

Analysing the financial statements of the world's largest retailer: Wal-Mart

By Wouter De Maeseneire & Mathieu Luypaert

"Save money. Live Better" This slogan adequately reflects what Sam Walton, founder of Wal-Mart, envisioned when he opened the doors of the first Wal-Mart store in Rogers, Arkansas (US) in 1962. Today, 50 years later, Wal-Mart has become the largest private employer worldwide with more than 2.1 million employees, serving more than 176 million customers a year over 8,576 retail units worldwide. Wal-Mart ranked first among retailers in Fortune Magazine's Most Admired Companies survey.



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Wal-Mart's stock began trading on OTC markets (over the counter or off exchange trading i.e. buying and selling financial instruments directly between two parties) in 1970 and were listed on the New York Stock Exchange (NYSE) two years later. Shares were initially sold to the public at a price of \$16.5 per unit.

Suppose your grandparents would have bought 100 shares (a \$1,650 investment) as a future birthday gift for you, these would now be worth almost \$10.5 million – corresponding to a yearly return of 24.5%. Not surprisingly, all heirs of the late Sam Walton can be found in the Top 20 of Forbes' 2010 billionaires list.

The 2009 consolidated financial statements of Wal-Mart (balance sheet, income statement or Profit and Loss Account and cash flow statement) can be found at the end of this paper.

ASSIGNMENT

Provide a sound and extensive analysis and interpretation of Wal-Mart's financial statements. Compute and discuss profitability, liquidity and solvency ratios. Link these financials to Wal-Mart's business model and operating activities. As a first step, it is useful to become acquainted with Wal-Mart's history, operations and strategy, for which the company's website is an excellent starting point (www.walmart.com).

Your analysis should address the following issues:

- 1 A detailed discussion of Wal-Mart's balance sheet, profit and loss account and cash flow statement. Comparisons between 2009 and 2008 figures should be included.
- 2 A historical overview of key financials over the past 10 years (Net sales, Operating income, Net Income, Total Assets, Equity). This data is available in the Wal-Mart Annual Report.
- 3 Ratio analysis and interpretation (liquidity, solvency and profitability ratios).
- 4 Your conclusions from your analysis, in the light of Wal-Mart's business model.

This assignment is an individual assignment and will form 30% of the grade for this module.

It is due on Monday April 21st 2014 at 11.59pm.

A hardcopy must be submitted for correction, while a copy must also be submitted via SafeAssignment on Blackboard

Please pay particular care to presentation as marks will be awarded in this area.

A cover sheet should be attached stating your name, student number, module title and date of submission.

The assignment must be submitted to the Centre for Distance Learning in accordance with the Guidelines on Presentation of Assignments, Assignment Deadlines and Late Submissions.

Consolidated Balance Sheets

(Amounts in millions except per share data)	January 31,	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,275	\$ 5,492
Receivables	3,905	3,642
Inventories	34,511	35,159
Prepaid expenses and other	3,063	2,760
Current assets of discontinued operations	195	967
Total current assets	48,949	48,020
Property and equipment, at cost:		
Land	19,852	19,879
Buildings and improvements	73,810	72,141
Fixtures and equipment	29,851	28,026
Transportation equipment	2,307	2,210
Property and equipment, at cost	125,820	122,256
Less accumulated depreciation	(32,964)	(28,531)
Property and equipment, net	92,856	93,725
Property under capital lease:		
Property under capital lease	5,341	5,736
Less accumulated amortization	(2,544)	(2,594)
Property under capital lease, net	2,797	3,142
Goodwill	15,260	15,879
Other assets and deferred charges	3,567	2,748
Total assets	\$163,429	\$163,514
Liabilities and Shareholders' Equity		
Current liabilities:		
Commercial paper	\$ 1,506	\$ 5,040
Accounts payable	28,849	30,344
Accrued liabilities	18,112	15,725
Accrued income taxes	677	1,000
Long-term debt due within one year	6,848	5,913
Obligations under capital leases due within one year	315	316
Current liabilities of discontinued operations	83	140
Total current liabilities	55,390	58,478
Long-term debt	31,349	29,799
Long-term obligations under capital leases	3,200	3,603
Deferred income taxes and other	6,014	5,087
Minority interest	2,191	1,939
Commitments and contingencies		
Shareholders' equity:		
Preferred stock (\$0.10 par value; 100 shares authorized, none issued)	—	—
Common stock (\$0.10 par value; 11,000 shares authorized, 3,925 and 3,973 issued and outstanding at January 31, 2009 and January 31, 2008, respectively)	393	397
Capital in excess of par value	3,920	3,028
Retained earnings	63,660	57,319
Accumulated other comprehensive (loss) income	(2,688)	3,864
Total shareholders' equity	65,285	64,608
Total liabilities and shareholders' equity	\$163,429	\$163,514

See accompanying notes.

Consolidated Statements of Income

(Amounts in millions except per share data)	Fiscal Year Ended January 31,		
	2009	2008	2007
Revenues:			
Net sales	\$401,244	\$374,307	\$344,759
Membership and other income	4,363	4,169	3,609
	405,607	378,476	348,368
Costs and expenses:			
Cost of sales	306,158	286,350	263,979
Operating, selling, general and administrative expenses	76,651	70,174	63,892
Operating income	22,798	21,952	20,497
Interest:			
Debt	1,896	1,863	1,549
Capital leases	288	240	260
Interest income	(284)	(309)	(280)
Interest, net	1,900	1,794	1,529
Income from continuing operations before income taxes and minority interest	20,898	20,158	18,968
Provision for income taxes:			
Current	6,564	6,897	6,265
Deferred	581	(8)	89
	7,145	6,889	6,354
Income from continuing operations before minority interest	13,753	13,269	12,614
Minority interest	(499)	(406)	(425)
Income from continuing operations	13,254	12,863	12,189
Income (loss) from discontinued operations, net of tax	146	(132)	(905)
Net income	\$ 13,400	\$ 12,731	\$ 11,284
Net income per common share:			
Basic income per common share from continuing operations	\$ 3.36	\$ 3.16	\$ 2.93
Basic income (loss) per common share from discontinued operations	0.04	(0.03)	(0.22)
Basic net income per common share	\$ 3.40	\$ 3.13	\$ 2.71
Diluted income per common share from continuing operations	\$ 3.35	\$ 3.16	\$ 2.92
Diluted income (loss) per common share from discontinued operations	0.04	(0.03)	(0.21)
Diluted net income per common share	\$ 3.39	\$ 3.13	\$ 2.71
Weighted-average number of common shares:			
Basic	3,939	4,066	4,164
Diluted	3,951	4,072	4,168
Dividends declared per common share	\$ 0.95	\$ 0.88	\$ 0.67

See accompanying notes.

Consolidated Statements of Cash Flows

(Amounts in millions)	Fiscal Year Ended January 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 13,400	\$ 12,731	\$ 11,284
(Income) loss from discontinued operations, net of tax	(146)	132	905
Income from continuing operations	13,254	12,863	12,189
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	6,739	6,317	5,459
Deferred income taxes	581	(8)	89
Other operating activities	1,268	910	1,311
Changes in certain assets and liabilities, net of effects of acquisitions:			
(Increase) in accounts receivable	(101)	(564)	(214)
(Increase) in inventories	(220)	(775)	(1,274)
(Decrease) increase in accounts payable	(410)	865	2,132
Increase in accrued liabilities	2,036	1,034	588
Net cash provided by operating activities of continuing operations	23,147	20,642	20,280
Net cash used in operating activities of discontinued operations	—	—	(45)
Net cash provided by operating activities	23,147	20,642	20,235
Cash flows from investing activities:			
Payments for property and equipment	(11,499)	(14,937)	(15,666)
Proceeds from disposal of property and equipment	714	957	394
Proceeds from (payments for) disposal of certain international operations, net	838	(257)	610
Investment in international operations, net of cash acquired	(1,576)	(1,338)	(68)
Other investing activities	781	(95)	223
Net cash used in investing activities of continuing operations	(10,742)	(15,670)	(14,507)
Net cash provided by investing activities of discontinued operations	—	—	44
Net cash used in investing activities	(10,742)	(15,670)	(14,463)
Cash flows from financing activities:			
(Decrease) increase in commercial paper	(3,745)	2,376	(1,193)
Proceeds from issuance of long-term debt	6,566	11,167	7,199
Payment of long-term debt	(5,387)	(8,723)	(5,758)
Dividends paid	(3,746)	(3,586)	(2,802)
Purchase of Company stock	(3,521)	(7,691)	(1,718)
Payment of capital lease obligations	(352)	(343)	(340)
Other financing activities	267	(622)	(510)
Net cash used in financing activities	(9,918)	(7,422)	(5,122)
Effect of exchange rates on cash	(781)	252	97
Net increase (decrease) in cash and cash equivalents	1,706	(2,198)	747
Cash and cash equivalents at beginning of year ⁽¹⁾	5,569	7,767	7,020
Cash and cash equivalents at end of year ⁽²⁾	\$ 7,275	\$ 5,569	\$ 7,767
Supplemental disclosure of cash flow information:			
Income tax paid	\$ 6,596	\$ 6,299	\$ 6,665
Interest paid	1,787	1,622	1,553
Capital lease obligations incurred	284	447	159

(1) Includes cash and cash equivalents of discontinued operations of \$77 million, \$51 million and \$19 million at January 31, 2008, 2007 and 2006, respectively.

(2) Includes cash and cash equivalents of discontinued operations of \$77 million and \$51 million at January 31, 2008 and 2007, respectively.

See accompanying notes.

Fiscal 2009 End-of-Year Store Count

State	Discount Stores	Supercenters	Neighborhood Markets	Sam's Clubs	Grand Total
Alabama	6	90	5	13	114
Alaska	4	4	—	3	11
Arizona	9	62	22	16	109
Arkansas	15	66	8	6	95
California	140	35	—	37	212
Colorado	9	56	—	16	81
Connecticut	29	5	—	3	37
Delaware	4	5	—	1	10
Florida	39	161	25	42	267
Georgia	7	126	—	22	155
Hawaii	8	—	—	2	10
Idaho	3	16	—	2	21
Illinois	57	90	—	29	176
Indiana	15	84	3	16	118
Iowa	11	47	—	8	66
Kansas	9	48	3	7	67
Kentucky	11	73	7	8	99
Louisiana	6	77	5	12	100
Maine	10	12	—	3	25
Maryland	31	13	—	12	56
Massachusetts	39	7	—	3	49
Michigan	19	65	—	26	110
Minnesota	19	42	—	13	74
Mississippi	5	59	1	6	71
Missouri	27	91	—	15	133
Montana	3	10	—	1	14
Nebraska	—	30	—	3	33
Nevada	4	26	11	7	48
New Hampshire	16	11	—	4	31
New Jersey	46	3	—	10	59
New Mexico	3	31	2	7	43
New York	40	52	—	17	109
North Carolina	23	107	—	22	152
North Dakota	1	10	—	3	14
Ohio	24	119	—	30	173
Oklahoma	14	71	16	8	109
Oregon	14	16	—	—	30
Pennsylvania	42	83	—	23	148
Rhode Island	7	2	—	1	10
South Carolina	8	63	—	9	80
South Dakota	—	12	—	2	14
Tennessee	4	103	6	16	129
Texas	40	297	33	72	442
Utah	2	30	5	8	45
Vermont	4	—	—	—	4
Virginia	18	71	1	16	106
Washington	19	28	—	3	50
West Virginia	2	35	—	5	42
Wisconsin	25	58	—	12	95
Wyoming	—	10	—	2	12
United States					
Totals	891	2,612	153	602	4,258

International⁽¹⁾⁽²⁾

Country	Units
Argentina	28
Brazil	345
Canada	318
Central America	502
Chile	197
China	243
Japan	371
Mexico	1,197
Puerto Rico	56
United Kingdom	358
International Total	3,615
Grand Total	7,873

(1) Unit counts are as of January 31, 2009.

(2) At January 31, 2009, our Indian business consisted of wholesale cash-and-carry and back-end supply chain management operations through our joint venture with Bharti Enterprises and technical support to the retail stores of Bharti Retail through a franchise agreement.

International unit counts and operating formats as of January 31, 2009:

Country	Super- markets	Discount Stores	Super- centers	Hyper- markets	Other	Total
Argentina	—	—	22	—	6	28
Brazil ⁽¹⁾	155	—	34	71	85	345
Canada ⁽²⁾	—	256	56	—	6	318
Chile	46	76	—	75	—	197
China	—	—	132	103	8	243
Costa Rica	25	122	—	6	11	164
El Salvador	30	45	—	2	—	77
Guatemala	29	109	—	6	16	160
Honduras	7	36	—	1	6	50
Japan	264	—	—	106	1	371
Mexico ⁽³⁾	163	67	154	—	813	1,197
Nicaragua	7	44	—	—	—	51
Puerto Rico	31	7	8	—	10	56
United Kingdom	307	—	30	—	21	358
Grand Total	1,064	762	436	370	983	3,615

(1) "Other" format includes 22 Sam's Clubs, 23 cash-and-carry stores, 39 combination discount and grocery stores and 1 general merchandise store.

(2) "Other" format includes 6 Sam's Clubs that were closed in March of fiscal 2010.

(3) "Other" format includes 91 Sam's Clubs, 279 combination discount and grocery stores, 83 department stores and 360 restaurants.