

Walmart Inc. (WMT)

\$142.78 (As of 10/09/20)

Price Target (6-12 Months): **\$165.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 10/09/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: A

Momentum: D

Summary

Walmart has outpaced the industry year to date. The company has been gaining from rising demand for grocery and general merchandise items amid coronavirus-led stay-at-home trends. Stay-at-home trends are also boosting e-commerce sales, which soared 97% in second-quarter fiscal 2021. During the quarter, sales and earnings beat the consensus mark and grew year over year, with U.S. comps rising for the 24th straight time. In the U.S. segment, store and online sales remained strong, supported by government stimulus and the company's concerted delivery efforts. To this end, the recently unveiled Walmart+ plan is likely to be fruitful. Further, Walmart is set to gain from its measures like additional hiring to address customers' core shopping patterns this holiday season. Such upsides are likely to help the company battle high COVID-19- costs.

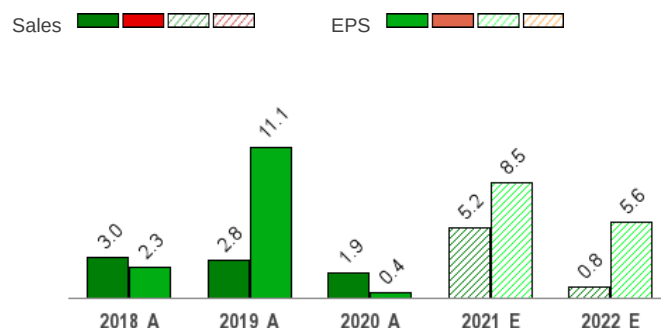
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$151.33 - \$102.00
20-Day Average Volume (Shares)	9,990,649
Market Cap	\$404.6 B
Year-To-Date Price Change	20.1%
Beta	0.27
Dividend / Dividend Yield	\$2.16 / 1.5%
Industry	Retail - Supermarkets
Zacks Industry Rank	Top 11% (28 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	27.9%
Last Sales Surprise	2.1%
EPS F1 Estimate 4-Week Change	1.3%
Expected Report Date	11/12/2020
Earnings ESP	-4.9%
P/E TTM	27.0
P/E F1	26.7
PEG F1	5.6
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	130,844 E	137,420 E	135,315 E	149,427 E	555,498 E
2021	134,622 A	137,742 A	131,745 E	146,102 E	551,085 E
2020	123,925 A	130,377 A	127,991 A	141,671 A	523,964 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.28 E	\$1.54 E	\$1.29 E	\$1.58 E	\$5.65 E
2021	\$1.18 A	\$1.56 A	\$1.18 E	\$1.43 E	\$5.35 E
2020	\$1.13 A	\$1.27 A	\$1.16 A	\$1.38 A	\$4.93 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/09/2020. The reports text is as of 10/12/2020.

Overview

Walmart Inc. has evolved from just being a traditional brick-and-mortar retailer into an omnichannel player. In this regard, acquisitions of Bonobos, Moosejaw and Parcel, partnership with JD.com and Lord and Taylor, and investment in online e-commerce platform Flipkart are noteworthy. These position the company to keep pace with the changing retail ecosystem and stay firm in the presence of rivals like Amazon and Target. Markedly, Walmart's product offerings include almost everything from grocery to cosmetics, electronics to stationery, home furnishings to health and wellness products, and apparel to entertainment products, to name a few.

This Bentonville-based retailer operates variety stores, discount stores, supercenters, Sam's Clubs and Neighborhood Markets, along with the websites – walmart.com and samsclub.com. The company offers merchandise under its private-label store brands, which comprises of Equate, Faded Glory, George, Great Value, Holiday Time, Mainstays, and others. The company also markets merchandise under licensed brands, such as, Better Homes & Gardens, General Electric and more.

The company operates as Walmart in the United States (its largest segment), including the 50 states, Washington D.C. and Puerto Rico. Apart from United States, Walmart has operations in Argentina, Canada, Chile, China, India, Japan, Mexico, United Kingdom, Africa and Central America. The company operates in Mexico as Walmex, in the U.K. as Asda, in Japan as Seiyu, and in India as Best Price. As of Sep 23, 2020, Walmart operated roughly 11,500 stores under 56 banners across 27 countries.

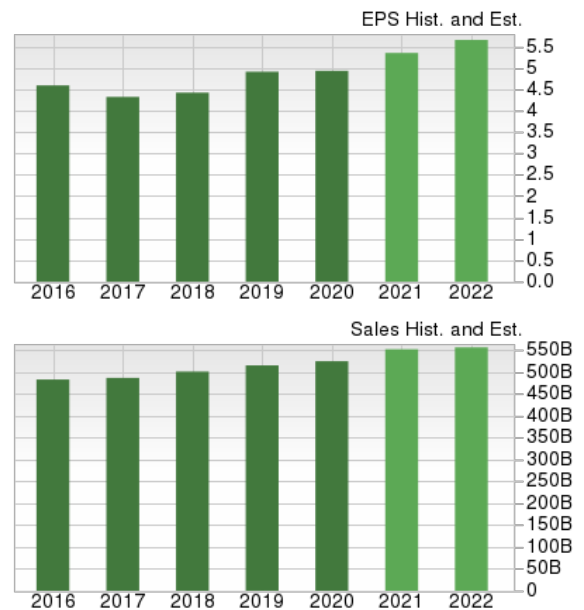
On Oct 2, 2020, Walmart inked a deal to give away major stake in U.S.-based grocery chain, Asda Group to TDR Capital as well as U.K.-based tycoon brothers Mohsin and Zuber Issa.

The company conducts its businesses under three segments:

Walmart U.S. (65.1% of fiscal 2020 revenues) operates retail stores in different formats in the U.S. and also in Puerto Rico.

Walmart International (23%) consists of retail operations in 26 countries outside the United States.

Sam's Club (12%) comprises membership warehouse clubs in 44 states in the U.S. and Puerto Rico, as well as the segment's online retail operations.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Coronavirus-Led Demand Aids, Q2 Results Solid:** Walmart's shares have gained 20.1% year to date compared with the industry's growth of 19.2%. The company has been benefiting from burgeoning demand for essential items amid coronavirus. While the pandemic-led social distancing has led consumers to stay indoors, they are still moving out for essentials, which is working well for retail behemoths like Walmart. Further, higher stay-at-home trends are boosting e-commerce sales. Such trends drove the company in second-quarter fiscal 2021, wherein both top and bottom lines cruised past the Zacks Consensus Estimate and grew year over year, reflecting continued rise in demand across categories amid the pandemic. Total revenues grew 5.6% to \$137.7 billion. General merchandise sales in the United States were fueled by stimulus payments. Walmart's adjusted earnings came in at \$1.56 per share, which grew 22.8% year over year. Markedly, adjusted operating income at cc rose 18.6% to \$6.6 billion on the back of solid results in all operating segments. The company said that it saw reduced losses in the Walmart U.S. e-commerce business.
- Walmart is gaining from its sturdy comps record, which in turn is driven by its constant omnichannel efforts. The company has been posting positive comps in the U.S. division for 24 straight quarters.
- ▲ **Solid Comps Record:** Walmart has been gaining from its sturdy comparable store sales (comps) record, which in turn is driven by its constant expansion efforts and splendid e-commerce performance. Walmart has been undertaking several efforts to enhance merchandise assortments. Also, the company has been focused on store remodeling, in an attempt to upgrade them with advanced in-store and digital innovations. Evidently, the company remodeled 45 stores in the second quarter. Walmart is also gaining from its compelling pricing strategy, which helps it draw customers. The second-quarter fiscal 2021 marked Walmart's 24th consecutive quarter of U.S. comps growth. U.S. comp sales (or comps), excluding fuel, improved 9.3% on the back of a 27% rise in ticket, partly negated by a 14% fall in transactions. Comps were fueled by growth in food and general merchandise. Walmart continued to see customers consolidating their shopping trips, leading to bigger average basket size. Also, the company continued seeing increased shift toward e-commerce. Notably, both store and online sales remained strong, especially in general merchandise, supported by government stimulus spending. Given the higher stay-at-home trends, the company saw strength in sporting goods, landscape, electronics and home categories. Grocery sales were also robust. E-commerce sales drove comps by 600 bps.
- ▲ **Robust E-Commerce Initiatives:** Walmart's e-commerce business is seeing greater heights due to the pandemic-led social distancing. In its second-quarter conference call, management informed that the company's stores and online merchant teams are integrated now, which is likely to yield favorable results. Walmart has long been trying every means to evolve with the changing consumer environment to stay firm amid the rising competition from Amazon. In this regard, the company has been taking several e-commerce initiatives, including buyouts, alliances, and improved delivery and payment systems. The company's alliances with Shopify and Green Dot and buyouts of ShoeBuy, Moosejaw and Bonobos, among others, underscore its intention to build an impressive digital brand portfolio. Further, the buyout of major stake in Flipkart has been bolstering its e-commerce sales. Apart from this, Walmart is making aggressive efforts to expand in the booming online grocery space, which has long been a major contributor to e-commerce sales. U.S. e-commerce sales soared a whopping 97% in the second quarter with strength across all channels. Weekly average digital customer count as well as repeat rates grew significantly and boosted e-commerce sales. Also, marketplace sales jumped at a triple-digit rate.
- ▲ **Focus on Delivery Services & Driving Growth Amid Pandemic:** Given the rising demand for online grocery, Walmart remains committed to enrich consumers' experiences by providing easy shopping methods and seamless grocery deliveries. In fact, the company's delivery service has become all the more vital amid coronavirus-led social distancing. To this end, its Walmart+ membership program is likely to be fruitful. Further, Walmart unveiled Express Delivery during the first quarter of fiscal 2021 at several stores, which helps it deliver orders to customers in less than two hours. Prior to this, the company unveiled the Delivery Unlimited membership option for 1,400 U.S. stores during the third quarter of fiscal 2020. Also, it launched Walmart InHome Delivery across three markets and same-day pickup at all of Mexico's Sam's Club locations. Prior to this, Walmart joined hands with Point Pickup and Roadie. In earlier developments, Walmart's deal with Postmates, contract with DoorDash and acquisition of Parcel highlight its focus on enhancing grocery sales. Further, the company's Walmart Pickup program enables customers to place orders online and then pick them up at a store for free. We believe that these actions help Walmart offer multiple choices to online grocery shoppers amid increasing competition from Amazon. As of the second quarter, Walmart U.S. had nearly 3,450 pickup locations and 2,730 same-day delivery locations. Management is committed to keeping its business going amid the pandemic, as part of which it has undertaken several measures to support its employees and customers. To this end, Walmart has ensured proper sanitization and enhanced delivery and pickup services.
- ▲ **Financial Flexibility & Solid Dividend Track:** Walmart appears financially stable. The company's long-term debt (including lease obligations) of \$61,301 million as of the end of second-quarter fiscal 2021 (Jul 31, 2020) dipped 2.9% on a sequential basis. Apart from this, the company's times interest earned ratio (as of the second-quarter end) of 10.5 has improved from 9.1 in the previous quarter. Also, it is better than the industry's ratio of 8.8 and shows that Walmart is well-positioned to meet its debt. Further, Walmart's debt-to-capitalization ratio of 40.9 at the end of the second quarter has improved from 46 as of the first quarter. Moreover, this stands below the industry's ratio of 51.3. Notably, Walmart looks well placed on the dividend-payout front. In the second quarter of fiscal 2021, the company allocated \$1.5 billion toward dividends. Walmart has a dividend payout of 40.9%, a dividend yield of 1.5% and a free cash flow yield of 6%. As of Apr 30, 2020, S&P's, Moody's and Fitch had assigned credit ratings of AA, Aa2 and AA, respectively on Walmart's long-term debt, which reflects a stable outlook.

Risks

- **COVID-19-Related Costs:** Walmart's operating income in the second quarter of fiscal 2021 was partly adversely impacted by various costs related to COVID-19, like higher wages and benefits along with costs associated with sanitization and other safety measures. The company incurred incremental COVID-19-related costs of about \$1.5 billion, of which roughly 75% was associated with employee bonuses, including the recently unveiled third round of special bonuses. Due to the COVID-19 costs along with certain restructuring costs and a discrete tax item, consolidated operating costs as a percentage of sales escalated 42 bps to 21.2% in the second quarter.
- **Strained Margins:** While Walmart's online strategies have been driving its business, costs associated with investments in e-commerce expansion and technological advancements and Walmart's compelling pricing strategy pose threat to margins. During the second quarter of fiscal 2021, though consolidated gross profit margin expanded year over year, it was adversely impacted by the carryover of last year's price investments.
- **U.S. Back-to-School Sales Likely to be Soft:** In the Walmart U.S. segment, the back-to-school season started slower than usual due to the uncertainty related to students' physical return to schools. Though sales of products like laptops and tablets are trending well, those of basic school supplies, backpacks and apparel remain sluggish. Management expects the back-to-school season to be tough this time, and expects it to come later than the normal period.
- **Macroeconomic Issues:** The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their discretionary spending, and in turn, the company's growth and profitability. Also, uncertainty surrounding government stimulus and a contentious November election may impact consumer spending activity.

Apart from this, Walmart generates a significant amount of net sales outside the U.S. Due to high exposure to international markets, the company is prone to currency fluctuations, which adversely impacted the company's earnings by 2 cents in the second quarter. Also, International segment sales were hurt by currency woes to the tune of about \$2.4 billion. Moreover, management expects currency headwinds to hurt the top line by more than \$1.1 billion in the third quarter of fiscal 2021.

Last Earnings Report

Walmart Q2 Earnings Beat Estimates, E-Commerce Sales Up

Walmart posted solid second-quarter fiscal 2021 results. Adjusted earnings came in at \$1.56 per share, surpassing the Zacks Consensus Estimate of \$1.22. Moreover, earnings grew 22.8% from adjusted earnings per share of \$1.27 reported in the year-ago period.

Total revenues grew 5.6% to \$137.7 billion. On a constant-currency or cc basis, total revenues advanced 7.5% to \$140.2 billion. The consensus mark stood at \$134.9 billion. The top line continued being driven by the burgeoning demand for products across different categories amid the coronavirus crisis. General merchandise sales in the United States were fueled by stimulus payments.

Consolidated gross profit margin expanded 63 basis points (bps) to 24.9%, courtesy of shift in sales mix to higher-margin general merchandise categories, reduced markdowns and improved fuel margins. This was somewhat negated by the carryover of the last year's price investments. Gross margin in Walmart U.S. grew 42 bps.

Consolidated operating income grew 8.5% to \$6.1 billion. Adjusted operating income at cc rose 18.6% to \$6.6 billion on the back of solid results in all operating segments. The company said that it saw reduced losses in the Walmart U.S. e-commerce business. However, consolidated operating costs as a percentage of sales escalated 42 bps to 21.2% due to additional costs related to COVID-19, among other factors. Management stated that it incurred additional COVID-19 costs to the tune of \$1.5 billion.

Segment Details

Walmart U.S.: The segment's net sales grew 9.5% to \$93.3 billion in the quarter. U.S. comp sales (or comps), excluding fuel, improved 9.3% on the back of a 27% rise in ticket, partly negated by a 14% fall in transactions. Comps were fueled by growth in food and general merchandise. Walmart continued to see customers consolidating their shopping trips, leading to bigger average basket size. Also, the company continued seeing increased shift toward e-commerce.

Notably, both store and online sales remained strong, especially in general merchandise, supported by government stimulus spending. Grocery sales were also robust. E-commerce sales drove comps by 600 bps. E-commerce sales soared a whopping 97% with strength across all channels. Weekly average digital customer count as well as repeat rates grew significantly and boosted e-commerce sales. Also, marketplace sales jumped at a triple-digit rate.

As of the second quarter, Walmart U.S. had nearly 3,450 pickup locations and 2,730 same-day delivery locations. Walmart remodeled 45 stores in the quarter. Adjusted operating income (at cc) at the Walmart U.S. segment grew 18.6% to \$6.6 billion.

Walmart International: Segment net sales dropped 6.8% to \$27.2 billion, including currency headwinds of about \$2.4 billion. At cc, net sales grew 1.6% to \$29.6 billion. Results were hurt by the government-led closure of Flipkart in India for part of the quarter. Similar moves in African and Central American markets affected performance. Nonetheless, the company saw seven out of 10 markets registering positive comps, including Walmex, China, Canada and the United Kingdom.

Also, since operations were restored, the GMV at Flipkart surpassed pre-pandemic levels. E-commerce sales had a positive contribution of about 12% to total segment sales, courtesy of solid omnichannel capacities. Adjusted operating income (at cc) rose 11.5% to \$1 billion.

Sam's Club: The segment, which comprises membership warehouse clubs, witnessed a net sales rise of 8.8% to \$16.4 billion. Sam's Club comps, excluding fuel, grew 13.3%. Comps were partly hurt by lower tobacco sales to the tune of around 390 bps. While transactions grew 8.7%, ticket climbed 4.3%. The segment saw broad-based strength across categories, particularly food and consumables. This, in turn, was backed by increased memberships along with benefits from SNAP and government stimulus.

E-commerce fueled comps by 190 bps. Markedly, e-commerce sales jumped 39% at Sam's Club on the back of a robust direct-to-home show. Segment operating income came in at \$0.6 billion, up 23.3% year over year.

Other Financial Updates

In the first half of 2021, the company generated operating cash flow of \$19 billion and incurred capital expenditures of \$3.6 billion, resulting in free cash flow of \$15.4 billion. The company allocated \$1.5 billion toward dividend payments during the second quarter.

Walmart ended the quarter with cash and cash equivalents of \$16.9 billion, long-term debt (including lease obligations) of nearly \$61.3 billion and total equity of \$81.2 billion.

Quarter Ending	07/2020
Report Date	Aug 18, 2020
Sales Surprise	2.13%
EPS Surprise	27.87%
Quarterly EPS	1.56
Annual EPS (TTM)	5.28

Recent News

Walmart's Sam's Club Unveils Hiring Plans for Holiday Season – Oct 7, 2020

Sam's Club — a division of Walmart — is hiring 2,000 permanent, full-time supply chain associates to keep up with the expected demand during the holiday season. Apart from this, Sam's Club is adding more days of deals, launching extra newness and outlining unpredictable moments to delight consumers during the entire festive season. Through its Ship from Club program it expects to ramp up order fulfillment during the holiday season. Apart from these, members can opt for contactless shopping options. Further, Sam's Club is offering more days for members to save with holiday savings events that include October Savings Event, November Instant Savings and Cyber Monday Online-Only Savings Event among others. Apart from these, Sam's Club will feature new products at regular intervals in clubs and SamsClub.com to entice consumers throughout the holiday season.

Walmart Ups Health Care Game With Walmart Insurance Services – Oct 6, 2020

Walmart unveiled Walmart Insurance Services, LLC, — a licensed insurance brokerage. The newly-launched service will start offering Medicare insurance plans during this year's Annual Enrollment Period, which begins from Oct 15 and continues till Dec. 7. Notably, Walmart Insurance Services that provides services in all 50 states as well as Washington D.C. will work with a team of licensed insurance agents. Notably, it will float Medicare plans (Part D, Medicare Advantage and Medicare Supplement plans) that are provided by UnitedHealthcare, Humana, Amerigroup, Anthem Blue Cross Blue Shield and Simply Health among others. Apart from these, Walmart expects to introduce news carriers in the future.

Walmart Focused on Enhancing Growth, Sells Major Asda Stake – Oct 2, 2020

Walmart inked a deal to give away major stake in U.S.-based grocery chain, Asda Group to TDR Capital as well as U.K.-based tycoon brothers Mohsin and Zuber Issa for 6.8 billion pounds.

Walmart's New Store Concept Likely to Up Omnichannel Game – Sep 30, 2020

Walmart unveiled an absolutely fresh look and feel for its stores, which will offer customers digitally-supported shopping experience. Walmart has already tested the new concept in certain stores and is encouraged by the initial response. The company plans to roll out the new concept to more stores this fall and by the end of this fiscal, the concept is expected in about 200 Supercenters and some Health Centers and Neighborhood Markets. The concept is likely to hit nearly 1,000 stores by fiscal 2022.

The updated signage in the interior and outside of the stores will reflect the icon of Walmart app, which will instantly create an omni-shopping concept in customers' minds. Further, inspired by airport navigation systems, the new concept includes thoughtful designs, which will enable customers to move through stores more seamlessly. Finally, the new concept in stores includes self-checkout kiosks and contactless payment solutions such as Walmart Pay. Some stores will also feature the Scan & Go option to facilitate direct customer checkout.

Walmart Braces Up for Holiday Season, Unveils Hiring Plans – Sep 23, 2020

Walmart has announced a slew of measures to address customers' three core shopping patterns, particularly for this holiday season. The retail biggie announced plans to employ more than 20,000 seasonal workers at its countrywide e-commerce fulfillment centers to meet the expected surge in online shopping. Further, the company will continue to take measures like reduced shopping hours, mandatory face coverings, sneeze guards and efficient traffic management at its stores during the holiday season. Moving on, Walmart will continue to provide contactless pickup and safe delivery services such as Express Delivery, Free Next Day or Free Two-Day Shipping as well as Pickup and Delivery. Apart from this, contactless in-store payments through Walmart Pay and benefits from the Walmart+ membership program (including unlimited free delivery, Scan & Go options and fuel discounts) are noteworthy.

Walmart is making moves to stay equipped with holiday gifts suited for the new normal amid the pandemic. These include athleisure, loungewear, bicycles, exercise equipment and outdoor sporting equipment, among others. Further, the company has expanded its assortment of pet product supplies in stores and online. Additionally, Walmart has strengthened its inventory for electronics like TVs, video games and laptops; toys such as puzzles and legos; and its range of kitchen appliances in view of the stay-at-home trends. These hot selling holiday presents are available at Walmart's stores and website. Notably, such moves are based on a research, per which one out of three Walmart customers in the past six months planned to begin holiday shopping before November. Markedly, Walmart is set to offer an all-new Black Friday experience this year, featuring more deals online.

Walmart's Goldman Sachs Alliance to Aid Marketplace Sellers – Sep 22, 2020

Walmart, in collaboration with Marcus by Goldman Sachs is stepping into business lending, which will help it strengthen its Walmart Marketplace business. Incidentally, Walmart stated that eligible sellers at its Marketplace will get invited to apply for credit lines from Marcus by Goldman Sachs. Credit availability is likely to help small and medium-size businesses cater better to the rising customer demand and respond to their changing preferences and shopping patterns. In the beginning, approved Marketplace sellers can access credit lines in the range of \$10,000-\$75,000 from Marcus, while the maximum credit line amount is expected to increase in the future.

Walmart to Roll Out New Subscription Service Called Walmart+ - Sep 1, 2020

Walmart is launching a new membership program that comprises unlimited free delivery, Scan & Go options and discount offers —Walmart+. Also, the company is likely to add other perks to the subscription in the future. The membership program is expected to be available on Sep 15. Walmart+ will be available in more than 4,700 stores, which will include same-day delivery in 2,700 stores. Walmart+ subscription will offer its users with free same-day delivery on more than 160,000 products. Incidentally, the existing subscribers of Delivery Unlimited will now become members of Walmart+.

Another perk of Walmart+ program includes Scan & Go that enables users to scan their products using the Walmart application while shopping in the stores. In fact, shoppers can make prompt, hassle-free as well as contact-free payments using Walmart Pay. Along with these, subscribers of Walmart+ will have access to discounts on fuel at about 2,000 Walmart, Murphy USA and Murphy Express fuel stations. In fact, Sam's Club gas fuel stations will also be included in the subscription shortly.

Valuation

Walmart shares are up 20.1% in the year-to-date period and 19.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 19.2% and the Zacks Retail-Wholesale sector gained 36.9% in the year-to-date period. Over the past year, the Zacks sub-industry was up 20.2%, while the sector gained 45.4%.

The S&P 500 index is up 8.1% in the year-to-date period and 17.5% in the past year.

The stock is currently trading at 25.68X forward 12-month earnings, which compares to 23.46X for the Zacks sub-industry, 32.61X for the Zacks sector and 22.62X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.02X and as low as 12.75X, with a 5-year median of 18.85X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$165 price target reflects 29.68X forward 12-month earnings.

The table below shows summary valuation data for WMT

Valuation Multiples - WMT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.68	23.46	32.61	22.62
	5-Year High	27.02	23.46	33.99	23.47
	5-Year Low	12.75	14.08	19.09	15.27
	5-Year Median	18.85	18.12	23.59	17.7
P/S F12M	Current	0.73	0.52	1.34	4.16
	5-Year High	0.76	0.52	1.34	4.3
	5-Year Low	0.37	0.31	0.84	3.18
	5-Year Median	0.51	0.41	1.01	3.67
EV/EBITDA TTM	Current	14.79	11.58	20.57	15.24
	5-Year High	15.26	11.95	20.71	15.66
	5-Year Low	6.35	5.87	10.7	9.53
	5-Year Median	8.28	7.27	12.98	13.08

As of 10/09/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 11% (28 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The Kroger Co. (KR)	Outperform	1
Companhia Brasileira de Distribuicao (CBD)	Neutral	3
Carrefour SA (CRRFY)	Neutral	3
Jeronimo Martins SGPS SA (JRONY)	Neutral	3
J. Sainsbury PLC (JSAIY)	Neutral	2
Marks and Spencer Group PLC (MAKSY)	Neutral	2
Tesco PLC (TSCDY)	Neutral	3
WalMart de Mexico SAB de CV (WMMVY)	Neutral	3

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Retail - Supermarkets				Industry Peers		
	WMT	X Industry	S&P 500	CRRFY	KR	TSCDY
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	1	-	-	3	1	3
VGM Score	B	-	-	A	A	A
Market Cap	404.60 B	4.54 B	23.82 B	13.51 B	26.68 B	28.04 B
# of Analysts	15	1	14	3	9	2
Dividend Yield	1.51%	1.51%	1.59%	1.07%	2.09%	5.65%
Value Score	C	-	-	A	A	A
Cash/Price	0.04	0.18	0.07	0.26	0.15	0.23
EV/EBITDA	12.86	6.82	13.54	NA	5.99	6.82
PEG F1	5.64	2.54	2.94	1.22	1.70	2.59
P/B	4.98	1.19	3.51	1.14	2.74	1.66
P/CF	16.12	6.34	13.47	3.60	5.43	6.29
P/E F1	26.69	17.35	22.09	11.02	10.51	17.35
P/S TTM	0.75	0.22	2.67	NA	0.21	NA
Earnings Yield	3.75%	5.82%	4.31%	9.06%	9.52%	5.82%
Debt/Equity	0.56	0.89	0.70	1.02	1.26	1.13
Cash Flow (\$/share)	8.85	3.80	6.92	0.92	6.34	1.37
Growth Score	A	-	-	A	C	B
Historical EPS Growth (3-5 Years)	2.80%	2.80%	10.45%	NA	4.15%	NA
Projected EPS Growth (F1/F0)	8.48%	3.85%	-3.01%	15.38%	48.94%	-4.81%
Current Cash Flow Growth	-0.12%	7.30%	5.47%	25.56%	20.55%	24.17%
Historical Cash Flow Growth (3-5 Years)	-0.31%	3.85%	8.50%	3.24%	6.44%	3.98%
Current Ratio	0.79	0.82	1.35	0.79	0.84	0.73
Debt/Capital	35.98%	47.00%	42.90%	50.60%	55.85%	53.05%
Net Margin	3.30%	1.97%	10.28%	NA	2.03%	NA
Return on Equity	19.13%	17.09%	14.79%	NA	26.31%	NA
Sales/Assets	2.29	2.29	0.51	NA	2.79	NA
Projected Sales Growth (F1/F0)	5.18%	0.00%	-0.62%	3.52%	8.24%	4.32%
Momentum Score	D	-	-	C	B	B
Daily Price Change	1.00%	2.16%	0.24%	2.16%	0.47%	2.51%
1-Week Price Change	2.35%	0.00%	2.13%	-1.69%	1.61%	-1.36%
4-Week Price Change	4.36%	-0.51%	4.78%	-5.57%	-0.83%	1.30%
12-Week Price Change	8.00%	2.01%	7.34%	2.01%	2.13%	5.27%
52-Week Price Change	19.37%	0.35%	6.73%	2.01%	44.51%	0.35%
20-Day Average Volume (Shares)	9,990,649	103,131	2,121,744	387,460	9,844,786	146,387
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.28%	1.28%	0.00%	0.00%	14.35%	0.00%
EPS F1 Estimate 12-Week Change	8.42%	5.42%	3.47%	3.45%	15.33%	-3.00%
EPS Q1 Estimate Monthly Change	2.12%	2.12%	0.00%	NA	17.49%	NA

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	A
Momentum Score	D
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.