text" value="12"/> %	?

→

DCF	Reverse DCF ^{NEW}
Tangible Book Value: \$	<input type="text" value="19.00"/> <input type="checkbox"/> Add to Fair Value ?
Growth Value: \$	<input type="text" value="39.62"/> ?
Terminal Value: \$	<input type="text" value="22.87"/> ?
= Fair Value:	\$ 62.49 ?
Margin Of Safety:	-3%

Per Share Data	Annuals (Year End)			TTM	Quarterly
Fiscal Period	Jan13	Jan14	Jan15	Jul15	Jul15
Revenue (\$)	138	145	150	150	37.21
EBITDA	10.77	10.92	11.23	10.92	2.61
EBIT	8.20	8.19	8.37	8.01	1.88
Free Cashflow	3.75	3.09	5.05	4.53	0.87
EPS (\$)	5.02	4.88	5.05	4.79	1.08
EPS (w/o Non-Recur. Items) (\$)	5.02	4.85	4.99	4.79	1.08
Dividends	1.59	1.88	1.92	1.95	0.49
Book Value	23.04	23.59	25.21	24.53	24.53

Discounted Cash Flow: Assumptions



Earnings Per Share : \$ 5.6

Growth Rate In the Next: 10 Years : 6.4 %

Business Predictability ★★★★★

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %



DCF Reverse DCF ^{NEW}

Tangible Book Value: \$ 19.00 Add to Fair Value

Growth Value: \$ 42.69

Terminal Value: \$ 22.81

= Fair Value: \$ 65.51

Margin Of Safety: 2%

2015	2016	© VALUE LINE PUB. LLC	18-20
152.95	158.35	Sales per sh ^A	200.85
7.95	8.50	"Cash Flow" per sh	11.50
4.80	5.10	Earnings per sh ^{A B}	6.90
1.96	2.05	Div'ds Decl'd per sh ^C	2.25
27.50	30.00	Book Value per sh	35.00

5.6%



Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	8.40	7.50	1.50
EBITDA Growth (%)	8.70	6.70	-0.40
EBIT Growth (%)	8.10	6.10	-2.10
EPS without NRI Growth (%)	8.10	5.90	
Free Cash Flow Growth (%)	23.00	5.70	25.10
Book Value Growth (%)	7.80	6.50	1.80

6.4%





Conscious Investor

Conscious Investor – 5 years



	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	EPSttm	Years	HGROWTH
EPS (\$)	2.680	2.710	3.120	3.390	3.700	4.460	4.520	5.020	4.880	5.050	\$4.866	5	3.26%
SPS (\$)	75.787	84.398	95.343	103.404	107.822	119.980	130.764	141.570	147.323	150.450		5	5.90%
	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15			Current
NPM (%)	3.6	3.5	3.4	3.3	3.7	3.8	3.7	3.8	3.5	3.5			3.5%
ROE (%)	21.9	19.7	20.2	20.6	21.1	23.5	22.5	23.0	21.0	20.8			20.8%
Payout (%)	22.0	25.0	28.0	28.0	29.0	27.0	32.0	32.0	39.0	38.0			38.0%
Debt/Eq. (%)	73.0	63.4	69.1	64.7	58.4	72.7	74.9	70.9	74.3	61.9			61.9%
	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	High/Low		Current
P/E High	20.05	19.24	16.49	18.83	14.92	12.98	13.72	15.46	16.67	18.01	18.70		13.21
P/E Low	15.79	15.61	13.49	13.84	12.50	10.71	10.69	11.39	13.96	14.31	12.64		
Price High	53.74	52.15	51.44	63.85	55.20	57.90	62.00	77.60	81.37	90.97	90.97		64.28
Price Low	42.31	42.31	42.09	46.92	46.25	47.77	48.31	57.18	68.13	72.27	61.50		



5 Year Safety

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	64.28	\$4.866	14.57	3.26%	35.8%	5.30%
Safety	64.28	\$4.866	11.67	2.13%	31.4%	2.55%

Cut P/E by 19.90%
Cut earnings growth by 34.66%

Conscious Investor – 10 years



	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	EPSttm	Years	HGROWTH
EPS (\$)	2.680	2.710	3.120	3.390	3.700	4.460	4.520	5.020	4.880	5.050	\$4.866	10	8.39%
SPS (\$)	75.787	84.398	95.343	103.404	107.822	119.980	130.764	141.570	147.323	150.450		10	8.13%
	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15			Current
NPM (%)	3.6	3.5	3.4	3.3	3.7	3.8	3.7	3.8	3.5	3.5			3.5%
ROE (%)	21.9	19.7	20.2	20.6	21.1	23.5	22.5	23.0	21.0	20.8			20.8%
Payout (%)	22.0	25.0	28.0	28.0	29.0	27.0	32.0	32.0	39.0	38.0			38.0%
Debt/Eq. (%)	73.0	63.4	69.1	64.7	58.4	72.7	74.9	70.9	74.3	61.9			61.9%
	1/06	1/07	1/08	1/09	1/10	1/11	1/12	1/13	1/14	1/15	High/Low		Current
P/E High	20.05	19.24	16.49	18.83	14.92	12.98	13.72	15.46	16.67	18.01	18.70		13.21
P/E Low	15.79	15.61	13.49	13.84	12.50	10.71	10.69	11.39	13.96	14.31	12.64		
Price High	53.74	52.15	51.44	63.85	55.20	57.90	62.00	77.60	81.37	90.97	90.97		64.28
Price Low	42.31	42.31	42.09	46.92	46.25	47.77	48.31	57.18	68.13	72.27	61.50		



10 Year Safety

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET [®]
Default	64.28	\$4.866	14.57	8.39%	35.8%	9.69%
Safety	64.28	\$4.866	11.67	5.58%	31.4%	5.30%

Cut P/E by 19.90%
Cut earnings growth by 33.50%



Conscious Investor – Kill It

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	64.28	\$4.866	14.57	8.39%	35.8%	9.69%
Safety	64.28	\$4.866	11.67	5.58%	31.4%	5.30%
🔄 Saved	64.28	\$4.866	10.69	4.00%	30.0%	3.31%

Cut P/E by 26.63%

Cut earnings growth by 52.32%



Conscious Investor – Kill It Again

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	64.28	\$4.866	14.57	8.39%	35.8%	9.69%
Safety	64.28	\$4.866	11.67	5.58%	31.4%	5.30%
 Saved	64.28	\$4.866	8.00	2.10%	30.0%	0.00%

Cut P/E by 82.13%
Cut earnings growth by 75%



Industry Breakdown

Company	Wal-Mart Stores, Inc.	Target Corp.	Costco Wholesale Corp.	Amazon.com, Inc.
Market Cap	206.69B	49.02B	62.45B	252.04B
P/E (ttm)	13.50	-	27.53	-
P/S	.34	0.69	0.54	2.61
P/B	2.64	3.57	5.94	21.19
EV/EBIT	9.76	11.18	17.30	471.73
Price/FCF	14.27	12.35	32.76	56.75
Yield (%)	3.01	2.70	1.05	-
ROE (%)	19.61	-6.01	20.14	-1.73
ROA (%)	7.63	-2.11	6.89	-.40
Operating Margin (%)	5.35	7.41	3.07	.80
Net Margin (%)	3.19	-1.24	1.99	-.20
Moody's credit ratings	37	20	19	23



DuPont Analysis

Company	Wal-Mart Stores, Inc.	Target Corp.	Costco Wholesale Corp.	Amazon.com, Inc.
Net Profit Margin	3.19%	NMV (-1.24)	1.99%	NMV (-0.20)
Total Asset Turnover	2.44	1.80	3.46	1.83
Financial Leverage Multiplier	2.52	2.90	3.16	NMV (-28.55)
Return on Equity	19.61%	NMV	21.76%	NMV



Intra-Portfolio Valuations



Price/Earnings

	Ticker	5-Year Price / Earnings Range
▷	AIG-WT	
▷	NSRGY	
▷	FAST	21.0 45.2
▷	BBBY	11.7 18.7
▷	IBM	9.4 16.0
▷	AIG	2.1 -
▷	WMT	11.0 19.0
▷	UNP	12.7 24.0
▷	ORCL	13.3 25.3
▷	CMI	8.3 23.8
▷	CHRW	13.9 36.1
▷	WBA	10.0 43.6
▷	PM	13.0 18.7
▷	BRK.B	13.3 19.9
▷	PEP	15.1 23.1
▷	KO	11.9 26.1
▷	MDT	10.5 26.1
▷	AAP	11.5 27.4
▷	MSFT	8.8 32.2

	Ticker	▲ P/E
▷	AIG-WT	-
▷	IBM	9.9
▷	AIG	11.6
▷	BBBY	12.1
▷	CMI	12.8
▷	WMT	12.9
▷	UNP	15.4
▷	PM	17.2
▷	ORCL	17.3
▷	BRK.B	18.2
▷	CHRW	21.2
▷	PEP	21.5
▷	FAST	22.0
▷	MDT	22.5
▷	KO	22.8
▷	WBA	23.3
▷	NSRGY	25.1
▷	AAP	25.8
▷	MSFT	29.9



Price/Sales

Ticker	5-Year Price / Sales Range
AIG-WT	
NSRGY	
BBBY	0.9 1.9
FAST	2.8 5.8
IBM	1.6 2.4
WMT	0.4 0.6
CHRW	0.6 1.5
KO	3.3 4.8
CMI	0.9 1.8
ORCL	3.6 5.4
PM	3.6 5.2
MSFT	2.9 4.8
UNP	2.1 4.9
BRK.B	1.1 2.0
PEP	1.5 2.3
AAP	0.7 1.5
MDT	2.0 4.5
WBA	0.4 1.2
AIG	0.0 1.4

Ticker	Price / Sales
AIG-WT	-
WMT	0.4
CHRW	0.8
BBBY	0.9
WBA	1.0
CMI	1.1
AIG	1.3
AAP	1.3
BRK.B	1.6
IBM	1.7
PEP	2.2
NSRGY	2.7
FAST	3.0
UNP	3.4
KO	3.8
MSFT	3.9
MDT	4.0
PM	4.5
ORCL	4.5



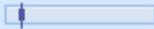
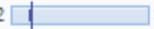
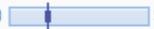
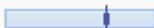
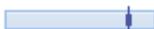
Price/Free Cash Flow

Ticker	▲ 5-Year Price / Free Cash Flow Range
▷ AIG-WT	
▷ NSRGY	
▷ WMT	12.5 27.7
▷ FAST	30.6 -
▷ KO	18.9 27.5
▷ IBM	10.6 16.9
▷ CHRW	14.9 55.9
▷ PEP	16.4 24.2
▷ BBBY	12.1 21.3
▷ CMI	12.2 45.1
▷ ORCL	10.1 19.7
▷ UNP	15.0 37.8
▷ BRK.B	11.4 26.5
▷ WBA	9.8 29.0
▷ MDT	9.4 20.4
▷ AAP	9.3 34.1
▷ MSFT	7.7 17.7
▷ PM	10.6 20.8
▷ AIG	0.2 -

Ticker	▲ Price / Free Cash Flow
▷ AIG-WT	-
▷ IBM	11.1
▷ WMT	12.8
▷ ORCL	13.3
▷ BBBY	13.7
▷ MSFT	15.8
▷ CMI	16.7
▷ CHRW	16.9
▷ PEP	17.9
▷ BRK.B	18.0
▷ MDT	18.0
▷ PM	19.4
▷ KO	19.8
▷ WBA	21.2
▷ AIG	21.4
▷ UNP	23.0
▷ NSRGY	25.7
▷ AAP	27.2
▷ FAST	32.1



52- Week Price Range

	Ticker	▲ 52-wk Range
▷	WMT	\$61.50  \$90.97
▷	IBM	\$140.62  \$195.00
▷	BBBY	\$58.81  \$79.64
▷	FAST	\$36.73  \$48.43
▷	UNP	\$79.31  \$124.52
▷	BRK.B	\$125.50  \$152.94
▷	ORCL	\$35.14  \$46.71
▷	CMI	\$112.00  \$151.25
▷	KO	\$36.56  \$45.00
▷	MSFT	\$39.72  \$50.05
▷	PM	\$75.27  \$90.25
▷	CHRW	\$61.46  \$77.49
▷	AIG-WT	\$20.17  \$29.56
▷	MDT	\$55.54  \$79.50
▷	AIG	\$48.56  \$64.93
▷	NSRGY	\$65.79  \$79.99
▷	PEP	\$76.48  \$100.76
▷	AAP	\$128.20  \$192.27
▷	WBA	\$58.39  \$97.30



Conclusion

Historically undervalued

Efficient logistics

Economies of scale

Sticky Business

Recommendation



Market Order.

