



***KOTA INVESTMENT CLUB***

***EQUITY RESEARCH***

***WALMART INC.***

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# INVESTMENT SUMMARY

## STOCK INFORMATION

Exhibit 1: WMT Share Price, 3Years (Source : MarketWatch)



Recommendation	BUY
Current Price	\$94.76
Target Price	\$98.50
Upside Potential	+3.94%
52 Week Range	\$53.44 - \$96.18
Market Cap	\$744.575 Billion

## KEY INVESTMENT CATALYST

### Global Expansion

Walmart’s international operations span over 20 countries, with key emerging markets including Mexico, China, and India. Strategic investments in these markets, such as Flipkart in India, position Walmart to capture growth from rising middle-class populations. Localized production and tailored offerings in these regions reduce logistics costs and ensure competitive pricing, strengthening Walmart’s global presence.

### Omnichannel Strategy and Supply Chain Efficiency

Walmart’s robust omnichannel approach integrates physical stores with digital platforms, offering services like curbside pickup, same-day delivery, and drone-based logistics. These innovations cater to evolving consumer preferences for convenience and speed. Walmart+ drives recurring revenue and enhances customer loyalty, positioning the company as a leader in the e-commerce landscape. Walmart leverages cutting-edge technology, including AI and robotics, to streamline supply chain operations and improve margins.

### Sustainability Initiatives

Walmart’s Project Gigaton, renewable energy adoption, and its goal to achieve zero-emission logistics by 2040 align with growing consumer demand for environmentally responsible practices. These initiatives not only reduce long-term costs but also strengthen Walmart’s brand reputation, attracting environmentally conscious customers and investors.

Several short-term indicators, combined with an overall positive trend, suggest that the current level presents a potential buying opportunity, with a reasonable likelihood that Walmart stock will perform well in the near term.



# FINANCIAL ANALYSIS

## KEY METRICS

Revenue Growth	6.03% YoY
Net Income	32.79% YoY
Gross Margin	24.37%
EBIT Margin	3.78%

As of Q4 2024 Source : Yahoo! Finance

## QUARTERLY HIGHLIGHTS

### Quarterly Highlights

Walmart reported Q4 2024 revenues of \$169.588 billion, reflecting a YoY growth of 5.46% from Q4 2023, driven by strong holiday sales, continued growth in e-commerce, and the success of its Walmart+ membership program.

The company achieved net income of \$4.577 billion, representing a 1.68% increase from the prior quarter, supported by robust operational efficiencies, increased adoption of omnichannel services, and higher-margin private-label product sales.

### Key Performance Drivers

Seasonal demand across grocery, home goods, and electronics categories bolstered Walmart’s top-line growth, supported by competitive pricing strategies, while Walmart+ subscriptions saw continued growth, with increased member engagement through exclusive deals and free delivery services. Additionally, the company’s operations in markets such as India and Mexico delivered double-digit revenue growth, fuelled by localized offerings and rising consumer demand.

## PEER COMPARISON

Walmart’s revenue growth of 6.03% outpaces its main competitor Costco’s 5.02% increase.

Walmart’s gross margin of 24.37% is significantly higher than Costco’s 12.61%, reflecting Walmart’s diversified product mix, private-label offerings, and efficient supply chain, compared to Costco’s low-margin, membership-driven business model.

While Costco’s membership model provides steady cash flows, Walmart’s leadership in e-commerce, sustainability initiatives, and international markets positions it for long-term growth, despite competitive pressures in the retail sector.



## COMPANY OVERVIEW

### COMPANY BACKGROUND

Founded in 1962 in the United States and headquartered in Bentonville, Arkansas, Walmart Inc. was founded by Sam Walton and has grown into the world's largest retailer. Initially focused on providing affordable goods in small-town America, the company has expanded to offer a wide array of products and services, including groceries, electronics, apparel, and financial services.

Sam Walton, Walmart's founder, pioneered the concept of everyday low prices and efficient supply chain management, laying the foundation for the company's global success. Walmart became publicly traded in 1970, fuelling its rapid growth and international expansion.

Walmart currently operates over 10,500 stores and clubs across 20+ countries under various banners, including Sam's Club and Walmart Supercentre. As of 2023, Walmart reported annual revenue exceeding \$600 billion, solidifying its position as the world's largest company by revenue.

With approximately 2.3 million employees globally, Walmart is one of the largest private employers. The company is actively investing in e-commerce, sustainable practices, and automation technologies to enhance its operations and maintain competitiveness in the evolving retail landscape.

### PRODUCTS/SERVICES AND STRATEGY

#### **Retail Operations**

Walmart's core business revolves around retail, offering a diverse range of products including groceries, electronics, apparel, home goods, and health and wellness items. The company caters to a broad demographic, focusing on affordability and convenience through its "Everyday Low Prices" strategy. In 2024, Walmart served over 240 million customers weekly across its stores and e-commerce platforms, solidifying its position as a global leader in retail. Walmart continues to expand its omnichannel approach, integrating physical stores and digital platforms to enhance the customer experience.

Walmart's strategy emphasizes operational efficiency through its robust supply chain and logistics network. This approach enables cost savings, faster delivery times, and better inventory management, ensuring shelves are stocked and prices remain competitive.

The company is also investing heavily in technology, including automation, artificial intelligence, and data analytics, to streamline operations, reduce waste, and enhance customer engagement. Walmart's growing focus on e-commerce, highlighted by initiatives like Walmart+, reflects its commitment to competing with online retail giants.

#### **Vision for the Future**

Walmart's strategy prioritizes maintaining its leadership in the retail market by leveraging technology, expanding its e-commerce footprint, and driving sustainability initiatives.

Key initiatives include transitioning to renewable energy sources, reducing greenhouse gas emissions, and working with suppliers to promote sustainable practices. Walmart's supply chain innovation, such as implementing energy-efficient logistics and piloting electric delivery vehicles, aligns with its goals to become a regenerative company by 2040.

MANAGEMENT TEAM

<p><b>Doug McMillon</b> President &amp; CEO</p>	<p><b>John David Rainey</b> Vice-president &amp; CFO</p>	<p><b>Suresh Kumar</b> CTO &amp; CDO</p>
<p>Doug McMillon has served as Walmart’s CEO since 2014. A Walmart veteran, he began his career at the company in 1990 as a summer associate. Over the years, McMillon has played a pivotal role in transforming Walmart into a leader in e-commerce and omnichannel retailing. He holds an MBA from the University of Tulsa and is widely regarded for his emphasis on innovation, sustainability, and customer-focused strategies.</p>	<p>John David Rainey became Walmart's CFO in 2022. Previously, he served as the CFO at PayPal, where he spearheaded the company's financial transformation and growth initiatives. With extensive experience in financial planning, capital allocation, and operational efficiency, Rainey brings a tech-driven approach to Walmart’s financial strategy.</p>	<p>Suresh Kumar joined Walmart in 2019 as the Global Chief Technology and Development Officer. With an extensive background in technology and innovation, Kumar oversees Walmart's technology-driven initiatives, including its e-commerce platform, supply chain automation, and data analytics strategies.</p>

**CEO:** Chief Executive Officer | **CFO:** Chief Financial Officer | **CTO:** Chief Technical Officer | **CDO:** Chief Data Officer

The Walton family, despite being Walmart's founders and largest shareholders, no longer actively manages the company. Instead, the family focuses on philanthropic initiatives and oversees their vast investments through Walton Enterprises and the Walton Family Foundation.



SHAREHOLDER COMPOSITION

Shares Outstanding	8.03 Billion (as of Q1 2025)
Institutional Ownership	35.3%
Private Ownership	44.8%
Retail Ownership	19%
Float Percentage of TSO	54.3%

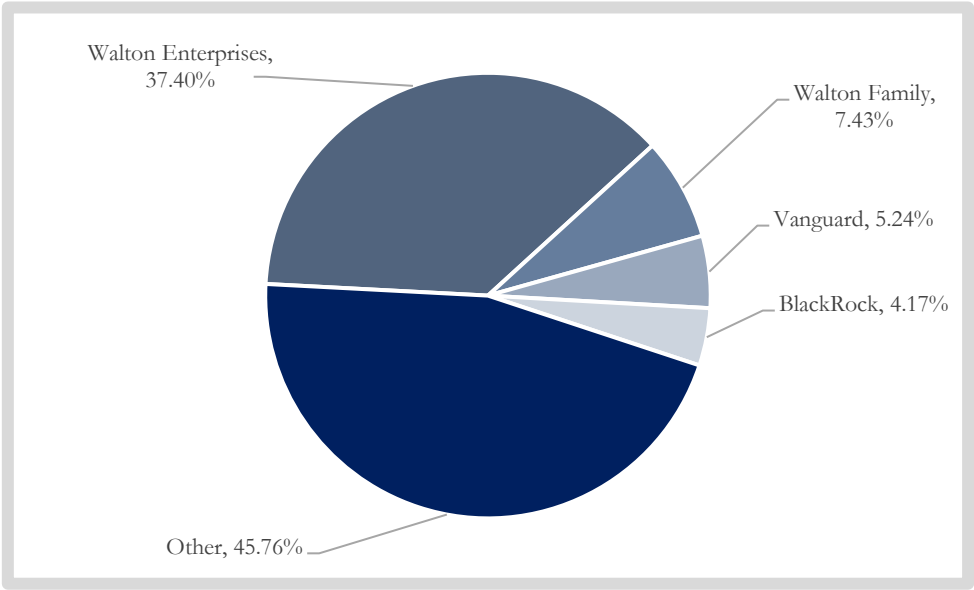


Exhibit 2: Walmart Ownership as of January 2025 (Source: Simply Wall Street)

Walmart remains predominantly a family-owned company, as evidenced by the 37.4% ownership held by Walton Enterprises and an additional 7.43% owned directly by the Walton Family. Combined, the Walton family's stake represents nearly 45% of the company's total shares outstanding, granting them significant influence over Walmart's strategic direction and governance.

Despite this substantial ownership, the company operates with a professional management team, ensuring a balance between family interests and broader shareholder priorities. This ownership structure underscores Walmart's legacy as a family-founded business while maintaining a strong connection to its roots. The Walton family's leadership remains one of Walmart's greatest assets, making it a distinctive and harmonious relationship rarely seen in American business.<sup>1</sup>

<sup>1</sup> Barron's (November 2025). Walmart Is on a Winning Streak. How the Walton Family Keeps the World's Biggest Retailer on Track.



# INDUSTRY ANALYSIS

## MARKET OVERVIEW

The global retail market size is anticipated to grow significantly, driven by evolving consumer preferences, rapid technological advancements, and increasing urbanization. According to projections, the market is expected to increase from \$30.57 trillion in 2024 to \$48.8 trillion by 2033<sup>2</sup>, reflecting a compound annual growth rate (CAGR) of 5.26% during this period. The United States retail market is poised for steady growth, underpinned by strong consumer spending and continued innovation in omnichannel retail, reaching a projected value of \$5.30 trillion in 2026 and \$5.63 trillion by 2029, with an average growth of 2%<sup>3</sup>.

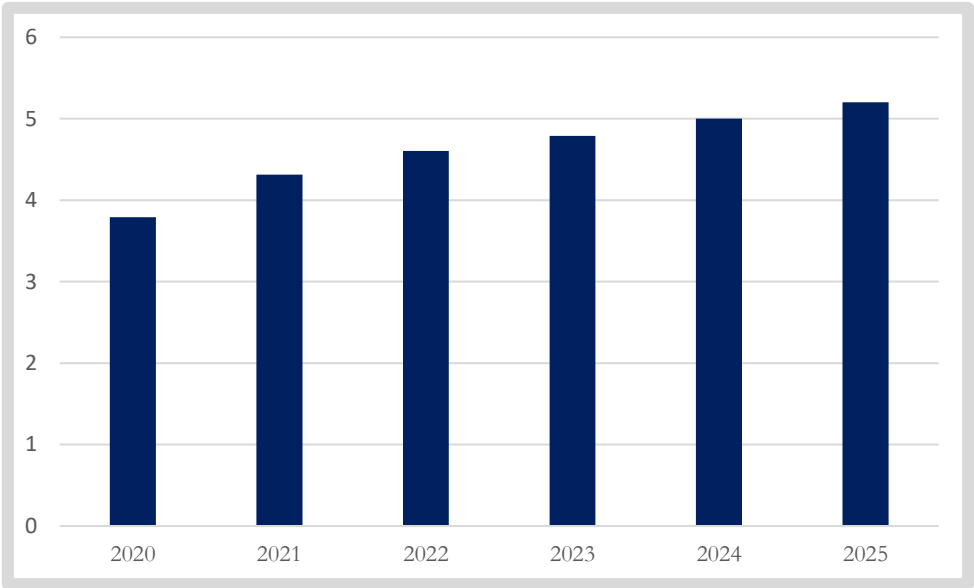


Exhibit 3: American Retail Market Size (in \$ trillion) 2020-2025 (Source: Bain & Company)

### Future Outlook

**2025 Projections:** The global retail market is expected to grow to \$30 trillion, driven by the expansion of e-commerce and omnichannel strategies. The retail industry is evolving toward a digitized future, transitioning from a supply-driven model focused on mass-market goods to a data-driven, hyper-personalized experience tailored to individual consumers.<sup>3</sup>

**2028 Projections:** By this time, technological advancements in retail automation and logistics are anticipated to significantly reduce operational costs, enabling Walmart and similar retailers to maintain competitive pricing while enhancing customer satisfaction.

The global retail sector’s steady growth trajectory underscores the importance of strategic investments in technology, sustainability, and customer engagement. Walmart’s leadership in adopting these trends ensures its resilience and competitiveness in an evolving marketplace.

<sup>2</sup> IMARC Group (January 2025). Retail Market Report by Product, Distribution Channel, and Region 2025-2033  
<sup>3</sup> Deloitte (January 2025). 2025 US Retail Industry Outlook





## CATALYSTS FOR GROWTH

### **Government Policies and Incentives**

Government policies worldwide continue to shape Walmart's growth and operational strategies by fostering innovation, sustainability, and economic development. In the U.S., initiatives such as the Inflation Reduction Act and local tax incentives encourage businesses like Walmart to adopt renewable energy solutions and invest in green infrastructure. The company benefits from government funding for solar installations, energy-efficient technologies, and electric vehicle fleet adoption. Globally, regulations promoting supply chain transparency, labour rights, and sustainable practices align with Walmart's sustainability goals, enabling it to strengthen its market position while addressing environmental and social concerns.

### **Technology and Automation Advancements**

Technological advancements are revolutionizing Walmart's operations, with automation and artificial intelligence (AI) playing a central role. Walmart has integrated AI-powered inventory management systems, robotics for warehouse automation, and advanced checkout technologies to reduce costs and enhance efficiency. In logistics, Walmart is leveraging autonomous vehicle partnerships and EV adoption to lower transportation costs and reduce emissions. These innovations align with the company's commitment to achieving zero-emission logistics by 2040.

### **Growing E-commerce and Delivery Infrastructure**

Walmart's e-commerce and delivery capabilities continue to expand, driven by investments in infrastructure and technology. The company's Walmart+ membership program and partnerships with delivery platforms enhance its competitive edge in online retail. Additionally, Walmart is adopting micro-fulfilment centres and drone delivery technologies to provide faster and more efficient services. These advancements position Walmart as a leader in the omnichannel retail space, meeting evolving consumer expectations for convenience and speed.

### **Increased Consumer Awareness and Sustainability Focus**

Rising consumer demand for sustainable and socially responsible practices is reshaping Walmart's product offerings and supply chain. The company's Project Gigaton initiative, aimed at reducing one billion metric tons of greenhouse gas emissions by 2030, underscores its commitment to environmental stewardship. Walmart's efforts to offer eco-friendly products, reduce single-use plastics, and source responsibly contribute to its strong brand reputation and appeal among environmentally conscious consumers.

## COMPETITIVE LANDSCAPE (PORTER'S 5 FORCES)

### **Competitive Rivalry – High**

The retail industry is intensely competitive, with well-established players like Amazon, Costco, and Target vying for market share. E-commerce giants such as Amazon dominate the online space, while traditional retailers like Kroger and Aldi compete in the grocery sector. Price wars, especially in grocery and household essentials, put pressure on margins. However, Walmart's extensive global presence, scale of operations, and commitment to everyday low prices provide a significant competitive advantage, allowing it to maintain and grow its market share in both physical and online retail channels.

### **Supplier Power – Moderate**

Suppliers in the retail sector have limited leverage due to Walmart's size and purchasing power. Walmart's ability to negotiate favourable terms ensures cost efficiency, which it passes on to customers through lower prices. However, for certain categories like electronics and branded products, suppliers maintain moderate power due to brand exclusivity or limited alternatives. Walmart mitigates this by diversifying its supplier base, investing in private-label products, and leveraging technology to optimize supply chain efficiency.

### **Buyer Power – High**

Consumers hold significant power in the retail industry, with access to numerous alternatives, both online and offline. The rise of e-commerce and price comparison tools makes it easier for customers to switch to competitors if dissatisfied. Walmart counters this with its commitment to affordability, a wide product assortment, and a strong omnichannel strategy that integrates physical stores with online shopping and delivery options. Loyalty programs like Walmart+ also help enhance customer retention and reduce buyer power.

### **Threat of Substitution – Moderate**

The threat of substitution is moderate, as customers have access to a variety of retail formats, including online marketplaces, specialty stores, and discount retailers. Additionally, direct-to-consumer (DTC) brands bypass traditional retail channels, offering alternatives to Walmart's offerings. Walmart mitigates this risk by emphasizing convenience through its expansive store network, robust online presence, and investments in services like curbside pickup, same-day delivery, and subscription-based models.

### **Threat of New Entrants – Low to Moderate**

The retail industry has significant barriers to entry, including high capital investment, supply chain complexity, and the need for brand recognition. New entrants face challenges in achieving scale and competing with Walmart's vast network and economies of scale. However, e-commerce startups and niche retailers leveraging digital platforms can gain traction by targeting specific market segments or offering unique products. Walmart's investments in technology, logistics, and sustainability create barriers to entry, solidifying its competitive position against potential new players.

## INVESTMENT CATALYSTS

Hard investment catalysts are tangible, measurable drivers of growth tied directly to operational and financial outcomes, such as global expansion, supply chain efficiency, and e-commerce integration. These initiatives deliver clear, long-term value through revenue growth, cost savings, or market share gains.

In contrast, soft investment catalysts are intangible factors such as consumer behaviour, technological advancements, and brand reputation, which indirectly influence growth by enhancing customer loyalty and competitive positioning. Together, these catalysts highlight both structural investments and softer enablers of Walmart's sustained success.

### Hard Catalysts

#### **Global Expansion**

Walmart's ongoing international expansion represents a significant growth driver. The company operates in over 20 countries, with key markets including Mexico, Canada, China, and India. Strategic investments in emerging markets, such as Flipkart in India, position Walmart to capture growth in regions with rising middle-class populations and increasing consumer spending. Localized operations in international markets reduce logistics costs and ensure pricing competitiveness. Walmart's focus on tailoring its offerings to local preferences strengthens its global footprint and diversifies revenue streams, reducing reliance on the U.S. market.

#### **Supply Chain Efficiency and Vertical Integration**

Walmart's state-of-the-art supply chain infrastructure, supported by advanced technology and automation, enhances operational efficiency and cost savings. The company's investment in private-label products and direct sourcing reduces dependency on third-party suppliers while improving margins. Walmart is also leveraging vertical integration to streamline its supply chain further, particularly in groceries and fresh produce. Partnerships with suppliers and investments in localized distribution centres enable faster restocking, reduced waste, and improved inventory management.

#### **E-commerce Growth and Omnichannel Strategy**

Walmart's e-commerce investments are a major catalyst, allowing it to compete effectively with online giants like Amazon. The company's omnichannel approach integrates physical stores with digital platforms, offering services like curbside pickup, same-day delivery, and Walmart+. Innovations such as micro-fulfilment centres and drone delivery programs enhance speed and efficiency, making Walmart a leader in retail convenience. The expansion of Walmart+ membership services drives recurring revenue while boosting customer loyalty.

#### **Sustainability Initiatives**

Walmart's commitment to sustainability, including its goal to become a regenerative company by 2040, appeals to environmentally conscious investors and consumers. Initiatives such as renewable energy adoption, reducing greenhouse gas emissions, and Project Gigaton contribute to long-term cost savings and brand reputation.

These initiatives also serve as a soft catalyst by increasing loyalty, competitiveness, and appeal to ESG-focused stakeholders.

## Soft Catalysts

### **Consumer Behaviour Trends**

Changing consumer preferences, including demand for affordability and convenience, play to Walmart's strengths. The company's ability to offer competitive pricing across a wide range of products ensures strong customer loyalty and steady foot traffic, both in-store and online.

As consumers increasingly shop online, Walmart's robust digital infrastructure positions it to capture a larger share of the growing e-commerce market.

### **Technological Advancements**

Walmart's adoption of cutting-edge technology, including artificial intelligence, automation, and advanced data analytics, enhances operational efficiency and customer experience. The use of robotics in warehouses, self-checkout systems, and personalized online shopping recommendations are key differentiators. Ongoing investments in digital transformation enable Walmart to stay ahead of industry trends and respond to competitive pressures.

### **Partnerships and Acquisitions**

Strategic partnerships and acquisitions, such as Walmart's stake in Flipkart and partnerships with delivery platforms like Instacart, strengthen its competitive position. These moves enable Walmart to diversify its offerings and capture additional revenue streams in high-growth markets.

### **Brand Recognition and Leadership**

As a globally recognized retail leader, Walmart's strong brand reputation and trust among consumers provide a competitive edge. Leadership's focus on innovation, sustainability, and affordability ensures the company remains a dominant force in the retail industry, attracting investors seeking long-term stability and growth.

## A BRAKE ON GROWTH

Despite its strengths, Walmart faces challenges that could limit growth. Regulatory barriers, geopolitical tensions, and protectionist policies may slow international expansion and raise costs. Intense competition from Amazon and discount retailers risks eroding market share and margins, especially in saturated markets. Scaling e-commerce and adopting new technologies require heavy investments, with no guaranteed returns. Macroeconomic pressures, including inflation and shifting consumer behaviour, could further impact discretionary spending and profitability. These factors underscore the importance of vigilance and adaptability in Walmart's growth strategy.

## VALUATION

## DCF VALUATION

Unlevered Free Cash Flow									
Fiscal Year	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	559,151	572,754	611,289	648,125	685,716	725,488	767,566	812,085	859,186
COGS	420,315	429,000	463,721	490,142	518,570	548,647	580,469	614,136	649,756
<b>Gross Profit</b>	<b>138,836</b>	<b>143,754</b>	<b>147,568</b>	<b>157,983</b>	<b>167,146</b>	<b>176,840</b>	<b>187,097</b>	<b>197,949</b>	<b>209,430</b>
Research & Development	0	0	0	0	0	0	0	0	0
Selling, General, Administrative	116,288	117,812	127,140	130,971	138,567	146,604	155,107	164,103	173,621
Total Operating Expenses	116,288	117,812	127,140	130,971	138,567	146,604	155,107	164,103	173,621
Depreciation & Amortization	11,152	10,658	10,945	11,853	12,540	13,268	14,037	14,852	15,713
<b>EBITDA</b>	<b>33,700</b>	<b>36,600</b>	<b>31,373</b>	<b>38,865</b>	<b>41,119</b>	<b>43,504</b>	<b>46,027</b>	<b>48,697</b>	<b>51,521</b>
Depreciation & Amortization	11,152	10,658	10,945	11,853	12,540	13,268	14,037	14,852	15,713
<b>EBIT</b>	<b>22,548</b>	<b>25,942</b>	<b>20,428</b>	<b>27,012</b>	<b>28,579</b>	<b>30,236</b>	<b>31,990</b>	<b>33,845</b>	<b>35,808</b>
Operating Taxes	6,858	4,756	5,724	5,578	5,902	6,244	6,606	6,989	7,394
<b>NOPAT</b>	<b>15,690</b>	<b>21,186</b>	<b>14,704</b>	<b>21,434</b>	<b>22,677</b>	<b>23,992</b>	<b>25,384</b>	<b>26,856</b>	<b>28,414</b>
(+) Depreciation & Amortization	11,152	10,658	10,945	11,853	12,540	13,268	14,037	14,852	15,713
(-) Capex	10,264	13,106	16,857	20,606	16,696	18,013	18,904	19,981	21,284
(-) Change in NWC	-7,972	6,597	-2,553	-1,943	831	476	-267	1,283	553
<b>Unlevered Free Cash Flow</b>	<b>24,550</b>	<b>12,141</b>	<b>11,345</b>	<b>14,624</b>	<b>17,691</b>	<b>18,771</b>	<b>20,784</b>	<b>20,444</b>	<b>22,290</b>

Assumptions									
Fiscal Year	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
COGS % of Revenue	75%	75%	76%	76%	76%	76%	76%	76%	76%
SG&A % of Revenue	21%	21%	21%	20%	20%	20%	20%	20%	20%
Tax % of EBIT	30%	18%	28%	21%	21%	21%	21%	21%	21%
Opex % of Revenue	21%	21%	21%	20%	20%	20%	20%	20%	20%
Capex % of Revenue	2%	2%	3%	3%	2%	2%	2%	2%	2%
Change in NWC % of Capex	-78%	50%	-15%	-9%	5%	3%	-1%	6%	3%

Unlevered Free Cash Flow (mm)									
Fiscal Year	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Unlevered Free Cash Flow	24,550	12,141	11,345	14,624	17,691	18,771	20,784	20,444	22,290
Projection Year					1	2	3	4	5
<b>Present Value of Free Cash Flow</b>					<b>15,973</b>	<b>15,302</b>	<b>15,298</b>	<b>13,586</b>	<b>13,374</b>

Implied Share Price Calculation	
Sum of PV of FCF	73,533
Growth Rate	5%
WACC	10.76%
Terminal Value	406,611
<b>PV of Terminal Value</b>	<b>243,974</b>
Enterprise Value	317,508
(+) Cash	10,443
(-) Debt	61,321
(-) Minority Interest	6,710
Equity Value	259,920
Shares Outstanding (mm)	8,030
<b>Implied Share Price (USD)</b>	<b>32.37</b>
<b>Current Share Price (USD)</b>	<b>94.76</b>

Weighted Average Cost of Capital (WACC)	
Cost of Debt	4.4%
Tax Rate	17.2%
D/(D+E)	7.7%
<b>After Tax Cost of Debt</b>	<b>3.6%</b>
Risk Free Rate (10 Year U.S. Treasury)	4.6%
Expected Market Return	17.5%
Market Risk Premium	12.9%
Levered Beta	0.52
E/(D+E)	92.3%
<b>Cost of Equity</b>	<b>11.35%</b>
<b>WACC</b>	<b>10.76%</b>

The fact that the share is overvalued does not necessarily mean the price will fall in the near term or at all. Overvalued shares can remain at elevated levels for extended periods due to various factors such as market sentiment and momentum, growth expectations, or popularity.

<sup>4</sup> 10 Year U.S. Treasury : Trading Economics  
Expected Market Return : Macrotrends  
Levered Beta : Yahoo!Finance

## RISK ASSESSMENT AND MITIGATION

### Competitive Pressure – High

Risk: Walmart operates in an intensely competitive retail environment, facing pressure from e-commerce giants like Amazon, discount retailers like Aldi, and traditional competitors like Target and Costco. The rapid growth of online retail and direct-to-consumer brands adds further challenges, threatening Walmart's market share and pricing power.

Mitigation: Walmart continues to strengthen its omnichannel capabilities, integrating its vast store network with e-commerce platforms. The expansion of services like Walmart+ and investments in micro-fulfilment centres improve customer convenience and loyalty. Competitive pricing, alongside private-label products, further reinforces Walmart's value proposition.

### Supply Chain Disruptions – Moderate

Risk: Walmart's vast global supply chain is vulnerable to disruptions from geopolitical tensions, natural disasters, and logistics constraints. The COVID-19 pandemic highlighted vulnerabilities in inventory management and international sourcing, exposing risks related to delays and cost increases.

Mitigation: Walmart invests heavily in supply chain resilience through advanced analytics, automation, and diversification of sourcing. The company is increasing its reliance on local suppliers to reduce dependency on international imports. Its private fleet and distribution network further ensure timely delivery and inventory optimization.

### Regulatory and Policy Risks – Moderate

Risk: Walmart operates under stringent regulations related to labour practices, data protection, environmental sustainability, and trade policies. Changes in minimum wage laws, tariffs, or sustainability mandates could increase operating costs and impact profitability.

Mitigation: Walmart proactively engages with policymakers to stay compliant and influence fair regulations. Its sustainability initiatives, like Project Gigaton, align with regulatory trends and consumer expectations, positioning Walmart as an industry leader in corporate responsibility.

### Technological Disruption – Moderate

Risk: The retail industry faces continuous technological advancements, including AI-driven personalization, automated logistics, and innovative payment systems. Falling behind in technology adoption could impact Walmart's ability to compete effectively against tech-savvy rivals like Amazon.

Mitigation: Walmart consistently invests in technological innovation, including AI, robotics, and blockchain for supply chain transparency. Its acquisition of digital platforms and partnerships with tech firms ensure that Walmart remains at the forefront of retail technology. Regular upgrades to its digital infrastructure enhance both operational efficiency and the customer experience.

**Production and Scaling Risks – Low to Moderate**

Risk: Expanding Walmart's e-commerce operations, including its delivery network and warehouse automation, requires significant investment and operational execution. Missteps could result in delays, cost overruns, or scalability issues, impacting growth prospects.

Mitigation: Walmart leverages its existing infrastructure of over 10,500 stores as fulfilment hubs to reduce scaling costs. Strategic partnerships, such as its collaboration with Instacart and investments in drone delivery, enhance scalability without overextending resources. Process automation further ensures cost control and scalability in its logistics operations.

**Macroeconomic Risks – Moderate**

Risk: Economic downturns, inflation, and fluctuating consumer spending patterns can impact Walmart's revenues, particularly for discretionary items. Exchange rate fluctuations also pose risks in international markets where Walmart operates.

Mitigation: Walmart's focus on providing affordable essentials, coupled with its everyday low price strategy, makes it resilient to economic pressures. By diversifying its revenue streams geographically and investing in cost control measures, Walmart maintains financial stability even during economic uncertainties.

**Cybersecurity and Data Privacy Risks – Low to Moderate**

Risk: Walmart's increasing reliance on digital platforms and customer data for e-commerce and marketing makes it a target for cyberattacks. Breaches could damage customer trust and incur regulatory penalties.

Mitigation: Walmart employs robust cybersecurity measures, including advanced encryption, real-time monitoring, and employee training programs. Regular system upgrades and partnerships with cybersecurity firms ensure Walmart remains vigilant against emerging threats.

According to our internal criteria, Walmart has an SRI rating of 3/7, reflecting a low-risk performance in financial and ESG terms.

The historical volatility of its shares, between 5% and 12%, indicates relative stability compared to the market.

In terms of ESG exposure, the company is rated medium, showing that it faces significant but manageable environmental and social challenges. Its ESG management is also rated as average, showing efforts to be made in the near future. Despite the presence of three significant controversies linked to issues such as discrimination and employee rights in the USA, Canada, Mexico and India, Walmart remains a relatively stable company. While progress, such as the growing use of renewable energies, is noteworthy, it remains insufficient to meet current expectations in terms of social and environmental responsibility. Major challenges also remain to be met in terms of reducing greenhouse gas emissions and improving energy management by 2040, in order to meet the 0-carbon requirement.

In conclusion, Walmart's SRI profile reveals an overall average performance in terms of ESG, but very good in terms of financial criteria. The company still has room for manoeuvre in terms of time to better integrate ESG criteria into its strategy and reduce the risks associated with controversies in order to meet the expectations of stakeholders and investors, and to avoid seeing its market capitalization fall.

## CONTACT, DISCLAIMER & SOURCES

### CONTACT

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### SOURCES

Bain & Company, Bloomberg, Deloitte, IMARC Group, Macrotrends, MarketWatch, Reuters, Simply Wall Street, Statista, Supply Chain Today, Trading Economics, Walmart, Yahoo! Finance

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