| TIMELIN | ESS 4 | owered | /5/17 | High: Low: | $\begin{aligned} & 52.2 \\ & 42.3 \\ & \hline \end{aligned}$ | $\begin{aligned} & \hline 51.4 \\ & 42.1 \\ & \hline \end{aligned}$ | 63.8 43.1 | $\begin{aligned} & 57.5 \\ & 46.3 \end{aligned}$ | $\begin{aligned} & \hline 56.3 \\ & 47.8 \end{aligned}$ | $\begin{aligned} & 60.0 \\ & 48.3 \end{aligned}$ | $\begin{aligned} & 77.6 \\ & 57.2 \end{aligned}$ | $\begin{aligned} & \hline 81.4 \\ & 67.7 \end{aligned}$ | $\begin{aligned} & \hline 88.1 \\ & 72.3 \end{aligned}$ | $\begin{aligned} & 91.0 \\ & 56.3 \end{aligned}$ | $\begin{aligned} & 75.2 \\ & 60.2 \end{aligned}$ | $\begin{aligned} & 80.5 \\ & 65.3 \end{aligned}$ |  |  | Target Price 2020 \| 2021 | Range 2022 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| SAFETY <br> TECHN | AL | Raised 2 <br> Raised 7 | 5/02 | $\begin{array}{\|c\|c\|} \hline \text { LEGENI } \\ \ldots \ldots & 10.0 \\ \cdots & \text { Rela } \end{array}$ | $\begin{aligned} & \text { DS } \\ & \text { Ox "Cash } \\ & \text { lative Price } \end{aligned}$ | Flow" p Strength |  |  |  |  |  |  |  |  |  |  |  |  |  | $-160$ |
| BETA | $55 \quad(1.00=$ | Market) |  | Options: haded | asea indic | tes reces |  |  |  |  |  |  |  |  |  |  |  |  |  | 120 |
|  | 22 | CTIO |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 80 |
|  |  | A | 'I Total |  |  |  |  |  |  |  |  |  |  |  | - ${ }_{\text {i }}$ | ,-iT |  |  |  |  |
| Hiah | Price | Gain 40\% |  |  |  |  |  | 偯1111 | '1,1'1 | '"u' |  |  |  |  |  |  |  |  |  | 60 50 |
| Low |  | 0\%) |  |  | 1而 | +1,11\| |  |  |  |  |  |  |  |  |  |  |  |  |  | 40 |
| Insider | Decisi | ons |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 30 |
| to Buy | $\begin{array}{lll} S & 0 & N \\ 0 & 0 & 0 \end{array}$ | $\begin{array}{lll} \text { D } & \text { J F } \\ 0 & 0 & 0 \end{array}$ | $\begin{array}{llll}\text { M } & \text { A M } \\ 0 & 0 & 0\end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Options | 151 | 0140 | 870 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| to Sell | 01 | 10 | 03 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Institu | tional D | Decision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VLARITH.* |  |
|  | 302016 | 402016 | 102017 | Percent |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{cc}\text { STOCK } & \text { INDEX } \\ 6.6 & 18.8\end{array}$ |  |
| to Buy | 703 | $\begin{aligned} & 683 \\ & 732 \end{aligned}$ |  | shares traded |  | \| |  |  |  |  |  |  |  |  |  |  |  | 3 yr \% | $\begin{array}{ll} 6.6 & 18.8 \\ 9.4 & 20.3 \end{array}$ |  |
| Hld's(000) | 892093 | 8930691 | 005136 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5 yr . | $23.6 \quad 91.4$ |  |
| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | $\bigcirc$ | JE LINE PUB. LLC | 20-22 |
| 49.36 | 56.09 | 60.00 | 68.02 | 75.79 | 84.40 | 95.34 | 103.34 | 107.82 | 119.98 | 130.76 | 141.57 | 147.32 | 150.45 | 152.48 | 159.41 | 165.00 | 173.90 | Sale | sh A | 209.45 |
| 2.25 | 2.61 | 2.95 | 3.47 | 3.78 | 4.27 | 4.83 | 5.16 | 5.64 | 6.42 | 6.92 | 7.69 | 7.92 | 7.93 | 7.64 | 7.72 | 7.70 | 8.10 | "Cash | ow"per sh | 10.15 |
| 1.50 | 1.81 | 2.03 | 2.41 | 2.63 | 2.92 | 3.16 | 3.42 | 3.66 | 4.07 | 4.45 | 5.02 | 5.11 | 5.07 | 4.57 | 4.32 | 4.35 | 4.50 | Earning | per sh AB | 5.90 |
| . 28 | . 30 | . 36 | . 52 | . 60 | . 67 | . 88 | . 95 | 1.09 | 1.21 | 1.46 | 1.59 | 1.88 | 1.92 | 1.96 | 2.00 | 2.04 | 2.08 | Div'ds D | Decl'd per sh mC | 2.65 |
| 7.88 | 8.95 | 10.12 | 11.67 | 12.77 | 14.91 | 16.26 | 16.63 | 18.69 | 19.49 | 20.86 | 23.04 | 23.59 | 25.22 | 25.47 | 25.52 | 22.00 | 25.00 | Book Va | lue per sh | 32.00 |
| 4453.0 | 4395.0 | 4311.0 | 4234.0 | 4165.0 | 4131.0 | 3973.0 | 3925.0 | 3786.0 | 3516.0 | 3418.0 | 3314.0 | 3233.0 | 3228.0 | 3162.0 | 3048.0 | 3000.0 | 2910.0 | Comm | Shs Outst'g D | 2700.0 |
| 34.9 | 30.3 | 26.9 | 22.8 | 18.3 | 16.0 | 14.9 | 16.2 | 13.9 | 13.1 | 12.4 | 13.5 | 14.9 | 15.4 | 15.5 | 16.2 | Bold figu | ures are | Avg An | 'I P/E Ratio | 16.0 |
| 1.79 | 1.66 | 1.53 | 1.20 | . 97 | . 86 | . 79 | . 97 | . 93 | . 83 | . 78 | . 86 | . 84 | . 81 | . 78 | 85 |  |  | Relative | P/E Ratio | 1.00 |
| .5\% | .5\% | .7\% | .9\% | 1.2\% | 1.4\% | 1.9\% | 1.7\% | 2.1\% | 2.3\% | 2.7\% | 2.3\% | 2.5\% | 2.5\% | 2.8\% | 2.9\% |  |  | Avg An | 'l Div'd Yield | 2.8\% |
| CAPITAL STRUCTURE as of 4/30/17 <br> Total Debt $\$ 46497$ mill. Due in 5 Yrs $\$ 10689$ mill. LT Debt $\$ 40025$ mill. LT Interest $\$ 2300$ mill. Incl. \$6251 mill. capitalized leases. (Total interest coverage: 10.0x) <br> (34\% of Cap') |  |  |  |  |  | 378799 | 405607 | 408214 | 421849 | 446950 | 469162 | 476294 | 485651 | 482130 | 485873 | 495000 | 506000 | Sales | mill) A | 565500 |
|  |  |  |  |  |  | 24.4\% | 24.5\% | 25.4\% | 25.3\% | 25.0\% | 24.9\% | 24.8\% | 24.8\% | 25.1\% | 25.6\% | 25.0\% | 25.0\% | Gross N | argin | 25.0\% |
|  |  |  |  |  |  | 7.5\% | 7.3\% | 7.6\% | 7.9\% | 7.7\% | 7.7\% | 7.7\% | 7.6\% | 7.0\% | 6.7\% | 6.5\% | 6.5\% | Operatin | g Margin | 7.0\% |
|  |  |  |  |  |  | 7262 | 7720 | 8416 | 8970 | 10130 | 10773 | 10942 | 11453 | 11528 | 11695 | 11925 | 12090 | Number | of Stores | 12950 |
|  |  |  |  |  |  | 12884 | 13512 | 14204 | 14921 | 15523 | 16999 | 16728 | 16426 | 14694 | 13452 | 12950 | 13150 | Net Pr | it (\$mill) | 16125 |
| Leases, Uncapitalized Annual rentals \$2270 mill. |  |  |  |  |  | 34.2\% | 34.2\% | 34.1\% | 34.0\% | 33.4\% | 31.0\% | 32.2\% | 31.9\% | 30.3\% | 30.6\% | 32.0\% | 32.0\% | Income | Tax Rate | 33.0\% |
| No Defined Benefit Pension Plan Pfd Stock None |  |  |  |  |  | 3.4\% | 3.3\% | 3.5\% | 3.5\% | 3.5\% | 3.6\% | 3.5\% | 3.4\% | 3.0\% | 2.8\% | 2.6\% | 2.6\% | Net Prof | it Margin | 2.9\% |
|  |  |  |  |  |  | d10869 | d6441 | d7230 | d6591 | d7325 | d11878 | d8160 | d1994 | d4380 | d9239 | d8500 | d5800 | Working Cap'l (\$mill) |  | 5300 |
|  |  |  |  |  |  | 33402 | 34549 | 36401 | 43842 | 47079 | 41417 | 44559 | 43692 | 44030 | 42018 | 42500 | 45200 | Long-Term Debt (\$mill) |  | 48000 |
| Common Stock 3,014,499,132 shs. as of $5 / 31 / 17$ |  |  |  |  |  | 64608 | 65285 | 70749 | 68542 | 71315 | 76343 | 76255 | 81394 | 80546 | 77798 | 66000 | 72750 | Shr. Equ | uity (\$mill) | 86400 |
|  |  |  |  |  |  | 14.1\% | 14.5\% | 14.1\% | 14.1\% | 14.0\% | 15.3\% | 14.7\% | 14.0\% | 12.6\% | 12.1\% | 12.0\% | 11.0\% | Return on Total Cap'l |  | 12.0\% |
| MARKET CAP: \$230 billion (Large Cap) |  |  |  |  |  | 19.9\% | 20.7\% | 20.1\% | 21.8\% | 21.8\% | 22.3\% | 21.9\% | 20.2\% | 18.2\% | 17.3\% | 19.5\% | 18.0\% | Return on Shr. Equity |  | 18.5\% |
|  |  |  |  |  |  | $14.4 \%$$28 \%$ | $\begin{array}{\|r\|} \hline 15.0 \% \\ 28 \% \end{array}$ | $\begin{array}{r} \hline 14.1 \% \\ 30 \% \end{array}$ | $\begin{array}{r} 15.3 \% \\ 30 \% \end{array}$ | $\begin{array}{r} \hline 14.7 \% \\ 33 \% \end{array}$ | $\begin{array}{\|r\|} \hline 15.2 \% \\ 32 \% \end{array}$ | $\begin{array}{r} 13.9 \% \\ 37 \% \end{array}$ | $\begin{array}{r} \hline 12.6 \% \\ 38 \% \end{array}$ | $\begin{array}{\|r\|} \hline 10.4 \% \\ 43 \% \\ \hline \end{array}$ | $\begin{aligned} & 9.3 \% \\ & 46 \% \end{aligned}$ | $\begin{array}{r} 10.0 \% \\ 48 \% \end{array}$ | 9.5\%48\% | Retained to Com Eq All Div'ds to Net Prof |  | 10.0\% |
| CURRE | NT POS | TION | 2015 | 2016 | 4/30/17 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 45\% |


| Cash Assets | 8705 | 6867 | 6545 |
| :---: | :---: | :---: | :---: |
| Receivables | 5624 | 5835 | 5252 |
| Inventory (LIFO) | 44469 | 43046 | 43361 |
| Other | 1441 | 1941 | 2178 |
| Current Assets | 60239 | 57689 | 57336 |
| Accts Payable | 38487 | 41433 | 41367 |
| Debt Due | 6004 | 3920 | 6472 |
| Other | 20128 | 21575 | 26354 |
| Current Liab. | 64619 | 66928 | 74193 |


| ANNUAL RATES of change (per sh) |  | Past 10 Yrs. | Past Est'd '14-'16 <br> 5 Yrs. to '20.'22 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Sales |  | 7.5\% |  | \% | 5.0\% |
|  |  | 7.5\% | 5.0\% 5 5.0\% |  |  |
| Earings |  | 6.0\% |  | 4.0\% |  |
| Dividen |  | 12.5\% |  | 5.0\%$4.0 \%$ |  |
| Book Value |  | 7.0\% |  |  |  |
| $\begin{array}{\|c} \text { Fiscal } \\ \text { Yeail } \\ \text { Begins } \end{array}$ | QUARTERLY SALES (\$ mill.) ${ }^{\text {A }}$ |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fisclal } \\ & \text { Year } \end{aligned}$ |
|  | Apr. 30 | Jul. 31 | Oct. 31 | Jan. 31 |  |
| 2014 | 114960120125 |  | 119001131565 |  |  |
| 2015 | 114826 | 1202291 | 117408 | 129667 | $\begin{aligned} & 485651 \\ & 482130 \end{aligned}$ |
| 2016 | $\begin{array}{r} 115904 \\ 117542 \end{array}$ | 120854 | 118179 | 130936 | 485873 |
| 2017 |  | 123000 | 120500 | 133958 | 495000 |
| 2018 | $\begin{array}{\|l\|l\|l\|l} 117542 \\ 120625 \end{array}$ | 125250 | 123700 | 136425 | 506000 |
| $\begin{gathered} \text { Fiscal } \\ \text { Year } \\ \text { Yegins } \end{gathered}$ | EARNINGS PER SHARE A B |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fisclal } \\ & \text { Year } \end{aligned}$ |
|  | Apr. 30 | Jul. 31 | Oct. 31 | Jan. 31 |  |
| 2014 | 1.10 | 1.21 | 1.15 | 1.61 | 5.07 |
| 2015 | 1.03 | 1.08 | 1.03 | 1.43 | 4.57 |
| 2016 | 98 | 1.07 | . 98 | 1.30 | 4.32 |
| 2017 | 1.00 | 1.07 | . 98 | 1.30 | 4.35 |
| 2018 | 1.02 | 1.11 | 1.06 | 1.31 | 4.50 |
| Calendar | QUARTERLY DIVIDENDS PAID - c |  |  |  | Full <br> Year |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 2013 | . 47 | . 47 | . 47 | . 47 | 1.88 |
| 2014 | . 48 | . 48 | . 48 | . 48 | 1.92 |
| 2015 | . 49 | 49 | . 49 | . 49 | 1.96 |
| 2016 | . 50 | . 50 | . 50 | . 50 | 2.00 |
| 2017 | . 51 | 51 |  |  |  |

BUSINESS: Wal-Mart Stores, Inc. owns the world's largest retail chain, operating 3,522 supercenters (includes grocery departments), 415 discount stores, 660 Sam's Clubs, and 735 Neighborhood Markets in the U.S., plus 6,363 foreign stores, many in Latin America, with the rest in Asia, Canada, and the U.K. as of $1 / 31 / 17$. Total store space: 1.164 billion square feet. Retail space is largely
Wal-Mart's U.S. division is on a roll. The domestic unit reported a 1.4\% rise in same-store sales for the first quarter, marking the tenth consecutive period with positive comp traffic. A lack of food deflation resulted in the strongest comp for the grocery category in more than three years. Lower in-store inventories and investment in storeroom technology are making it easier for associates to keep shelves stocked. We believe higher wages, increased training, and more managers on the floor are leading to higher associate and customer satisfaction. Efforts to make food fresher also seem to be supporting the positive traffic trends. Lastly, the company has been and should continue to lower prices by several billion dollars. This ought to keep Walmart Supercenters competitive with new low-cost entrants like German chains Aldi and Lidl (but there is some debate as to who is, in fact, the cheapest).
The digital initiative is also going well. E-commerce grew 63\% year over year in the first quarter, which drove 57\% of the domestic comp. Most of that was organic, and the massive J et.com acquisition was not included. We credit five new
owned, and most stores are within 400 miles of a distribution center. Groceries accounted for $56 \%$ of U.S. sales; sales per square foot in 2016: about $\$ 420$. Has $2,300,000$ employees. Off./dir. own $51.6 \%$ of shares (4/17 proxy). Chairman: Gregory B. Penner. CEO and Pres.: Doug McMillon. Inc.: DE. Addr.: 702 S.W. 8th St., Bentonville, AR 72716. Tel.: 479-273-4000. Internet: www.walmart.com.
fulfillment centers, free two-day shipping on orders over $\$ 35$, and the number of products rising from 10 million a year ago to 50 million today. Order online, pick-up in-store capability has been rolled out to approximately $20 \%$ of the store base, and is getting a positive reception. Meanwhile, Pickup Discount lowers prices on 10,000 online items if customers pick them up in stores. Wal-Mart is also testing a program where associates deliver online orders.
The Amazon threat is intensifying. If Amazon's bid to purchase Whole Foods is successful, the e-tailer would gain its long sought after physical presence in the grocery space. Too, Amazon is set to provide discounted Prime memberships to individuals on government assistance, probably to win market share from Wal-Mart. Still, we are skeptical that WMT's less-affluent customers will sign up for Prime or shop at costly Whole Foods. Too, it may prove overly expensive for Amazon to efficiently deliver groceries to people in rural markets, Wal-M art's bread and butter.
These shares are a good choice for conservative investors, in our view. Kevin Downing

J uly 28, 2017

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[^0]:    (A) Fiscal year ends Jan. 31st of following $\quad \begin{aligned} & \text { (losses)/gains: } 01, ~(\$ 0.01) ; ~ 05, ~ \$ 0.03 ; ~ ' 08, ~\end{aligned}$ Mar., May, Aug., and calendar year. Sales exclude rentals from II- (\$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 August 17th. (C) Divds. historically paid in early

    Company's Financial Strength
    Price Growth Persistence
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