AZ STOCKS
Stocks from A to Z

Walmart

An extraordinary transformation that the price already almost fully reflects

DEEP DIVE

November 2026

azstocks.net

COMPANY PROFILE

Walmart

THESIS

Walmart went from being seen as a defensive retailer to trading at tech-company multiples. In this analysis I assess whether the transformation of its store network, eCommerce and digital advertising is already in the price or whether there is still upside.

THE COMPANY

Walmart is the largest retailer in the world. It operates in three segments: Walmart U.S., Walmart International and Sam's Club U.S., all with the same philosophy: maximum volume, minimum costs and lower prices than the competition.

Its more than 4,600 stores in the US work as a fulfillment network that covers 93% of the country with deliveries in under three hours, and its digital advertising business, Walmart Connect, is growing strongly.

TARGET PRICE
USD 73

UPSIDE / DOWNSIDE
-42.2%

SECTOR
Retail

EXCHANGE
NASDAQ

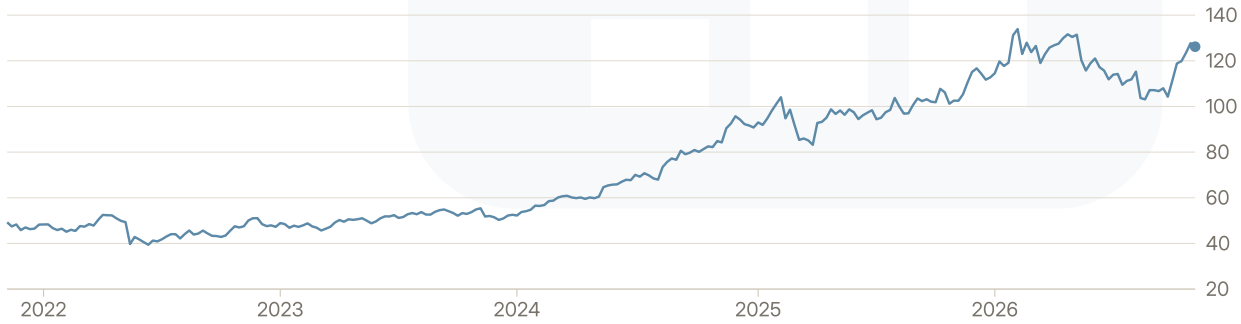
CURRENCY
USD

LAST UPDATED
November 2026

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 126.19	98.88 – 135.16	+156%	0.52

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

Walmart sells more in a day than many S&P 500 companies sell in a whole year. It sells more in a week than the annual GDP of many mid-sized countries. That is not just a marketing statistic: it is the source of a competitive advantage that continuously feeds itself.

As an investment, Walmart has gone through a re-rating over the last three years. For decades the market treated Walmart as what it seemed to be: a defensive, low-growth retailer with minimal margins, suitable for conservative portfolios but without significant appreciation catalysts. That perception began to change when it became clear that Walmart's physical infrastructure (its more than 4,600 stores in the US) could work as the densest fulfillment network in the country. And when the digital advertising business started growing 27% a year and the company reached a trillion-dollar market capitalization, the market began paying multiples that would have seemed impossible for a retailer five years ago.

The question is whether current multiples (about 44x expected earnings) already reflect that whole transformation or whether there is still upside in the thesis.

History

THE ORIGINS: SAM WALTON AND THE DISCOUNT REVOLUTION

On July 2, 1962, Sam Walton opened the first Wal-Mart Discount City store in Rogers, Arkansas, with an initial investment of $95,000 plus his personal savings. It was not the first time Walton had run a discount store (he had operated a Ben Franklin franchise for a decade), but it was the first time he did it with his own concept and vision.



Walton's intuition was contrarian for the time: while Kmart and Target focused on urban and suburban markets where competition was fierce, Walton chose the small towns of Arkansas, Missouri and Oklahoma that the big retailers ignored as too small. That geographic decision, which competitors saw as a weakness, turned out to be the most powerful advantage of the early years. Walton could dominate local markets without direct competition, build profitable operations with lower sales volumes and systematically replicate the model in neighboring towns.

The regional saturation strategy worked: Walton placed stores within a day's drive of a distribution center, creating a network that minimized logistics costs and allowed direct supervision from Bentonville. By the time competitors noticed the model's success, Walmart had already built a dominant position in hundreds of local markets that were hard to attack profitably.

In 1970 Walmart went public on the OTC market. At that point it had 276 stores and $1 billion in sales. By 1985 it was the number one retailer in the US. In 1990 it passed $25 billion in sales.

THE EDLP MODEL AND THE LOGISTICS ADVANTAGE

What set Walmart apart from any competitor was not just price: it was the understanding that sustainable low prices require a lower cost structure, not simply compressed margins. Sam Walton called it EDLC (Every Day Low Cost) before EDLP (Every Day Low Price) became the public slogan. If internal costs are structurally lower than any competitor's, low prices are a natural consequence, not a permanent effort.

To build that lower cost structure, Walton invested in technology: Walmart was one of the first retailers to adopt computerized point-of-sale systems in the 1980s, to build its own satellite communications network to manage inventory in real time in the 1990s, and to develop EDI (Electronic Data Interchange) with its suppliers to synchronize the supply chain automatically. When competitors were still processing purchase orders on paper, Walmart already had real-time visibility of every SKU in every store of its network.

The relationship with suppliers was another advantage Walmart built systematically. Unlike the traditional model where the retailer was a more or less valuable customer, Walmart turned its suppliers into interdependent partners: access to real-time sales data, demand forecasts based on its information system, and payment terms that reflected the real speed of inventory turnover. In return, Walmart demanded prices no other buyer could get. Procter & Gamble, considered one of the most powerful companies in the world in negotiating with retailers, described its relationship with Walmart as transformative: the level of data integration Walmart required permanently changed the way P&G managed its global supply chain.

GLOBAL EXPANSION AND THE ARRIVAL OF THE INTERNET

Walmart began its internationalization in 1991 with a Sam's Club in Mexico City through a joint venture with Cifra, the Mexican retail chain. Global expansion was fast but uneven: success in Mexico and Canada, costly stumbles in Germany and South Korea (markets where shopping culture and competitive structure were incompatible with the Walmart model) and a dominant position in Mexico that today operates through Walmex (Walmart de México y Centroamérica), a subsidiary listed separately on the Mexican Stock Exchange.

The most significant bet of the international expansion was the $16 billion acquisition of Flipkart in India in 2018, the largest eCommerce investment in the company's history. Flipkart is today the second largest eCommerce platform in India, and PhonePe, the digital payments system that came out of that investment, is preparing for a potential IPO that would give additional visibility to the value of that bet. With more than 500 million internet users joining the Indian digital market over the next five years, Walmart's position in that market is strategically critical.

In eCommerce, Walmart took longer than ideal to react to the Amazon challenge. During the first decade of the 21st century, Walmart's management underestimated how fast online commerce would capture volume in categories other than electronics. It was the $3.3 billion acquisition of Jet.com in 2016, and above all bringing its co-founder Marc Lore in to lead Walmart U.S.'s digital strategy, that marked the turning point. Since then Walmart's eCommerce has grown without interruption, with more than 15 consecutive quarters of growth above 20%.

SECTION 02

Business model

Walmart operates in three reportable segments: Walmart U.S., Walmart International and Sam's Club U.S. Each has a different growth, margin and competitive profile, but all three share the same operating philosophy: maximum volume, minimum costs, lower prices than the competition.

Walmart U.S.: the main engine

Walmart U.S. is the largest segment and the most relevant for understanding the investment thesis. In fiscal 2025 it generated $462.4 billion in net sales (68.6% of the total) with operating income of $23.9 billion and an operating margin that went from 4.4% in 2020 to 5.2% in 2025. It is still a modest margin in absolute terms, but the direction, constantly expanding, is the signal the market is rewarding with premium multiples.

The Walmart U.S. business revolves around four mutually reinforcing pillars. The first is the network of more than 4,600 stores in the US, which covers 93% of the country within a delivery radius of less than three hours. The second is eCommerce, which in the fourth quarter of fiscal 2026 represented 23% of the segment's total sales (an all-time high) with 27% year-over-year growth. The third is Walmart Connect, the digital advertising business that monetizes the 150 million unique monthly customers who visit Walmart's digital properties. The fourth is Walmart+, the subscription membership that generates recurring revenue and increases members' purchase frequency and ticket.

Market share dynamics are one of the most positive elements of the analysis. Walmart U.S. is winning customers in every income bracket, but the most significant is high income: households earning more than $100,000 a year are the fastest-growing category in Walmart's customer base. That customer, more digital, more demanding and with a higher average ticket, is the one migrating to walmart.com or home delivery services, and is precisely the profile that contributes most to the growth of the higher-margin lines.

Sam's Club U.S.: the undervalued diamond

Sam's Club is perhaps the most undervalued segment. With $90.2 billion in sales in fiscal 2025 and comparable sales growth of 5.9%, it operates with business dynamics more similar to Costco than to Walmart itself: recurring memberships, very high inventory turnover, a loyal customer base and a value proposition centered on volume and price per unit.

Sam's Club eCommerce is particularly interesting. Digital sales grew 27% in Q4 of fiscal 2026, with massive adoption of Scan & Go (which allows paying without going through the checkout) and home delivery options. The membership model generates recurring revenue with structurally higher margins than product sales, and the membership renewal rate is at all-time highs.

The comparison with Costco is inevitable and largely favorable for Sam's Club: with 600 clubs in the US and Puerto Rico versus more than 600 Costco warehouses, the network is comparable in size, but Sam's Club operates with much greater digital penetration and a value proposition that is converging

toward Costco's in product quality and shopping experience. The segment had operating income of $2.4 billion in fiscal 2025, a margin with clear room for improvement as the mix of memberships and digital services increases.

Walmart International: the long-term bet

Walmart International operates in 19 countries outside the US, with a dominant presence in Mexico (Walmex), Canada, Chile, Central America, China and its stake in Flipkart in India. In fiscal 2025 the segment generated about $114.6 billion in sales, with the highest relative growth in India and China, where eCommerce already represents 27.4% of the segment's sales.

Walmart International's big bet is Flipkart in India. With more than 500 million active users on its platform, Flipkart competes directly with Amazon India and JioMart (Reliance) for the middle-class Indian digital consumer, the fastest-growing retail market in the world over the next ten years. PhonePe, the digital payments arm that came out of Flipkart, has more than 500 million registered users in India and is preparing for an IPO. When that happens, the market will have a public valuation of that investment for the first time, which is currently not transparently reflected in Walmart's multiples.

The new margin engines: advertising, memberships and marketplace

The most relevant transformation of Walmart's business model over the last five years is not eCommerce itself, which Amazon had before Walmart. It is the monetization of customer traffic through business lines that are more profitable than selling products.

Walmart Connect is Walmart's digital advertising business. It operates as a retail media platform connecting advertisers (mainly consumer brands that want to reach consumers at the moment of purchase decision) with the traffic of 150 million unique monthly customers of walmart.com and the group's physical and digital properties. In fiscal 2025 Walmart Connect generated $4.4 billion of global revenue (+27% year over year). In Q4 of fiscal 2026 it grew 41% in the US alone, accelerated by the acquisition of VIZIO in December 2024 and growth in marketplace advertisers.

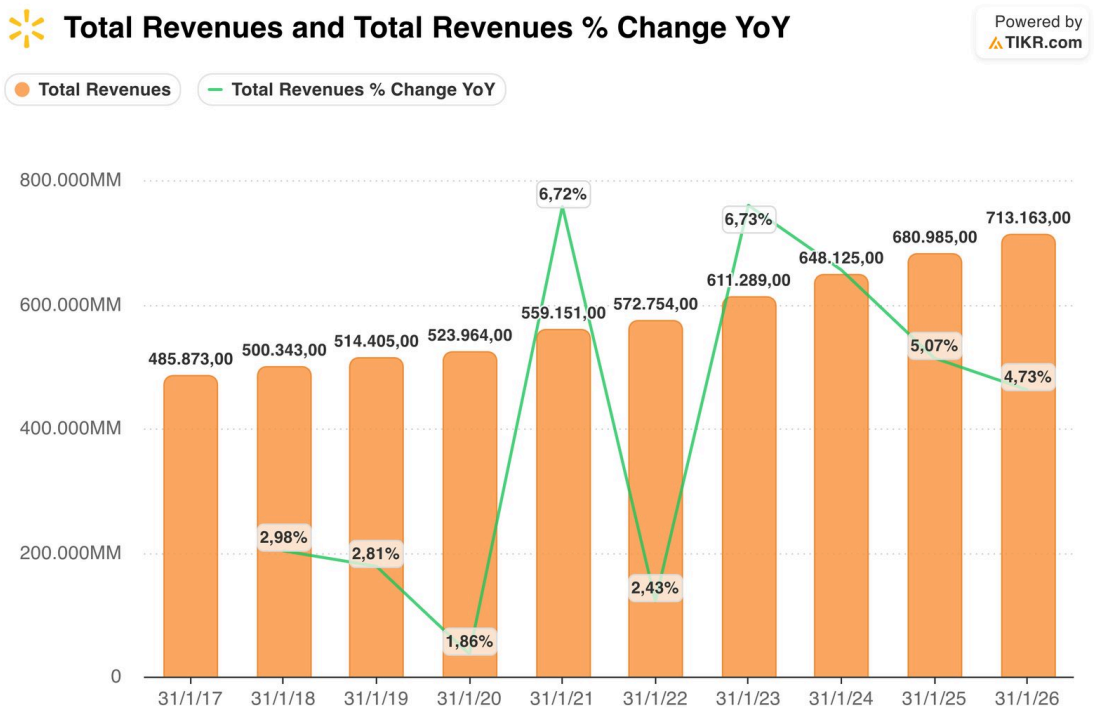
The advertising business has margins estimated in the 70-80% range, radically higher than the 24% gross margin on product sales. Every dollar Walmart shifts from product revenue to advertising revenue improves the consolidated margin disproportionately. And that shift still has a long way to go: US retail media is a market of $50+ billion that Amazon currently dominates, but where Walmart has unique advantages thanks to its penetration with grocery and everyday consumers that Amazon cannot replicate in the same way.

Walmart's marketplace (the third-party seller platform on walmart.com) passed 200,000 active sellers in 2025, an all-time high, with the highest rate of new seller onboarding in the platform's history. The marketplace generates commission and fulfillment service revenue (Walmart Fulfillment Services) with higher margins than direct sales, and increases the assortment available on walmart.com without increasing Walmart's inventory risk.

SECTION 03

Business quality

Revenue



Walmart's revenue path in recent years reflects a company with consistent organic growth in the 4-6% annual range, accelerating in the years of greatest inflationary pressure (2021-2022) and stabilizing afterwards. What sets Walmart apart from its peers is not the growth rate itself, modest for a company of its size, but the quality and resilience of that growth.

In fiscal 2026 (ended January 2026), Walmart passed $700 billion in total sales. That milestone is not just symbolic: it confirms the company can grow in absolute terms even from a base of $681 billion, which requires capturing $32 billion of additional sales a year in a mature market.

Market share dynamics are the most relevant indicator of the long-term health of the business. Between 2021 and 2024 Walmart gained 0.75% share of the US retail market, the largest gain of any player in that period, ahead of Amazon (+0.07%), Costco (+0.15%) and Target (-0.18%). That gain was no accident: it was the result of lower grocery prices, greater convenience from the expansion of eCommerce and the migration of higher-income customers who discovered Walmart's value proposition during the 2022-2023 inflation peak and did not return to their previous patterns.

Latest results: second quarter of fiscal 2027

In August Walmart reported results for the quarter ended July 2026, the latest available at the time of this analysis (third-quarter results are released at the end of November):

- **Sales:** +5% at constant currency, at the top of guidance. Walmart U.S. comparable sales grew 2.6% (hit by about 125 basis points from the new drug pricing regulation) and Sam's Club's 4.4%. International grew almost 8%, with China +9.7%.
- **Margin engines:** global eCommerce grew 23%, advertising 38% (Walmart Connect +43%) and membership income almost 17%.
- **Profitability:** adjusted operating income grew more than 17% at constant currency, helped by tariff refunds; excluding that effect, it grew at the top of the 7-10% range. Adjusted EPS grew more than 19%.
- **Prices:** Walmart already has more than 11,000 price rollbacks in its US stores and plans to put much of the USD 2.9 billion of tariff refunds into price investments and the customer experience.

With these numbers the company raised its fiscal 2027 guidance: sales +4-5%, operating income +7-8.5% and adjusted EPS of USD 2.80-2.87. For the third quarter it expects sales growth of 3-3.75%.

Walmart continues to post moderate sales growth, while advertising, memberships and eCommerce grow at double digits and push margins up.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(74.4%)	(74.6%)	(74.9%)	(75.3%)	(75.2%)	(74.9%)	(75.9%)	(75.6%)	(75.1%)	(75.1%)	**(75.3%)**	**(75.3%)**
Gross Profit	**25.6%**	**25.4%**	**25.1%**	**24.7%**	**24.8%**	**25.1%**	**24.1%**	**24.4%**	**24.9%**	**24.9%**	**24.7%**	**24.7%**
Selling General & Admin Expenses	(21.0%)	(21.2%)	(20.8%)	(20.6%)	(20.8%)	(20.6%)	(20.1%)	(20.2%)	(20.5%)	(20.7%)	**(20.5%)**	**(20.4%)**
Total Operating Expenses	**(21.0%)**	**(21.2%)**	**(20.8%)**	**(20.6%)**	**(20.8%)**	**(20.6%)**	**(20.1%)**	**(20.2%)**	**(20.5%)**	**(20.7%)**	**(20.5%)**	**(20.4%)**
Operating Income	**4.7%**	**4.2%**	**4.3%**	**4.1%**	**4.0%**	**4.5%**	**4.0%**	**4.2%**	**4.3%**	**4.2%**	**4.2%**	**4.2%**
Interest Expense	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.4%)	(0.3%)	(0.3%)	(0.4%)	(0.4%)	(0.4%)	**(0.4%)**	**(0.4%)**
EBT Incl. Unusual Items	**4.2%**	**3.0%**	**2.2%**	**3.8%**	**3.7%**	**3.3%**	**2.8%**	**3.4%**	**3.9%**	**4.1%**	**3.8%**	**3.5%**
Income Tax Expense	(1.3%)	(0.9%)	(0.8%)	(0.9%)	(1.2%)	(0.8%)	(0.9%)	(0.9%)	(0.9%)	(1.0%)	**(0.9%)**	**(0.9%)**
Net Income	**2.8%**	**2.0%**	**1.3%**	**2.8%**	**2.4%**	**2.4%**	**1.9%**	**2.4%**	**2.9%**	**3.1%**	**2.8%**	**2.5%**
EBITDA	6.8%	6.3%	6.3%	6.2%	6.0%	6.4%	5.8%	6.0%	6.2%	6.2%	**6.1%**	**6.1%**

Source: author's analysis based on Tikr data.

Walmart's income statement reveals a company operating with narrow margins but executing a systematic plan to improve them. The 24.1% gross margin in fiscal 2025 was the highest of the previous five years, reflecting three simultaneous dynamics: a better product mix toward higher-margin categories, the growth of advertising and membership income within total revenue, and discipline in managing discounts and returns.

The operating margin of 4.31% in fiscal 2025 (up from 3.4% in fiscal 2023) is perhaps one of the most relevant indicators for the investment thesis. Walmart's management has publicly committed that operating income will grow faster than sales on a sustained basis, and recent quarters have confirmed that commitment. That is not trivial for a company with $700 billion in sales: every point of operating margin is worth $7 billion of additional profit.

Operating expenses (SG&A) represent about 20% of revenue, stable versus the previous year despite the expansion of the delivery network, higher associate wages and technology investments. That Walmart can absorb those investments without SG&A deleverage as a percentage of sales is evidence that eCommerce operating leverage (more orders per delivery route = lower cost per delivery) is starting to show up in the numbers.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Total Cash And Short Term Investments	**3.5%**	**3.3%**	**3.5%**	**4.0%**	**7.0%**	**6.0%**	**3.5%**	**3.9%**	**3.5%**	**3.8%**	**3.7%**	**4.1%**
Total Receivables	**2.9%**	**2.7%**	**2.9%**	**2.7%**	**2.6%**	**3.4%**	**3.3%**	**3.5%**	**3.8%**	**3.9%**	**3.7%**	**3.6%**
Inventory	21.7%	21.4%	20.2%	18.8%	17.8%	23.1%	23.3%	21.7%	21.6%	20.7%	**21.4%**	**22.1%**
Total Current Assets	**29.0%**	**29.2%**	**28.2%**	**26.1%**	**35.7%**	**33.1%**	**31.1%**	**30.5%**	**30.5%**	**29.8%**	**30.2%**	**31.0%**
Net Property Plant And Equipment	57.4%	56.1%	50.8%	53.7%	43.5%	46.0%	49.0%	51.6%	53.6%	55.1%	**53.4%**	**51.1%**
Long-term Investments	0.2%	3.7%	1.8%	2.5%	5.9%	5.3%	4.6%	3.3%	1.6%	2.0%	**2.3%**	**3.4%**
Goodwill	8.6%	8.9%	14.2%	13.1%	11.5%	11.8%	11.6%	11.1%	11.0%	10.1%	**10.8%**	**11.1%**
Other Intangibles	–	–	2.6%	2.2%	1.9%	2.0%	1.8%	1.6%	1.7%	1.5%	**1.6%**	**1.7%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**33.7%**	**38.4%**	**35.3%**	**32.9%**	**36.7%**	**35.7%**	**37.9%**	**36.6%**	**37.0%**	**37.8%**	**37.1%**	**37.0%**
Long-Term Debt	18.4%	14.8%	20.0%	18.8%	16.5%	14.7%	15.1%	15.1%	13.6%	12.6%	**13.8%**	**14.2%**
Capital Leases	3.0%	3.3%	3.0%	8.7%	6.6%	7.0%	7.3%	7.4%	7.2%	7.0%	**7.2%**	**7.2%**
Total Liabilities	**59.5%**	**60.5%**	**63.7%**	**65.5%**	**65.3%**	**62.5%**	**65.5%**	**64.1%**	**62.5%**	**62.7%**	**63.1%**	**63.5%**
Total Equity	**40.5%**	**39.5%**	**36.3%**	**34.5%**	**34.7%**	**37.5%**	**34.5%**	**35.9%**	**37.5%**	**37.3%**	**36.9%**	**36.5%**
Total Debt	**23.4%**	**22.8%**	**26.7%**	**30.9%**	**25.2%**	**23.9%**	**25.1%**	**25.1%**	**23.8%**	**24.0%**	**24.3%**	**24.4%**
Net Debt	20.0%	19.5%	23.1%	26.9%	18.2%	17.8%	21.6%	21.2%	20.3%	20.3%	**20.6%**	**20.2%**

Source: author's analysis based on Tikr data.

Walmart's balance sheet is that of a company that manages capital efficiently but with significant debt. Total debt including capital leases exceeds $68 billion, with a cash position of about $10.73 billion, resulting in net debt of about $57.7 billion. For a company of Walmart's size, that level of leverage is manageable: net debt to EBITDA is around 1.3x, comfortable for the sector.

The current ratio of 0.79x looks low, below 1, but it is perfectly normal for a retail business model: Walmart collects from consumers in cash or on very short terms, while it pays suppliers on 30-60 day terms. That timing difference creates structurally negative working capital that is actually a source of free financing, not a liquidity risk.

Goodwill and intangibles on the balance sheet mainly reflect the acquisitions of Flipkart and Jet.com, with a book value of about $24 billion. That position requires annual impairment tests, and volatility in the Indian market could put pressure on Flipkart's book value in adverse scenarios. It is a risk to monitor.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Net Income	**2.8%**	**2.0%**	**1.3%**	**2.8%**	**2.4%**	**2.4%**	**1.9%**	**2.4%**	**2.9%**	**3.1%**	**2.8%**	**2.5%**
Total Depreciation & Amortization	**2.1%**	**2.1%**	**2.1%**	**2.1%**	**2.0%**	**1.9%**	**1.8%**	**1.8%**	**1.9%**	**2.0%**	**1.9%**	**1.9%**
Cash from Operations	**6.5%**	**5.7%**	**5.4%**	**4.8%**	**6.5%**	**4.2%**	**4.7%**	**5.5%**	**5.4%**	**5.8%**	**5.6%**	**5.1%**
Capital Expenditure	(2.2%)	(2.0%)	(2.0%)	(2.0%)	(1.8%)	(2.3%)	(2.8%)	(3.2%)	(3.5%)	(3.7%)	**(3.5%)**	**(3.1%)**
Cash Acquisitions	(0.5%)	(0.1%)	(2.8%)	(0.0%)	(0.0%)	(0.1%)	(0.1%)	(0.0%)	(0.3%)	(0.0%)	**(0.1%)**	**(0.1%)**
Cash from Investing	**(2.9%)**	**(1.8%)**	**(4.7%)**	**(1.7%)**	**(1.8%)**	**(1.1%)**	**(2.9%)**	**(3.3%)**	**(3.1%)**	**(3.7%)**	**(3.4%)**	**(2.8%)**
Total Debt Issued	**0.0%**	**2.3%**	**3.1%**	**1.0%**	**–**	**1.2%**	**0.8%**	**0.8%**	**0.3%**	**1.1%**	**0.7%**	**0.9%**
Total Debt Repaid	**(0.8%)**	**(2.6%)**	**(0.7%)**	**(1.3%)**	**(1.0%)**	**(2.3%)**	**(0.4%)**	**(0.7%)**	**(0.5%)**	**(0.4%)**	**(0.5%)**	**(0.8%)**
Repurchase of Common Stock	(1.7%)	(1.7%)	(1.4%)	(1.1%)	(0.5%)	(1.7%)	(1.6%)	(0.4%)	(0.7%)	(1.1%)	**(0.7%)**	**(1.1%)**
Common Dividends Paid	(1.3%)	(1.2%)	(1.2%)	(1.2%)	(1.1%)	(1.1%)	(1.0%)	(0.9%)	(1.0%)	(1.1%)	**(1.0%)**	**(1.0%)**
Cash from Financing	**(3.9%)**	**(4.0%)**	**(0.5%)**	**(2.7%)**	**(2.9%)**	**(4.0%)**	**(2.8%)**	**(2.1%)**	**(2.2%)**	**(1.9%)**	**(2.0%)**	**(2.6%)**
Free Cash Flow	4.3%	3.7%	3.4%	2.8%	4.6%	1.9%	2.0%	2.3%	1.9%	2.1%	**2.1%**	**2.0%**

Source: author's analysis based on Tikr data.

Walmart's free cash flow in fiscal 2026 was about $14.92 billion. Operating cash flow was $41.57 billion, with capex of $26.64 billion, the highest in the company's history, reflecting investment in store remodels, warehouse automation and expansion of the logistics network.

The free cash flow margin of about 2.1% of sales is low in relative terms, a direct consequence of the level of capex. But that capex is productive investment, not maintenance: Walmart is building the infrastructure that will allow eCommerce and advertising to scale over the next five to ten years. Management expects capex to moderate gradually toward 3-3.5% of sales as the network of automated distribution centers and store modernization reach maturity.

Earnings quality is good: the conversion of net income into operating cash flow is consistently high, without material distortions from differences between accounting accruals and real cash flows.

Financial ratios

- **Growth**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Growth												
Revenue growth		3.0%	2.8%	1.9%	6.7%	2.4%	6.7%	6.0%	5.1%	4.7%	**5.3%**	**5.0%**
EBIT growth		(8.0%)	4.9%	(2.2%)	5.0%	15.1%	(5.5%)	10.1%	8.6%	1.6%	**6.8%**	**6.0%**
Diluted EPS growth		(25.3%)	(31.2%)	130.7%	(8.7%)	2.5%	(12.3%)	34.5%	26.2%	13.3%	**24.7%**	**12.8%**
Change in diluted shares (dilution / buybacks)		(3.3%)	(2.2%)	(2.6%)	(0.7%)	(1.5%)	(2.5%)	(1.1%)	(0.3%)	(0.7%)	**(0.7%)**	**(1.2%)**

Source: author's analysis based on Tikr data.

Sales grew between 4.7% and 6.7% in each of the last five years. EBIT grew 8.6% in fiscal 2025 and just 1.6% in 2026, because of investments in wages and prices. The share count falls every year thanks to buybacks.

- **Profitability**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Profitability												
Gross margin	25.6%	25.4%	25.1%	24.7%	24.8%	25.1%	24.1%	24.4%	24.9%	24.9%	**24.7%**	**24.7%**
SG&A % revenue	21.0%	21.2%	20.8%	20.6%	20.8%	20.6%	20.1%	20.2%	20.5%	20.7%	**20.5%**	**20.4%**
R&D % revenue	–	–	–	–	–	–	–	–	–	–	–	–
EBIT margin	4.7%	4.2%	4.3%	4.1%	4.0%	4.5%	4.0%	4.2%	4.3%	4.2%	**4.2%**	**4.2%**
EBITDA margin (EBIT + D&A)	6.8%	6.3%	6.3%	6.2%	6.0%	6.4%	5.8%	6.0%	6.2%	6.2%	**6.1%**	**6.1%**
Net margin	2.8%	2.0%	1.3%	2.8%	2.4%	2.4%	1.9%	2.4%	2.9%	3.1%	**2.8%**	**2.5%**
Stock-based compensation % revenue	–	–	–	–	–	–	–	–	–	–	–	–
Effective tax rate	30.3%	30.4%	37.4%	24.4%	33.3%	25.4%	33.6%	25.5%	23.4%	24.4%	**24.4%**	**26.5%**

Source: author's analysis based on Tikr data.

Gross margin remains close to 25% and EBIT margin around 4.2%. These are narrow margins, but stable throughout the decade. The thesis depends on advertising and memberships pushing operating margin up.

- **Cash flow and reinvestment**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	6.5%	5.7%	5.4%	4.8%	6.5%	4.2%	4.7%	5.5%	5.4%	5.8%	**5.6%**	**5.1%**
FCF margin (TIKR FCF / revenue)	4.3%	3.7%	3.4%	2.8%	4.6%	1.9%	2.0%	2.3%	1.9%	2.1%	**2.1%**	**2.0%**
FCF conversion (FCF / net income)	154.3%	185.4%	261.0%	97.8%	191.0%	81.0%	102.6%	97.5%	65.1%	68.2%	**76.9%**	**82.9%**
Capex % revenue	2.2%	2.0%	2.0%	2.0%	1.8%	2.3%	2.8%	3.2%	3.5%	3.7%	**3.5%**	**3.1%**
D&A % revenue	2.1%	2.1%	2.1%	2.1%	2.0%	1.9%	1.8%	1.8%	1.9%	2.0%	**1.9%**	**1.9%**
Capex / D&A	1.1x	1.0x	1.0x	1.0x	0.9x	1.2x	1.5x	1.7x	1.8x	1.9x	**1.8x**	**1.6x**
D&A % beginning net PP&E		9.2%	9.3%	9.9%	8.8%	9.7%	9.7%	9.9%	10.0%	10.2%	**10.0%**	**9.9%**
Acquisitions % revenue	0.5%	0.1%	2.8%	0.0%	0.0%	0.1%	0.1%	0.0%	0.3%	0.0%	**0.1%**	**0.1%**

Source: author's analysis based on Tikr data.

Free cash flow was 2.1% of sales in fiscal 2026, because CapEx rose to 3.7%, almost double five years ago, because of distribution center automation and store remodels.

- **Working capital**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	4.4	4.1	4.5	4.4	4.3	5.3	4.7	5.0	5.3	5.7	**5.3**	**5.2**
Inventory days (DIO)	43.5	42.8	41.9	41.1	39.0	48.1	44.5	40.9	40.3	40.1	**40.4**	**42.8**
Payables days (DPO)	41.9	45.1	44.6	43.4	42.7	47.0	42.3	42.3	41.8	43.0	**42.4**	**43.3**
Cash conversion cycle (DSO + DIO − DPO)	6.0	1.8	1.8	2.0	0.6	6.3	7.0	3.5	3.8	2.8	**3.4**	**4.7**
Deferred revenue % revenue	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	**0.4%**	**0.4%**
Operating NWC % revenue	(2.3%)	(3.1%)	(2.9%)	(3.2%)	(2.6%)	(2.6%)	(2.9%)	(2.9%)	(2.6%)	(2.8%)	**(2.8%)**	**(2.8%)**

Source: author's analysis based on Tikr data.

Walmart collects in 6 days, holds 40 days of inventory and pays in 43. Operating working capital is negative (-2.8% of sales): suppliers finance a good part of the operation.

- **Returns on capital**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	17,203	15,822	16,593	16,224	17,040	19,605	18,536	20,413	22,179	22,539	**21,710**	**20,654**
Invested capital = debt + equity − cash & ST inv.	120,236	120,739	130,373	145,216	133,430	135,549	136,401	143,981	150,768	163,879	**152,876**	**146,116**
ROIC = NOPAT / average invested capital		13.1%	13.2%	11.8%	12.2%	14.6%	13.6%	14.6%	15.0%	14.3%	**14.6%**	**14.4%**
ROIC incl. cash = NOPAT / average (debt + equity)		12.4%	12.5%	11.1%	11.1%	13.0%	12.6%	13.7%	14.1%	13.5%	**13.8%**	**13.4%**
Pre-tax ROIC = EBIT / average invested capital (reference)		17.4%	17.5%	15.6%	16.2%	19.3%	18.0%	19.3%	19.9%	19.0%	**19.4%**	**19.1%**
ROE = net income / average equity		12.2%	8.3%	18.5%	16.0%	15.2%	13.3%	17.8%	20.6%	21.5%	**20.0%**	**17.7%**
ROA = net income / average total assets		4.9%	3.1%	6.5%	5.5%	5.5%	4.8%	6.3%	7.6%	8.0%	**7.3%**	**6.4%**

Source: author's analysis based on Tikr data.

ROIC remains between 13% and 15% and ROE rose to 21.5%. These are good returns for a retailer with such low margins, thanks to asset turnover.

- **Leverage and liquidity**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	39,701	39,917	50,739	63,664	45,899	43,658	52,410	53,410	53,076	57,699	**54,728**	**52,051**
Net debt / EBITDA	1.2x	1.3x	1.6x	2.0x	1.4x	1.2x	1.5x	1.4x	1.3x	1.3x	**1.3x**	**1.3x**
Interest coverage (EBIT / interest expense)	9.6x	9.0x	9.4x	8.3x	9.7x	13.0x	11.5x	10.1x	10.8x	10.7x	**10.5x**	**11.2x**
Debt / (debt + equity), book	36.6%	36.6%	42.3%	47.3%	42.1%	38.9%	42.1%	41.1%	38.9%	39.2%	**39.7%**	**40.0%**
Current ratio	0.86	0.76	0.80	0.79	0.97	0.93	0.82	0.83	0.82	0.79	**0.81**	**0.84**

Source: author's analysis based on Tikr data.

Net debt (including leases) is USD 57.7 billion, 1.3x EBITDA, with interest coverage of almost 11x. A current ratio below 1 is normal in retail.

- **Shareholder returns and valuation**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	68.9%	78.9%	77.6%	80.9%	33.9%	143.9%	133.8%	59.0%	88.3%	104.5%	**83.9%**	**105.9%**
EV / EBITDA	7.7x	11.5x	10.4x	12.3x	13.6x	12.0x	12.8x	13.1x	20.0x	23.0x	**18.7x**	**16.2x**
EV / revenue	0.5x	0.7x	0.7x	0.8x	0.8x	0.8x	0.7x	0.8x	1.2x	1.4x	**1.2x**	**1.0x**
P/E	15.0x	32.0x	41.7x	21.8x	29.4x	28.4x	33.2x	28.7x	40.6x	43.4x	**37.5x**	**34.8x**
FCF yield (FCF / market cap)	10.3%	5.8%	6.3%	4.5%	6.5%	2.9%	3.1%	3.4%	1.6%	1.6%	**2.2%**	**2.5%**

Source: author's analysis based on Tikr data.

Walmart returned 104% of its free cash flow in fiscal 2026 through dividends and buybacks. At the end of the fiscal year it traded at 23x EBITDA and 43x earnings, with a 1.6% FCF yield, far from the 12-13x EBITDA multiples of just a few years ago.

SECTION 04

Management and capital allocation

John Furner, President & CEO

In February 2026 John Furner replaced Doug McMillon as CEO. Furner has been at Walmart for more than 30 years, was CEO of Sam's Club and then of Walmart U.S., and led the areas that today explain much of the thesis: advertising, memberships and supply chain. The transition was planned and the market read it as a sign of continuity. The first results under his leadership, with guidance raised in August, confirm that reading.

Doug McMillon, CEO from 2014 to 2026

Doug McMillon joined Walmart in 1984 as a part-time associate during his university studies. That internal path, from cashier to CEO of one of the largest companies in the world by revenue, is not just an inspiring story: it is a guarantee that whoever leads Walmart knows the company from its operating foundations, not from a strategy consulting office.

McMillon became CEO in 2014, when Walmart was at an inflection point: eCommerce was growing fast, Amazon was taking share in categories that historically belonged to Walmart, and the physical store model was starting to show signs of saturation. His response was to invest aggressively in digital capabilities (the acquisition of Jet.com in 2016, the entry into Flipkart in 2018, the construction of Walmart+ as a membership platform) while keeping the focus on the operating core: low prices, inventory in order and an improved store experience.

In the context of the 2025 tariffs, McMillon was one of the most direct CEOs in the sector in communicating the real impact to the market: he publicly warned that the tariffs on China were "more than any supplier can absorb" and that consumers would start to see higher prices in some categories. That transparency, politically costly given Walmart's public profile, is consistent with a leadership style that prioritizes long-term credibility over short-term perception management.

The announcement that McMillon would step down as CEO in early 2026, succeeded by John Furner, was described by CFO Rainey as a sign of complete strategic continuity: "This is not a pivot in any sense. John has been at the heart of the company's fastest-growing areas for more than a decade."

John David Rainey, CFO

John David Rainey joined Walmart as CFO in June 2022 from PayPal, where he had been CFO and head of global consumer operations. Before PayPal, he was EVP and CFO of United Airlines during one of the most complex periods in American commercial aviation.

Rainey brings to Walmart something no internal CFO could have to the same degree: experience managing data and digital transaction platforms at massive scale. At PayPal he managed a $25 billion business with margins radically higher than traditional retail. That perspective is valuable precisely at the moment Walmart is trying to shift its revenue mix toward higher-margin lines.

In investor presentations, Rainey has been consistent in articulating the company's financial framework: "We have fundamentally changed our business model through strategic investments over years and now have a financial model that generates much higher returns." That claim, risky to make publicly, is backed by the numbers: operating income has been growing faster than sales, exactly as promised.

SECTION 05

Competitive position

Industry analysis

US mass retail is a market of about $5.5 trillion a year, the largest in the world, with a competitive structure that has polarized radically over the last decade. The winners are at the extremes of the price and convenience spectrum: at the low end, Walmart and the discounters; at the convenience and prime end, Amazon and the digital platforms. The middle (traditional department stores, specialty retailers, even Target) is being squeezed from both sides.

The fundamental dynamic behind that polarization is the inflation of the last three years. When food and basic goods prices rise 20% in two years, consumers at every income level become price sensitive. The customer who used to shop at Whole Foods without looking at the receipt starts comparing prices. The one who shopped at Target considers whether Walmart offers the same product for less. That shift, which began as a response to the inflationary cycle, has in many cases created a permanent change in shopping habits.

The sector is also being transformed by the convergence of physical and digital retail. "Omnichannel" was for years an aspirational goal for most retailers; today it is the minimum to be competitive. Consumers expect to buy online and pick up in store, buy in store and receive at home, or return online or in store, smoothly and without friction. That integration is expensive to build and takes years to execute. Walmart has it to a greater degree than any pure physical retail competitor.

Main competitors

AMAZON (AMZN, NASDAQ)

Amazon is, without question, Walmart's most relevant competitor now and for the foreseeable future. With $638 billion in total revenue in 2024 and 37.6% of US eCommerce versus Walmart's 6.4%, Amazon dominates digital commerce in a way that has no historical equivalent in any sector.

Amazon's advantage over Walmart in eCommerce is real and substantial: wider assortment, better user experience, a more widely adopted Prime network and, above all, AWS as a cross-subsidy that funds the price war and logistics investment with margins pure retail cannot generate. Without AWS, Amazon could not offer Prime at $139 a year profitably.

Walmart's advantage over Amazon is just as real but less visible: the network of 4,600 stores in the US allows delivery in under three hours to 93% of the country, something Amazon cannot replicate without building an equivalent physical infrastructure from scratch (decades of investment and tens of billions of dollars). Walmart is the largest grocer in the US; Amazon Fresh has not achieved compa-

rable penetration in groceries. And in the low-price segment, the core of Walmart's proposition, Amazon does not have the structural cost advantage Walmart has from its purchasing volume and last-mile logistics efficiency.

The most interesting battleground between Amazon and Walmart is retail media: both have digital advertising assets with access to purchase data that no other advertising platform can match. Amazon Advertising is currently larger (about $50 billion of revenue in 2024), but Walmart Connect is growing faster and has differential access to the grocery consumer, who spends the most on average. The retail media race will last a while and has no single obvious winner.

COSTCO (COST, NASDAQ)

Costco is the most admirable competitor in the sector from a business quality perspective. With $244.9 billion in global sales in 2024 and a model based on annual memberships that generate customer loyalty without equivalent in US retail, Costco operates with financial metrics that make Walmart look like an ordinary business: membership renewal rates above 90%, comparable sales growth consistently in the 5-8% range and operating margins that rise gradually despite its commitment to the lowest prices in the market.

The big difference between Costco and Walmart is the membership model. Costco turns the membership fee into a psychological commitment: the customer who has paid $65 or $130 a year has an incentive to maximize the value of that membership by buying as much as possible at Costco. That dynamic generates visit frequency and an average ticket Walmart cannot replicate without the membership as an anchor.

Sam's Club is Walmart's direct answer to Costco, and recent execution has been solid: comparable sales growth of 5.9% in fiscal 2025, growing adoption of digital formats and a gradual improvement in perceived product quality (especially the Member's Mark private label). But the perception gap between Costco and Sam's Club among American consumers remains significant, and closing it will take years of consistent execution.

TARGET (TGT, NYSE)

Target is the most instructive case in the sector for understanding the difference between a genuine and an aspirational value proposition. For years Target was America's "chic retailer": prices similar to Walmart but more attractive stores, more careful product design and a shopping experience the competition could never replicate. That positioning worked perfectly when consumers had money to pay a small premium for the experience.

When inflation hit and consumers started comparing prices more rigorously, Target was caught in no man's land: too expensive for the price-sensitive customer, not premium enough for the aspirational customer moving to accessible luxury. Between 2021 and 2024 Target lost 0.18% of market share while Walmart gained 0.75%. Over the same period, Target's physical traffic fell while Walmart's grew.

From a competitive perspective, Target does not threaten Walmart directly in groceries (where Walmart is dominant) but does compete in general merchandise and apparel. In those categories Target's proposition remains relevant for a specific segment of American consumers. The problem is

that this segment is smaller and more volatile than Walmart's core.

THE KROGER CO. (KR, NASDAQ)

Kroger is the largest pure grocery chain in the US, with about $150 billion in annual sales and more than 2,700 stores under 26 banners (Kroger, Fred Meyer, Ralphs, Harris Teeter). It is the most relevant peer for putting Walmart's grocery position in context: both companies compete directly in grocery in most American markets, and the margin comparison reveals how much of Walmart's differential comes from its purchasing scale.

With a gross margin of about 22% (below Walmart's 24%) and an operating margin of about 2.5-3%, Kroger confirms that Walmart's scale generates a real cost advantage even in the most competitive retail category. Kroger's model is pure grocery, without Walmart's general merchandise component, which makes it the cleanest gauge of the value Walmart extracts from its grocery leadership.

The most relevant news of the last two years was the proposed $25 billion merger with Albertsons, blocked by federal regulators in 2024. Without that inorganic growth, Kroger grows 1-3% a year, clearly below Walmart's pace. As a valuation reference, it trades at about 13x earnings and about 7x EV/EBITDA, multiples that reflect a stable and predictable business without the margin catalysts the market is pricing into Walmart.

ALDI AND GROCERY DISCOUNTERS

In groceries (the most important category for Walmart U.S. in terms of traffic), German discounter Aldi has aggressively captured share among low and lower-middle income consumers with prices well below the market and a small-store model.

Aldi is the competitor that puts the most pressure on grocery prices. With an ultra-reduced store model (1,500-2,000 SKUs versus Walmart's 100,000+) and prices consistently below even Walmart in the categories where they compete directly, Aldi has captured customers who prioritize price over assortment. But Aldi's proposition is incompatible with the needs of a customer who wants to do the whole weekly shop in one place: the limited assortment is a cost advantage but also a structural limitation of the value proposition.

Comparison with competitors

The comparison includes Costco, Target and Kroger as the three most relevant peers: Costco as the quality benchmark in warehouse clubs, Target as a direct big-box peer and Kroger as the mirror of Walmart's position in pure grocery. Amazon is excluded from the quantitative analysis because its conglomerate nature (AWS and advertising dominate earnings) makes any margin or multiple comparison methodologically incorrect. The data covers FY22-FY26, with fiscal years ending in January for Walmart and Target, August for Costco and January for Kroger. The columns are aligned with Walmart's fiscal year: for example, Costco's figure in the FY22 column corresponds to its fiscal year ended August 2021.

Revenue

REVENUES										
% Change YoY	31/01/2017	31/01/2018	31/01/2019	31/01/2020	31/01/2021	31/01/2022	31/01/2023	31/01/2024	31/01/2025	31/01/2026
WALMART INC.	-	3,00%	2,80%	1,90%	6,70%	2,40%	6,70%	6,00%	5,10%	4,70%
TARGET CORPORATION	-	3,50%	3,60%	3,70%	19,80%	13,30%	2,90%	(1,6 %)	(0,8 %)	(1,7 %)
COSTCO WHOLESALE CORPORATION	-	8,70%	9,70%	7,90%	9,20%	17,50%	15,80%	6,80%	5,00%	8,20%
THE KROGER CO.	-	6,10%	(2,4 %)	1,30%	14,20%	(1,4 %)	4,70%	5,00%	0,40%	2,90%

Walmart's growth (4-7% a year) is the most consistent in the group, but not the best. Target went from its best year (+13.3% in FY22) to three consecutive years of decline, reflecting the high sensitivity of its discretionary product mix to the economic cycle. Costco grew faster at the peak (+17.5% in FY22) but with a strong inflationary component; its subsequent normalization to 5-8% represents the structural pace of the warehouse format. Kroger shows the greatest irregularity: the 1.4% decline in FY22 is explained by the post-pandemic comparison and the effects of that year's employee strike, and the subsequent rebound to 4-5% reflects food inflation, not real organic volume growth.

Margins

MARGINS										
% Gross Margins	31/01/2017	31/01/2018	31/01/2019	31/01/2020	31/01/2021	31/01/2022	31/01/2023	31/01/2024	31/01/2025	31/01/2026
WALMART INC.	25,65%	25,37%	25,10%	24,69%	24,83%	25,10%	24,14%	24,38%	24,85%	24,93%
TARGET CORPORATION	30,06%	29,69%	29,27%	29,76%	29,27%	29,28%	24,57%	27,54%	28,21%	27,93%
COSTCO WHOLESALE CORPORATION	13,32%	13,29%	13,01%	12,98%	13,09%	12,88%	12,15%	12,42%	12,61%	12,84%
THE KROGER CO.	23,02%	22,86%	22,57%	22,77%	23,99%	22,72%	22,13%	22,96%	23,50%	24,10%
% Operating Margin	31/01/2017	31/01/2018	31/01/2019	31/01/2020	31/01/2021	31/01/2022	31/01/2023	31/01/2024	31/01/2025	31/01/2026
WALMART INC.	4,69%	4,18%	4,27%	4,10%	4,03%	4,53%	4,01%	4,17%	4,31%	4,18%
TARGET CORPORATION	7,11%	6,02%	5,61%	6,05%	7,06%	8,55%	3,63%	5,49%	5,39%	4,71%
COSTCO WHOLESALE CORPORATION	3,09%	3,19%	3,16%	3,10%	3,26%	3,47%	3,49%	3,51%	3,65%	3,77%
THE KROGER CO.	3,00%	1,99%	2,20%	2,19%	2,40%	2,69%	3,02%	3,28%	3,11%	3,20%
% Net Income Margin	31/01/2017	31/01/2018	31/01/2019	31/01/2020	31/01/2021	31/01/2022	31/01/2023	31/01/2024	31/01/2025	31/01/2026
WALMART INC.	2,81%	1,97%	1,30%	2,84%	2,42%	2,39%	1,91%	2,39%	2,85%	3,07%
TARGET CORPORATION	3,89%	4,01%	3,90%	4,20%	4,67%	6,55%	2,55%	3,85%	3,84%	3,54%
COSTCO WHOLESALE CORPORATION	1,98%	2,08%	2,21%	2,40%	2,40%	2,56%	2,57%	2,60%	2,90%	2,94%
THE KROGER CO.	1,71%	1,55%	2,55%	1,36%	1,95%	1,20%	1,51%	1,44%	1,81%	0,69%

The margin analysis reveals four business models with radically different profitability structures. Costco's gross margin (12.8%) is not a sign of weakness but a deliberate feature: it passes margin on to the consumer and recovers profitability through membership fees, which raise the effective margin to about 14.9%. Kroger, with a gross margin of about 23-24%, comes closest to Walmart in groceries, which confirms Walmart's advantage in that segment is real but limited. The drop in Target's gross margin from 29.3% to 24.6% between FY22 and FY23 was the episode of massive markdowns due to excess inventory that destroyed market confidence; its partial recovery to 27-28% is positive but has not reached pre-crisis levels.

In EBIT margin, Walmart (4.3% in FY25) beats Costco (3.7%) and Kroger (3.1%), which is significant. Kroger, despite gross margins comparable to Walmart's, converts less at the operating level because of higher distribution costs in pure grocery. Kroger's net margin in FY26 (0.69%) is the lowest in the group and reflects both post-strike cost pressure and the weight of its debt service.

Solvency

SOLVENCY										
Long-term debt to equity [Total long term debt / Total Equity]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	52,96%	45,79%	63,58%	79,57%	66,66%	57,91%	64,81%	62,65%	55,43%	52,55%
TARGET CORPORATION	100,71%	111,98%	108,23%	115,04%	95,25%	125,06%	166,74%	135,50%	121,96%	110,04%
COSTCO WHOLESALE CORPORATION	32,93%	59,33%	49,51%	35,25%	57,36%	57,05%	50,12%	36,34%	40,30%	32,83%
THE KROGER CO.	176,35%	174,22%	154,08%	217,37%	199,05%	204,00%	185,56%	158,45%	292,37%	374,41%
Debt to Equity [Total debt / Total Equity]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	56,46%	51,24%	66,85%	88,97%	72,45%	63,13%	72,23%	68,90%	60,44%	58,23%
TARGET CORPORATION	116,40%	115,66%	119,04%	118,09%	104,63%	128,38%	170,53%	146,26%	135,52%	125,52%
COSTCO WHOLESALE CORPORATION	41,85%	60,10%	50,19%	46,48%	59,27%	63,10%	52,82%	42,05%	42,12%	34,07%
THE KROGER CO.	209,91%	225,78%	194,37%	247,25%	215,57%	216,78%	205,25%	165,93%	302,89%	415,97%
Debt to Capital [Total debt / Total Capital]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	36,09%	33,88%	40,07%	47,08%	42,01%	38,70%	41,94%	40,79%	37,67%	36,80%
TARGET CORPORATION	53,79%	53,63%	54,35%	54,15%	51,13%	56,21%	63,04%	59,39%	57,54%	55,66%
COSTCO WHOLESALE CORPORATION	29,50%	37,54%	33,42%	31,73%	37,21%	38,69%	34,56%	29,60%	29,64%	25,41%
THE KROGER CO.	67,73%	69,30%	66,03%	71,20%	68,31%	68,43%	67,24%	62,40%	75,18%	80,62%
Debt to Assets [Total debt / Total Assets]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	22,87%	20,25%	24,28%	30,68%	25,12%	23,69%	24,94%	24,72%	22,64%	21,72%
TARGET CORPORATION	34,06%	33,44%	32,57%	32,67%	29,48%	30,60%	35,91%	35,49%	34,40%	34,11%
COSTCO WHOLESALE CORPORATION	15,56%	18,32%	16,11%	15,96%	19,95%	19,25%	17,00%	15,27%	14,25%	12,89%
THE KROGER CO.	38,58%	41,91%	39,95%	46,84%	42,31%	41,64%	41,42%	38,12%	47,67%	49,43%
Financial Leverage [Total Assets / Total Equity]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	2,47x	2,53x	2,75x	2,90x	2,88x	2,66x	2,90x	2,79x	2,67x	2,68x
TARGET CORPORATION	3,42x	3,46x	3,65x	3,62x	3,55x	4,20x	4,75x	4,12x	3,94x	3,68x
COSTCO WHOLESALE CORPORATION	2,69x	3,28x	3,12x	2,91x	2,97x	3,28x	3,11x	2,75x	2,96x	2,64x
THE KROGER CO.	5,44x	5,39x	4,87x	5,28x	5,10x	5,21x	4,96x	4,35x	6,35x	8,42x
Debt to EBITDA [Total debt / EBITDA]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	1,38x	1,32x	1,63x	2,24x	1,88x	1,58x	1,71x	1,61x	1,40x	1,40x
TARGET CORPORATION	1,74x	1,97x	2,01x	1,91x	1,66x	1,41x	2,88x	2,26x	2,28x	2,51x
COSTCO WHOLESALE CORPORATION	1,05x	1,21x	1,11x	1,16x	1,57x	1,33x	1,11x	1,00x	0,86x	0,78x
THE KROGER CO.	2,40x	3,15x	2,92x	3,51x	3,11x	2,84x	2,53x	2,21x	2,97x	2,85x
Interest Coverage	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	9,62x	8,99x	9,36x	8,26x	9,74x	13,01x	11,53x	10,07x	10,76x	10,66x
TARGET CORPORATION	8,78x	8,25x	9,17x	10,12x	14,21x	21,52x	8,28x	11,75x	13,96x	11,10x
COSTCO WHOLESALE CORPORATION	27,61x	30,68x	28,18x	31,58x	33,97x	39,72x	50,07x	53,16x	54,94x	67,42x
THE KROGER CO.	6,63x	4,08x	4,32x	4,43x	5,84x	6,50x	7,88x	8,80x	6,02x	5,64x

The four companies have radically different leverage profiles, with direct implications for their resilience to a revenue or cost shock. Costco has the most conservative balance sheet in the group: its Debt/EBITDA fell from 1.33x in FY22 to 0.78x in FY26 and its interest coverage exceeds 67x, meaning it has practically no financial risk in any reasonable macroeconomic scenario. Walmart keeps moderate and improving levels: Debt/EBITDA of 1.40x is comfortable for the sector and interest coverage of about 11x is well covered.

The most striking contrast is between Target and Kroger. Target has debt-to-equity of 110% in FY26, which looks high but results from a deliberate policy of aggressive buybacks that compresses equity; its interest coverage of 11x shows it can service the debt without difficulty. Kroger is the most extreme case in the group: debt-to-equity of 416% in FY26, reflecting both the structural model of pure grocery (tight margins require more leverage to generate adequate returns) and years of buybacks and borrowing linked to the attempted merger with Albertsons. Its interest coverage of 5.64x is the lowest in the group and the only one with a limited cushion against a deterioration in EBIT.

Operating efficiency

ACTIVITY										
Inventory turnover [COGS / Average inventory]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	8,39x	8,60x	8,75x	8,90x	9,40x	8,46x	8,20x	8,79x	9,19x	9,29x
TARGET CORPORATION	5,91x	6,05x	5,89x	5,93x	6,74x	6,11x	6,01x	6,13x	6,21x	6,03x
COSTCO WHOLESALE CORPORATION	11,47x	11,90x	11,80x	11,85x	12,26x	12,90x	12,41x	12,28x	12,60x	13,05x
THE KROGER CO.	13,53x	14,53x	14,10x	13,56x	14,24x	15,39x	16,10x	15,76x	15,92x	16,09x
Days of inventory on hand (DOH) [Number of days in period / inventory turnover]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	43 días	42 días	42 días	41 días	39 días	43 días	45 días	42 días	40 días	39 días
TARGET CORPORATION	62 días	60 días	62 días	62 días	54 días	60 días	61 días	60 días	59 días	61 días
COSTCO WHOLESALE CORPORATION	32 días	31 días	31 días	31 días	30 días	28 días	29 días	30 días	29 días	28 días
THE KROGER CO.	27 días	25 días	26 días	27 días	26 días	24 días	23 días	23 días	23 días	23 días
Receivables turnover [Revenue / Average receivables]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	83,27x	89,12x	81,87x	83,38x	85,81x	69,17x	77,06x	73,68x	68,27x	63,83x
TARGET CORPORATION	0,00x	0,00x	0,00x	156,85x	148,27x	126,95x	93,34x	120,55x	106,78x	82,83x
COSTCO WHOLESALE CORPORATION	94,82x	90,10x	84,83x	99,48x	107,59x	108,67x	101,27x	106,04x	93,51x	85,93x
THE KROGER CO.	69,94x	75,31x	76,68x	71,68x	74,40x	75,43x	66,36x	70,24x	67,03x	67,35x
Days of sales outsanding (DSO) [Number of days in period / Receivables turnover]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	4 días	4 días	4 días	4 días	4 días	5 días	5 días	5 días	5 días	6 días
TARGET CORPORATION	0 días	0 días	0 días	2 días	2 días	3 días	4 días	3 días	3 días	4 días
COSTCO WHOLESALE CORPORATION	4 días	4 días	4 días	4 días	3 días	3 días	4 días	3 días	4 días	4 días
THE KROGER CO.	5 días	5 días	5 días	5 días	5 días	5 días	5 días	5 días	5 días	5 días
Payables turnover [Purchases / Average trade payables]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	0,00x	8,55x	8,28x	8,40x	8,76x	8,44x	8,51x	8,84x	8,89x	8,84x
TARGET CORPORATION	0,00x	6,46x	5,88x	5,52x	5,96x	5,52x	5,66x	5,96x	6,15x	5,85x
COSTCO WHOLESALE CORPORATION	0,00x	13,09x	11,93x	11,63x	11,28x	11,34x	11,90x	11,94x	12,16x	12,21x
THE KROGER CO.	0,00x	16,29x	15,89x	15,26x	15,46x	15,41x	13,44x	11,20x	10,97x	10,86x
Number of days of payables [Number of days in period / Payables turnover]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	0 días	43 días	44 días	43 días	42 días	43 días	43 días	41 días	41 días	41 días
TARGET CORPORATION	0 días	57 días	62 días	66 días	61 días	66 días	65 días	61 días	59 días	62 días
COSTCO WHOLESALE CORPORATION	0 días	28 días	31 días	31 días	32 días	32 días	31 días	31 días	30 días	30 días
THE KROGER CO.	0 días	22 días	23 días	24 días	24 días	24 días	27 días	33 días	33 días	34 días
Fixed Asset turnover [Revenue / Average net fixed assets]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	4,26x	4,36x	4,62x	4,12x	5,09x	5,09x	5,13x	4,97x	4,87x	4,54x
TARGET CORPORATION	2,85x	2,75x	2,74x	2,74x	3,21x	3,45x	3,19x	2,95x	2,90x	2,80x
COSTCO WHOLESALE CORPORATION	6,97x	7,10x	7,19x	7,31x	6,62x	7,16x	7,82x	7,89x	7,69x	7,62x
THE KROGER CO.	5,49x	5,85x	5,63x	4,26x	4,54x	4,52x	4,72x	4,70x	4,52x	4,77x
Total Asset turnover [Revenue / Average total assets]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	2,44x	2,45x	2,35x	2,22x	2,21x	2,34x	2,51x	2,57x	2,61x	2,51x
TARGET CORPORATION	1,88x	1,80x	1,83x	1,83x	1,83x	1,97x	2,05x	1,94x	1,84x	1,76x
COSTCO WHOLESALE CORPORATION	3,58x	3,55x	3,47x	3,36x	3,00x	3,31x	3,54x	3,51x	3,64x	3,57x
THE KROGER CO.	3,16x	3,31x	3,20x	2,70x	2,72x	2,81x	2,99x	2,97x	2,80x	2,96x

Inventory turnover is the clearest metric of operating model efficiency. The most striking result is Kroger: with 16.1x turnover and just 23 days of stock, Kroger beats even Costco in inventory speed. That is explained by the nature of pure grocery: fresh products (meat, dairy, fruit) have expiration dates that force extremely high turnover regardless of format or scale. It is not a sign of competitive advantage over Costco but a structural feature of the product mix. Walmart (9.3x, 39 days) and Costco (13x, 28 days) are the best in the group among comparable formats. Target (6x, 61 days) is the least efficient, confirming the vulnerability it showed in FY22 when excess general merchandise inventory required massive markdowns.

In fixed asset turnover, Costco clearly leads (7.6x) thanks to the sales density per square meter of the warehouse format. Walmart's fixed asset turnover fell from 5.1x in FY21 to 4.5x in FY26. It sits above Target (2.8x) and below Kroger (4.8x). The decline reflects the increase in PP&E from investment in new automated distribution centers, which have not yet reached their expected level of productivity. In total asset turnover, Costco again leads (3.6x) while Target (1.8x) shows the lowest relative productivity in the group on its asset base, partly explained by the growing weight of capital leases.

Return on capital

PROFITABILITY										
Operating ROA [Operating Income / Average Total Assets]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	11%	10%	10%	9%	9%	11%	10%	11%	11%	10%
TARGET CORPORATION	13%	11%	10%	11%	13%	17%	7%	11%	10%	8%
COSTCO WHOLESALE CORPORATION	11%	11%	11%	10%	10%	11%	12%	12%	13%	13%
THE KROGER CO.	9%	7%	7%	6%	7%	8%	9%	10%	9%	9%
ROA [Net Income / Average Total Assets]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	7%	5%	3%	6%	5%	6%	5%	6%	7%	8%
TARGET CORPORATION	7%	7%	7%	8%	9%	13%	5%	7%	7%	6%
COSTCO WHOLESALE CORPORATION	7%	7%	8%	8%	7%	8%	9%	9%	11%	11%
THE KROGER CO.	5%	5%	8%	4%	5%	3%	5%	4%	5%	2%
ROE [Net Income / Average Total Equity]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	17%	12%	8%	18%	15%	15%	14%	17%	20%	21%
TARGET CORPORATION	25%	25%	26%	28%	30%	54%	25%	31%	28%	23%
COSTCO WHOLESALE CORPORATION	19%	24%	24%	23%	21%	28%	28%	25%	31%	28%
THE KROGER CO.	29%	28%	40%	19%	27%	18%	22%	19%	32%	17%
ROIC [EBIT / Average short and long-term debt and equity]	**31/01/2017**	**31/01/2018**	**31/01/2019**	**31/01/2020**	**31/01/2021**	**31/01/2022**	**31/01/2023**	**31/01/2024**	**31/01/2025**	**31/01/2026**
WALMART INC.	18%	17%	17%	14%	15%	17%	17%	18%	19%	18%
TARGET CORPORATION	21%	17%	17%	18%	22%	31%	13%	18%	17%	14%
COSTCO WHOLESALE CORPORATION	21%	23%	23%	21%	18%	23%	25%	24%	28%	27%
THE KROGER CO.	17%	11%	12%	9%	11%	12%	15%	16%	14%	15%

The profitability analysis completes the comparison with the most relevant question for the investor: who generates the most value on the capital it controls. Costco has the highest ROIC in the group (27% in FY25) and the most stable over time: its model generates predictable returns on a controlled capital base without the need for financial leverage. Walmart shows the best improvement trend: from 17% in FY22 to 18% in FY26, with an upward trend reflecting the operating leverage of the higher-margin lines (advertising, memberships). Kroger is the lowest in the group in ROA (2% in FY26) and the only one whose profitability seems to be deteriorating in the most recent year, which is worrying for a company with its level of debt.

Target's ROE (23% in FY26) still exceeds Walmart's (21%) in absolute terms, but the trends are opposite: Walmart is rising (from 15% to 21%), Target is falling (from 54% to 23%). Target's 54% in FY22 does not reflect exceptional profitability but very compressed equity due to buybacks, which amplifies the ratio; it is a figure that needs context not to be misread. Kroger has the most erratic ROE in the group: the 32% in FY25 is explained more by artificially small equity after years of buybacks than by genuine value creation, and the drop to 17% in FY26 confirms the structural pressure on the business. The general conclusion is that Walmart has the best improvement trend in the group across all profitability metrics, Costco has the highest quality and consistency of returns, and Kroger has the least attractive risk-return profile given its combination of high leverage and declining profitability.

Main risks

TARIFFS AND EXPOSURE TO CHINA

The most immediate risk is exposure to the Trump administration's tariffs. An estimated 60-70% of Walmart's imports come from China, although the company has been actively diversifying toward Mexico, India and Vietnam. With tariffs on Chinese products that reached 145% at the worst moments of 2025, the potential impact on costs is structurally significant.

Walmart adopted three simultaneous responses. The first is supplier diversification: exposure to China fell from about 80% in 2022 to 60-70% in 2025, with $6 billion invested in distribution centers in Mexico and a stated goal of importing $10 billion a year from India by 2027. The second is pressure on suppliers to absorb part of the cost, which caused diplomatic tension with the Chinese government, which summoned Walmart executives to express its disagreement with that tactic. The third, the inevitable one: partial pass-through to the end consumer.

CEO McMillon was explicit in May 2025: "Consumers are going to start seeing higher prices, probably toward the end of this month, and certainly much more in June." That statement was honest and risky: putting at stake the low-price commitment that is the essence of Walmart is the biggest risk management can communicate to the market.

The context then offered some relief: the US-China trade truce announced in May 2025 reduced tariffs on Chinese products from 145% to 30% for 90 days. That temporary easing did not solve the structural problem, since the trade war can resume as quickly as it was paused, but it gave Walmart room to accelerate the diversification of its supply chain.

In 2026 the tariff front improved: Walmart received about USD 2.9 billion in tariff refunds, which it plans to put largely into lower prices and a better customer experience. Even so, US trade policy remains a hard variable to anticipate.

COMPETITIVE PRESSURE FROM AMAZON IN ECOMMERCE

Amazon controls 37.6% of US eCommerce versus Walmart's 6.4%. That gap is not closing significantly: Walmart is growing fast in digital, but Amazon is also growing and from a much larger base. The relevant question is not whether Walmart can catch Amazon in eCommerce share (probably not) but whether it can build a digital position strong enough to protect and expand its share. Recent results suggest it can, but the risk of losing ground to the Prime network and Amazon's services ecosystem remains real.

VALUATION AND MULTIPLE COMPRESSION RISK

At about 44x expected earnings, Walmart trades well above its 10-year historical median (about 30x). This implies the market is pricing in a margin acceleration that visibly turns the "business model transformation" story into concrete numbers. If that acceleration is delayed, whether by the impact of tariffs on costs, lower free cash flow during the high-capex period or any macro slowdown, a compression from 44x to 35x would mean a loss of value of about 20% from the multiple effect alone, even with unchanged earnings.

ECONOMIC CYCLE AND CONSUMPTION DEFLATION RISK

Although Walmart is the natural beneficiary of the search for value in difficult economic environments, a deep recession could reduce purchase volumes even at the cheapest retailer. The pandemic showed that Walmart can get through demand shocks (revenue grew in 2020 while other sectors collapsed), but a long recession that depresses spending on general merchandise (electronics, apparel, home) could compress margins in those higher value-added categories.

REGULATORY AND LABOR RISKS

With 2.1 million employees worldwide, Walmart is the largest private employer on the planet. Any change in US labor regulation (an increase in the federal minimum wage, changes in overtime rules, new benefit requirements) has a disproportionate impact on Walmart's cost structure.

SWOT analysis

The SWOT analysis summarizes the internal and external factors that determine Walmart's current competitive position and its ability to create value over the long term.

STRENGTHS

- Unprecedented scale: $713 billion in sales generate purchasing power that cannot be replicated
- A network of 4,600+ stores in the US as last-mile fulfillment infrastructure
- EDLP: six decades of structural low-cost positioning
- Walmart Connect: a high-margin advertising business growing 40%+
- eCommerce at all-time highs: 23% of sales in Q4 FY26
- Two-thirds of Walmart U.S. sales are of domestic origin
- Sam's Club as a consistently growing membership platform
- Grocery leadership: the largest grocer in the US

WEAKNESSES

- Structurally narrow margins (EBIT about 4.3%) with little cushion
- Net debt of about $58 billion driven by leases and heavy capex
- Store experience perceived as inferior to Target or Whole Foods
- Dependence on the low-margin grocery segment for traffic
- Exposure to the Chinese supply chain (60-70% of imports)
- Demanding valuation (about 44x earnings) that requires flawless execution
- Historically slow to adapt to changes in the digital channel

OPPORTUNITIES

- Retail media: a $50+ billion market where Amazon dominates but Walmart has a differential advantage in groceries
- Walmart+ with still low penetration versus Prime, significant room to scale
- Flipkart and PhonePe: India as the fastest-growing digital market in the world
- Warehouse automation and AI to compress operating costs
- Capturing higher-income customers who migrated during the 2022-2023 inflation
- Marketplace: more than 200,000 active sellers with room to grow
- Financial services (Walmart Fintech) for the unbanked consumer

THREATS

- Tariffs on China: cost pressure that strains the EDLP model
- Amazon with $50+ billion in retail media and a Prime network impossible to match in digital
- Aldi capturing grocery share with an ultra-tight price proposition
- Rising labor costs: minimum wage and structural wage inflation
- A consumer slowdown in a recession hits general merchandise
- Multiple compression if margin expansion is slower than expected
- Regulatory risk: scrutiny of market power and labor practices

Porter's five forces

Porter's five forces allow us to assess the competitive structure of the mass retail sector and Walmart's position within it.

FUERZA	ANÁLISIS	INTENSIDAD
Rivalidad entre competidores	Walmart, Amazon, Costco y Target concentran el 70%+ del retail americano. La guerra de precios en alimentación es permanente, pero Walmart tiene la mayor ventaja estructural de costos del grupo.	ALTA
Poder de negociación de proveedores	Con $511B en costo de ventas anuales, Walmart es el comprador más poderoso del planeta. P&G, Unilever y Nestlé dependen de Walmart para el 20-30% de sus ventas. La excepción son los aranceles sobre China.	BAJA
Poder de negociación de clientes	El consumidor individual tiene poder limitado, pero la fidelidad al retailer es estructuralmente baja: el cliente cambia ante diferencias de precio del 5-10%. Walmart se beneficia por ser el más barato del mercado.	MEDIA
Amenaza de nuevos entrantes	Las barreras son extraordinariamente altas: décadas de red logística, datos y relaciones con proveedores. El riesgo real no viene de nuevos jugadores sino de los ya existentes que expanden su alcance (Amazon en físico, Aldi en EE.UU.).	BAJA
Amenaza de productos sustitutos	Los sustitutos más relevantes no son otros retailers sino otros canales: eCommerce puro, delivery y suscripciones directas. Walmart responde con su propio eCommerce y Walmart+, pero la amenaza en categorías específicas es real.	MEDIA

Walmart operates in an environment of high rivalry but with structural advantages in the forces most critical to profitability. Its power over suppliers is exceptional, barriers to entry are practically insurmountable and the power of individual customers is limited. The real competitive risk comes from the rivalry with Amazon in digital and margin erosion from the grocery price war, not from structural changes that could displace the whole business model.

SECTION 06

The bulls vs. the bears

What do the bulls say?

The first argument is the **business model transformation**: Walmart is moving from low-cost retailer to a platform of data, advertising, memberships and marketplace, three lines with much higher margins growing at double digits.

The second is its **physical infrastructure**: with more than 4,600 stores in the US working as distribution centers, Walmart can deliver to more than 93% of the country in under three hours, something no digital competitor can replicate.

The third is its **defensive profile**: it is the largest grocer in the US, two-thirds of what it sells is produced domestically, and its low-price proposition gets stronger when the economy gets tough. In addition, it is winning higher-income customers.

What do the bears say?

The first argument is **valuation**: at about 44x expected fiscal 2027 earnings, Walmart trades well above its historical average. The market is pricing in a transformation that is still under way.

The second is **narrow margins**: with a 4% operating margin, any cost pressure (wages, tariffs, energy or price investments) has a disproportionate impact on earnings.

The third is **competition**: Amazon in eCommerce and advertising, Costco in memberships, Aldi in groceries. Keeping price leadership requires constant investment.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**. The target price is the average of both in the base case.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)															
Driver	Δ vs Base	FY2024A	FY2025A	FY2026A	3Y avg	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E	FY2033E	FY2034E	FY2035E	FY2036E
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		6.0%	5.1%	4.7%	**5.3%**	**4.5%**	**4.6%**	**5.5%**	**5.5%**	**5.0%**	**5.0%**	**4.5%**	**4.5%**	**4.0%**	**4.0%**
Best case	1.0%					5.5%	5.6%	6.5%	6.5%	6.0%	6.0%	5.5%	5.5%	5.0%	5.0%
Base case						4.5%	4.6%	5.5%	5.5%	5.0%	5.0%	4.5%	4.5%	4.0%	4.0%
Worst case	(1.5%)					3.0%	3.1%	4.0%	4.0%	3.5%	3.5%	3.0%	3.0%	2.5%	2.5%
Gross margin ▸ selected scenario		24.4%	24.9%	24.9%	**24.7%**	**25.0%**	**25.1%**	**25.2%**	**25.3%**	**25.4%**	**25.5%**	**25.6%**	**25.7%**	**25.8%**	**25.8%**
Best case	0.5%					25.5%	25.6%	25.7%	25.8%	25.9%	26.0%	26.1%	26.2%	26.3%	26.3%
Base case						25.0%	25.1%	25.2%	25.3%	25.4%	25.5%	25.6%	25.7%	25.8%	25.8%
Worst case	(0.5%)					24.5%	24.6%	24.7%	24.8%	24.9%	25.0%	25.1%	25.2%	25.3%	25.3%
EBIT margin ▸ selected scenario		4.2%	4.3%	4.2%	**4.2%**	**4.4%**	**4.5%**	**4.7%**	**4.9%**	**5.0%**	**5.1%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**
Best case	0.8%					5.2%	5.3%	5.5%	5.7%	5.8%	5.9%	6.0%	6.0%	6.0%	6.0%
Base case						4.4%	4.5%	4.7%	4.9%	5.0%	5.1%	5.2%	5.2%	5.2%	5.2%
Worst case	(0.8%)					3.6%	3.7%	3.9%	4.1%	4.2%	4.3%	4.4%	4.4%	4.4%	4.4%
Capex % of revenue ▸ selected scenario		3.2%	3.5%	3.7%	**3.5%**	**3.7%**	**3.7%**	**3.6%**	**3.5%**	**3.4%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**
Best case	–					3.7%	3.7%	3.6%	3.5%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%
Base case						3.7%	3.7%	3.6%	3.5%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%
Worst case	0.3%					4.0%	4.0%	3.9%	3.8%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%

Source: author's analysis.

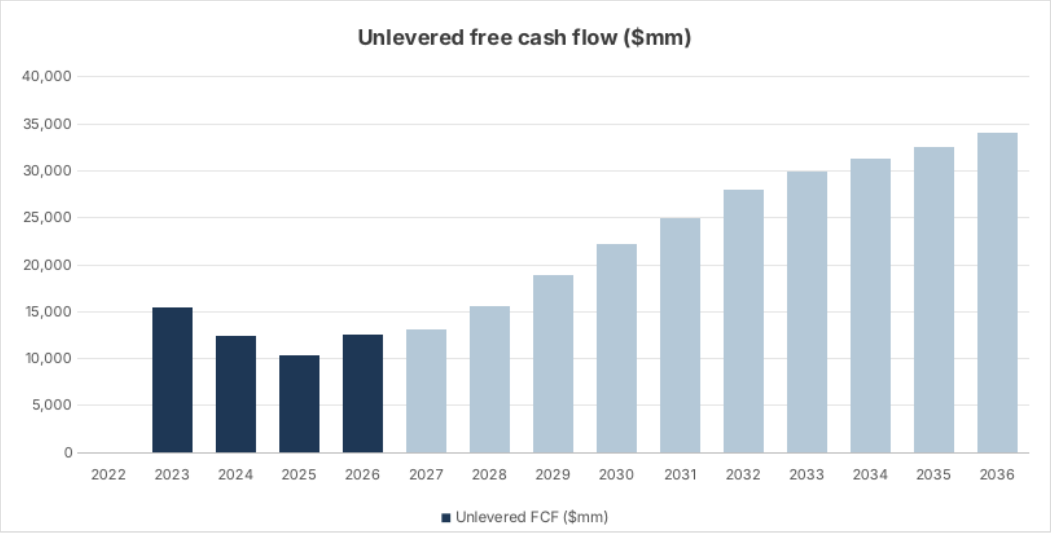
Revenue growth: in the Base Case I project 4.5% in fiscal 2027 (in line with guidance), 4.6% in 2028 and 5.5% in 2029 and 2030, with a greater contribution from eCommerce, advertising and memberships. Growth then gradually converges to 4%.

Margins: gross margin gradually improves from 25% to 25.8% and EBIT margin from 4.35% to 5.2%, reflecting the operating leverage of Walmart Connect, memberships and the marketplace, but without assuming a faster acceleration than the current trajectory justifies.

CapEx: 3.7% of sales in the first years, gradually falling to 3.3% as the investment in automation and stores matures.

What does each scenario mean?

- **Base Case:** gradual expansion of EBIT margin driven by advertising and memberships, without including the potential value of Flipkart and PhonePe in India.
- **Best Case:** margin expansion accelerates, Walmart Connect grows faster and eCommerce improves its cost per order. It adds 1 point of growth per year and 0.8 points of EBIT margin.
- **Worst Case:** cost pressure from tariffs and wages, higher CapEx for longer and lower growth from consumer weakness. It subtracts 1.5 points of growth and 0.8 points of EBIT margin.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)

		Value
Risk-free rate		4.9%
Equity beta (levered)	x	0.65
Equity risk premium		4.2%
Country risk premium		–
Cost of equity		7.6%
Pre-tax cost of debt		4.5%
Tax rate (debt tax shield)		24.4%
After-tax cost of debt		3.4%
Market value of equity	$ mm	1,005,987
Total debt	$ mm	68,426
Debt / (Debt + Equity)		6.4%
Equity / (Debt + Equity)		93.6%
WACC		7.4%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 0.65 (the five-year historical beta is 0.52, reflecting its defensive nature). The result is a **cost of equity of 7.6%**. For debt I use a 4.5% pre-tax cost. With a capital structure of 94% equity and 6% debt at market values, the **resulting WACC is 7.4%**.

To go from Enterprise Value to Equity Value I subtracted net debt of USD 58,587 million, which includes leases. I use 7,972 million diluted shares.

Model results

PERPETUITY METHOD

With 2.5% perpetual growth and a 15% return on new invested capital, the model gives an Enterprise Value of USD 579,287 million and an Equity Value of USD 520,700 million, equivalent to **USD 65.32 per share**.

Walmart Inc.

WMT · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$65.32

Current share price	$126.19
Upside / (downside)	(48.2%)

VALUATION SUMMARY

Enterprise value	579,287
Equity value	520,700
PV of forecast cash flows	168,433
PV of terminal value	410,854
Terminal value % of EV	70.9%
Implied exit EV / EBITDA	9.4x

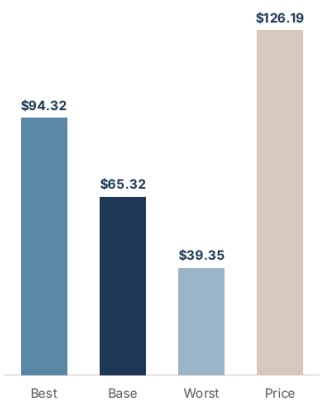
KEY ASSUMPTIONS

WACC (year 1)	7.4%
Terminal WACC	7.4%
Terminal growth (g)	2.5%
RONIC (terminal)	15.0%
Net debt & other claims	58,587
Diluted shares (mm)	7,972.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	810,503	751,916	**$94.32**	(25.3%)
Base case	2.5%	579,287	520,700	**$65.32**	(48.2%)
Worst case	2.0%	372,274	313,687	**$39.35**	(68.8%)
Current share price				*$126.19*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Terminal growth rate (g)

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
6.4%	$75.44	$79.89	$85.50	$92.77	$102.59
6.9%	$66.95	$70.22	$74.24	$79.29	$85.86
7.4%	$59.94	$62.38	**$65.32**	$68.93	$73.47
7.9%	$54.06	$55.90	$58.08	$60.71	$63.95
8.4%	$49.07	$50.46	$52.10	$54.05	$56.39

Source: author's analysis.

In the Best Case the value is **USD 94.32** and in the Worst Case **USD 39.35**.

With a WACC half a point lower, the value rises to USD 74; with one half a point higher, it falls to USD 58. It is a model very sensitive to the discount rate because Walmart has low margins and a very large part of the value is in the terminal value.

EBITDA MULTIPLE METHOD

Applying a **12x** multiple to EBITDA in the last projected year of the Base Case (15x in the Best Case and 9x in the Worst Case), the model gives an Enterprise Value of USD 694,588 million and a value of **USD 79.78 per share**.

Walmart Inc.

WMT · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$79.78

Current share price	$126.19
Upside / (downside)	(36.8%)

VALUATION SUMMARY

Enterprise value	694,588
Equity value	636,001
PV of forecast cash flows	168,433
PV of terminal value	526,155
Terminal value % of EV	75.8%
Implied perpetual growth	3.9%

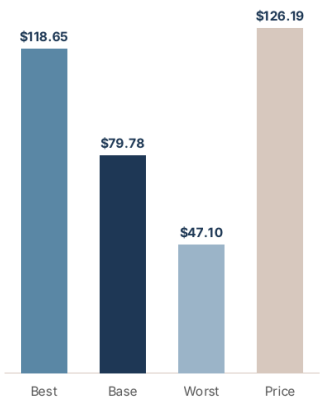
KEY ASSUMPTIONS

WACC (year 1)	7.4%
Terminal WACC	7.4%
Exit EV / EBITDA	12.0x
EBITDA, final forecast year	84,485
Net debt & other claims	58,587
Diluted shares (mm)	7,972.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	15.0x	1,004,442	945,855	**$118.65**	(6.0%)
Base case	12.0x	694,588	636,001	**$79.78**	(36.8%)
Worst case	9.0x	434,063	375,476	**$47.10**	(62.7%)
Current share price				*$126.19*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	10.0x	11.0x	12.0x	13.0x	14.0x
6.4%	$74.72	$80.72	$86.71	$92.71	$98.70
6.9%	$71.68	$77.42	$83.17	$88.91	$94.65
7.4%	$68.78	$74.28	**$79.78**	$85.28	$90.78
7.9%	$66.01	$71.27	$76.54	$81.81	$87.08
8.4%	$63.35	$68.40	$73.45	$78.50	$83.55

Source: author's analysis.

12x is in line with what the market paid for Walmart until a few years ago and with the median of its retail peers. It implies 3.9% perpetual growth. Paying Costco's multiple would imply Walmart grows faster than the economy forever.

In the Best Case the value is **USD 118.65** and in the Worst Case **USD 47.10**.

Reading both methods together

Averaging both methods in the base case, I arrive at a **target price of USD 73 per share**, compared with a market price of USD 126.19. That is a downside of about 43%.

Not even the Best Case (between USD 94 and USD 119) reaches the current price. The market is valuing Walmart as if in a few years it will already be an advertising and services platform with much higher margins than today. It may happen, but it is a bet that is being paid for in advance.

SECTION 08

Conclusion

Walmart is an extraordinary business at a moment of extraordinary transition. The largest company in the world by revenue is executing three complex transformations at the same time: the migration from physical retail to omnichannel, the construction of a top-tier digital advertising business and the diversification of its supply chain. That it is executing all three at once and with good results says a lot about its management team.

The 2026 results confirm it: eCommerce +23%, advertising +38%, memberships +17% and guidance raised again, with a CEO change that was completely orderly.

What makes the analysis complex is that all that quality is already in the price. At about 44x expected earnings, the market is not buying a low-growth defensive retailer but a data, advertising and services platform. My model gives a **target price of USD 73 per share**, versus a price of USD 126. Even the Best Case is below the current price.

The big question is not whether the business will keep growing, because that seems very likely. The question is what margin of safety an investor buying at this price has if margin expansion is slower than the market expects. In my opinion, none.

Of the companies in the sector, the one I like most is Costco, although it also trades at very demanding valuations. Both Costco and Walmart seem to me two great companies to hold if one manages to buy them at attractive valuations, which is very difficult. In that scenario, besides owning a fantastic company, they serve as a refuge in a general market decline. Today I would not buy Walmart.

Alan



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