



INSTITUTO  
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## **Walmart Equity Valuation**

Filipe Miguel Ribeiro Ferreira Estrangeiro

Master in Finance

Supervisor

PhD Luís Miguel da Silva Laureano, Assistant Professor,  
ISCTE - Instituto Universitário de Lisboa

September, 2025



BUSINESS  
SCHOOL

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Department of Finance

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# Resumo

O objetivo desta tese é estimar o justo valor por ação da Walmart Inc. a 31 de dezembro de 2024. Para tal, foram aplicadas duas abordagens complementares de avaliação: o modelo de fluxos de caixa descontados e a avaliação relativa baseada em múltiplos de mercado.

A análise pelo modelo de fluxos de caixa descontados, incorporando previsões dos fluxos de caixa futuros da Walmart e refletindo a fase de maturidade da empresa, indicou um justo valor aproximadamente 45% abaixo do preço de mercado observado na data de referência. A avaliação relativa, derivada dos múltiplos de um grupo de empresas comparáveis, produziu um resultado semelhante, sugerindo que as ações da Walmart estavam a ser transacionadas com um prémio de cerca de 55% em relação ao seu justo valor estimado.

Em conjunto, estes resultados demonstram que as ações da Walmart estavam cotadas acima do seu justo valor estimado no final de 2024. Ambas as abordagens, intrínseca e relativa, apontaram na mesma direção, evidenciando um desfasamento entre os fundamentos da empresa e a sua valorização no mercado. Esse desfasamento sugere que as expectativas incorporadas no preço das ações poderão não ser sustentáveis, tendo em conta a fase de maturidade da companhia.

Com base nestas conclusões, é emitida uma recomendação de venda, uma vez que a avaliação indica potencial de desvalorização face ao preço da ação a 31 de dezembro de 2024 bem como a possibilidade de futuras correções, de modo a que o preço da ação se aproxime do seu valor intrínseco.

**Palavras-Chave:** Walmart Inc.; Avaliação; Fluxos de Caixa Descontados; Avaliação Relativa

**Classificação JEL:** G32, L81



# Abstract

The objective of this thesis is to estimate the fair value per share of Walmart Inc. as of December 31, 2024. To address this, two complementary valuation approaches were applied: the Discounted Cash Flow model and a relative valuation based on market multiples.

The Discounted Cash Flow analysis, incorporating forecasts of Walmart's future cash flows and reflecting the company's maturity stage, indicated a fair value approximately 45% below the observed market price at the reference date. The relative valuation, derived from peer group multiples, produced a similar result, suggesting that Walmart's shares were trading at a premium of around 55% compared to their estimated fair value.

Taken together, these results show that Walmart's stock was priced above its estimated fair value at the end of 2024. Both the intrinsic and relative approaches pointed in the same direction, highlighting a gap between the company's fundamentals and the market valuation. This gap suggests that the expectations incorporated into the stock price may not be sustainable given the firm's maturity.

Based on these findings, a sell recommendation is issued, as the valuation indicates downside potential relative to the share price as of December 31, 2024, as well as the possibility of future corrections in order for the share price to converge towards its intrinsic value.

**Keywords:** Walmart Inc.; Valuation; Discounted Cash Flow; Multiples

**JEL Classification:** G32, L81



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# Glossary

AI – Artificial intelligence

APM – Arbitrage Pricing Model

APV – Adjusted Present Value

B2B – Business to Business

B2C – Business to Consumer

CAGR – Compounded Annual Growth Rate

CapEx – Capital Expenditures

CAPM – Capital Asset Pricing Model

CBO – Congressional Budget Office

CCC – Cash Conversion Cycle

CPI – Consumer Price Index

DCF – Discounted Cash Flow

DDM – Dividend Discount Model

DJI – Dow Jones Industrial Average

DOH – Days of Inventory on Hand

DPO – Days Payable Outstanding

EBIT – Earnings Before Interest and Taxes

EBITDA – Earnings Before Interest Taxes Depreciation and Amortization

EPS – Earnings Per Share

EQV – Equity Value

EV – Enterprise Value

EV/EBITDA – Enterprise Value to Earnings Before Interest Taxes Depreciation & Amortization

FCFE – Free Cash Flow to Equity

FCFF – Free Cash Flow to the Firm

FED – United States Federal Reserve

GDP – Gross Domestic Product

IMF – International Monetary Fund

M&A – Mergers & Acquisitions

NOPAT – Net Operating Profit After Taxes

NRF – National Retail Federation

NWC – Net Working Capital

P/BV – Price to Book Value

P/E – Price to Earnings

P/S – Price to Sales

ROA – Return on Assets

ROE – Return on Equity

SG&A – Selling General & Administrative

TAM – Total Addressable Market

TGR – Total Growth Rate

TV – Terminal Value

U.S. – United States of America

WACC – Weighted Average Cost of Capital

# Introduction

The objective of this thesis is to estimate the fair value per share of Walmart Inc. as of December 31, 2024. An equity valuation provides a systematic approach to determining the intrinsic worth of a company's shares. Beyond assigning a numerical value, the process offers investors a framework for assessing whether a stock is overvalued, undervalued, or fairly priced. This information enables more informed decision-making, as it connects a company's operating performance, financial policies, and growth prospects to the market price observed. By relying on structured methods such as discounted cash flow models and relative valuation techniques, equity valuation makes it possible to bridge financial fundamentals with investment outcomes.

Walmart was founded in 1962 by Sam Walton in Rogers, Arkansas, with a business model focused on low prices and accessibility. The company's rapid expansion transformed it into one of the world's largest retailers, listed on the New York Stock Exchange since the 1970s. Over time, Walmart diversified its operations with formats such as Sam's Club and pursued international growth through acquisitions and partnerships. As of the end of 2024, Walmart employed over two million associates worldwide and maintained a market capitalization of approximately \$730 billion.

This thesis is structured as follows. It begins with a review of the relevant literature, establishing the theoretical foundation for company valuation. The methodology applied in the research is then outlined, followed by an analysis of macroeconomic conditions that provide the broader context in which Walmart operates. The company analysis section draws upon strategic frameworks such as SWOT and Porter's Five Forces to examine Walmart's competitive position. The valuation itself is then presented, applying both intrinsic and relative approaches.

The thesis concludes with a discussion of the results of the valuation, comparing estimated fair values with observed market prices and deriving an investment recommendation based on the evidence.



# 1. Review of Literature – Valuation Methods

This chapter provides an overview of the valuation methods applied in this thesis and explains the theoretical foundations of their components. The equity valuation was conducted using two primary approaches: the Discounted Cash Flow (DCF) model and the Relative Valuation method. The explanation of these methods draws on established literature in corporate finance, including scientific articles and reference books written by specialists in valuation.

By combining the two valuation methods, the DCF model and the Relative Valuation approach, the analysis benefits from both an intrinsic and a market-based perspective. The DCF model estimates the intrinsic value of the firm by projecting future cash flows and discounting them to the present, thereby focusing on company-specific fundamentals and long-term expectations. In contrast, the Relative Valuation method derives a value benchmark by comparing the company to peers operating in the same sector, using multiples such as price-to-earnings (P/E), Enterprise Value-to-EBITDA (EV/EBITDA), or price-to-book (P/B).

Integrating these two methods provides a more balanced estimate of the fair price per share. The DCF approach captures the internal drivers of value, while the Relative Valuation reflects prevailing market conditions and investor sentiment. Together, they reduce the reliance on a single methodology and contribute to a more comprehensive and reliable valuation outcome.

## 1.1. Discounted Cash Flow Valuation

The DCF model is based on the principle of valuing an asset by calculating the present value of all expected future cash flows it is projected to generate over its lifetime. This framework was extended to company valuation, as the same theoretical foundation applies at the corporate level.

While the method relies on several assumptions, the degree of subjectivity can be reduced by selecting an appropriate discount rate that reflects the business's risk profile, operating environment, and inherent uncertainty. Similarly, the choice of a suitable perpetual growth rate, combined with the use of scenario analysis, helps improve the reliability of the results.

Thus, according to Damodaran (2015), equation (1) expresses the value of an asset as the present value of its expected future cash flows, discounted at an appropriate rate.

$$\text{Present Value of an asset} = \sum_{t=1}^{t=n} \frac{CF_t}{(1+k)^t} + \frac{\text{Terminal Value}_n}{(1+k)^n} \quad (1)$$

$CF_t$  denotes the expected cash flows of the company at time  $t$ . The discount rate,  $k$ , depends on the type of cash flow valuation applied. In an unlevered cash flow valuation,  $k$

corresponds to the Weighted Average Cost of Capital (WACC), as it reflects the return required by both debt holders and equity providers. In a levered cash flow valuation, the cost of equity is used as the discount rate, since the cash flows considered are residual amounts available to equity holders after satisfying contractual debt obligations. The terminal value (TV) represents the estimated cash flows beyond the explicit forecast period (typically five to ten years), assumed to grow in perpetuity at a constant rate.

The two variations of this approach, unlevered cash flow valuation and levered cash flow valuation, can both be applied, and in principle should converge to the same equity value (EQV) prior to dividing by the total number of shares outstanding.

### 1.1.1. Weighted Average Cost of Capital

The WACC is the most appropriate discount rate to apply in an unlevered cash flow valuation, as it represents the expected return required by both equity and debt investors (Koller, 2020).

By definition, WACC “is the cost of the different components of financing used by the firm, weighted by their market value proportions” (Damodaran, 2012, p.29).

WACC is given by the formula below:

$$WACC = \frac{Equity}{Equity+Debt} \times r_e + \frac{Debt}{Equity+Debt} * r_d \times (1 - tax\ rate) \quad (2)$$

where:

- Equity: Market value of Equity
- Debt: Market value of Debt
- $r_e$ : Cost of Equity
- $r_d$ : Cost of Debt
- *tax rate*: Marginal corporate tax rate

Although WACC is the most widely applied discount rate in DCF valuations, alternative approaches exist, such as the Adjusted Present Value (APV) method, which can offer greater flexibility (Luehrman, 1997). For firms with volatility in their capital structure or cash flows, it may be difficult to identify a realistic range of WACC values for future periods, making APV a potentially more suitable alternative.

Another characteristic of WACC is that it is most effective when applied to mature companies with stable cash flows and predictable future capital structures (Parrino, 2013).

Noticing equation (2), it becomes evident that the formulation incorporates the effect of tax shields, which arise from the tax-deductibility of interest expenses. This component must be

included, as it represents a source of value to shareholders by effectively reducing the company's after-tax cost of debt (Koller, 2020).

### 1.1.1.1. Cost of Equity

The calculation of the cost of equity through the Capital Asset Pricing Model (CAPM) involves three primary inputs: the risk-free rate ( $r_f$ ), the beta ( $\beta$ ), and the market risk premium ( $r_m - r_f$ ) (Damodaran, 2002). The risk-free rate reflects the return of a default-free investment, beta captures the sensitivity of the company's returns relative to the market, and the market risk premium represents the additional return that investors require for holding riskier market portfolios over risk-free assets. Together, these components provide a framework for estimating the return required by equity investors and each of them will be examined in detail.

Alternative models for estimating equity risk premiums and expected returns also exist, each adopting a distinct approach. The Arbitrage Pricing Model (APM) incorporates unspecified risk factors, the Multi-Factor Model accounts for specified risk factors, and Proxy Models rely on coefficients that capture investor preferences toward risk (Damodaran, 2015).

In summary, the cost of equity represents the return investors require to allocate capital to a company, while also reflecting the opportunity cost associated with foregoing alternative investments (Frykman, 2003).

With respect to CAPM, the cost of equity is determined according to equation (3):

$$\text{Cost of Equity} = r_f + \beta \times (r_m - r_f) \quad (3)$$

where:

- $r_f$  : Risk free rate
- $\beta$  : Beta
- $(r_m - r_f)$ : market risk premium

A risk-free asset is defined as one in which the investor can be certain of the return over the investment horizon, with no deviation above or below the expected outcome, as such deviations would imply the presence of risk.

In some approaches, the risk-free rate incorporates a default spread, which may vary depending on the country. Using a higher rate in this context results in a lower present value when performing a DCF valuation. For an asset to be considered truly risk-free, two conditions must be met: it must carry no default risk and no reinvestment risk. Bonds with coupons are less suitable for this purpose, as coupon payments require reinvestment at uncertain rates. To address this limitation, zero-coupon bonds are typically used (Damodaran, 2008).

The selected risk-free rate should correspond to the time horizon of the investment; however, in practice, valuations commonly apply the 10-year government bond yield of a country with a triple-A credit rating.

Beta measures the sensitivity of a company's returns relative to movements in the overall market, serving as an indicator of systematic risk that cannot be diversified away. It is typically estimated through a regression analysis of the company's historical returns against those of the market. In most applications, the S&P 500 index is used as a proxy for the market benchmark.

For this estimation, and according to Damodaran (2012), the beta coefficient can be calculated as:

$$\beta = \frac{COV(R_j, R_m)}{\sigma^2(R_m)} \quad (4)$$

where:

- COV = Covariance
- $R_m$  = Return of a market portfolio
- $\sigma$  = Standard deviation
- $\sigma^2$  = Variance
- $R_j$  = Investment return

The result obtained from equation (4) will determine the stock sensitivity to the market, being one (1) equal to the broader market.

The Market Risk Premium represents the additional return required by investors to shift from risk-free securities to riskier investments (Frykman, 2003). It is commonly estimated using historical returns of the S&P 500. As shown in formula (3), these stock returns are compared against the risk-free rate. When applying data from another country or index, a Country Risk Premium must be added (Damodaran, 2002).

#### **1.1.1.2. Cost of Debt**

Many companies rely on debt to finance their operations, which generates a cost associated with borrowing. When a firm's debt securities are publicly traded, the cost of debt can be derived from bond market prices and maturities and then adjusted to obtain the after-tax cost of debt.

This approach is particularly effective for firms with a significant volume of liquid, outstanding bonds (Damodaran, 2012).

$$\text{After-tax cost of debt} = \text{Pretax cost of debt} \times (1 - \text{Tax Rate}) \quad (5)$$

Adjusting to an after-tax cost of debt is essential, as interest expenses create tax shields that add value to the firm. To be more precise and accurate in the estimation, a synthetic rating can be constructed to determine the default spread, which is then added to the risk-free rate. This process requires identifying the firm's credit rating (e.g., AA, BBB) and its interest coverage ratio.

There are several tax rates that may be applied in valuation. The effective tax rate is often calculated by dividing total tax expenses by taxable income. However, this differs from the marginal tax rate, which reflects the rate applied to the last dollar of income (Damodaran, 2012). Since interest payments reduce taxable income at the margin, the marginal tax rate should be used when calculating the after-tax cost of debt.

This adjustment is valid only if the firm generates sufficient taxable income to cover its interest expenses. If this condition is not met, the after-tax cost of debt is equal to the pretax cost of debt.

### **1.1.2. Future cash flows**

Four main approaches can be applied to compute future cash flows. The Free Cash Flow to the Firm (FCFF) is used in an unlevered DCF model, while the Free Cash Flow to Equity (FCFE) is applied in a levered DCF model. In the latter case, cash flows are discounted by the cost of equity, leading directly to the estimation of the market equity value (EQV). These approaches are examined in greater detail in the present valuation.

The Adjusted Present Value (APV) and the Dividend Discount Model (DDM) represent alternative approaches for valuing future cash flows. The APV method assumes initially that the firm is entirely equity-financed and subsequently adds the present value of financing effects, excluding equity, to this base value (Gilbert, 2013). The DDM, on the other hand, posits that investors expect two sources of cash flow: dividends received during the holding period and the expected price at the end of that period (Damodaran, 2002).

## **1.2. Free cash Flow to the Firm – Unlevered Discounted Cash Flow Model**

In this approach to estimating future cash flows, the calculation leads to FCFF, which reflects the cash generated from core operations after deducting operating expenses and investment requirements. These cash flows are available to both equity holders and debt holders.

Damodaran (2012) notes that FCFF can be derived by starting with EBIT and subtracting taxes and reinvestment needs, as expressed in equation (6):

$$FCFF = \text{Earnings Before Interest and Taxes} \times (1 - \text{Corporate Tax Rate}) + \text{Depreciations \& Amortizations} - \text{Capital Expenditures} - \Delta \text{Working Capital} \quad (6)$$

### 1.2.1. Working Capital

Working capital is commonly defined as current assets minus current liabilities, but in valuation, further adjustments are necessary. The main components considered are accounts receivable, accounts payable, and inventories. Cash is often excluded from current assets when invested in instruments such as T-bills or other short-term government securities, as these provide a return independent of operations. An exception applies when substantial cash balances are required for daily operations or when the firm operates in a volatile environment (Damodaran, 2012).

Accounts receivable represent credit extended to clients, allowing them longer payment periods, while accounts payable reflect credit provided to the firm by suppliers to defer payment obligations (Mota et al., 2012).

Working capital also highlights the distinction between accounting and financial perspectives, as these items appear continuously on the balance sheet due to recurring business activities. Ultimately, increases in working capital reflect cash outflows for the company, while decreases represent cash inflows (Damodaran, 2012).

### 1.2.2. Terminal Value

In valuation, TV plays a central role, as it captures all future cash flows beyond the explicit forecast period. It reflects the value of the company in perpetuity by applying a perpetual growth rate and discounting at WACC. Frykman (2003) defines TV as:

$$\text{Terminal Value} = \frac{FCFF_{n+1}}{(WACC - g)} \quad (7)$$

where:

- $FCFF_{n+1}$  = Free Cash Flow to the Firm of first year after the explicit period
- $g$  = perpetual annual growth rate

When discounting to perpetuity, the assumed growth rate is critical, as it determines the company's value indefinitely and represents one of the central assumptions in valuation. It is standard practice for this rate not to exceed the Gross Domestic Product (GDP) growth of the economy in which the majority of operations take place. In cases where firms are headquartered in countries with stable GDP growth and low default risk but generate most of

their revenues abroad, country-specific risks must also be considered. If these exposures represent a significant portion of operations, an adjustment for country default risk should be incorporated when applying the growth rate.

Koller (2020) further emphasizes the importance of selecting an appropriate point at which to transition from the explicit forecast period to the calculation of TV. This decision depends on known strategic initiatives as well as the stability of projected cash flows and investment patterns. In practice, the explicit forecast period typically extends between three and five years.

### 1.2.3. Equity Value and Fair Price per Share

Addressing equation (1), it illustrates how to calculate the present value of an asset; however, the same formulation can also be applied to determine Enterprise Value (EV). In this context, EV represents the present value of the firm obtained by discounting both stage one cash flows (explicit period) and stage two cash flows (perpetuity). This approach is frequently applied in the computation of multiples within the framework of Relative Valuation. As Mota et al. (2012) state:

$$Enterprise\ Value = \sum_{t=1}^{t=n} \frac{CF_t}{(1+WACC)^t} + \frac{Terminal\ Value_n}{(1+WACC)^n} \quad (8)$$

To derive Equity Value (EQV), it is necessary to account for Non-Operating Assets (NOA), Debt, and Debt equivalents, resulting in:

$$Equity\ Value = Enterprise\ Value + Non - Operating\ Assets - Debt\ and\ Debt\ equivalents \quad (9)$$

where:

- *Equity Value* = Market Equity Value

NOA include items such as cash, marketable securities, holdings in other companies, and non-equity claims. Examples of the latter include provisions, convertible instruments, and minority interests (Koller, 2020).

To incorporate these elements, adjustments are made depending on the relationship between market and book values. When the market value exceeds the book value, the difference (Market Value – Book Value) is multiplied by the tax rate. Conversely, if the market value is lower than the book value, the calculation is based on the market value plus the capital loss, multiplied by the tax rate. This latter case generates tax shields for the company, as it reflects a recognized loss.

Koller (2020) identifies examples of Debt equivalents, such as unfunded pension liabilities, which are frequently off-balance-sheet items, as well as one-time obligations that fall outside the company's regular operating activities. For an obligation to be classified as Debt, it must originate from a contractual commitment that the firm is required to meet. Debt is typically tax-deductible, and failure to comply with contractual terms can result in significant consequences, including the potential loss of control over the business.

To finalize the valuation and determine the fair price per share, Koller (2020) emphasizes the use of the total number of undiluted shares outstanding rather than fully diluted shares. The distinction lies in that diluted shares assume the exercise of all convertibles, employee stock options, and other special securities at the time of valuation, whereas undiluted shares only account for those already outstanding. Convertible preferred stock, convertible debt, and stock options should instead be valued separately, as including them in diluted shares may result in double-counting.

### 1.3. Free cash flow to Equity – Levered Discounted Cash Flow Model

In a levered DCF valuation, FCFE represents the cash flows available to shareholders after accounting for Capital Expenditures, Depreciation & Amortization, and Net Debt. While the calculation shares several steps with FCFF, its distinction lies in the discounting process: FCFE is discounted directly to obtain the market EQV, rather than EV as in an unlevered DCF. Damodaran (2012) presents the formula for FCFE as follows:

$$\text{Free Cash Flow to Equity} = \text{Net Income} - (\text{Capital Expenditures} - D\&A) - (\Delta \text{Working Capital}) + (\text{New Debt Issued} - \text{Debt Repayments}) \quad (10)$$

For this method to remain consistent, WACC should not be used to discount cash flows to present value, as the projections reflect future cash flows available exclusively to shareholders rather than debt holders. Accordingly, the cost of equity is the appropriate rate for discounting both the explicit period cash flows and TV. It is also important to apply a levered beta when implementing CAPM. This relationship can be expressed in the following formula:

$$EQV = \sum_{t=1}^n \frac{FCFE_t}{(1+r_e)^t} + \frac{TV}{(1+r_e)^n} \quad (11)$$

where:

- $r_e$  = Cost of equity.

- $FCFE_t$  = Expected free cash flows to equity during the explicit period.
- TV = PV of expected free cash flows to equity throughout perpetuity, discounted with the appropriate discount rate, which is in this case the cost of equity.

Damodaran (2002) also highlights this particularity regarding the Terminal Value of Equity, which can be calculated as follows:

$$\text{Terminal Value of Equity}_n = \frac{FCFE_{n+1}}{r_e - g} \quad (12)$$

The computation is similar to that of TV in the FCFF method, with the adjustment of discounting at the cost of equity, assuming a perpetual growth rate ( $g$ ) and using FCFE.

## 1.4. Relative Valuation (Comparable Valuation) – Multiples approach

As the name suggests, Relative Valuation, also referred to as Multiples Valuation or simply Comparables, estimates the value of an asset by comparing it with similar assets using a common variable (Damodaran, 2002). Commonly applied bases of comparison include EV, Earnings Before Interest Taxes Depreciation and Amortization (EBITDA), and book values.

Although this method has certain limitations—most notably its reliance on market values rather than intrinsic value—it provides useful insights once an intrinsic valuation has been performed. Specifically, it allows for the comparison of multiples across comparable firms and helps identify key differences.

Fernández (2001) classifies multiples into three groups: capitalization-based multiples, value-based multiples, and growth-referenced multiples. The latter incorporates growth rates in the comparison of variables, though it is not applied in this valuation. Capitalization-based multiples are generally the most straightforward to interpret and obtain, as they are derived directly from market data, most commonly the market capitalization of a company. Their widespread use stems from the simplicity of their calculation and the fact that they are frequently reported by financial information providers. Commonly used metrics within this category include:

1. Price-to-Earnings Ratio (P/E) allows the investor to compare the current market share price to its earnings per share and represents how much the investor pays for each dollar of earnings.

$$P/E = \text{Market Cap} / \text{Net income} = \text{share price} / \text{earnings per share} \quad (13)$$

2. Price-to-Sales (P/S) can be understood as how the market perceives each dollar of the company sales.

$$P/S = \text{Market Cap}/\text{sales} = \text{Share price}/\text{Sales per share} \quad (14)$$

3. Price-to-Book Value (P/BV), which compares Market Equity Value with Equity Book Value.

$$P/BV = \text{Market Cap}/\text{Book Value of shareholder's Equity} \quad (15)$$

Another group of multiples is based on a company's EV, which combines market capitalization with financial debt. Within this category, the most widely used by investors is EV/EBITDA. This metric is particularly valuable as it allows for comparisons between firms with different capital structures and depreciation policies, since these factors are not yet reflected in EBITDA. As such, EV/EBITDA is frequently applied when analyzing firms that require substantial infrastructure investments and operate over long-time horizons (Damodaran, 2012).

4. Enterprise Value-to-EBITDA (EV/EBITDA)

$$EV/EBITDA = (\text{Market Cap} - \text{Market Value of Debt} + \text{Cash})/EBITDA \quad (16)$$

## **2. External Environment**

This section aims to examine the macroeconomic factors that influence Walmart's operations and performance. Key indicators such as inflation, commonly measured by the Consumer Price Index (CPI), interest rates, and GDP growth play a significant role in shaping the company's cost structure, consumer demand, and overall financial outlook. Understanding Walmart's position within the broader economic environment is essential to identify external risks and vulnerabilities to which the company is exposed.

The subsequent industry overview provides a detailed analysis of the retail sector, including the various segments in which Walmart operates. This contextual understanding is critical for evaluating areas of heightened volatility and for assessing the reliability and predictability of the company's future cash flows.

### **2.1. Macroeconomic analysis**

The year 2024 was characterized by renewed economic momentum, with consumer sentiment showing increased confidence and a willingness to spend, as the effects of the COVID-19 pandemic continue to ease. Economic activity began to align more closely with pre-pandemic norms. However, despite the global economic recovery, several geopolitical tensions remained, including the ongoing Russia-Ukraine conflict, heightened tensions between China and Taiwan, and continued Middle East instability. Nevertheless, the U.S. economy demonstrated robust performance throughout the year, supported by steady and sustainable growth indicators, reflecting underlying economic resilience.

The forthcoming transition to a new presidential administration introduces the possibility of changes in key policy areas, such as corporate taxation, trade tariffs, regulatory frameworks, and banking procedures. These policy shifts could be particularly beneficial to domestically focused firms with well-established consumer markets within the U.S. Walmart, with its extensive U.S. operations and low dependence on international sales, stands as a relevant example of a company potentially well-positioned to benefit from such changes. However, despite its domestic retail orientation, Walmart maintains long-standing relationships with foreign suppliers that are integral to its value and supply chain. As such, potential changes in trade policy, particularly the imposition or adjustment of tariffs, remain a major source of macroeconomic uncertainty for the company.

GDP can be measured in nominal terms, which reflects the total value of goods and services produced at current prices, or in real terms, which adjusts for inflation and therefore captures the true expansion of economic output. Real GDP is generally preferred for long-term analysis, as it isolates actual growth from price level changes.

According to long-term projections from institutions such as the Congressional Budget Office (CBO) and the International Monetary Fund (IMF), U.S. real GDP growth is expected to remain within the range of 1.8% to 2.0% per year through 2035.

The United States Federal Reserve (FED), announced at the end of 2024 a rate cut of 25 basis points, bringing it to 4.5% from 4.75%. Despite this being the third consecutive rate cut, the FED also mentioned that there might be fewer reductions ahead, which translates to a more cautious perspective for 2025.

Interest rate reductions are generally perceived as favourable by most firms, as they lower the cost of borrowing and facilitate access to capital. Conversely, rising interest rates increase the cost of borrowing, thereby reducing the attractiveness of debt financing for business investment and expansion.

If the FED maintains its current monetary policy stance, it is likely that the U.S. economy will continue to grow, albeit at a more moderate pace.

CPI measures the change in prices paid by consumers for goods and services and is commonly used as an indicator of inflation. According to the CBO, U.S. inflation is projected to average around 2.3% annually through 2035, while Deloitte provides a similar estimate of 2.3% through 2029, suggesting a broadly consistent outlook for the medium- to long-term path of price levels. For Walmart, inflation can have mixed implications. On one hand, higher inflation may raise costs across the supply chain, including procurement, transportation, and labor expenses, potentially pressuring margins if these costs cannot be fully passed on to consumers. On the other hand, as a retailer positioned in the consumer defensive sector with a focus on primary spending categories such as groceries and household essentials, Walmart may benefit in relative terms. During periods of inflation, households often prioritize basic goods and shift spending toward value-oriented retailers, which may support Walmart's sales volumes.

In summary, U.S. real GDP is projected to grow at 1.8–2.0% annually, while inflation is expected to remain around 2.3% through 2035. For Walmart, this means that its largest market is likely to expand at a moderate but steady pace, with consumer demand growing in line with overall economic output and price levels increasing within a narrow, predictable range. These projections imply that long-term revenue growth will be closely linked to economic expansion, while cost management and pricing will continue to be shaped by inflation trends.

## **2.2. Industry Overview**

Walmart operates within the retail industry, where it has consistently ranked among the top performers in both U.S. and global retail sales, as reported by the National Retail Federation (NRF, 2024).

Analyzing the structure, historical evolution, and growth potential of the retail sector is essential to assess Walmart's future positioning relative to its industry peers and to evaluate the sustainability of its current market share over the long term.

**Retail Industry:** Walmart is one of the largest physical retailers in the U.S., operating over 4,000 domestic stores and approximately 10,000 globally, including supercenters, discount department stores, and grocery outlets. The company commands a significant share of the U.S. retail market, as reflected in its U.S. revenues relative to total domestic retail sales, supported by its broad assortment of affordable groceries, healthcare products, and general merchandise. Recent trends further indicate a renewed increase in customer traffic to physical store locations.

According to CapitalOne (2025), total U.S. retail sales are projected to rise from \$7.26 trillion in 2024 to \$8.29 trillion by 2030, representing a total increase of about 14.2% over the period, which corresponds to a compound annual growth rate (CAGR) of approximately 2.24%.

**E-Commerce Retail:** In recent years, Walmart has increased its activity within the e-commerce segment, with approximately 15% of the company's total sales now generated through online channels. This includes an omnichannel model that integrates digital and physical operations, allowing customers to initiate purchases online and have orders fulfilled through nearby store locations. This approach has supported sustained growth in this category, with year-over-year figures consistently indicating a positive future trajectory.

The online retail sector presents substantial growth potential, driven by the increasing ease of global market access. According to Statista (2024), the e-commerce market is projected to grow at a CAGR of approximately 9.5%, reaching an estimated value of \$6.5 trillion by 2029. China currently accounts for the highest share of global e-commerce revenue.

E-commerce transactions can take the form of business-to-business (B2B) or business-to-consumer (B2C) exchanges and are now accessible across a wide range of devices, including smartphones, tablets, and computers. This level of accessibility enhances the sector's appeal, as consumers are able to complete purchases remotely and have products delivered directly to their preferred locations. As Walmart expands its presence in this space, the company may leverage its existing customer base to gain operational efficiencies. Potential benefits include cost reductions in key areas such as logistics and inventory management, along with increased revenue through digital sales channels.

## **2.3. Competitors**

To contextualize Walmart's position in the U.S. retail landscape, it is useful to compare its U.S. revenues with those of other major retailers. In 2024, total U.S. retail sales were estimated at \$7.265 trillion, serving as the basis for assessing market share across the sector. Walmart,

with U.S. revenues of \$462.4 billion, accounted for approximately 6.36% of total retail sales, placing it at the forefront of the industry.

The following analysis examines several of Walmart's key competitors (Amazon, Costco, Kroger, CVS Health, and Target) by presenting their U.S. revenues and respective market shares to provide a clearer view of their relative scale and positioning.

According to NRF (2025) some of Walmart main competitors are Amazon, which reported U.S. revenues of \$387.5 billion in 2024, representing approximately 5.33% of total retail sales. The company's strength lies primarily in its e-commerce platform, which dominates online retail in the U.S.. Amazon has also expanded into physical retail through Whole Foods and Amazon Fresh, supported by its Prime membership model and integrated logistics network.

Costco generated \$183.05 billion in U.S. revenues, equivalent to about 2.52% of total retail sales. The company operates on a membership-only warehouse model that emphasizes sales of goods in bulk quantities. Its approach is based on a limited but selected product assortment supported by recurring membership income.

Kroger recorded \$150.8 billion in U.S. revenues in 2024, accounting for approximately 2.08% of total retail sales. The company operates primarily in the grocery sector and also generates revenues from in-store pharmacies and fuel centers.

CVS achieved \$124.5 billion in U.S. revenues, corresponding to 1.71% of total retail sales. The company combines retail pharmacy operations with healthcare-related services, complemented by its acquisition of Aetna, a health insurance provider.

Target reported \$106.7 billion in U.S. revenues in 2024, representing approximately 1.47% of total retail sales. The company operates as a general merchandise retailer across several categories, including apparel, home goods, and discretionary products.

### **3. Company Overview**

This chapter provides a comprehensive overview of the company, beginning with its historical development and followed by a detailed analysis of its business units, operational segments, and product categories. To assess the company's competitive positioning within the industry, two analytical frameworks are employed: a SWOT analysis and Porter's Five Forces.

The chapter concludes with an examination of stock performance and shareholder structure, offering insights into ownership distribution and historical stock price trends. This information will serve as a foundation for evaluating past returns and comparing the current share price to the valuation target established in this equity analysis.

#### **3.1. Company History**

Walmart was founded in 1962 by Sam Walton, who opened the first store in Rogers, Arkansas, U.S., at the age of 44. Walton's initial strategy focused on offering low prices combined with customer service, a retail approach, that at the time, was considered by many industry participants to be economically unviable. However, by consistently applying this model, the company was able to attract and retain a stable customer base. This early business strategy contributed to Walmart's subsequent expansion and long-term proliferation within the retail sector.

Headquartered in Bentonville, Arkansas, U.S., the same state where its first store was established, Walmart continued its expansion under the leadership of Sam Walton, who sought to scale the business beyond its regional origins. During the 1970s, the company began national expansion and was listed on the New York Stock Exchange, marking a significant milestone in its corporate development. In the following years, Walmart introduced new business models and integrated technological innovations into its operations. As part of its diversification strategy, the company established Sam's Club, a membership-based warehouse retail format designed to offer a limited selection of products at competitive prices. Walmart's international expansion began with a joint venture in Mexico alongside the Aurrerá-Cifra group. This expansion was followed by the extension of its operations into Canada, Central America, South America, and various markets in Asia, signalling the company's strategic move toward global retail presence.

Although founder Sam Walton passed away in 1992, shortly after being awarded the Presidential Medal of Freedom, USA's highest civilian honour, Walmart's expansion continued. In 1997, five years after his death, the company reached a significant milestone by surpassing \$100 billion in annual sales, further consolidating its position as a leading global retailer.

Since 2005, the company has embarked on a strategic initiative aimed at enhancing environmental sustainability. In that same year, it contributed to relief efforts for the victims of

Hurricane Katrina and implemented key sustainability practices, such as committing to zero waste and transitioning to 100% renewable energy sources. These initiatives were formalized in a comprehensive sustainability plan, which is updated annually in the company's reports. These reports outline the introduction of environmentally sustainable products, collaboration with suppliers who adhere to similar environmental values, and a clear roadmap toward achieving full reliance on renewable energy and carbon neutrality. Specifically, the company aims to operate entirely on renewable energy by 2035 and to achieve net-zero carbon emissions by 2040.

In addition to its environmental commitments, the company is also a leading investor in workforce development. Between 2021 and 2026, it has pledged \$1 billion toward education and skills training for its employees. This substantial investment fosters a strong relationship between the company and its workforce, while also contributing to the development of resilient and empowered communities.

Over the years, Walmart has actively engaged in mergers and acquisitions (M&A) as well as joint ventures, strategies that have significantly contributed to both its international expansion and the consolidation of its market leadership within the U.S.. Notable transactions include the acquisition of Massmart, facilitating entry into the South African market; partnerships with Bharti Walmart and the acquisition of Flipkart in India; investment in Yihaodian, an e-commerce platform in China; and the acquisition of Asda in the United Kingdom.

Most recently, in December 2024, Walmart announced the acquisition of VIZIO for \$2.3 billion. This strategic move aims to enhance customer engagement by introducing new entertainment experiences and accelerating the growth of Walmart Connect, the company's digital advertising platform, which recorded a 28% increase in performance. The acquisition underscores Walmart's ongoing commitment to enhancing customer experience and strengthening its competitive position within the retail sector.

From a financial perspective, Walmart's stock performance also reflects this strategic momentum. As of December 31, 2024, Walmart, a recognized dividend-paying company, experienced a substantial year-over-year appreciation of approximately 76.5%. This represents a significant acceleration compared to its five-year historical CAGR of approximately 20.0%, highlighting both investor confidence and the firm's sustained profitability.

In summary, Walmart has positioned itself as a retailer that primarily fulfills essential consumer needs, distinguishing it from competitors whose customer bases are often driven by discretionary spending. This distinction is particularly significant during periods of economic uncertainty, during which Walmart's value-oriented model demonstrates resilience and sustained relevance. This strategic positioning aligns with the company's long-standing

mission, originally articulated by founder Sam Walton, of providing individuals with the opportunity to save money and improve their quality of life. Rather than emphasizing brand image or aspirational consumption, Walmart's operational model is built on accessibility, affordability, and utility, factors that contribute to its resilience and broad appeal across economic cycles. As of year-end 2024, the company employed approximately 2.1 million associates globally, including about 1.6 million in the U.S.. Additionally, Walmart's market capitalization stood at around \$730 billion as of December 31, 2024.

## **3.2. Business Units and Overview**

Walmart's operations are organized into three primary segments: Walmart U.S., Walmart International, and Sam's Club. While these segments offer similar products and services, the firm aggregates them into broader categories for reporting purposes, as reflected in both its annual report and this chapter.

It is also important to note that the retail industry typically operates with relatively narrow profit margins, a characteristic that applies to Walmart as well. In 2024, the company reported a net profit margin of 2.4%. However, its operating income—a commonly used performance metric that excludes the effects of capital structure and certain accounting policies—showed a year-over-year increase of 32% compared to 2023. This improvement is primarily attributed to cost-reduction initiatives and operational efficiency gains.

**Business Units and Revenues:** Most of Walmart's revenue is generated through its U.S. operations, which increased from \$392.265 billion in 2019 to \$532.076 billion in 2024. This growth highlights the scale and significance of the company's domestic market presence within the retail sector. Non-U.S. operations were stagnant around \$120 billion from 2019 to 2021, which included a major divestment from Asda, the Company's retail operations in the United Kingdom, as well as Seiyu, the Company's retail operations in Japan. This led to a fracture in revenue which was quickly recovered by their current global Investments.

**Walmart U.S.:** Approximately 80% of Walmart's total revenue is derived from its U.S. operations. A breakdown of net sales by category from 2019 to 2024 reveals the significance of specific product groups in sustaining revenue performance, particularly the Grocery segment. Grocery consistently accounted for between 55% and 60% of total U.S. net sales during this period, with an average annual growth rate of 5.62%.

The Health and Wellness category also experienced notable expansion, particularly following a sharp increase in 2022. From 2019 to 2024, this category grew by approximately 53%, contributing more prominently to the overall sales composition. In contrast, General Merchandise began to decline in 2022, though it remains the second-largest category in terms of U.S. segment sales.

Additionally, e-commerce sales have grown substantially since 2019, increasing fourfold and accounting for approximately 15% of total net sales in the U.S. by 2024. This reflects broader industry trends and Walmart's ongoing integration of digital and physical retail channels.

**Walmart International:** This segment employs a merchandising strategy broadly aligned with that of Walmart U.S., while incorporating country-specific adaptations to meet local consumer preferences. Examples include the provision of prepaid cards and money transfer services in Mexico and Canada, and the operation of PhonePe in India, which offers mobile payments and bill management solutions.

As a result of Walmart's continued global expansion, the International segment is becoming increasingly integrated into the broader corporate structure. The company has undertaken strategic divestitures in recent years, including its operations in the United Kingdom (Asda) and Japan (Seiyu). These actions led to a decline in international net sales beginning in 2022. However, by 2024, the segment demonstrated signs of recovery, supported by a refocused approach on existing international markets.

While net sales in 2024 were similar to those in 2019, the composition shifted. Notably, Mexico and Central America accounted for 43% of international net sales in 2024, reflecting a stronger regional contribution. E-commerce also gained considerable traction within this segment, rising from 5.6% of net sales in 2019 to 21.6% in 2024—representing a fourfold increase and now constituting over one-fifth of total international sales. This development indicates a broader digital transformation within Walmart's international operations and highlights the firm's efforts to allocate resources toward markets and technologies with higher growth potential.

**Sam's Club:** Operating across 44 U.S. states and Puerto Rico, Sam's Club functions as a membership-based warehouse model that offers members access to lower pricing on a wide range of products. In 2024, the segment contributed approximately 13% to Walmart's total net sales. It operates with relatively lower gross profit margins and operating expenses than other segments, in part due to its reliance on membership fees, which serve as a key component of operating income.

Given the competitive landscape—characterized by other warehouse clubs, discount retailers, fuel providers, and wholesale grocers—Sam's Club has increasingly relied on its e-commerce platform and mobile applications to enhance customer experience and remain competitive.

Sam's Club organizes its sales across several key product categories, with five emerging as particularly significant in terms of revenue contribution and recent performance trends. Among these, three are newly distinguished in the analysis: "Home and Apparel", "Fuel, Tobacco, and Other" and "Technology, Office, and Entertainment". The Grocery and Health & Wellness categories have demonstrated consistent growth between 2019 and 2024, with

groceries continuing to represent the largest portion of total net sales. The Home and Apparel category recorded the most pronounced growth over the period, increasing by approximately 70% relative to 2019 levels. Fuel, Tobacco, and Other also registered growth, albeit with more fluctuation across years. Conversely, the Technology, Office, and Entertainment category exhibited a sustained decline; however, its limited weight in overall net sales has mitigated its impact on the segment's financial performance.

### **3.3. SWOT Analysis**

This analysis examines the company's internal strengths and weaknesses, as well as external opportunities and threats, in order to provide a fundamental understanding of its position within the retail sector. It aims to identify potential avenues for growth or strategic development, as well as risks inherent to operating in this industry.

#### **3.3.1. Strengths**

**Financial Wellness:** Walmart's financial condition is characterized by consistent year-over-year profitability and moderate, stable growth. Its balance sheet reflects a sizable asset base, equity position, and manageable debt levels. The company has maintained a dividend policy, allocating approximately one-third of its net income to shareholder distributions. Notably, Walmart has increased its dividend for 49 consecutive years, which may be interpreted as a signal of long-term financial planning and capital allocation stability.

**Strong brand Recognition and customer loyalty:** Walmart possesses a high level of brand recognition within the U.S., supported by its extensive national footprint and long-standing presence in the retail sector. Over more than six decades of operation, the company has established a broad consumer base, with widespread familiarity among U.S. households. Walmart operates stores in every U.S. state and maintains an international presence in over 20 countries, providing access to a large and diverse customer population. Indicators such as sustained store traffic and growing membership revenue in recent years suggest stable customer retention and continued engagement with the brand.

**Global Presence with Growing E-commerce:** Walmart operates across multiple regions, including Asia (China and India), Africa (Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Eswatini, and Zambia), and the Americas (Canada, Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Nicaragua). This geographic diversification allows the company to access a broad customer base and capture market share internationally. The growth of e-commerce has facilitated cross-border sales with reduced reliance on substantial capital expenditures or uncertain investments in new markets. Walmart has demonstrated a strategic approach by divesting from operations that do not align with its

business model, enabling the company to concentrate investments in markets with established profitability.

Supply chain: In the retail sector, supplier relationships and logistical efficiency are critical components of operational performance. Walmart has developed a supply chain structure that emphasizes cost control, inventory optimization, and adaptability to changing consumer preferences. The company leverages a centralized logistics network to streamline distribution and reduce waste, which contributes to cost efficiency. In recent years, Walmart has introduced increased automation within its supply chain operations to improve inventory tracking and operational accuracy. These measures are intended to support workforce productivity and enhance responsiveness to shifts in product demand or availability. Close collaboration with suppliers allows for timely adjustments to supply and demand dynamics, helping maintain consistent product availability.

### **3.3.2. Weaknesses**

Vast Investment in E-commerce and Tech: The increasing importance of e-commerce and technological innovation in the retail sector has required Walmart to allocate substantial capital expenditures to maintain competitiveness against established peers and new market entrants. While these investments support operational modernization and digital capabilities, they also represent a recurring financial commitment. The necessity of sustained spending in this area may limit the availability of resources for alternative strategic initiatives or shareholder returns, indicating a trade-off between long-term growth and short-term capital flexibility.

Concentration in U.S. Operations and Dependence on Information Systems: A significant portion of Walmart's revenues is derived from its U.S. operations, reflecting a high geographic concentration. This exposes the company to elevated risk from domestic economic fluctuations, policy changes, or operational disruptions. Additionally, due to the large volume of daily transactions, Walmart relies heavily on its information and financial systems. This reliance presents operational risk, as system failures, whether due to natural disasters, power outages, or cybersecurity threats, could disrupt business continuity and result in substantial recovery costs.

### **3.3.3. Opportunities**

E-Commerce growth and Online presence: The continued expansion of Walmart's e-commerce operations has enabled broader market reach, both domestically and internationally. This growth contributes to increased operational efficiency and enhances the company's ability to serve evolving consumer preferences. Strengthening its online presence

also supports competitiveness in a retail landscape where digital-native firms and new entrants continue to gain market share.

**Incentives for sustainable companies:** Walmart has set sustainability targets, including sourcing 100% of its energy from renewable sources by 2035 and reaching zero emissions by 2040. The company is implementing various measures to progress toward these goals. As these initiatives advance, Walmart may become more attractive to environmentally focused investors and potential business partners. Additionally, meeting such targets could allow the company to benefit from government incentives or environmental tax advantages aimed at supporting low-impact, sustainable business practices.

**Artificial Intelligence (AI) incorporation in operations:** The integration of AI into business operations is an emerging development with the potential to enhance efficiency across multiple areas. For companies like Walmart, AI can support functions such as inventory management, supplier coordination, and operational problem-solving by reducing response times and automating repetitive tasks. While the full extent of AI's long-term impact remains to be seen, its current applications suggest opportunities for streamlining processes and improving decision-making capabilities.

**Acquisitions and thoughtful global expansion:** Walmart's presence in global retail has been supported by a series of acquisitions and a measured approach to international expansion. Its scale and track record in retail operations may offer advantages when engaging with suppliers and potential partners. The company has adopted a cautious strategy in entering and exiting markets, choosing to divest from regions where performance did not align with strategic goals. With operations currently spanning four continents, Walmart continues to assess potential markets for future expansion, prioritizing regions that show favourable conditions for its business model and consumer demand. Future acquisition targets may include companies focused on AI-driven inventory management, E-Commerce infrastructure, smarter payment solutions, or suppliers with strategic advantages in specific product categories.

### **3.3.4. Threats**

**Theft and Cyberattacks:** Physical retail operations face ongoing challenges related to inventory shrinkage from theft, which can impact profitability if not effectively managed. Factors such as inadequate loss prevention measures, outdated surveillance systems, or insufficient staff training can increase exposure to these risks. In addition, Walmart faces cybersecurity threats aimed at accessing sensitive customer or company data or disrupting internal systems. Such breaches can lead to reputational damage, legal consequences, and significant financial costs. Given the company's centralized logistics infrastructure, investments in both physical and digital security are essential to safeguard operations and ensure continuity.

Exposure to Natural disasters and geopolitical tensions: Walmart's extensive network of physical stores underscores its scale in the retail sector but also increases its exposure to risks associated with natural disasters such as hurricanes, wildfires, and earthquakes. These events can lead to temporary store closures, infrastructure damage, supply chain disruptions, and inventory losses. Similarly, geopolitical tensions and global instability may reduce consumer confidence and spending, potentially affecting Walmart's revenues and operational stability not only in affected regions but also across the broader economy.

### **3.4. Porter's Five Forces**

To gain a deeper understanding of a company's strategic position within its industry, Porter's Five Forces framework, developed by Harvard professor Michael E. Porter in 1979, serves as a valuable analytical tool. This model assesses the competitive dynamics and external pressures that may influence a firm's performance.

The framework examines the threat of new entrants, which evaluates the vulnerability of the company to competition from new firms entering the market. It also considers the threat of substitutes, referring to the risk posed by alternative products or services that could replace the company's offerings by delivering greater value or lower prices. The intensity of competitive rivalry is another key dimension, reflecting the number and strength of existing competitors and the degree to which they can influence pricing, market share, or overall profitability. The bargaining power of customers assesses the influence that consumers hold over the business, particularly in terms of pricing sensitivity and their ability to shift to competitors. Finally, the bargaining power of suppliers captures the extent to which suppliers can affect input costs and availability, especially in cases where supply is limited or concentrated. Together, these forces help evaluate Walmart's exposure to competitive threats and its positioning within the broader retail sector.

Threat of new entrants: The physical retail sector presents relatively low risk of new entrants due to substantial capital requirements, established brand presence, and existing customer loyalty. Additionally, long-standing relationships with suppliers and integrated supply chains create operational efficiencies that are difficult for new firms to replicate without incurring significant costs. These factors collectively act as barriers to entry, making it challenging for new competitors to gain traction in the traditional retail space. However, the growth of e-commerce has lowered entry barriers in the digital retail segment, as businesses can now operate without the need for physical storefronts or associated fixed costs. As a result, while entry into large-scale physical retail remains limited, the accessibility of online platforms increases the overall threat of new entrants. Therefore, the risk in this area can be considered

medium, primarily due to the ease with which digital business models can be imitated and scaled with relatively low initial investment.

**Threat of Substitutes:** The threat of substitutes for Walmart can be considered medium, particularly due to the evolving dynamics of the retail sector. While Walmart maintains competitive pricing and a wide product assortment, the increasing availability of alternatives, particularly through e-commerce platforms, has changed consumer behaviour. Online retailers offering similar products, often with personalized experiences, flexible delivery options, or subscription-based models, can serve as substitutes for in-store shopping. Consumers may increasingly favour digital platforms that offer greater convenience, competitive pricing, or enhanced user experience. Although Walmart's cost structure and operational scale create some level of protection from substitution, the expanding presence of online-only retailers introduces greater competition across multiple product categories and purchasing channels.

**Intensity of Competitive Rivalry:** The retail sector is characterized by a high number of established competitors operating across overlapping market segments. While several firms operate on a comparable scale in certain categories, the overall threat to Walmart's market position remains limited in terms of total net sales and operational scope. However, competition remains relevant, particularly from companies with strong e-commerce capabilities, which represent a growing share of consumer spending. Among these, digitally native firms pose increasing competitive pressure in areas such as logistics, pricing, and customer experience. Given the evolving landscape and the need for continuous innovation and cost efficiency, the intensity of competitive rivalry for Walmart can be assessed as medium.

**Customer Bargaining Power:** This force assesses the extent to which customers can influence pricing and the overall business model, often depending on the availability of substitute products and the ease of switching to alternative providers. In Walmart's case, customer bargaining power is relatively low. The company's pricing strategy, centered on maintaining competitive prices, limits consumers' ability to negotiate or drive significant pricing changes. Additionally, a substantial portion of Walmart's revenue is generated from grocery sales, which are considered non-durable and essential goods. Demand for these products tends to remain stable regardless of broader economic conditions, contributing to revenue consistency even during periods of economic downturn, such as the COVID-19 pandemic. As such, while consumers have access to alternative retailers, the nature of Walmart's core product offerings and pricing model reduces the overall influence customers have on its pricing strategies.

**Suppliers Bargaining Power:** In the retail industry, suppliers often possess considerable bargaining power, particularly when sourcing options are limited or when input costs are subject to volatility. While Walmart's scale, long-standing presence, and centralized procurement structure provide it with negotiating leverage, the company's reliance on a global

network of suppliers introduces some degree of vulnerability. Many of these suppliers are based internationally, which can expose Walmart to risks related to logistics delays, price fluctuations, regulatory changes, and inconsistent quality standards. Although Walmart's size and purchasing volume allow it to set strict contractual terms and sustainability guidelines, the complexity and breadth of its supply chain mean that supplier bargaining power cannot be entirely eliminated. As a result, the overall bargaining power of suppliers in Walmart's case can be considered medium-low, particularly due to the operational dependencies and potential uncertainties associated with global sourcing.

### **3.5. Stock Performance and Shareholder Structure**

From a valuation perspective, the stock price serves as a key reference point when determining whether a security is undervalued, fairly valued, or overvalued. The fair value derived from the valuation process will ultimately be compared to the current market price to inform investment decisions such as buying, holding, or selling the stock.

Historically, Walmart's stock price remained relatively flat between 1999 and 2007, trading around \$10 per share. From 2008 to 2015, the stock became more active, peaking at approximately \$23 per share. Between 2020 and mid-2023, the stock price ranged between \$40 and \$50 per share. In 2024, the share price experienced a significant increase, appreciating by over 70% year-over-year, a sharp contrast to the relatively stable performance in prior years. While this upward movement reflects positive market sentiment, such a rapid price escalation also raises concerns among investors about valuation levels and potential overpricing. This highlights the importance of conducting a detailed valuation analysis to assess whether the current market price aligns with the company's intrinsic value.

Over the last 49 years, Walmart has increased its annual dividend consecutively, reaching a dividend yield of approximately 0.91% in 2024. While this may be considered modest, it reflects a consistent dividend policy and suggests financial stability. In addition to dividend payments, Walmart has implemented share repurchase programs aimed at reducing the total number of outstanding shares, thereby limiting dilution and enhancing shareholder value. The number of shares outstanding declined from 11.63 billion to 8.08 billion, contributing to an increase in diluted earnings per share (EPS) from \$1.41 in 2023 to \$1.91 in 2024.

According to data from Yahoo Finance, approximately 45% of Walmart's shares are held by insiders, primarily consisting of the Walton family and Walton Enterprises. The remaining 55% of shares are classified as free float, accessible to public investors. Among institutional shareholders, the largest positions are held by Vanguard Group Inc. (5.24%), BlackRock Inc. (4.17%), and State Street Corporation (2.29%).

Appendix E compares the cumulative price performance of Walmart's stock with the Dow Jones Industrial Average (DJIA) and the S&P 500 between December 31, 2014, and December 31, 2024. Over this ten-year period, Walmart's share price rose from approximately \$28.60 to \$90.34, a gain of about 216%, compared with increases of 139% for the DJIA and 186% for the S&P 500.



## 4. Financial analysis

This chapter evaluates Walmart's financial performance from 2019 to 2024, focusing on Profitability, Liquidity, and Solvency metrics. These indicators provide insight into the company's ability to generate profits, meet short and long-term obligations, and sustain financial health under varying market conditions.

### 4.1. Profitability

Return on Assets (ROA) measures a company's ability to generate profits from its average total asset base, serving as an indicator of operational efficiency and capital productivity. Since total assets are reported as a balance sheet item at a specific point in time, this chapter calculates the average total asset base as the mean of the ending balances from two consecutive periods (e.g., the total assets reported at the end of 2023 and at the end of 2024). This approach ensures that the 2024 ROA is based on the average asset value for that year. Walmart's ROA experienced a notable increase in 2020, reaching approximately 6.67%, up from 3.39% in the previous year. This sharp improvement was primarily driven by a substantial rise in net income, largely attributed to non-operating gains, particularly interest-related earnings reported during that year.

In subsequent years, the ROA exhibited a downward trend, declining to 5.61% in 2021, maintaining the same value for 2022 and decreasing further to 4.63% in 2023. This fluctuation was predominantly influenced by a consistent expansion in Walmart's total asset base, which diluted the ratio despite relatively stable net income levels.

By 2024, the ROA recovered to 6.57%, reflecting an increase in net income against a more stable asset base. This suggests improved operational efficiency, as earnings growth outpaced changes in average total assets. The recent stability in asset levels has enhanced the reliability of ROA as a profitability metric, making it more reflective of the company's actual earnings performance and strategic capital deployment.

Return on Equity (ROE) is a key profitability indicator that measures a company's ability to generate profits relative to the average shareholder equity. It reflects how effectively management is using the company's equity base to create value for shareholders. For this analysis, ROE is examined using the 5-Step DuPont ROE Analysis. This methodology disaggregates ROE into five distinct components: Tax Burden, Interest Burden, Operating Margin (using EBIT), Asset Turnover, and Financial Leverage. By isolating these factors, it becomes possible to identify whether profitability is being driven by operational efficiency, tax advantages, financial leverage, or other factors.

Walmart's ROE reached a peak of 20.66% in 2020, more than doubling from 9.55% in 2019. This surge was primarily attributable to a significant increase in net income, which

stemmed from non-recurring financial gains reflected in the interest burden and tax burden components. Both components contributed positively, indicating a temporary reduction in tax and interest expenses relative to operating profits, which magnified net income.

In the following years, ROE declined to 17.62% in 2021 and further to 14.12% in 2023. This contraction was primarily due to a combination of declining EBIT margins and lower tax efficiency, as well as modest increases in average equity. Despite a relatively stable asset turnover and consistent financial leverage, the erosion in operating margin became the dominant factor weighing on overall ROE performance.

However, in 2024, ROE rebounded to 20.27%, driven chiefly by a recovery in EBIT and net income, which improved the operating margin and tax burden components of the model. Notably, the equity multiplier remained relatively constant throughout the period, indicating that changes in ROE were not driven by leverage, but rather by core profitability and efficiency in converting operating income into net profit.

This decomposition highlights that Walmart's ability to generate shareholder returns is largely rooted in its operating performance and cost structure, rather than aggressive financial leverage.

**Table 4.1 Walmart Profitability Ratios Analysis (2019-2024)**

<i>Walmart Profitability Ratios Analysis (2019-2024)</i>						
Years	2019	2020	2021	2022	2023	2024
<b>ROA</b>	3.39%	6.67%	5.61%	5.61%	4.63%	6.57%
<b>DuPont Analysis</b>						
<b>(1x2x3x4x5) ROE</b>	<b>9.55%</b>	<b>20.66%</b>	<b>17.62%</b>	<b>16.98%</b>	<b>14.12%</b>	<b>20.27%</b>
(1) Tax Burden	62.64%	75.57%	66.65%	74.56%	66.36%	74.47%
(2) Interest Burden	52.19%	97.80%	91.20%	72.07%	83.30%	80.88%
(3) Operating Margin	4.27%	3.93%	4.03%	4.53%	3.34%	4.17%
(4) Asset Turnover	2.43	2.30	2.29	2.30	2.50	2.62
(5) Financial Leverage	2.82	3.10	3.14	3.03	3.05	3.09

Source: Own Estimates

## 4.2. Liquidity

Over the analysis period, Walmart's liquidity position has exhibited relative stability, with some variation driven by shifts in current asset composition and liability levels. Liquidity ratios, specifically the Current Ratio, Quick ratio (also known as Acid Test), and the Cash Ratio, offer valuable insight into a firm's short-term financial flexibility and its ability to meet obligations as they come due. These metrics are particularly relevant for a retail business like Walmart, where

large volumes of inventory and recurring operating expenses demand effective working capital management.

The Current ratio, which reflects the proportion of current assets available to cover current liabilities, rose sharply in 2021 to 0.97 from 0.79, following a significant expansion in current assets. This was primarily attributed to an increase in cash balances and inventory accumulation. However, in the following years, the ratio declined, reaching 0.83 in 2024, as current assets decreased while current liabilities remained on an upward trend, largely due to higher payables and accrued expenses.

The quick ratio, which adjusts for the illiquidity of inventory by focusing on receivables and cash, followed a similar trajectory. It improved gradually until 2022, peaking at 0.26, driven by increases in cash and accounts receivable. However, it later declined to 0.20 in 2024, due to reduced cash holdings and a moderation in receivables growth relative to liabilities.

Likewise, the cash ratio, which considers only cash and short-term investments against current liabilities, experienced a rise in 2021 due to elevated cash reserves, but declined thereafter as excess liquidity was likely redirected toward capital investments and other corporate priorities.

**Table 4.2 Walmart Liquidity Ratios Analysis (2019-2024)**

*Walmart Liquidity Ratios Analysis (2019-2024)*

Years	2019	2020	2021	2022	2023	2024
Current Ratio	0.80	0.79	0.97	0.93	0.82	0.83
Quick Ratio (Acid Test)	0.18	0.20	0.26	0.26	0.18	0.20
Cash Ratio	0.10	0.12	0.19	0.17	0.09	0.11

Source: Own Calculations

Turnover ratios are crucial indicators of operational efficiency, measuring how effectively a company manages its short-term assets and liabilities throughout the operating cycle. Specifically, Accounts Receivable Turnover, Inventory Turnover, and Accounts Payable Turnover quantify how frequently receivables are collected, inventory is sold, and payables are settled, respectively, within a given period. These ratios, when converted into days outstanding, using a 365-day convention in this analysis, form the basis of the Cash Conversion Cycle (CCC), a key metric that captures the net time span between cash outflows for purchases and inflows from customer payments.

Walmart’s CCC has remained relatively close to zero. This indicates that the company is trying to efficiently manage its working capital, minimizing the time lag between cash outflows for inventory purchases and inflows from customer sales. Although the CCC is slightly positive, its proximity to zero reflects operational discipline across receivables, inventory, and payables.

In general, a negative CCC is considered advantageous, particularly in the retail sector. It implies that the company is able to receive payment from customers before settling its

obligations with suppliers, effectively using supplier credit to finance its operations. This dynamic reduces the need for external financing, enhances liquidity, and allows the business to reinvest incoming funds more rapidly. A reduction in Days of Inventory on Hand (DOH), coupled with an increase in Days Payable Outstanding (DPO) through improved inventory management and supplier credit terms, could enable Walmart to transition its CCC from slightly positive to negative.

In summary, Walmart’s working capital efficiency remains strong, as reflected in a Cash Conversion Cycle that stays close to zero, underscoring effective coordination between receivables, inventory, and payables. While the liquidity ratios indicate adequate short-term flexibility, their relatively low levels highlight the company’s reliance on efficient operations and supplier financing rather than maintaining large reserves of cash or liquid assets. Overall, the analysis suggests that Walmart maintains stable liquidity management practices, with room for further improvement through continued optimization of inventory turnover and supplier credit terms.

**Table 4.3 Walmart Turnovers and Cash Conversion Cycle (2019-2024)**

*Walmart Turnovers and Cash Conversion Cycle (2019-2024)*

Years	2019	2020	2021	2022	2023	2024
Accounts Receivables Turnover	86.48	83.39	87.37	77.42	75.41	77.49
(1) Days Sales Outstanding (DSO)	4.22	4.38	4.18	4.71	4.84	4.71
Inventory Turnover	8.75	8.90	9.40	8.46	8.20	8.79
(2) Days of Inventory on Hand (DOH)	41.71	41.02	38.81	43.16	44.51	41.50
Accounts Payable Turnover	8.53	8.39	8.75	8.22	8.51	8.87
(3) Days of Payables Outstanding (DPO)	42.80	43.49	41.73	44.41	42.90	41.16
<b>(1+2-3) Cash Conversion Cycle (Days)</b>	3.13	1.91	1.26	3.46	6.45	5.05

Source: Own Calculations

### 4.3. Solvency

For the purpose of this analysis, debt ratios were calculated using total debt, defined as the sum of short-term debt and long-term debt. Since debt is reported on the balance sheet at a specific point in time, an average was applied in each case by taking the mean of the ending balances from two consecutive years. This approach ensures that the ratios reflect a more representative measure of Walmart’s capital structure over the given period.

For a retail company like Walmart, characterized by substantial fixed assets and lease obligations, maintaining strong solvency is critical to preserving financial stability and long-term strategic flexibility. Solvency metrics provide insight into a firm’s ability to meet its long-term debt commitments, which is especially important in an asset-heavy business model where capital investments are frequent and often financed through a mix of equity and debt.

Throughout the analysis period, Walmart’s debt-to-capital ratio fluctuated moderately, increasing in 2020 and 2021 before gradually declining through 2023. This variation was driven by changes in total debt levels in response to pandemic-related adjustments in financing strategy. In 2020, a notable rise in average total debt led to a temporary increase in both the debt-to-capital and debt-to-assets ratios. These levels began to stabilize in 2022 and 2023 as Walmart reduced its financial liabilities, while maintaining a steady equity base.

The interest coverage ratio, calculated using EBIT over cash interest paid rather than accounting-based interest expense, remained within a consistent range throughout the period. In 2020, the ratio declined to 8.35, coinciding with an increase in average debt levels. In the years that followed, the ratio rose, reaching 11.60 in 2022, supported by growth in operating income and relatively stable interest payments. It later declined to 9.96 in 2023 before rising again to 10.72 in 2024, reflecting fluctuations in EBIT while cash interest paid remained broadly contained.

Taken together, Walmart’s solvency metrics indicate a relatively stable capital structure over time, with operating income generally sufficient to cover debt service requirements. Variations in debt levels were accompanied by corresponding changes in coverage capacity, suggesting that the company has adjusted its financial position in line with operational performance. These patterns reflect a measured approach to managing long-term obligations and maintaining financial flexibility.

Walmart’s solvency position is currently stable, with debt and equity levels evolving in line with operational performance and interest coverage remaining consistent. In the near future, Walmart is expected to preserve this stability, with operating income and capital management supporting its ability to meet long-term obligations while retaining flexibility to finance strategic investments.

**Table 4.4 Walmart Solvency Ratios Analysis (2019-2024)**

*Walmart Solvency Ratios Analysis (2019-2024)*

Years	2019	2020	2021	2022	2023	2024
Debt/Total Assets	24%	29%	28%	24%	24%	24%
Debt/Capital	40%	47%	47%	42%	42%	43%
Financial Leverage	2.82	3.10	3.14	3.03	3.05	3.09
Debt/EBIT	2.29	3.17	3.01	2.32	2.85	2.23
CFO/Total Liabilities	0.21	0.17	0.23	0.15	0.18	0.22
Coverage Ratio	9.35	8.35	10.18	11.60	9.96	10.72

Source: Own Calculations



## 5. Valuation

To estimate Walmart's fair value, a combination of a DCF model and a Relative Valuation approach was employed. The use of both methods provides a more comprehensive perspective, as the DCF model focuses on intrinsic value based on company-specific fundamentals, while the Relative Valuation offers an external benchmark by comparing Walmart to its industry peers.

The DCF analysis was built on Walmart's historical performance and adjusted for external variables, including inflation rates, total addressable market (TAM), and relevant premiums. The explicit forecast period spanned from 2025 to 2030, with 2031 serving as the first year of the TV. The perpetual growth rate used in the TV calculation was derived by weighting GDP growth projections across the countries in which Walmart operates, thereby anchoring the model to broader macroeconomic expectations. This framework provided an estimate of Walmart's intrinsic value.

To complement this analysis, a Relative Valuation (Comparables) was conducted to enable direct comparison with peer companies. This method added an external dimension to the valuation, situating Walmart's price relative to comparable firms in the retail sector. The integration of both approaches allowed for a balanced estimate of the company's fair price, combining fundamental analysis with market-based perspectives.

### 5.1. Valuation Assumptions

The following sections outlines the key drivers of the valuation, including the assumptions underlying the projection of future cash flows and the considerations taken into account when estimating Walmart's fair value.

#### 5.1.1. Revenues

Walmart's revenue structure is divided into three main segments: Walmart U.S., Walmart International, and Sam's Club. For the purpose of projecting revenues over the explicit forecast period (2025–2030), the historical CAGR of total revenues for the period 2019–2024 was calculated and subsequently applied. This approach allows for a consistent and data-driven extrapolation of revenue trends into the forecast horizon.

In line with this methodology, total revenues were projected first, and the relative contribution of each segment was assumed to remain stable, reflecting the proportional distribution observed in the last available historical year (2024). This assumption is based on the historical consistency of segment shares within Walmart's overall revenue structure, suggesting that significant shifts in the distribution are unlikely in the short to medium term.

The application of this method resulted in an estimated growth rate of 4.73%, as reported in Table 5.1, which serves as the foundation for the revenue projections in subsequent sections of this analysis.

**Table 5.1 Walmart's Revenues Forecast (2025-2030)**

<i>Walmart's Revenues Forecast (2025-2030)</i>		<b>Forecasted</b>				
Million USD	2025F	2026F	2027F	2028F	2029F	2030F
Walmart U.S net sales	462,715	484,601	507,522	531,527	556,668	582,998
Walmart International net sales	120,063	125,742	131,690	137,919	144,442	151,274
Sam's Club net sales	90,255	94,524	98,995	103,677	108,581	113,717
Membership and other Income	5,748	6,019	6,304	6,602	6,915	7,242
<b>Total Revenues</b>	<b>678,781</b>	<b>710,886</b>	<b>744,511</b>	<b>779,725</b>	<b>816,606</b>	<b>855,230</b>
<i>YoY % Change</i>	4.73%	4.73%	4.73%	4.73%	4.73%	4.73%

Source: Own Estimates

## 5.1.2. Costs

Walmart's costs are divided into two categories: Cost of Sales and operating, SG&A. For the cost of sales, the decision was made to project this item as an average percentage of revenues, calculated from the historical years. This approach reflects the close relationship between sales volumes and the costs required to generate them, making revenues the appropriate basis for projection.

Operating, SG&A was projected using a different methodology. Here, the historical CAGR between the first and last year of the historical period was calculated and applied to the forecast. This choice recognizes that SG&A is less directly tied to revenues, as these expenses tend to behave more like fixed or semi-fixed costs. While they may grow over time, they do not necessarily fluctuate in direct proportion to sales. By using the historical CAGR, the projection captures the long-term trajectory of SG&A while maintaining consistency with the overall forecasting framework.

These approaches ensure that each cost category is projected according to its underlying nature, resulting in a more accurate and reliable cost forecast for the explicit projection period.

**Table 5.2 Walmart's Costs Forecast (2025-2030)**

<i>Walmart's Costs Forecast (2025-2030)</i>		<i>Forecasted</i>				
Million USD	2025F	2026F	2027F	2028F	2029F	2030F
Cost of Sales	<b>511,087</b>	<b>535,261</b>	<b>560,579</b>	<b>587,093</b>	<b>614,862</b>	<b>643,945</b>
<i>YoY % Change</i>	4.27%	4.73%	4.73%	4.73%	4.73%	4.73%
Operating, SG&A	<b>136,337</b>	<b>141,923</b>	<b>147,738</b>	<b>153,791</b>	<b>160,092</b>	<b>166,652</b>
<i>YoY % Change</i>	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%

Source: Own Estimates

### 5.1.3. Depreciation and CapEx

Depreciation and CapEx were projected using their historical relationship to revenues. The decision was made to apply an average percentage of revenues, calculated over the past five years (2019–2024), as the basis for these forecasts. On this foundation, depreciation was set at around 2% of revenues, while CapEx was set at approximately 2.4%.

It is important to note that CapEx is projected to show a decrease of around 22% in the first forecasted year; however, for the remaining years it was assumed that values will revert to their average proportion of revenues, consistent with the longer-term historical trend.

These percentages were then applied directly to the projected revenues for the explicit forecast period (2025–2030) in order to estimate future values for both items.

**Table 5.3 Walmart's Depreciation and CapEx Forecast (2025-2030)**

<i>Walmart's Depreciation and CapEx Forecast (2025-2030)</i>		<i>Forecasted</i>				
Million USD	2025F	2026F	2027F	2028F	2029F	2030F
Depreciation	<b>13,177</b>	<b>13,800</b>	<b>14,453</b>	<b>15,136</b>	<b>15,852</b>	<b>16,602</b>
<i>YoY % Change</i>	11.17%	4.73%	4.73%	4.73%	4.73%	4.73%
CapEx	<b>15,968</b>	<b>16,723</b>	<b>17,514</b>	<b>18,343</b>	<b>19,210</b>	<b>20,119</b>
<i>YoY % Change</i>	-22.51%	4.73%	4.73%	4.73%	4.73%	4.73%

Source: Own Estimates

### 5.1.4. Net Working Capital

Changes in NWC were projected based on its historical proportion relative to revenues. To establish this, historical values of NWC were expressed as a percentage of revenues, and an average was then taken. The resulting value was close to 1% of revenues and was adopted as the basis for the forecast.

This percentage was applied to projected revenues in order to compute NWC for the forecast period. Table 5.4 also includes the years 2023–2024 to present the historical reference point from which the projected changes in NWC are derived.

**Table 5.4 Walmart's Net Working Capital Forecast (2025-2030)**

<i>Walmart's Net Working Capital Forecast (2025-2030)</i>			<i>Forecasted</i>					
Million USD	2023A	2024A	2025F	2026F	2027F	2028F	2029F	2030F
<b>Net Working Capital</b>	<b>10,149</b>	<b>8,822</b>	<b>7,038</b>	<b>7,371</b>	<b>7,720</b>	<b>8,085</b>	<b>8,468</b>	<b>8,868</b>
<b>Change in Working Capital</b>		<b>1,327</b>	<b>(1783)</b>	<b>333</b>	<b>349</b>	<b>365</b>	<b>382</b>	<b>401</b>

Source: Own Estimates

## 5.2. Discounted Cash Flow Valuation

The DCF approach was applied to estimate Walmart's intrinsic value. The process followed several steps. First, FCFF was projected for the explicit forecast period, covering 2024 to 2030, and discounted back to present value. Next, a TV was calculated to represent the company's value in perpetuity, which required the assumption of a perpetual growth rate. Both the explicit forecast cash flows and the TV were discounted using the WACC, resulting in the EV of the firm.

From this figure, net debt (Debt – Cash and Cash Equivalents) was subtracted to obtain the EQV. Dividing the EQV by the number of shares outstanding yielded the estimated fair value per share. Finally, a sensitivity analysis was conducted to account for variations in key assumptions, particularly the discount rate and perpetual growth rate, providing a range of potential valuation outcomes under different scenarios.

### 5.2.1. Free Cash Flow to the Firm

To calculate FCFF, Net Operating Profit After Taxes (NOPAT) was first obtained by deducting taxes from EBIT. Depreciation, as a non-cash expense, was then added back to this figure. From this result, changes in NWC and Capital Expenditures (CapEx) were subtracted, producing the FCFF for each forecasted year.

This approach ensures that FCFF reflects the cash flows available to all capital providers—both equity and debt holders—after accounting for operating performance, reinvestment requirements, and changes in working capital.

**Table 5.5 Walmart's FCFF Forecast (2025-2030)**

<i>Walmart's FCFF Forecast (2025-2030)</i>		<i>Forecasted</i>					
Millions USD (except % and Discount Factor)		2025F	2026F	2027F	2028F	2029F	2030F
EBIT	\$	31,356	33,702	36,194	38,841	41,651	44,634
	<i>YoY % Change</i>	%	4.62%	4.74%	4.86%	4.98%	5.10%
Taxes	\$	7,526	8,089	8,687	9,322	9,996	10,712
		%	24%	24%	24%	24%	24%
<b>NOPAT</b>		<b>23,831</b>	<b>25,614</b>	<b>27,508</b>	<b>29,519</b>	<b>31,655</b>	<b>33,922</b>
Depreciation	\$	13,177	13,800	14,453	15,136	15,852	16,602
Changes in WC	\$	(1783)	333	349	365	382	401
Capital Expenditures	\$	15,968	16,723	17,514	18,343	19,210	20,119
<b>Unlevered Free Cash Flow</b>	<b>\$</b>	<b>22,822</b>	<b>22,357</b>	<b>24,097</b>	<b>25,947</b>	<b>27,914</b>	<b>30,004</b>
Discount Rate (WACC)		8.34%	8.34%	8.34%	8.34%	8.34%	8.34%
Discount Period		1	2	3	4	5	6
Discount Factor		1.083394946	1.173744609	1.271628977	1.377676407	1.492567657	1.617040256
<b>Present Value of Unlevered Free Cash Flow</b>		<b>21,066</b>	<b>19,048</b>	<b>18,950</b>	<b>18,834</b>	<b>18,702</b>	<b>18,555</b>
<b>Sum of PV</b>							<b>115,154</b>

Source: Own Estimates

## 5.2.2. Cost of Capital

To convert future cash flows into present values, a discount rate was applied. In this valuation, the WACC was used as the discount rate. WACC incorporates the company's capital structure by weighting the proportion of equity and debt financing, while also accounting for the cost of equity and the after-tax cost of debt. This approach reflects the average return required by all capital providers and serves as an appropriate rate for discounting FCFF.

## 5.2.3. Cost of Equity

The cost of equity was estimated using CAPM. The risk-free rate was taken as the yield on the 10-year U.S. Treasury bond, with a value of 4.573%. The MRP, defined as the excess return of the market over the risk-free rate and proxied by the S&P 500, was estimated at 5.29%. To reflect Walmart's international exposure, a weighted CRP of 0.76% was included.

The equity beta, provided by Bloomberg Terminal and based on a regression over a 10-year period with daily observations, was 0.68. Incorporating these inputs into CAPM resulted in a cost of equity of 8.69%.

**Table 5.6 Walmart's Cost of Equity**

<i>Walmart's Cost of Equity</i>	
Risk Free Rate(Rf)	4.573%
Country Risk Premium	0.76%
Market Risk Premium (Rm - Rf)	5.29%
Equity Beta	0.68
<b>Cost of Equity(Ke)</b>	<b>8.69%</b>

Source: Own Estimates

### 5.2.4. Cost of Debt

The cost of debt was estimated at 5%, based on the average yield of Walmart's outstanding bonds. A default spread of 0.45% was applied, supported by the company's interest coverage ratio of approximately 10.7. This ratio indicates that Walmart's EBIT is around 10.7 times larger than its cash interest paid.

The after-tax cost of debt was then calculated using a marginal tax rate of approximately 24%, comprising the statutory federal corporate tax rate of 21% and an estimated 3% attributable to state taxation. The resulting after-tax cost of debt is 4.14%.

**Table 5.7 Walmart's Cost of Debt**

<i>Walmart's Cost of Debt</i>	
Cost of Debt	5.00%
Default Spread	0.45%
Tax Rate	24.00%
<b>After-Tax Cost of Debt(Kd)</b>	<b>4.14%</b>

Source: Own Estimates

### 5.2.5. WACC

The WACC was determined by combining the market value of equity with the book value of debt, which was used as a proxy for its market value. The sum of these components provided the total capital figure. The proportion of equity and debt to total capital was then calculated, and the respective weights were applied to the cost of equity and the after-tax cost of debt. This process resulted in a WACC of 8.34%, which was subsequently used as the discount rate.

**Table 5.8 Walmart's WACC***Walmart's WACC*

Weighted Average Cost of Capital	
Risk Free Rate(Rf)	4.573%
Country Risk Premium	0.76%
Market Risk Premium (Rm - Rf)	5.29%
Equity Beta	0.68
<b>Cost of Equity(Ke)</b>	<b>8.69%</b>
Cost of Debt	5.00%
Default Spread	0.45%
Tax Rate	24.00%
<b>After-Tax Cost of Debt(Kd)</b>	<b>4.14%</b>
Capital Structure	
Equity/Capital	92.39%
Debt/Capital	7.61%
<b>WACC</b>	<b>8.34%</b>

Source: Own Estimates

### 5.2.6. Terminal growth rate

The terminal growth rate (TGR) was derived from weighted GDP growth estimates of the countries in which Walmart generates sales. Each country's GDP growth projection was weighted according to its share of Walmart's total revenues. The calculation incorporated the U.S., China, Canada, Mexico, and several Central American countries. This approach resulted in a perpetual growth rate of 2.617%, which was applied in the TV estimation.

**Table 5.9 Walmart's Terminal Growth Rate**

<i>Walmart's Terminal Growth Rate</i>	GDP Growth	Weights	Weights x GDP Growth	Total (G)
USA	2.80%	80%	2.016%	<b>2.617%</b>
International	-	20%	-	
China	5.00%	15%	0.150%	
Canada	1.60%	20%	0.064%	
Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua	2.86%	43%	0.246%	
Other	3.20%	22%	0.141%	

Source: Own Estimates

## 5.2.7. Enterprise Value

The EV was obtained by summing the present value of projected FCFF for the explicit forecast period, covering 2025 to 2030, with the TV. The TV was calculated using 2031 as the first year of perpetuity and applying the perpetual growth rate derived previously. The combination of the discounted cash flows for the explicit period and the discounted TV resulted in the EV of Walmart.

**Table 5.10 Walmart's TV Forecast (2031- Perpetuity)**

<i>Walmart's TV Forecast (2031- Perpetuity)</i>		<i>Forecasted</i>					
Millions USD (except % and Discount Factor)	2025F	2026F	2027F	2028F	2029F	2030F	2031F
<b>Unlevered Free Cash Flow</b>	\$ 22,822	22,357	24,097	25,947	27,914	30,004	30,789
Discount Rate (WACC)	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%
Discount Period	1	2	3	4	5	6	
Discount Factor	1.083394946	1.173744609	1.271628977	1.377676407	1.492567657	1.617040256	
<b>Terminal Value</b>							<b>332,727</b>

Source: Own Estimates

**Table 5.11 Walmart's Enterprise Value**

<i>Walmart's Enterprise Value</i>	
Million USD	
Sum of Present Value of FCFF (2025 to 2030)	115,154
Present Value of Terminal Value	332,727
<b>Enterprise Value</b>	<b>447,881</b>

Source: Own Estimates

## 5.2.8. Equity Value and Fair Price per share

To derive the EQV, non-operating assets and debt were incorporated into the valuation. Cash and cash equivalents were considered as non-operating assets, while the book value of debt was used as a proxy for market value. Net debt was calculated as total debt minus cash and cash equivalents. Subtracting net debt from EV yielded the EQV. Dividing this figure by the number of shares outstanding provided the fair value per share under the DCF framework. The resulting fair value per share was \$49.23.

**Table 5.12 Walmart's Enterprise Value and Equity Value**

<i>Walmart's Equity Value</i>	
Million (USD and Shares)	
Sum of Present Value of FCFF (2025 to 2030)	115,154
Present Value of Terminal Value	332,727
Enterprise Value	447,881
NOA	9,867
Debt	60,122
EQV	397,626
Number of Ordinary Shares Outstanding	8,077
<b>Fair Price</b>	<b>49.23</b>

Source: Own Estimates

### 5.2.9. Sensitivity Analysis

A sensitivity analysis was carried out to address the potential variability of key assumptions, focusing on the TGR and the WACC. Both parameters are subject to adjustments arising from macroeconomic conditions, business allocation decisions, and changes in capital structure. To reflect a reasonable range of outcomes, the TGR was tested between 2.22% and 3.02%, while the WACC was varied from 7.34% to 9.34%.

The results are summarized in two tables. Table 5.13 presents the absolute fair price per share values under the different combinations of TGR and WACC, while Table 5.14 shows the corresponding changes expressed as percentages relative to the base case. Based on Table 5.14, valuation outcomes ranged from approximately 21% below the base-case fair price to about 35% above it. This interval illustrates the sensitivity of the DCF valuation to shifts in discount rates and long-term growth assumptions.

**Table 5.13 Walmart's Sensitivity Analysis Table (\$ per share)**

<i>Walmart's Sensitivity Analysis Table</i>		Perpetual Growth Rate				
		2.22%	2.42%	2.62%	2.82%	3.02%
WACC	49.23					
	7.34%	57.15	59.13	61.27	63.61	66.16
	7.84%	51.37	52.96	54.67	56.52	58.52
	8.34%	46.54	47.84	49.23	50.72	52.33
	8.84%	42.44	43.52	44.66	45.89	47.20
	9.34%	38.92	39.82	40.78	41.80	42.88

Source: Own Estimates

**Table 5.14 Walmart's Sensitivity Analysis Table (%)**

*Walmart's Sensitivity Analysis Table (%)*

		Perpetual Growth Rate				
WACC	49.23	2.22%	2.42%	2.62%	2.82%	3.02%
	7.34%	16.09%	20.11%	24.46%	29.20%	34.38%
	7.84%	4.35%	7.58%	11.06%	14.81%	18.88%
	8.34%	-5.47%	-2.83%	0.00%	3.03%	6.29%
	8.84%	-13.80%	-11.61%	-9.27%	-6.79%	-4.13%
	9.34%	-20.95%	-19.11%	-17.17%	-15.10%	-12.90%

Source: Own Estimates

### 5.3. Relative Valuation

In the relative valuation, two capitalization-based multiples and one enterprise-value-based multiple were applied. The Price-to-Earnings ratio (P/E) relates market price to earnings per share, indicating how much investors pay for each unit of profit. The Price-to-Book ratio (P/BV) compares the company's market equity value with the book value of shareholders' equity. Finally, the EV/EBITDA multiple compares enterprise value with operating profitability before financing and accounting adjustments, allowing for comparisons across firms with different capital structures.

Following the selection of multiples, a peer group of companies operating in similar industries to Walmart was identified. For each metric, the mean and standard deviation of peer values were calculated. To reduce the effect of outliers, a  $\pm 1\sigma$  filter was applied, whereby firms with multiples lying above or below one standard deviation from the mean were excluded. This choice is supported by the empirical rule, which indicates that in a distribution approximating normality, roughly 68% of observations fall within this range, thereby capturing the typical variation of values while removing atypical cases.

Importantly, the trimming procedure was applied on a relative basis rather than an absolute one. In other words, peers were excluded only from the specific multiple where their value lay outside the  $\pm 1\sigma$  bounds, rather than being removed entirely from the sample. This approach ensured that relevant information was preserved for each metric, while still mitigating the distorting effects of outliers.

After applying the trimmed metrics, the implied fair values per share were \$40.61 based on P/E, \$15.02 based on EV/EBITDA, and \$65.56 based on P/BV. Taking the average of these three estimates resulted in a fair value per share of \$40.40.

**Table 5.15 Walmart Relative Valuation**

<i>Walmart Relative Valuation</i>			
Peers	Price/Earnings	EV/EBITDA	Price/Book Value
Costco	49.8	30.8	16.3
TJX	28.7	18.3	17.4
Kroger	14.2	7.3	5.3
Ross	22.4	14.4	8.6
BJ's	23.7	12	7.2
Home Depot	25.5	17.2	37.5
Amazon	25.4	12.7	7.1
Target	12.9	7.1	2.9
Lowe's	20	13.7	-
Best Buy	11.3	5.9	5.5
Dollarama	39.2	24.1	41
Five Below	27.9	12.7	4.1
Dollar tree	18.8	10.6	6.1
CVS	10.3	8.1	1.2
Dollar General	18.6	9.8	3.3
Alibaba	12.7	7	2
JD	9.9	5	1.4
Mean	21.84	12.75	10.43
Deviation	10.69	6.83	12.19
Upper Bound	32.53	19.58	22.62
Lower Bound	11.15	5.92	0.00

Source: Own Estimates

**Table 5.16 Walmart Relative Valuation Results**

<i>Walmart Relative Valuation Results</i>			
Millions USD (except New Mean)			
New Mean	20.16	11.61	6.31
EQV (EV in EV/Ebitda)	328028	121290	529522
Shares Outstanding (Million)	8077	8077	8077
Implied Share price	<b>40.61</b>	<b>15.02</b>	<b>65.56</b>
Upside/(Downside) regarding Price at 31st of December, 2024 (90.34)	(55.04%)	(83.38%)	(27.43%)
Average	<b>40.40</b>		

Source: Own Estimates

## 5.4. Valuation Results

With the valuation models completed, it is now possible to compare the results with Walmart's market price as of December 31, 2024, which stood at \$90.34 per share.

The DCF valuation produced a fair value of \$49.23 per share. When compared to the observed market price, this implies a downside potential of approximately 45.5%. As noted in

the literature, the DCF approach is often regarded as the most reliable measure of fair value, since it is derived from the company's intrinsic cash flow generation capacity, as opposed to multiples or other relative valuation techniques that reflect market perceptions. It is also important to interpret the DCF results in light of the sensitivity analysis, which provides a framework for considering alternative scenarios. The sensitivity table allows for the assessment of both more optimistic (bullish) and more conservative (bearish) assumptions by varying the TGR and WACC, thereby presenting a fuller range of possible valuation outcomes.

Turning to the relative valuation, three multiples were applied to estimate Walmart's fair value per share. The results were \$40.61 based on P/E, \$15.02 based on EV/EBITDA, and \$65.56 based on P/BV. These values correspond to downside potentials of approximately 55%, 83%, and 27% respectively, when measured against the \$90.34 market price at year-end 2024. Since the outcomes of individual multiples may be affected by the specific features of each ratio, an average was calculated across the three measures to smooth these differences. This produced a fair value per share of \$40.40, which implies a downside potential of about 55%.

Overall, both the intrinsic DCF approach and the relative valuation suggest that Walmart's market price at the end of 2024 traded above its estimated fair value.

## Conclusion

The valuation analysis combined an intrinsic approach, through the DCF model, with a relative approach, based on market multiples. Each method follows a distinct logic: the DCF relies on projected operating performance, reinvestment requirements, and cost of capital to derive an intrinsic value, while the multiples approach benchmarks Walmart against peers operating in similar industries. Considering both perspectives provides a more comprehensive view, as one emphasizes company-specific fundamentals and the other reflects how markets value comparable firms.

The DCF valuation resulted in a fair value per share of \$49.23, implying a downside potential of about 45.5% when compared with the market price of \$90.34 on December 31, 2024. The sensitivity analysis further showed that results may vary within a range of -21% to +35% relative to the base case, highlighting the dependence of valuations on key input assumptions.

The relative valuation, after averaging across the multiples, produced a fair value per share of \$40.40, corresponding to a downside of approximately 55% against the same market price.

Taken together, both methodologies suggest that Walmart's shares were priced above the fair value estimates derived in this analysis. While the numerical outcomes differ depending on the method, the direction of results is consistent, reinforcing the conclusion that, as of December 2024, Walmart's stock was trading at a premium relative to its estimated fair value.

For a mature company such as Walmart, sustaining exponential growth is more difficult than for smaller firms with higher expansion potential. This points to the need for Walmart to explore future M&A opportunities and AI investments as potential strategies to support growth and maintain competitiveness.



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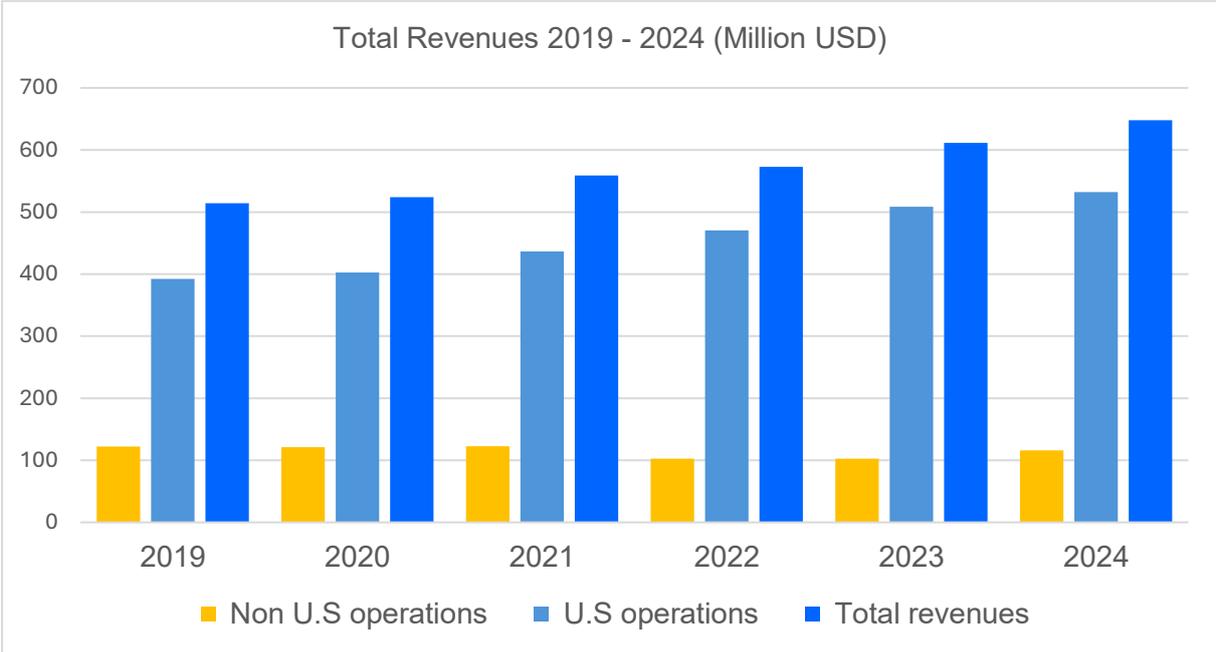
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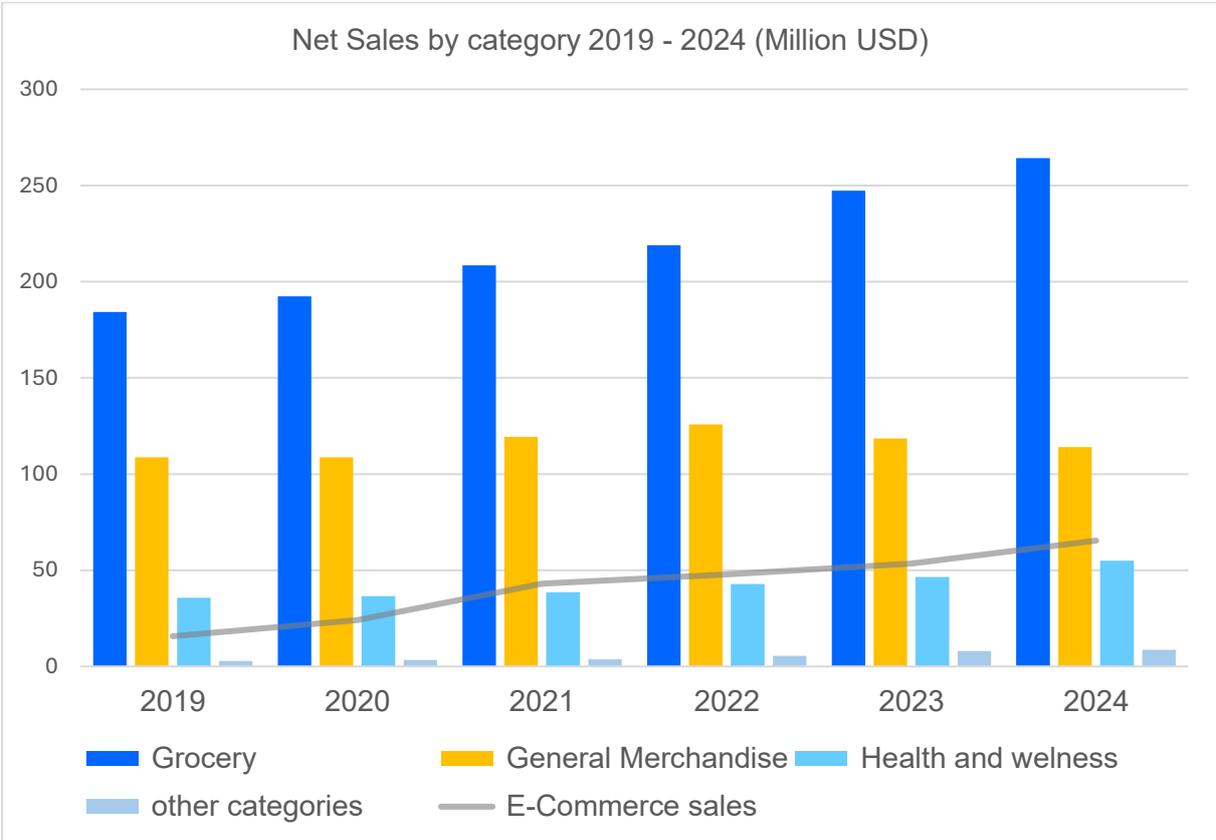
# Appendix

## Appendix A: Total Walmart Revenues 2019 - 2024



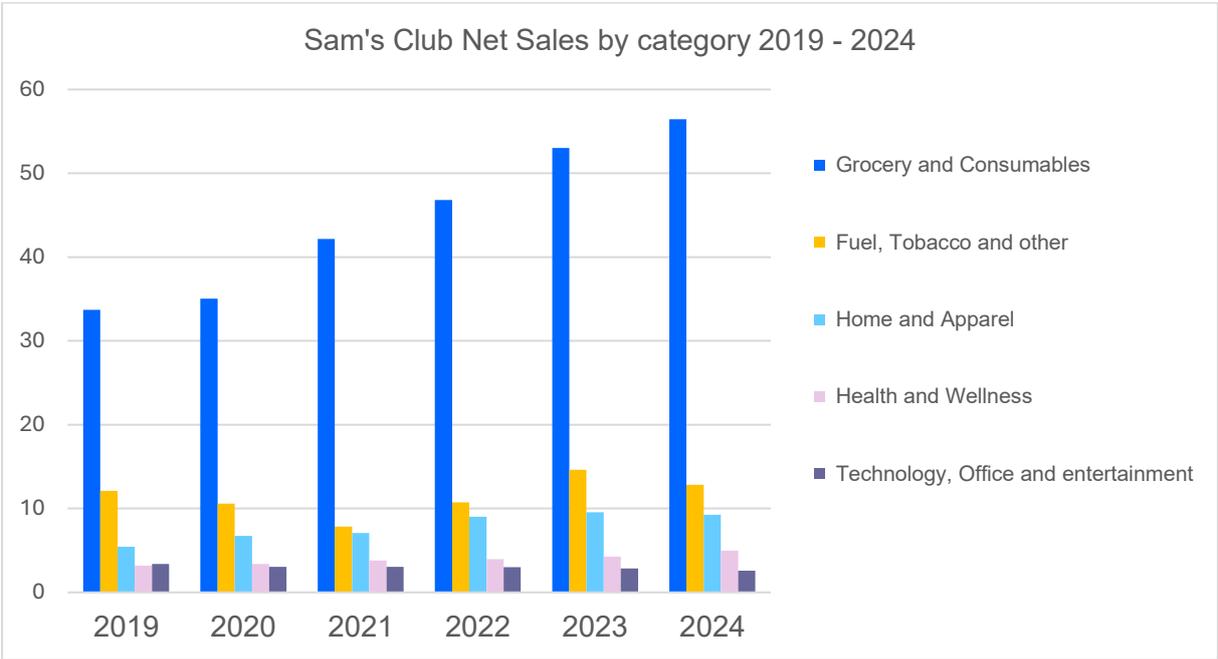
Source: Own Calculations

## Appendix B: Walmart U.S. Net Sales by Category 2019 – 2024



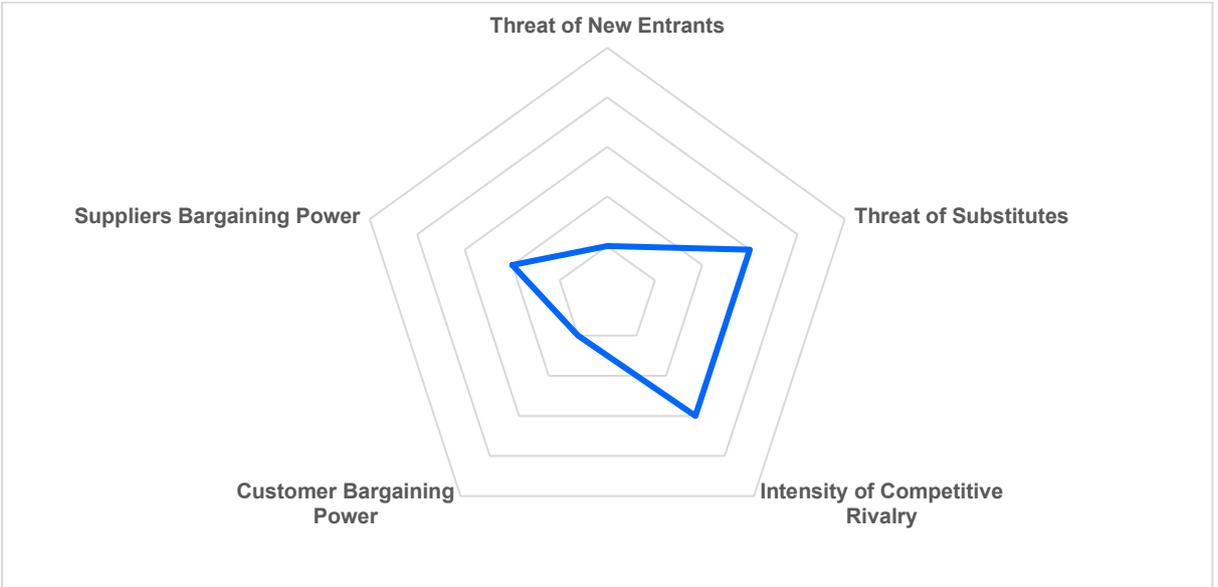
Source: Own Calculations

**Appendix C: Sam's Club Net Sales 2019 - 2024**



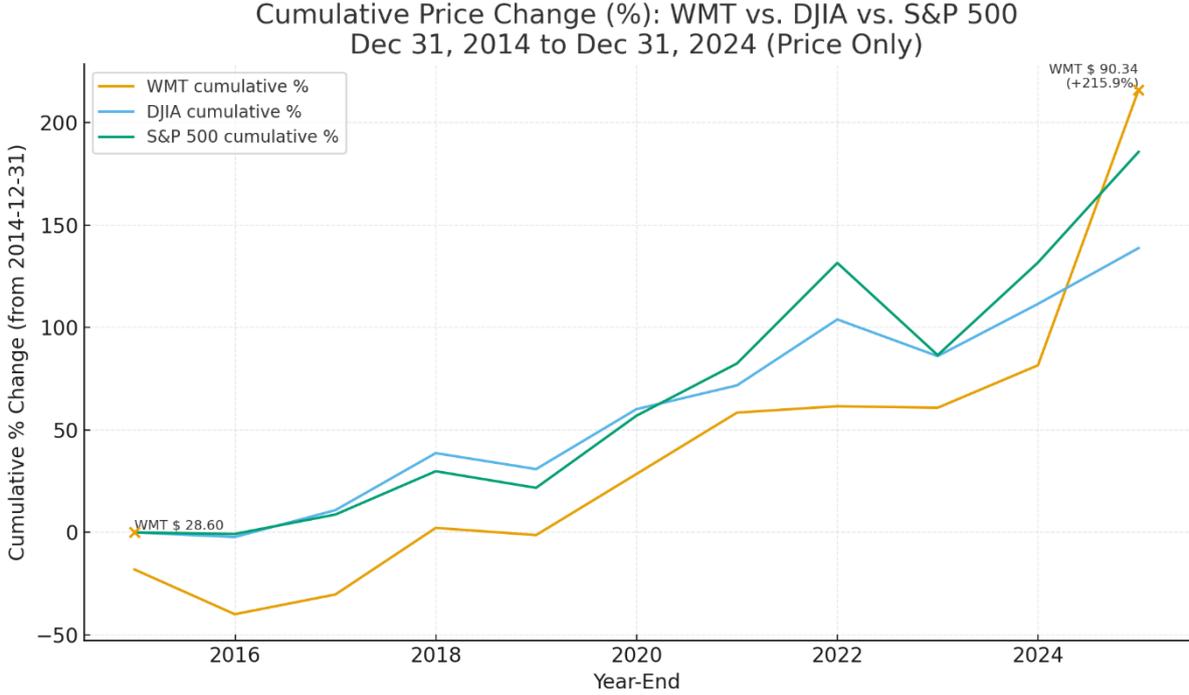
Source: Own Calculations

**Appendix D: Porter's Five Forces**



Source: Own Calculations

**Appendix E: Walmart's Stock Performance against S&P 500 and DJI**



Source: Own Calculations

## Appendix F: Profitability Detailed Calculations

	2019	2020	2021	2022	2023	2024
Net Income	7,179	15,201	13,706	13,940	11,292	16,270
Average Total Assets	211,909	227,895	244,496	248,678	244,029	247,798
<b>ROA</b>	3.39%	6.67%	5.61%	5.61%	4.63%	6.57%
Net Income	7,179	15,201	13,706	13,940	11,292	16,270
Average Shareholder's Equity	75,183	73,583	77,797	82,089	79,973	80,277
<b>ROE</b>	9.55%	20.66%	17.62%	16.98%	14.12%	20.27%
<b>Dupont Analysis</b>						
Net Income	7,179	15,201	13,706	13,940	11,292	16,270
Earnings before Taxes	11,460	20,116	20,564	18,696	17,016	21,848
<b>Tax Burden</b>	62.64%	75.57%	66.65%	74.56%	66.36%	74.47%
EBT	11,460	20,116	20,564	18,696	17,016	21,848
Earnings before Interest and Taxes	21,957	20,568	22,548	25,942	20,428	27,012
<b>Interest Burden</b>	52.19%	97.80%	91.20%	72.07%	83.30%	80.88%
EBIT	21,957	20,568	22,548	25,942	20,428	27,012
Revenue	514,405	523,964	559,151	572,754	611,289	648,125
<b>Operating Margin (Profitability)</b>	4.27%	3.93%	4.03%	4.53%	3.34%	4.17%
Revenue	514,405	523,964	559,151	572,754	611,289	648,125
Average Total Assets	211,909	227,895	244,496	248,678	244,029	247,798
<b>Asset Turnover (Efficiency)</b>	2.427	2.299	2.287	2.303	2.505	2.616
Average Total Assets	211,909	227,895	244,496	248,678	244,029	247,798
Average Shareholders' Equity	75,183	73,583	77,797	82,089	79,973	80,277
<b>Equity Multiplier (Leverage)</b>	2.819	3.097	3.143	3.029	3.051	3.087

## Appendix G: Liquidity Detailed Calculations

	2019	2020	2021	2022	2023	2024
Current Assets	61,897	61,806	90,067	81,070	75,655	76,877
Current Liabilities	77,477	77,790	92,645	87,379	92,198	92,415
<b>Current Ratio</b>	<b>0.80</b>	<b>0.79</b>	<b>0.97</b>	<b>0.93</b>	<b>0.82</b>	<b>0.83</b>
Receivables	6,283	6,284	6,516	8,280	7,933	8,796
Cash and Short-term investments	7,722	9,465	17,741	14,760	8,625	9,867
Current Liabilities	77,477	77,790	92,645	87,379	92,198	92,415
<b>Quick Ratio</b>	<b>0.18</b>	<b>0.20</b>	<b>0.26</b>	<b>0.26</b>	<b>0.18</b>	<b>0.20</b>
Cash and Short-term investments	7,722	9,465	17,741	14,760	8,625	9,867
Current Liabilities	77,477	77,790	92,645	87,379	92,198	92,415
<b>Cash Ratio</b>	<b>0.10</b>	<b>0.12</b>	<b>0.19</b>	<b>0.17</b>	<b>0.09</b>	<b>0.11</b>
Revenues	514,405	523,964	559,151	572,754	611,289	648,125
Average Receivables	5,949	6,284	6,400	7,398	8,107	8,365
Accounts Receivable Turnover	<b>86.48</b>	<b>83.39</b>	<b>87.37</b>	<b>77.42</b>	<b>75.41</b>	<b>77.49</b>
Days	365	365	365	365	365	365
<b>Days Sales Outstanding (DSO)</b>	<b>4.22</b>	<b>4.38</b>	<b>4.18</b>	<b>4.71</b>	<b>4.84</b>	<b>4.71</b>
Cost of Goods Sold	385,301	394,605	420,315	429,000	463,721	490,142
Average Inventory	44,026	44,352	44,692	50,730	56,544	55,734
Inventory Turnover	<b>8.75</b>	<b>8.90</b>	<b>9.40</b>	<b>8.46</b>	<b>8.20</b>	<b>8.79</b>
Days	365	365	365	365	365	365
<b>Days Inventory on Hand (DOH)</b>	<b>41.71</b>	<b>41.02</b>	<b>38.81</b>	<b>43.16</b>	<b>44.51</b>	<b>41.50</b>
Cost of Goods Sold	385,301	394,605	420,315	429,000	463,721	490,142
Average Payables	45,181	47,017	48,057	52,201	54,502	55,277
Accounts Payable Turnover	<b>8.53</b>	<b>8.39</b>	<b>8.75</b>	<b>8.22</b>	<b>8.51</b>	<b>8.87</b>
Days	365	365	365	365	365	365
<b>Days of Payables Outstanding (DPO)</b>	<b>42.80</b>	<b>43.49</b>	<b>41.73</b>	<b>44.41</b>	<b>42.90</b>	<b>41.16</b>

Source: Own Calculations

## Appendix H: Solvency Detailed Calculations

	2019	2020	2021	2022	2023	2024
Average Total Debt	50,240	65,233	67,840	60,285	58,123	60,122
Average Total Shareholders' Equity	75,183	73,583	77,797	82,089	79,973	80,277
Average Capital (Total Debt + Total Shareholders' Equity)	125,422	138,816	145,637	142,374	138,096	140,399
Debt/Capital	<b>0.40</b>	<b>0.47</b>	<b>0.47</b>	<b>0.42</b>	<b>0.42</b>	<b>0.43</b>
Average Total Assets	211,909	227,895	244,496	248,678	244,029	247,798
Average Total Shareholders' Equity	75,183	73,583	77,797	82,089	79,973	80,277
Financial Leverage (Equity Multiplier)	<b>2.82</b>	<b>3.10</b>	<b>3.14</b>	<b>3.03</b>	<b>3.05</b>	<b>3.09</b>
Average Total Debt	50,240	65,233	67,840	60,285	58,123	60,122
Average Total Assets	211,909	227,895	244,496	248,678	244,029	247,798
Debt/Total Assets	<b>0.24</b>	<b>0.29</b>	<b>0.28</b>	<b>0.24</b>	<b>0.24</b>	<b>0.24</b>
EBIT	21,957	20,568	22,548	25,942	20,428	27,012
Cash Interest Paid	2,348	2,464	2,216	2,237	2,051	2,519
EBIT/Cash Interest Paid (Coverage Ratio)	<b>9.35</b>	<b>8.35</b>	<b>10.18</b>	<b>11.60</b>	<b>9.96</b>	<b>10.72</b>
Average Total Debt	50,240	65,233	67,840	60,285	58,123	60,122
EBIT	21,957	20,568	22,548	25,942	20,428	27,012
Debt/EBIT or EBITDA	<b>2.29</b>	<b>3.17</b>	<b>3.01</b>	<b>2.32</b>	<b>2.85</b>	<b>2.23</b>
CFO	27,753	25,255	36,074	24,181	28,841	35,726
Total Liabilities	131,681	147,302	159,954	158,967	156,206	160,747
CFO/Total Liabilities	<b>0.21</b>	<b>0.17</b>	<b>0.23</b>	<b>0.15</b>	<b>0.18</b>	<b>0.22</b>

Source: Own Calculations

## Appendix I: Walmart's Consolidated Balance Sheet

	2019	2020	2021	2022	2023	2024
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	7722	9465	17741	14760	8625	9867
Receivables, net	6283	6284	6516	8280	7933	8796
Inventories	44269	44435	44949	56511	56576	54892
Prepaid expenses and other	3623	1622	20861	1519	2521	3322
<b>Total Current Assets</b>	<b>61897</b>	<b>61806</b>	<b>90067</b>	<b>81070</b>	<b>75655</b>	<b>76877</b>
Property and equipment, net	104317	105208	92201	94515	100760	110810
Operating Lease right-of-use assets	0	17424	13642	13758	13555	13673
Finance Lease right-of-use assets, net	0	4417	4005	4351	4919	5855
Property under capital lease and financing obligations, net	7078	0	0	0	0	0
Goodwill	31181	31073	28983	29014	28174	28113
Other long-term assets	14822	16567	23598	22152	20134	17071
<b>Total Assets</b>	<b>219295</b>	<b>236495</b>	<b>252496</b>	<b>244860</b>	<b>243197</b>	<b>252399</b>
<b>Liabilities and Equity</b>						
<b>Current Liabilities:</b>						
Short-term borrowings	5225	575	224	410	372	878
Accounts payable	47060	46973	49141	55261	53742	56812
Accrued liabilities	22159	22296	37966	26060	31126	28759
Accrued income taxes	428	280	242	851	727	307
Long-term debt due within one year	1876	5362	3115	2803	4191	3447
Operating lease obligations due within one year	0	1793	1466	1483	1473	1487
Finance lease obligations due within one year	0	511	491	511	567	725
Capital lease and financing obligations due within one year	729	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>77477</b>	<b>77790</b>	<b>92645</b>	<b>87379</b>	<b>92198</b>	<b>92415</b>
Long-term debt	43520	43714	41194	34864	34649	36132
Long-term operating lease obligations	0	16171	12909	13009	12828	12943
Long-term finance lease obligations	0	4307	3847	4243	4843	5709
Long-term capital lease and financing obligations	6683	0	0	0	0	0
Deferred income taxes and other	11981	12961	14370	13474	14688	14629
Commitments and contingencies						
Redeemable non controlling interest	0	0	0	0	237	222
<b>Total Liabilities</b>	<b>139661</b>	<b>154943</b>	<b>164965</b>	<b>152969</b>	<b>159443</b>	<b>162050</b>
<b>Equity</b>						
Common stock	288	284	282	276	808	805
Capital in excess of par value	2965	3247	3646	4839	4430	4544
Retained earnings	80785	83943	88763	86904	83135	89814
Accumulated other comprehensive loss	(11542)	(12805)	(11766)	(8766)	(11680)	(11302)
<b>Total Walmart Shareholder's Equity</b>	<b>72496</b>	<b>74669</b>	<b>80925</b>	<b>83253</b>	<b>76693</b>	<b>83861</b>
Noncontrolling interest	7138	6883	6606	8638	7061	6488
<b>Total Equity</b>	<b>79634</b>	<b>81552</b>	<b>87531</b>	<b>91891</b>	<b>83754</b>	<b>90349</b>
<b>Total Liabilities and Equity</b>	<b>219295</b>	<b>236495</b>	<b>252496</b>	<b>244860</b>	<b>243197</b>	<b>252399</b>
<b>Control</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Walmart Equity Reports

## Appendix J: Walmart's Consolidated Statement of Income

	2019	2020	2021	2022	2023	2024
<b>Revenues</b>						
Net sales	510329	519926	555233	567762	605881	642637
Membership and other income	4076	4038	3918	4992	5408	5488
<b>Total Revenues</b>	<b>514405</b>	<b>523964</b>	<b>559151</b>	<b>572754</b>	<b>611289</b>	<b>648125</b>
<b>Costs and Expenses</b>						
Cost of sales	385301	394605	420315	429000	463721	490142
Operating, selling, general and administrative expenses	107147	108791	116288	117812	127140	130971
<b>Operating Income (EBIT)</b>	<b>21957</b>	<b>20568</b>	<b>22548</b>	<b>25942</b>	<b>20428</b>	<b>27012</b>
<b>Interest</b>						
Debt	1975	2262	1976	1674	1787	2259
Finance, Capital lease and financing obligations	371	337	339	320	341	424
Interest income	(217)	(189)	(121)	(158)	(254)	(546)
Interest net	2129	2410	2194	1836	1874	2137
Loss on extinguishment of debt	0	0	0	2410	0	0
Other (gains) and losses	8368	(1958)	(210)	3000	1538	3027
<b>Income before income taxes</b>	<b>11460</b>	<b>20116</b>	<b>20564</b>	<b>18696</b>	<b>17016</b>	<b>21848</b>
Provision for income taxes	4281	4915	6858	4756	5724	5578
<b>Consolidated Net Income</b>	<b>7179</b>	<b>15201</b>	<b>13706</b>	<b>13940</b>	<b>11292</b>	<b>16270</b>
Consolidated Net Income attributable to noncontrolling interest	(509)	(320)	(196)	(267)	388	(759)
<b>Consolidated Net Income attributable to Walmart</b>	<b>6670</b>	<b>14881</b>	<b>13510</b>	<b>13673</b>	<b>11680</b>	<b>15511</b>
<b>Net Income per Common Share</b>						
Basic net income per common share attributable to Walmart	0.76	1.74	1.59	1.63	1.43	1.92
Diluted net income per common share attributable to Walmart	0.75	1.73	1.58	1.62	1.42	1.91
<b>Weighted-Average Common Shares Outstanding</b>						
Basic	8787	8550	8493	8376	8171	8077
Diluted	8835	8604	8541	8415	8202	8108
<b>Dividends declared per common share</b>	<b>0.6933</b>	<b>0.7067</b>	<b>0.7200</b>	<b>0.7333</b>	<b>0.7467</b>	<b>0.7600</b>

Source: Walmart Equity Reports

## Appendix K: Walmart's Consolidated Statement of Cash Flows

	2019	2020	2021	2022	2023	2024
<b>Cash Flows from Operating Activities</b>						
Consolidated Net Income	7179	15201	13706	13940	11292	16270
Depreciation and Amortization	10678	10987	11152	10658	10945	11853
Unrealized (gains) and losses	3516	(1886)	(8589)	2440	1683	3193
(Gains) and losses for disposal of business operations	4850	15	8401	433	0	0
Asda Pension contribution	0	(1036)	0	0	0	0
Deferred income taxes	(499)	320	1911	(755)	449	(175)
Loss on extinguishment of debt	0	0	0	2410	0	0
Other operating activities	1734	1981	1521	1652	1919	2642
Changes in certain assets and liabilities, net of effects of acquisitions						
Receivables, net	(368)	154	(1086)	(1796)	240	(797)
Inventories	(1311)	(300)	(2395)	(11764)	(528)	2017
Accounts payable	1831	(274)	6966	5520	(1425)	2515
Accrued liabilities	183	186	4623	1404	4393	(1324)
Accrued income taxes	(40)	(93)	(136)	39	(127)	(468)
<b>Net cash provided by Operating Activities</b>	<b>27753</b>	<b>25255</b>	<b>36074</b>	<b>24181</b>	<b>28841</b>	<b>35726</b>
<b>Cash Flows from investing activities</b>						
Payments for property and equipment	(10344)	(10705)	(10264)	(13106)	(16857)	(20606)
Proceeds from the disposal of property and equipment	519	321	215	394	170	250
Proceeds from the disposal of certain operations	876	833	56	7935	0	135
Payments for business acquisitions, net of cash acquired	(14656)	(56)	(180)	(359)	(740)	(9)
Other investing activities	(431)	479	102	(879)	(295)	(1057)
<b>Net cash used in investing activities</b>	<b>(24036)</b>	<b>(9128)</b>	<b>(10071)</b>	<b>(6015)</b>	<b>(17722)</b>	<b>(21287)</b>
<b>Cash Flows from financing Activities</b>						
Net change in short-term borrowings	(53)	(4656)	(324)	193	(34)	512
Proceeds from issuance of long-term debt	15872	5492	0	6945	5041	4967
Repayments of long-term debt	(3784)	(1907)	(5382)	(13010)	(2689)	(4217)
Premiums paid to extinguish debt	0	0	0	(2317)	0	0
Dividends paid	(6102)	(6048)	(6116)	(6152)	(6114)	(6140)
Purchase of Company stock	(7410)	(5717)	(2625)	(9787)	(9920)	(2779)
Dividends paid to noncontrolling interest	(431)	(555)	(434)	(424)	(444)	(763)
Purchase of noncontrolling interest	0	0	140	0	(827)	(3462)
Sale of Subsidiary stock	0	0	0	3239	66	716
Other financing activities	(629)	(908)	(1376)	(1515)	(2118)	(2248)
<b>Net cash used in financing activities</b>	<b>(2537)</b>	<b>(14299)</b>	<b>(16117)</b>	<b>(22828)</b>	<b>(17039)</b>	<b>(13414)</b>
Effect of exchange rates on cash, cash equivalents and restricted cash	(438)	(69)	235	(140)	(73)	69
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>742</b>	<b>1759</b>	<b>10121</b>	<b>(4802)</b>	<b>(5993)</b>	<b>1094</b>
Change in cash and cash equivalents reclassified from (to) assets held for sale	0	0	(1848)	1848	0	0
Cash, cash equivalents and restricted cash at the beginning of year	7014	7756	9515	17788	14834	8841
Cash, cash equivalents and restricted cash at the end of year	7756	9515	17788	14834	8841	9935

Source: Walmart Equity Reports

## Appendix L: Walmart Revenues Forecast by Segments

	Historical CAGR	Forecasted												
		2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F	2030F	
<b>Walmart U.S net sales</b>														
Grocery	7.48%	184202	192428	208413	218944	247299	264210	276707	289795	303502	317857	332892	348637	
General Merchandise	0.95%	106739	106687	119406	125876	118597	113985	119376	125023	130636	137129	143615	150408	
Health and Wellness	8.93%	35788	36558	38522	42639	46591	54988	57495	60214	63662	66945	69189	72440	
Other Categories	24.33%	2937	3331	3622	5588	8066	8724	9137	9569	10021	10495	10992	11512	
<b>Total</b>	<b>5.90%</b>	<b>331666</b>	<b>341004</b>	<b>369963</b>	<b>393247</b>	<b>420553</b>	<b>441817</b>	<b>462715</b>	<b>484601</b>	<b>507522</b>	<b>531527</b>	<b>556668</b>	<b>582998</b>	
YoY % Change	66.89%	64.48%	65.08%	66.17%	68.66%	68.80%	68.17%	68.17%	68.17%	68.17%	68.17%	68.17%	68.17%	
<b>Walmart International net sales</b>														
Mexico and Central America	9.36%	31790	33350	32642	35964	40496	49726	52,078	54,541	57,121	59,823	62,652	65,616	
Canada	3.99%	18613	18420	19991	21773	22300	22639	23,710	24,831	26,006	27,236	28,524	29,873	
China	9.71%	10702	10671	11430	13852	14711	17011	17,816	18,688	19,541	20,465	21,433	22,447	
United Kingdom	-100.00%	30547	29243	29234	2811	0	0	-	-	-	-	-	-	
Other	-2.83%	29172	28446	28063	25559	23476	25265	26,460	27,712	29,022	30,395	31,833	33,338	
<b>Total</b>	<b>-1.05%</b>	<b>120824</b>	<b>120130</b>	<b>121360</b>	<b>100959</b>	<b>100983</b>	<b>114641</b>	<b>120,063</b>	<b>125,742</b>	<b>131,690</b>	<b>137,919</b>	<b>144,442</b>	<b>151,274</b>	
YoY % Change	19.99%	23.49%	22.93%	21.70%	17.63%	16.52%	17.69%	17.69%	17.69%	17.69%	17.69%	17.69%	17.69%	
<b>Sam's Club net sales</b>														
Grocery and Consumables	10.86%	33708	35043	42148	46822	53027	56449	59,119	61,915	64,844	67,911	71,123	74,487	
Fuel, Tobacco and other categories	1.20%	12110	10571	7838	10751	14636	12854	13,462	14,099	14,766	15,464	16,195	16,961	
Home and apparel	11.18%	5452	6744	7092	9037	9579	9263	9,791	10,160	10,641	11,144	11,671	12,223	
Health and Wellness	9.49%	3181	3372	3792	3956	4248	5005	5,242	5,490	5,749	6,021	6,306	6,604	
Technology, office and entertainment	-5.10%	3388	3062	3040	2990	2855	2608	2,731	2,861	2,996	3,138	3,286	3,441	
<b>Total</b>	<b>8.30%</b>	<b>57839</b>	<b>58792</b>	<b>63910</b>	<b>73556</b>	<b>84345</b>	<b>86179</b>	<b>90,255</b>	<b>94,524</b>	<b>98,995</b>	<b>103,677</b>	<b>108,581</b>	<b>113,717</b>	
YoY % Change	13.12%	12.04%	11.99%	12.13%	13.71%	14.68%	14.14%	14.14%	14.14%	14.14%	14.14%	14.14%	14.14%	
<b>Membership and other Income</b>														
U.S. Operations	6.13%	4076	4038	3918	4992	5408	5488	5,748	6,019	6,304	6,602	6,915	7,242	
Non U.S. Operations	8.13%	2760	2796	2776	3462	3767	4080	-	-	-	-	-	-	
	1.36%	1316	1302	1142	1500	1621	1408	-	-	-	-	-	-	
YoY % Change	-	-	-0.93%	-2.97%	27.41%	8.33%	1.48%	4.73%	4.73%	4.73%	4.73%	4.73%	4.73%	
<b>Total</b>	<b>4.73%</b>	<b>514405</b>	<b>523964</b>	<b>599151</b>	<b>572754</b>	<b>611289</b>	<b>648125</b>	<b>678,781</b>	<b>710,886</b>	<b>744,511</b>	<b>779,725</b>	<b>816,606</b>	<b>855,230</b>	
		-	1.86%	6.72%	2.43%	6.73%	6.03%	4.73%	4.73%	4.73%	4.73%	4.73%	4.73%	

Source: Own Calculations

## Appendix M: Large non-financial service firms default spreads

### For large non-financial service firms

If interest coverage ratio is		Rating is	Spread is
>	≤ to		
-100000	0.199999	D2/D	19.00%
0.2	0.649999	C2/C	15.50%
0.65	0.799999	Ca2/CC	10.10%
0.8	1.249999	Caa/CCC	7.28%
1.25	1.499999	B3/B-	4.42%
1.5	1.749999	B2/B	3.00%
1.75	1.999999	B1/B+	2.61%
2	2.249999	Ba2/BB	1.83%
2.25	2.499999	Ba1/BB+	1.55%
2.5	2.999999	Baa2/BBB	1.20%
3	4.249999	A3/A-	0.95%
4.25	5.499999	A2/A	0.85%
5.5	6.499999	A1/A+	0.77%
6.5	8.499999	Aa2/AA	0.60%
8.50	100000	Aaa/AAA	0.45%

Source: Aswath Damodaran's Database