

| Cash Assets | 7281 | 9135 | 7759 |
| :---: | :---: | :---: | :---: |
| Receivables | 6677 | 6778 | 5813 |
| Inventory (LIFO) | 44858 | 45141 | 46310 |
| Other | 2369 | 2224 | 2251 |
| Current Assets | 61185 | 63278 | 62133 |
| Accts Payable | 37415 | 38410 | 37224 |
| Debt Due | 4412 | 6402 | 7267 |
| Other | 27518 | 20460 | 25133 |
| Current Liab. | 69345 | 65272 | 69624 |


| ANNUAL RATES <br> of change (per sh) Sales <br> "Cash Flow" <br> Earnings <br> Dividends <br> Book Value |  | Past P <br> 10 Yrs. 5 <br> $9.0 \%$  <br> $10.0 \%$  <br> $9.5 \%$  <br> $16.5 \%$ 13. <br> $9.0 \%$  |  | Past Est'd '12-'14 <br> 5 Yrs. to' 18.20 <br> $7.5 \%$ $5.5 \%$ <br> $8.5 \%$ $6.5 \%$ <br> $8.0 \%$ $5.5 \%$ <br> $13.0 \%$ $4.0 \%$ <br> $7.0 \%$ $6.5 \%$ |  |
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| $\begin{gathered} \text { Fiscal } \\ \text { Year } \\ \text { Begins } \end{gathered}$ | QUARTERLY SALES (\$ mill.) ${ }^{\text {A }}$ |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  | Apr. 30 Jul. 31 Oct. 31 Jan. 31 |  |  |  |  |
| 2012 | 113018 | 114296 | 113929 | 127919 | 469162 |
| 2013 | 114071 | 116829 | 115688 | 129706 | $\begin{aligned} & 476294 \\ & 485651 \\ & 489500 \\ & 503500 \end{aligned}$ |
| 2014 | 114960 | 120125 | 119001 | 131565 |  |
| 2015 | 114826 | 120500 | 120000 | 134174 |  |
| 2016 | 119150 | 124300 | 124050 | 140500 |  |
| $\begin{array}{\|c} \text { Fiscal } \\ \text { Year } \\ \text { Begins } \end{array}$ | EARNINGS PER SHARE A B |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
|  |  | Jul. 31 | Oct. 31 | Jan. 31 |  |
| 2012 | 1.09 | 1.18 | 1.08 | 1.67 | 5.02 |
| 2013 | 1.14 | 1.24 | 1.14 | 1.60 | 5.11 |
| 2014 | 1.10 | 1.21 | 1.15 | 1.58 | 5.04 |
| 2015 | 1.03 | 1.13 | 1.10 | 1.54 | 4.80 |
| 2016 | 1.07 | 1.24 | 1.17 | 1.62 | 5.10 |
| al- | QUARTERLY DIVIDENDS PAID - C |  |  |  | Full Year |
| endar | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 2011 | . 3025 | . 730 | . 365 | -- | 1.40 |
| 2012 | . 365 | . 795 | . 3975 | . 3975 | 1.96 |
| 2013 | . 47 | . 47 | .47.48 | .47.48 | 1.881.92 |
| 2014 | . 48 | 48 |  |  |  |
| 2015 | . 49 | 49 |  |  |  |

BUSINESS: Wal-Mart Stores, Inc. is the world's largest retailer, operating 3,407 supercenters (includes sizable grocery departments), 470 discount stores, 647 Sam's Clubs, and 639 Neighborhood Markets in the U.S., plus 6,290 foreign stores, many in Latin America, with the balance in Asia, Canada, and the U.K. as of $1 / 31 / 15$. Total store space: 1.135 billion square feet. Retail space is largely
Wal-Mart's first quarter was decent. Earnings per share of $\$ 1.03$ were two cents shy of our call, $\$ 0.07$ below last year's tally, and within the guidance range of \$0.95-\$1.10. Revenues were flat year over year, and in line with our estimate. Wal-Mart U.S. saw revenues rise $3.5 \%$ as same-store sales of 1.1\% came in toward the low end of guidance on a $1.0 \%$ rise in traffic. This marked the secondconsecutive quarter of positive comps. Investment in e-commerce and higher wages for its workers both had a $\$ 0.02$ negative impact on EPS.

## Traffic is expected to remain strong

 for the second quarter. The company has been focused on improving the customer experience. Initiatives include quicker shelf stocking, fresher foods, and better sales assistance. We think this, combined with lower gas prices, will keep traffic flowing in the current quarter. A continued decline in food inflation rates should somewhat offset this, but overall domestic comp sales should be around $1 \%$.The e-commerce business is growing nicely. Global e-commerce sales were up
owned, and most stores are within 400 miles of a distribution center. Groceries accounted for $55 \%$ of U.S. sales; sales per square foot in 2014: about $\$ 428$. Has $2,200,000$ employees. Off./dir. own $50.6 \%$ of shares (4/15 proxy). Chairman: S. Robson Walton. CEO and Pres.: Doug McMillon. Inc.: DE. Addr.: 702 S.W. 8th St., Bentonville, AR 72716. Tel.: 479-273-4000. Internet: www.walmart.com.
fic doubling in the United States versus last year. Wal-Mart hopes a simplified checkout process on Walmart.com will improve the mobile experience. E-commerce sales contributed approximately 20 basis points to the overall comp performance.
There are a number of earnings headwinds in play. The wage and employee experience restructuring plan should lower second-quarter EPS by $\$ 0.04$ and the fullyear tally by $\$ 0.20$. Incremental ecommerce investment ought to reduce the bottom line by $\$ 0.06-\$ 0.09$ for the full year. Elsewhere, although outside the company's control, currency translation is expected to have a negative $\$ 0.13$ impact on the bottom line.
These shares may interest conservative, long-term investors The decision to pay workers more, coupled with ecommerce improvements, is making 2015 a transitional year at Wal-Mart. The inflated costs will likely keep the stock price range-bound. Long term, we think efforts to improve the customer experience will pay off. Thus, we find these shares suitable for risk-averse investors.
Kevin Downing
J uly 31, 2015

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[^0]:    (A) Fiscal year ends Jan. 31st of following (losses)/gains: '01, (\$0.01); '05, \$0.03; '08, Mar., May, Aug., and Dec.■ Dividend reinvestcalendar year. Sales exclude rentals from li- (\$0.07); '09, \$0.04; '10, \$0.40; '11, \$0.03; '13, ment plan available. censed depts. (B) Based on diluted shares. (\$0.23); '15 (\$0.08). Next earnings report due (D) In millions. May not sum due to rounding. Excls. n/r $\mid$ August 18th. (C) Divds. historically paid in early

