

erating 3,158 supercenters (includes sizable grocery departments), 561 discount stores, 620 Sam's Clubs, and 286 Neighborhood Markets in the U.S., plus 6,148 foreign stores, mainly in Latin America, with the balance in Asia, Canada, and the U.K. as of 1/31/13. Total store space: 1.072 billion square feet. Retail space is largely

ter. Groceries accounted for 55% of U.S. sales; sales per square foot in 2012: about \$437. Has 2,200,000 employees. Off./dir. own 50.1% of shares (4/12 proxy). Chairman: S. Robson Walton. CEO and Pres.: Michael Duke. Inc.: DE. Addr.: 702 S.W. 8th St., Bentonville, AR 72716. Tel.: 479-273-4000. Internet: www.walmart.com

ANNUAL RATES Past Est'd '10-'12 Past 10 Yrs. to '16-'18 of change (per sh) 5 Yrs. Sales "Cash Flow" 10.0% 12.0% 9.0% 10.5% 6.5% 8.0% Earnings Dividends Book Value 9.0% 14.5% 7.5% 9.0% 10.0% 9.0% 11.0% 18.0%

3091 51893

33557 6004 18923 54975

36608

6022 19670

59940

38080

Current Assets

Accts Payable Debt Due

Current Liab.

Other

Fiscal Year Begins	QUA Apr.30	RTERLY S Jul.31	ALES (\$ m Oct.31	nill.) A Jan.31	Full Fiscal Year
2010	99811	103726	101952	116360	421849
2011	104189	109366	110226	123169	446950
2012	113018	114296	113929	127919	469162
2013	117000	119000	119000	140000	495000
2014	122500	123500	123500	145500	515000
Fiscal	EARNINGS PER SHARE A B				_Full
Year Begins	Apr.30	Jul.31	Oct.31	Jan.31	Fiscal Year
2010	.87	.97	.90	1.34	4.07
2011	.97	1.09	.99	1.44	4.45
2012	1.09	1.18	1.08	1.67	5.02
2013	1.20	1.30	1.16	1.74	5.40
2014	1.25	1.40	1.28	1.92	5.85
Cal-	QUARTERLY DIVIDENDS PAID = C				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2009	.2375	.2725	.2725		.78
2010	.2725	.605	.3025		1.18
2011	.3025	.730	.365		1.40
2012	.365	.795	.3975	.3975	1.96
2013		.470			

Wal-Mart is facing some near-term headwinds. A few trends have been reportedly hurting many retailers' firstquarter revenues. Indeed, the expiration of a U.S. payroll tax holiday and unfavorable weather conditions in March likely caused Wal-Mart's domestic same-store sales to grow at most, 1% in our estimation. The impact from lighter paychecks was probably relatively severe for a large chunk of Wal-Mart's customer base due to their below-average incomes. Better budgeting by consumers ought to eventually reverse any top-line underperformance. Further, gas prices are down 6% from a 2013 high reached in late February, which may take some pressure off consumers. Lastly, delayed tax returns probably pushed some sales into the April quarter, somewhat offsetting the aforementioned challenges.

Cost cutting continues, but we have concerns. 2012 was the third year in a row that Wal-Mart was able to lever expenses. Management's goal is to reduce costs \$6 billion more over the next four years. Much of this ought to go toward price cuts in an attempt to keep traffic flowing. This could backfire, though, if

there are not enough sales clerks and inventory stockers to answer questions and replenish empty shelves (reducing payroll has long been a favorite cost-cutting tactic of WMT). The company has actually been citing shelf restocking as a reason for the improved same-store sales experienced in the last several quarters, and there has only been anecdotal evidence of unsatisfactory restocking. Still, we think there is potential for market-share losses. Small-format stores are a focus. On average, Neighborhood Market stores have 78% less selling space than a supercenter but perform just as well. Due to the stores' small size, footprint expansion portunities are great and Wal-Mart plans to open 500 locations by 2017.

These shares look good for the long **term.** The stock's 3- to 5-year price appreciation potential is about average, but that level becomes more attractive when considering its Safety rank of 1 (Highest). Although we think WMT is vulnerable to some near-term weakness, we have confidence in the company's expansion and cost-cutting initiatives.

Kevin Downing

May 3, 2013

(A) Fiscal year ends Jan. 31st of following calendar year. Sales exclude rentals from licensed depts. (B) Based on diluted shares. May not sum due to rounding. Excls. (losses)

(\$0.03); '08, \$0.04; '09, (\$0.02); Next earn- | **(D)** In millions.

and gains: '01, (\$0.01); '05, \$0.03; '08, (\$0.07); ings report due May 16th. **(C)** Divds. historically '09, \$0.06; '10, \$0.05; '11, (\$0.07). Excl. gains paid in early Mar., May, Aug., and Dec.■ Divi-(losses) from discontinued operation: '07, dend reinvestment plan available.

Company's Financial Strength Stock's Price Stability A++ 100 Price Growth Persistence **Earnings Predictability** 100

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