



Walmart

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Agenda

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Opening Remarks

- Dominant blue chip stock
- WMT is a defensive play making it a great addition to the portfolio with limited foreseeable downside.
- Wal-Mart is one of the rare stocks that delivers consistent results even through periods of economic uncertainty and turmoil.
- Not looking to buy at market – but should be added to the watch list.

Company Overview

- Wal-Mart is the largest retailer in North America. They operate a chain of discount department stores, supermarkets, combination discount stores and wholesale clubs.
- Their operations can be broken down into three main divisions: Wal-Mart U.S., Sam's Club, and Wal-Mart International.
- Wal-Mart has 8,500 stores in 15 countries under 55 different title banners.
- Wal-Mart currently commands 25% market share of the \$500+ billion U.S. supermarket industry.



Company Overview

Revenue:

- Walmart U.S.: 260.3B
- Sam's Club: 493.5M
- Walmart International: 109.2B
- Wal-Mart carries an AA2 rating from Moody's with a stable rating
- Low volatility – (vol. 15.87%, imp. Vol. 14.03%, BETA 0.46)
- Modest, stable growth stock
- Wal-Mart has very little exposure to debt markets with only \$1B maturing in 2012. Their debt is well distributed with a weighted average term to maturity of 13.76 years.



1-Year Price Chart

Day Session	
Last	59.54
High on 01/03/12	61.06
Average	53.8538
Low on 08/10/11	48.01



DCF Valuation 58.60

1-Year vs. S&P Index



Tendency to move with the market – however WMT still delivers exceptional revenue
And earnings

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Industry/Sector Overview

- Wal-Mart is dominant in its peer group with a commanding \$203.77B market cap.
- The company has an attractive P/E ratio compared to its peers of 13.76 (Industry avg. 16)
- Wal-Mart's annual revenue is the highest in the industry and world at \$168.09B
- Target (TGT) missed analyst expectations by 3.1% in December as sales fell short.

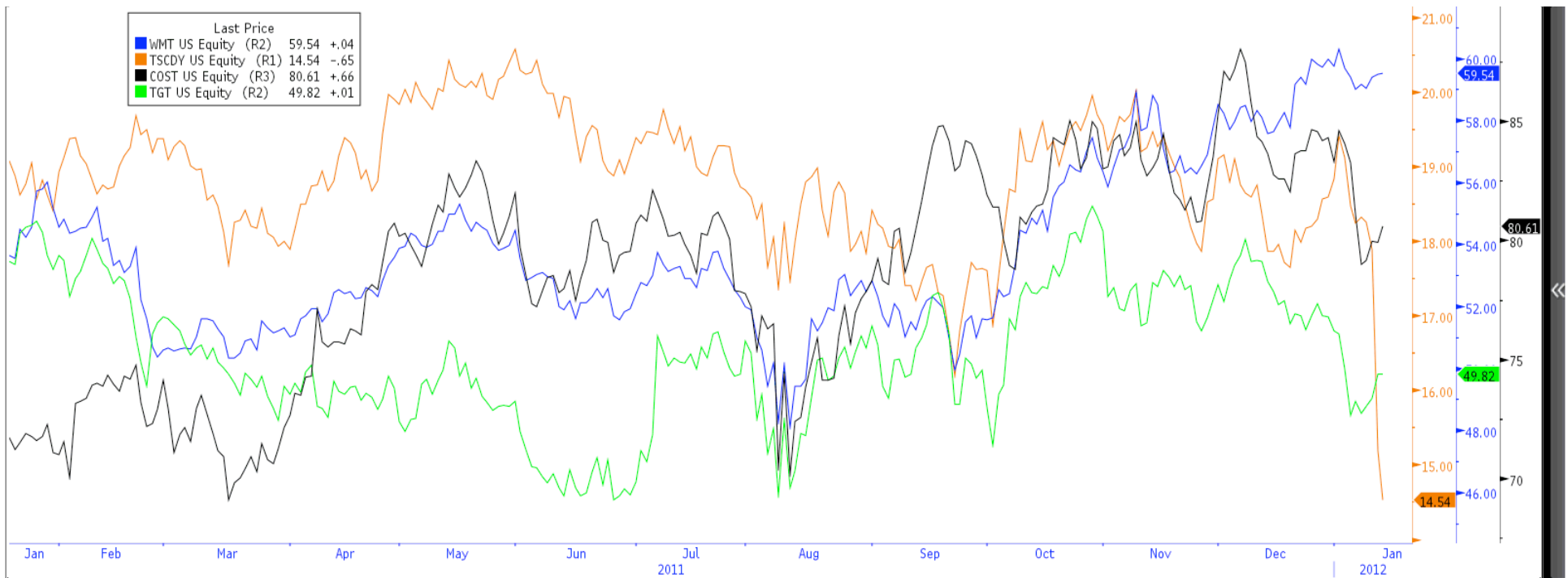


- Target missing its December numbers has likely led to a market expectation of a similar fate for Wal-Mart, which sets the stock up for a potential upside surprise
- A disappointment might already be priced into the stock.

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Industry/Sector Overview

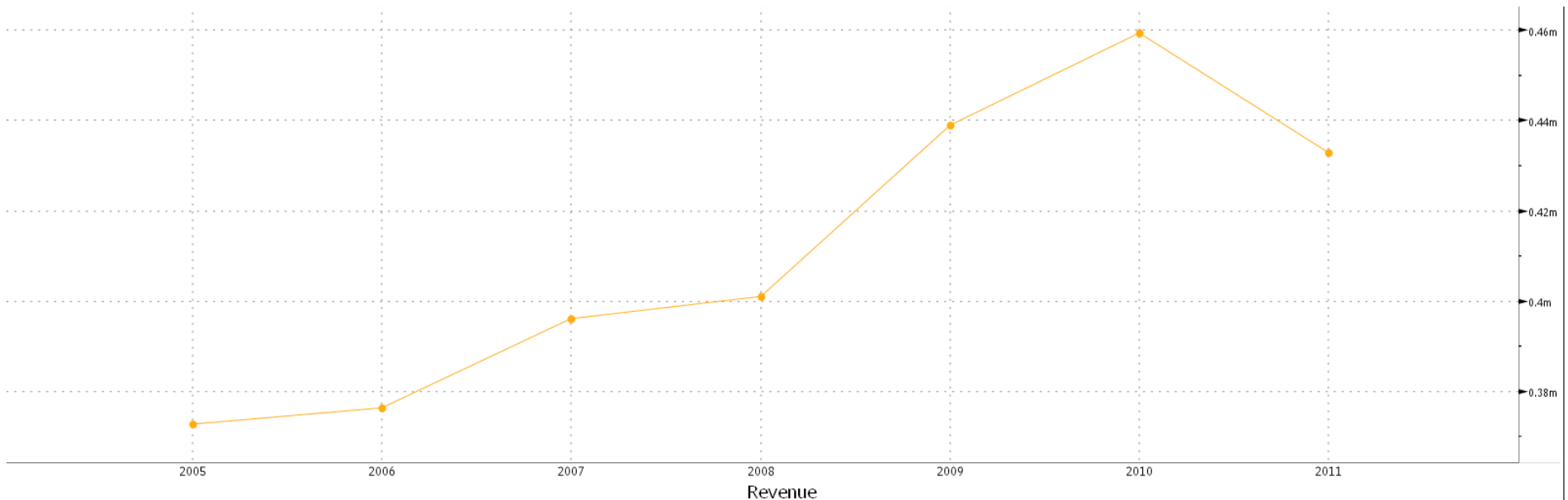


Peer Comparison

SECURITY	MARKET CAP	LAST PRICE	DIVIDEND YIELD	P/E	ANNUAL REVENUE	1 MONTH RETURN	3 MONTH RETURN	1 YEAR RETURN
WAL-MART U.S.	203.77B	\$59.50	2.45%	13.58	\$168.09B	2.43	8.46	11.47
TESCO PLC	39.79B	\$323.45	5.06%	8.92	\$94.21B	-18.72	-\$21.46	-22.89
COSTCO WHOLESALE	34.77B	\$79.95	1.20%	24.01	\$88.92B	-4.99	-\$1.53	13.14
TARGET CORP	33.45B	\$49.81	2.44%	11.80	\$67.39B	-6.84	-5.04	-8.23

Wal-Mart's P/E ratio indicates a relatively cheap buy
 Superior annual revenue and a solid 1-year return.
 Although we will likely miss out on the dividend, the 5 yr. div. growth of 17%
 indicates a strong company.

Revenue



- Wal-Mart has experienced a consistent growth in revenue over the past three years.
- Despite an global economic slowdown in 2011 and a decrease in consumer discretionary income, revenues have grown 9% from 2010 through 3Q's.

Earnings



- WMT will look to benefit from solid momentum derived from the holiday season
- Expected Q4 EPS – \$1.45
- Expected annual EPS - \$4.25
- Earnings release estimated - February 22nd 2012

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Ratios

Revenue Growth

3.37%

ROE

23.58%

Current Ratio

0.89

Gross Margin

25.26%

ROA

9.34%

Quick Ratio

0.21

P/E

13.46

Debt/Equity

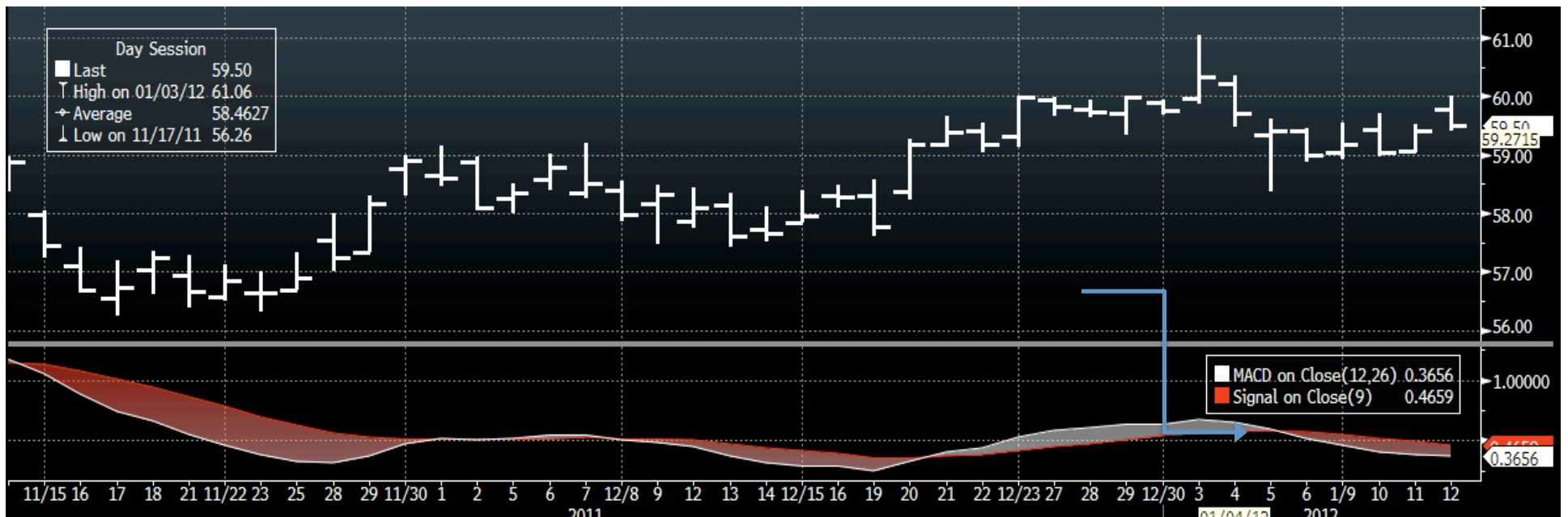
82.66

Price to Book

3.04

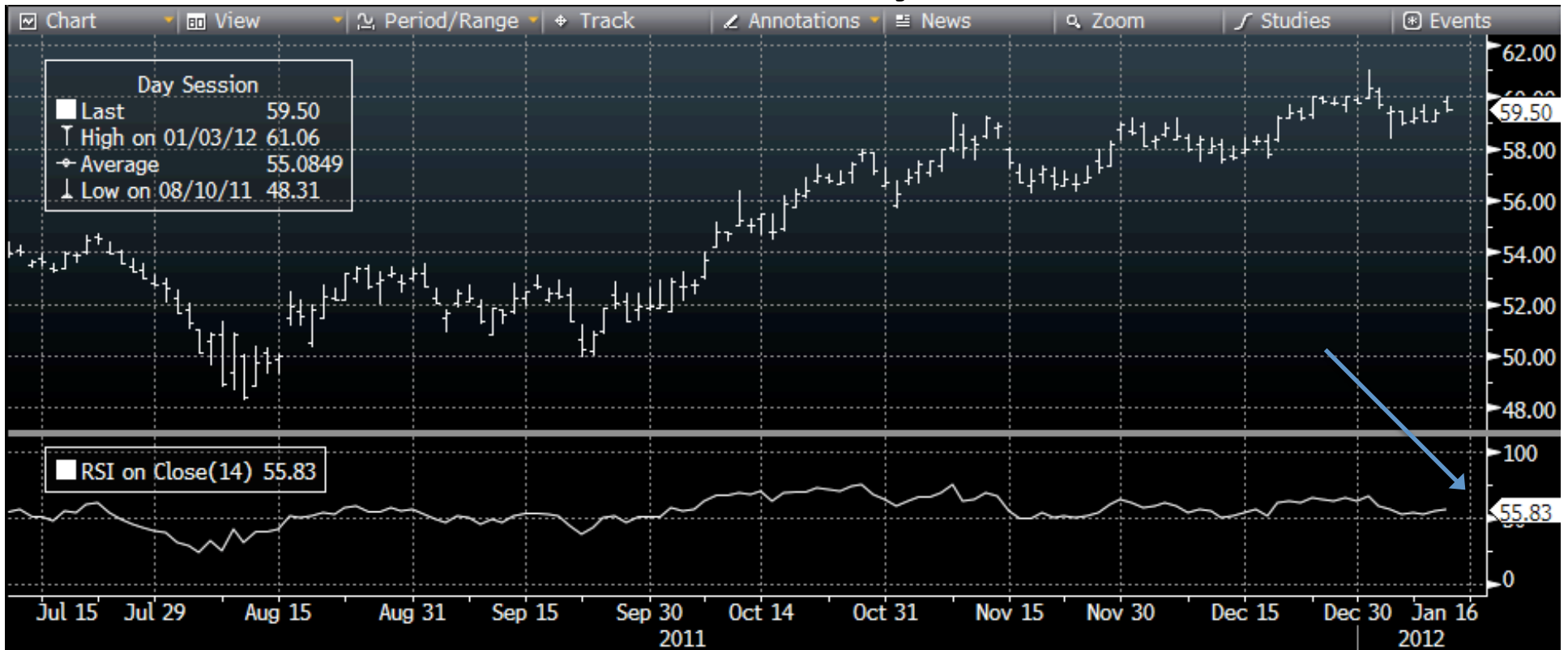
- Wal-Mart's P/E ratio coupled with a 2.4% dividend makes WMT a relatively cheap buy
- Industry peers average a P/E of approximately 16
- The company's debt/equity ratio carries no cause for concern, as maturing debt is evenly distributed over the next 40 years.
- WMT's price to book and ROA are at the industry average.

Technical Analysis - MACD



- A downwards cross over the signal indicates a bearish price movement
- Looking for entry point where the MACD shows an upward cross over the signal line
- We want to look at buying the stock when the MACD crosses the signal.

Technical Analysis – RSI



The RSI appears to be stable around the 50-55 range. If there is any movement towards the 70 level it signals that the stock is overbought – on the other hand if we see the RSI moving towards 30 it means the stock is becoming oversold and undervalued.

Technical Analysis – Bollinger Bands



The price touched a resistance level in the middle of December and appears to be approaching the resistance level again. The support level is indicating a level of 57.73, which is a more appropriate entry point for the club.



Recommendation

- Buy 80 Shares
- Buy at 57.00 (\$4560.00 position – roughly 8% of the portfolio)
- Hold until liquidation
- Sell if price reaches 63.00 (10.5% gain)
- No stop-loss



QUESTIONS?

THANK YOU!