Wal-Mart Stores
Investment Notes

Please read Disclaimer at bottom of these notes!

"***Wal-Mart Stores, Inc. is the world's largest retailer, operating 2,747 supercenters (includes sizable grocery departments), 803 discount stores, 596 Sam's Clubs, and 158 Neighborhood Markets in the U.S., plus 4,112 foreign stores, mainly in Latin America, with the balance in Asia, Canada, and the U.K. as of 1/31/10. Total store space: 952 million square feet. Most stores are owned and are within 400 miles of an expanding network of distribution centers. Groceries accounted for 52% of U.S. sales; sales per square foot in 2010: about $440. Has 2,100,000 employees. Off./dir. Own 49.0% of shares (4/11 proxy)."*** **Value Line 5/6/11**

May 17, 2011 (55.41) Review of 1Q12 earnings release and conference call

"International remains the key growth driver for our company, and the segment is seeing continued growth through a combination of comp sales and new stores," Duke said. "Mexico, China and Chile had the highest percentage sales increases for the first quarter compared to last year."

"Sam's Club delivered really good results this quarter, with a 4.2 percent comp that was well above our guidance," he explained. "Sam's momentum is reflected in comp sales and increases in new members. The warehouse channel is increasing in importance in the retail landscape and Sam's is gaining further momentum. We expect Sam's to add even more value to the company's overall portfolio."

"Walmart ended the quarter with negative free cash flow of approximately $400 million , compared to a negative $1.6 billion in the previous year. ROI for the trailing 12 months ended April 30, 2011 was 18.5 percent, compared to 19.2 percent for the prior year. The primary drivers of the change in ROI were the impact from currency exchange and cash held for pending acquisitions."

Guidance

"Based on our views of the economic and sales environment in the United States and around the world, we expect second quarter fiscal 2012 diluted earnings per share from continuing operations to range between $1.05 and $1.10, compared to last year's reported EPS of $0.97. These estimates assume that currency exchange rates remain at current levels," said Holley. "We are committed to growing sales throughout all our businesses. Leverage will continue to be a key focus, as it drives both growth and returns."

U.S. comparable store sales review and guidance

The company reported U.S. comparable store sales based on its 13-week retail calendar period ended April 29, 2011 and April 30, 2010, as follows:

	Without Fuel		With Fuel		Fuel Impact	
	Thirteen Weeks Ended		Thirteen Weeks Ended		Thirteen Weeks Ended	
	04/29/11	04/30/10	04/29/11	04/30/10	04/29/11	04/30/10
Walmart U.S.	-1.1%	-1.4%	-1.1%	-1.4%	0.0%	0.0%
Sam's Club	4.2%	0.7%	8.5%	3.9%	4.3%	3.2%
Total U.S.	-0.3%	-1.1%	0.4%	-0.5%	0.7%	0.6%

During the 13-week period, the majority of the Walmart U.S. comparable store sales decrease was due to a decline in traffic, while average ticket was up versus the prior year. Grocery and health and wellness categories had positive comp sales for the first quarter.

For the 4-5-4 period from April 30 through July 29, 2011, Walmart U.S. expects comparable store sales to range from negative one percent to positive one percent. The Walmart U.S. 13-week comp for the second quarter of fiscal 2011 declined 1.8 percent.

"We are monitoring the economic environment carefully, as significant changes in gas prices and inflation during the quarter will influence our actual performance," said Bill Simon, Walmart U.S. president and chief executive officer. "We continue to focus on delivering EDLP across the store."

For Sam's Club, comparable ticket, excluding fuel, increased for both Business and Advantage members for the 13-week period. Comparable traffic, excluding fuel, increased for Advantage members and was relatively flat for Business members.

Sam's Club expects comp sales, without fuel, for the current 13-week period, to increase between three percent and five percent. Last year, Sam's Club comp, without fuel, for the second quarter comparable 13-week period rose 1.0 percent.

"Our second quarter is under way and we expect our strong sales momentum to continue across grocery, home and apparel," said Brian Cornell, Sam's Club president and chief executive officer.

Both Walmart U.S. and Sam's Club will report comparable sales for the 13-week period on Aug. 16, when the company reports second quarter results.

(Dollar amounts in millions)	For the Trailing 12 Months Ended April 30, 2011	2010
CALCULATION OF RETURN ON INVESTMENT		
Numerator		
Operating income	$ 25,701	$ 24,566
+ Interest income	194	181
+ Depreciation and amortization	7,762	7,321
+ Rent	2,002	1,858
= Adjusted operating income	$ 35,659	$ 33,926
Denominator		
Average total assets of continuing operations (1)	$179,936	$167,743
+ Average accumulated depreciation and amortization (1)	45,641	39,679
- Average accounts payable (1)	32,847	29,957
- Average accrued liabilities (1)	15,790	15,440
+ Rent * 8	16,016	14,864
= Average invested capital	$192,956	$176,889
Return on investment (ROI)	**18.5**%	**19.2**%
CALCULATION OF RETURN ON ASSETS		
Numerator		
Income from continuing operations	$ 16,093	$ 15,284
Denominator		
Average total assets of continuing operations (1)	$179,936	$167,743
Return on assets (ROA)	**8.9**%	**9.1**%

	As of April 30, 2011	2010	2009
Certain Balance Sheet Data			
Total assets of continuing operations (2)	$185,957	$173,914	$161,572
Accumulated depreciation and amortization	48,686	42,596	36,762
Accounts payable	34,321	31,372	28,541
Accrued liabilities	15,962	15,617	15,263

1 The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2.

2 Based on continuing operations only and therefore excludes the impact of discontinued operations. Total assets as of April 30, 2011, 2010 and 2009 in the table above exclude assets of discontinued operations that are reflected in the Condensed Consolidated Balance Sheets of $108 million, $129 million and $155 million, respectively.

“Let me dive into some of the key numbers for the quarter. Net sales were up 4.4% to $103.4 billion with strong contributions from Wal-Mart International and Sam's Club. Wal-Mart US comps were negative 1.1%, which was roughly the midpoint of our guidance. Sam's Club comp of 4.2% was 120 basis points above guidance. Consolidated operating income was up 2.8% to $5.9 billion.”

“Now let me move on to the highlights of the individual operating segments. The Wal-Mart US comp sales decline of 1.1% was within our guidance range. We recognize we still have work to do and comp sales growth remains the greatest priority for me and the entire Wal-Mart US team. The good news is that the plan Bill Simon and his team are executing is gaining traction. Bill we will elaborate more on our progress.”

“The effective tax rate for the first quarter was 33.5%. We expect the effective tax rate for fiscal 2012 to be between 33.5% and 34.5%, although we will see some quarterly fluctuations. Changes in our assessment of certain tax contingencies and the mix of earnings among our US and international operations may impact our effective tax rate.

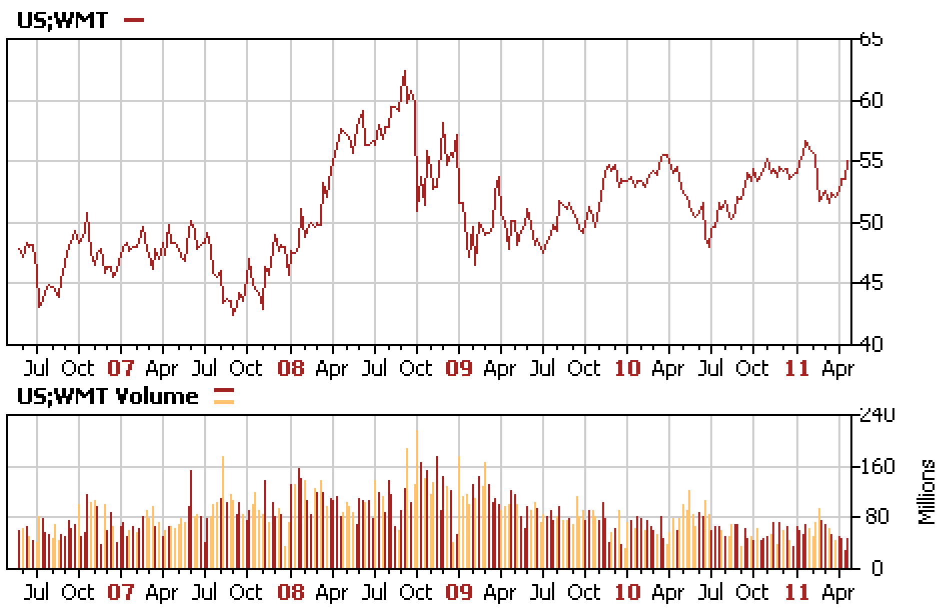
First-quarter consolidated inventory grew 9.5% compared to last year. The inventory growth was primarily covered by a comparable increase in payables. Payables as a percentage of inventories remained stable at approximately 90%. In addition, consolidated inventory turns remained stable."

Sam's Club: *"Comp Club sales, excluding fuel, increased 4.2% for the 13-week period ending April 29, 2011, exceeding our guidance of 1% to 3%. This is our fifth quarter of sequential quarterly comp improvement. We combined solid unit sales growth and increased traffic with excellent margin management. We leveraged operating expenses this quarter. Our membership acquisition performance was strong. In fact, it was our best quarterly performances since I joined Sam's Club in March of 2009.*

This strength was driven by key membership events and excellent execution in the clubs. These strong results across all key areas of our business flow through to operating income, which, excluding fuel, increased faster than the rate of sales."

May 2, 2011 (55.04)

5 Year chart through April 30, 2011



May 2, 2011 (55.04) Quick Thesis and worksheets

World's largest retailer, selling at multiples that are not in line with historic rates. This does not mean that WalMart will automatically revert to historic fundamentals. Value Line (5/6/11) rates their Financial Strength at A++. One of the largest employers in USA, Canada and Mexico. Seems to have sustainable moat, due to their technology, size and emphasis on cost and supply chain.

Return On Equity (ROE) has been consistently been at 20% (rounded) or greater. Credit rating AA.

Dividend yield at 2.67% is decent, when compared to 5 year US Treasury rates (2.12%).

Directors and Executive Officers own ~49% of Common Stock.

Earnings yield is 7.92%, which is > Value Line's 25/30 'A' rated yield of 5.45%.

Need to keep eye on Same Store Sales, as they have been in an extended period of decline. Inventory has also been growing. Inventory growth has been explained as normal holiday build.

Perceived as socially irresponsible. I have spoken to several people who will try to avoid, or will avoid shopping at WMT, because these people perceive WMT being socially irresponsible. I have wrestled with this for years, and I find WMT to be a fairly "fair" organization (at least within our "capitalistic system.")

If company earns $4.30 FYE 1/31/12 and using a Price/Earnings ratio of 15, would give WMT a stock price of $64.50.

If we were to use a "gun to the head" guess of ROI for our WMT investment duration, we would expect returns slightly north of 10%. This is merely a non-authoritative guess, and as I have mentioned previously, we could be very incorrect in our interpretations. The above guess of return is based on WMT achieving a 15 year growth rate of 3.5%, and a 'Price to Book Value' in years 10 and 15 of 2.5X. Historically, WMT has traded at a price much greater than 3X book value.

Our valuation analysis is mapping to the following Returns on Investment (ROI's) based on various growth rates and Price to Book levels at term.

Using a 10 year growth rate of 7%, the following 5 years at 3.5% and a Price to Book Value at the end of year 15 of2.5X, we get 15 year Annualized Returns of 12.30%.

Using a 10 year growth rate of 3%, the following 5 years at 1.5% and a Price to Book Value at the end of year 15 of2.0X, we get 15 year Annualized Returns of 7.98%. I think that all, if not most analysts and investors would agree that the rates of growth and multiples in this scenario are terribly draconian.

I think the following possibility is the best map to use: Using a 10 year growth rate of 5%, the following 5 years at 3.5% and a Price to Book Value at the end of year 15 of2.5X, we get 15 year Annualized Returns of 11.24%. I think this is a conservative look, and it still looks as though ROI, would be low double digit returns for a 15 year annualized period.

Theme of buying high quality company, with sustainable earnings at a fair price. Typically one must pay up for quality, reasonable expectations, predictable earnings, but in many cases I think the blue chips are being punished for their past prices. Investor may ask, "Why buy WMT, when it was a greater price 10 years ago?" Answer is it was probably severely over-valued 10 years ago. See comparison table from 11/10.

Hopeful and expected execution of international sales model. Technology leader. I think mass opinion is one of WMT being socially irresponsible, as well as most investors look at last 10 years and say, "why should I own this?" We think those perceptions are built into the price. Major metrics we use are positive, including Price to Sales, Price to earnings, Sales per share, etc. Ratios are all strong including interest coverage, inventory turns.

Worldwide diversification. Potential inflation hedge, as Walmart supposedly has technology to quickly alter pricing model.

Free Cash flow is a tough WalMart metric, because of their store growth, etc. One day that will hopefully start generating ample excess cash.

Date Worked On	2-May-11	
Base Year	31-Jan-11	31-Jan-10
Price	$54.91	$53.14
Shares Outstanding	3,670	3,877
Market Capitalization	$201,520	$206,024
Cash and CE	$7,395	$7,907
Long Term Debt	$40,692	$33,231
Minority Interests	$0	$0
Goodwill	$16,763	$16,126
Intangibles	$0	$0
Other Intangibles	$0	$0
Enterprise Value	$234,817	$231,348
Short Term Debt	$1,031	$4,573
Stockholders Equity	$68,542	$70,468
Depreciation and Amortization	$7,641	$7,157
CapEx	$12,699	$12,184
Revenues	$421,849	$408,085

Total Assets	$180,663	$170,407
Net Income	$15,959	$14,962
Dividend	$1.46	$1.09
Interest Expense	$2,163	$2,141
Net Income Before Taxes	$23,538	$22,118
Enterprise Value Per Share	$63.98	$59.67
Price To Enterprise Value	85.82%	89.05%
Total Debt	$41,723	$37,804
Total Debt / Net Income	261.44%	252.67%
Total Debt Per Share	$11.37	$9.75
Tangible Book Value	$51,779	$54,342
Book Value Per Share	$18.68	$18.18
Tangible Book Value Per Share	$14.11	$14.02
Price / Book Value	294.01%	292.37%
Price / Tangible Book Value	389.19%	379.12%
Price / Earnings Ratio	12.63	13.77
Enterprise Value / Earnings Ratio	14.71	15.46
Earnings Yield	7.92%	7.26%
Price To Sales Ratio	47.77%	50.49%
Net Income / Total Assets	8.83%	8.78%
Total Assets / (Revenues/365)	156.32	152.42
Enterprise Value / Revenues	55.66%	56.69%
Goodwill / Total Assets	9.28%	9.46%
Goodwill / Stockholders Equity	24.46%	22.88%

Debt / Equity	60.87%	53.65%
Average P/E Last 10 Years	20.7	23.2
Cash Flow	$10,901	$9,935
Cash Flow Per Share	2.97	2.56
Cash Flow Yield	5.41%	4.82%
Price / Cash Flow	18.49	20.74
Revenues Per Share	$114.95	$105.26
Net Income Per Share	$4.35	$3.86
Return on Equity	23.28%	21.23%
Bond Rating (S&P)	AA	AA
Growth Rate	5.00%	8.00%
Dividend Yield	2.66%	2.05%
Dividend / Net Income	27.83%	28.24%
Dividend / Cash Flow	40.74%	42.54%
Interest Coverage Ratio	11.88	11.33
Insider Activity	Some Selling	Selling
Buy-Backs	Yes	Yes
Dilution	No	No
Management Compensation	TBD	TBD
Price to buy more	$0.00	$0.00
Price to sell or consider reducing	$0.00	$0.00
Action (Buy, Hold or Sell)	Buy	
Portfolio Allocation Suggestion	5%	
Number of Stores	8970	8459

As of Date	January 31, 2011
EV Analysis	
Date Worked On	May 2, 2011
Share Outstanding	3,670.00
Share Price	$55.04
Market Capitalization	$201,996.80
Less: Cash and Short Term Investments	($7,395.00)
Add: Long Term Debt	$40,692.00
Minority Interest	$0.00
Enterprise Value	**$235,293.80**
EV per share	$64.11
Stockholders' Equity	$68,542.00
Adjustments:	
Goodwill	($16,763.00)
Tradenames	$0.00
Other Intangibles	$0.00
Net Stockholders' Equity	$51,779.00
Adjusted Book Value per Share	$14.11

Quick Projections	May 2, 2011
Revenue	$421,849.00
Net Margin % before tax	5.39%
Net Margin before taxes	$22,737.66
Tax Rate	32.20%
Corporate Taxes	$7,321.53
Net Income after Taxes	$15,416.13
Net Margin %	3.65%

Shares Outstanding	3,670.00
eps	$4.20

FV of current equity and future earnings	02-May-11
Adjusted Stockholder's Equity	$51,779.00
Net Income after Taxes	$15,416.13
Growth Rate of Net Profit for 10N	**7.00%**
Growth Rate of Net Profit after 10N through 15N	**3.50%**
FV of Net Profit in 10N	$30,325.87
FV of Net Profit in 15N	$36,017.62
FV of tangible book value plus Net Profits for 10N	$314,853.35
FV of tangible book value plus Net Profits for years 11 - 15N	$536,568.45
Current Enterprise Value	$235,293.80
FV of tangible book value plus Net Profits for 10N	($314,853.35)
Years	10
ROI on tangible book value plus Net Profits for 10N	2.96%
FV of tangible book value plus Net Profits for 10N	$314,853.35
FV of tangible book value multiplier	2.00
	2.50
FV of Tangible Book Value using BV multiplier in year 10	**$629,706.69**
Current Enterprise Value	$235,293.80
FV of tangible book value plus Net Profits for years 11 - 15N	($536,568.45)
Years	15
ROI on tangible book value plus Net Profits for 15N	5.65%
FV of tangible book value plus Net Profits for 15N	$536,568.45
FV of tangible book value multiplier	2.5
FV of Tangible Book Value using BV multiplier in year 15	**$1,341,421.12**
Potential Future EV using BV multiplier above	
Current Enterprise Value	$235,293.80
FV of Tangible Book Value using BV multiplier in year 10	($629,706.69)
Years	10
ROI on FV of Tangible Book Value using BV multiplier in year 10	**10.35%**
Current Enterprise Value	$235,293.80
FV of Tangible Book Value using BV multiplier in year 15	($1,341,421.12)

Years	15
ROI on FV of Tangible Book Value using BV multiplier in year 15	**12.30%**
Sanity Checks:	
P/E in future	
FV of Net Profit in 15N	$36,018
P/E estimate	15.00
Market Cap on above	-$540,264
Years	15
Current Enterprise Value	$235,294
ROI in 15N using above	5.69%
Potential Revenue Growth	
Current Revenues	$421,849
Growth Rate of Revenues for 10N	7.00%
Growth Rate of Revenues after 10N through 15N	3.50%
FV of Revenues in 10N	($829,841)
FV of Revenues in 15N	$985,591
FV of Revenues in 15N	$985,591
Revenue Multiplier based on Al Meyer Rule of Thumb net margins	0.75
Possible Market Cap year 15	($739,193)
Years	15
Current Enterprise Value	$235,294
ROI in 15N using above	8%

Company	Walmart	Walmart
Report Date	17-Nov-10	02-May-11
Price	53.7	55.04
Growth Rate	**5.00%**	**5.00%**
Price/Sales	0.46	0.48
Price/ Net Cash Flow	17.55	18.53
Price/ Net Book Value	2.09	3.90
P/E Ratio Current	13.26	12.65
P/E Ratio Year 2	12.49	12.51
Current Ratio	0.80	0.89
Quick Ratio	0.25	0.27
LT Debt / Shr. Equity	49.97%	59.37%
LT Debt / Current Assets	71.99%	78.42%

Return on Shr. Equity	20.00%	23.28%
PEG Ratio (Current)	2.65	2.53
PEG Ratio Year 2	2.50	2.50
PEGY Ratio (Current)	1.84	1.76
PEGY Ratio Year 2	1.74	1.74
Graham Ratio (current)	27.76	49.36
Graham Ratio Year 2	26.15	48.80
Growth Flow Ratio (<12=nrml)	13.26	12.65
Cash King (s/b > 10 %)	2.62%	2.58%
Flow Ratio (s/b < 1.25)	0.81	0.77
Intrinsic Value (current)	59.94	64.38
Intrinsic Value Year 2	63.64	65.12
Intrinsic Value Year 3	66.82	68.38
Intrinsic Value Year 4	70.16	71.79
Intrinsic Value Year 5	73.67	75.38
Intrinsic Value / Price (current)	11.62%	16.97%
Intrinsic Value / Price Year 2	18.51%	18.31%
Intrinsic Value / Price Year 3	24.44%	24.23%
Intrinsic Value / Price Year 4	30.66%	30.44%
Intrinsic Value / Price Year 5	37.19%	36.96%

May 2, 2011 (55.00) Review of Annual Report and 10-K FYE1/31/11

Five-Year Financial Summary

(Dollar amounts in millions, except per share and unit count data)

As of and for the Fiscal Years Ended January 31,	2011	2010 (As Adjusted)	2009 (As Adjusted)	2008 (As Adjusted)	2007 (As Adjusted)
Operating Results (1)					
Net sales	**$418,952**	$405,132	$401,087	$373,821	$344,759
Net sales increase	**3.4%**	1.0%	7.3%	8.4%	11.6%
Comparable sales in the United States (2)	**-0.6%**	-0.8%	3.5%	1.6%	2.0%
Walmart U.S.	**-1.5%**	-0.7%	3.2%	1.0%	1.9%
Sam's Club	**3.9%**	-1.4%	4.9%	4.9%	2.5%
Gross profit margin	**24.7%**	24.9%	24.2%	24.0%	23.4%
Operating, selling, general and administrative expenses, as a percentage of net sales	**19.3%**	19.7%	19.3%	19.0%	18.5%
Operating income	**$ 25,542**	$ 24,002	$ 22,767	$ 21,916	$ 20,552
Income from continuing operations attributable to Walmart	**15,355**	14,449	13,235	12,841	12,224
Net income per share of common stock:					
Diluted net income per common share from continuing operations attributable to Walmart	**$ 4.18**	$ 3.73	$ 3.35	$ 3.15	$ 2.93
Dividends declared per common share	**1.21**	1.09	0.95	0.88	0.67
Financial Position					
Inventories	**$ 36,318**	$ 32,713	$ 34,013	$ 34,690	$ 33,235
Property, equipment and capital lease assets, net	**107,878**	102,307	95,653	96,867	88,287
Total assets	**180,663**	170,407	163,096	163,200	151,274
Long-term debt, including obligations under capital leases	**43,842**	36,401	34,549	33,402	30,735
Total Walmart shareholders' equity	**68,542**	70,468	64,969	64,311	61,298
Unit Counts					
Walmart U.S. segment	**3,804**	3,755	3,703	3,595	3,488
Walmart International segment	**4,557**	4,099	3,595	3,093	2,733
Sam's Club segment	**609**	605	611	600	588
Total units	**8,970**	8,459	7,909	7,288	6,809

(1) Effective May 1, 2010, the Company implemented a new financial system for its operations in the United States, Canada and Puerto Rico. Concurrent with this implementation and the increased system capabilities, the Company changed the level at which we apply the retail method of accounting for inventory in these operations. The retrospective application of this accounting change impacted both segment and consolidated operating income, as well as consolidated net income for all comparable periods presented. See "Notes to Consolidated Financial Statements," Note 2 "Accounting Change."

In addition, we reclassified certain revenue and expense items within our Consolidated Statements of Income for financial reporting purposes. The reclassifications did not impact consolidated operating income or consolidated net income attributable to Walmart. The changes were effective February 1, 2009 and have been reflected for fiscal 2010, 2009 and 2008.

(2) Comparable store and club sales include fuel. Fiscal 2008 and fiscal 2007 comparable sales include all stores and clubs that have been open for at least the previous 12 months. Additionally, for those fiscal years, stores and clubs that are relocated, expanded or converted are excluded from comparable sales for the first 12 months following the relocation, expansion or conversion. Fiscal 2011, 2010 and 2009 comparable sales include sales from stores and clubs open for the previous 12 months, including remodels, relocations and expansions. Fiscal 2008 and fiscal 2007 comparable store and club sales do not reflect reclassifications effective February 1, 2009, as noted above.

Share repurchase activity under our share repurchase program was as follows during our quarter ended January 31, 2011:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (billions)
Nov 1-30, 2010	22,321,766	$ 54.35	22,321,766	$ 7.4
Dec 1-31, 2010	25,039,567	54.19	25,039,567	6.1
Jan 1-31, 2011	22,469,534	54.91	22,469,534	4.8
Total	69,830,867		69,830,867	

Review of Value Line 5/6/11

1. Timeliness which was increased last issue, now was decreased back to 2.

2. Operating profits growing faster than Sales. Expects double digit growth from international segment.

3. China is continuing to grow.

4. Projects 5 year price target ~$79 - ~$99

Morningstar 2/22/11

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship	Morningstar Credit Rating	Industry
54.98 USD	60.00 USD	48.00 USD	75.00 USD	Low	Wide	B	AA	Discount Stores

Other Miscellaneous Notes

1. Credit Suisse (3/31/11) thinks greatest growth comes from China and Brazil.

2. **Argus 4/21/11**

Maintained their $65 price target. “We believe that the company's financial strength, dominant market position and low cost structure make for a favorable balance of reward to risk.”

“Dividend yields of high-quality retailers are rarely high enough to draw our attention, but we believe that WMT's 2.7% indicated yield is attractive, compared with a two-year Treasury yield of 0.65% and a five-year Treasury yield of 2.1%. It is important to note that WMT has raised its dividend every year since it initiated a payout in 1974. Over the last five years the company has raised the dividend at an annual rate of 15%.”

“We recently reduced our five-year earnings growth rate estimate to 10% from 13%.”

3. **Standard & Poors 2/23/11**

Strong Buy $65 price target in 12 months.

Thinks WMT is well positioned for international growth.

Expanded Ratio Analysis

	2011	2010	2009	2008
Price/Sales	0.48	0.51	0.52	0.60
Price/EBITDA	6.08	6.60	7.95	9.21
Price/Pretax Income	8.57	9.48	10.11	11.30
P/E Ratio	12.64	14.51	15.93	17.72
Avg. Diluted Shares Outstg (M)	3,670.0	3,877.0	3,951.0	4,072.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	3.34	3.35	6.01	8.06
Net Income	10.72	7.53	6.76	9.33
Ratio Analysis (Annual Avg.)				
Net Margin (%)	3.78	3.53	3.50	3.49
% LT Debt to Capitalization	33.88	31.30	31.11	31.81
Return on Equity (%)	22.91	21.50	21.23	21.45

Company Financials Fiscal Year Ended Jan. 31

Per Share Data ($)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tangible Book Value	14.73	14.43	12.75	12.22	11.57	9.84	9.12	7.83	6.78	5.95
Cash Flow	6.43	5.56	5.06	4.72	4.23	3.81	3.44	2.91	2.58	2.22
Earnings	4.18	3.72	3.35	3.16	2.92	2.68	2.41	2.03	1.81	1.50
S&P Core Earnings	4.18	3.72	3.42	3.16	2.92	2.66	2.41	2.03	1.79	1.47
Dividends	NA	1.09	0.95	0.67	0.67	0.60	0.52	0.36	0.30	0.28
Payout Ratio	NA	29%	28%	21%	23%	22%	22%	18%	17%	19%
Calendar Year	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Prices:High	56.27	57.51	63.85	51.44	52.15	54.60	61.31	60.20	63.94	58.75
Prices:Low	47.77	46.25	43.11	42.09	42.31	42.31	51.08	46.25	43.72	42.00
P/E Ratio:High	13	15	19	16	18	20	25	30	35	39
P/E Ratio:Low	11	12	13	13	14	16	21	23	24	28
Income Statement Analysis (Million $)										
Revenue	421,849	408,214	405,607	378,799	348,650	312,427	285,222	256,329	244,524	217,799
Operating Income	33,183	31,663	26,580	24,784	22,298	23,247	18,729	16,525	15,075	15,367
Depreciation	7,641	7,157	6,739	6,317	5,459	4,717	4,405	3,852	3,432	3,290
Interest Expense	2,205	2,065	2,272	1,467	1,809	1,420	1,187	996	1,063	1,326
Pretax Income	23,538	22,066	20,898	20,198	18,968	17,358	16,105	14,193	12,719	10,751
Effective Tax Rate	NA	32.4%	34.2%	34.2%	33.6%	33.4%	34.7%	36.1%	35.3%	36.2%
Net Income	15,959	14,414	13,254	12,884	12,178	11,231	10,267	8,861	8,039	6,671
S&P Core Earnings	15,355	14,414	13,505	12,880	12,178	11,134	10,267	8,861	7,955	6,592
Balance Sheet & Other Financial Data (Million $)										
Cash	7,395	7,907	7,275	5,569	7,373	6,414	5,488	5,199	2,758	2,161
Current Assets	51,893	48,331	48,949	47,585	46,588	43,824	38,491	34,421	30,483	28,246
Total Assets	180,663	170,706	163,429	163,514	151,193	138,187	120,223	104,912	94,685	83,451
Current Liabilities	58,484	55,561	55,390	58,454	51,754	48,826	42,888	37,418	32,617	27,282
Long Term Debt	40,692	33,231	31,349	29,799	30,735	30,171	23,669	20,099	19,608	18,732
Common Equity	68,542	70,749	65,285	64,608	61,573	53,171	49,396	43,623	39,337	35,102
Total Capital	120,115	110,517	104,673	102,259	94,468	84,809	74,388	65,206	60,307	55,041
Capital Expenditures	12,699	12,184	11,499	14,937	15,666	14,563	12,893	10,308	9,355	8,383
Cash Flow	23,600	21,571	19,993	19,201	17,637	15,948	14,672	12,713	11,471	9,961
Current Ratio	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9	1.0
% Long Term Debt of Capitalization	33.9	30.1	30.0	29.1	32.5	35.6	31.8	30.8	32.5	34.0
% Net Income of Revenue	3.8	3.5	3.3	3.4	3.5	3.5	3.6	3.5	3.3	3.1
% Return on Assets	9.1	8.6	8.1	8.2	8.4	8.7	9.1	8.9	9.0	8.3
% Return on Equity	22.9	21.2	20.4	20.4	21.2	21.9	22.1	21.3	21.6	20.1

4. **Merrill Lynch 3/11/11**

Estimates (Jan)

(US$)	2010A	2011A	2012E	2013E	2014E
EPS	3.66	4.07	4.40	4.80	5.32
GAAP EPS	3.70	4.19	4.40	4.80	5.32
EPS Change (YoY)	7.3%	11.2%	8.1%	9.1%	10.8%
Consensus EPS (Bloomberg)			4.44	4.89	NA
DPS	1.09	1.21	1.28	1.40	1.50

Valuation (Jan)

	2010A	2011A	2012E	2013E	2014E
P/E	14.4x	12.9x	12.0x	11.0x	9.9x
GAAP P/E	14.2x	12.6x	12.0x	11.0x	9.9x
Dividend Yield	2.1%	2.3%	2.4%	2.7%	2.8%
EV / EBITDA*	7.3x	6.9x	6.6x	6.1x	5.6x
Free Cash Flow Yield*	6.3%	3.8%	6.0%	7.0%	8.3%

* For full definitions of *iQmethod* SM measures, see page 5.

iQmethod SM – Bus Performance*

(US$ Millions)	2010A	2011A	2012E	2013E	2014E
Return on Capital Employed	13.5%	13.6%	13.2%	13.2%	13.4%
Return on Equity	20.6%	20.7%	20.4%	19.3%	18.7%
Operating Margin	5.9%	6.1%	6.2%	6.4%	6.7%
Free Cash Flow	11,770	7,136	11,221	13,075	15,571

iQmethod SM – Quality of Earnings*

(US$ Millions)	2010A	2011A	2012E	2013E	2014E
Cash Realization Ratio	1.8x	1.4x	1.5x	1.5x	1.5x
Asset Replacement Ratio	1.9x	1.7x	1.6x	1.5x	1.4x
Tax Rate	34.1%	34.0%	34.0%	34.0%	34.0%
Net Debt-to-Equity Ratio	41.5%	55.2%	39.5%	25.8%	13.0%
Interest Cover	12.9x	12.8x	13.1x	13.9x	13.8x

February 4, 2011 ($55.99)   Review of Value Line 2/4/11

1. Timeliness raised to '1' and same with technical.

2. "These safe, timely shares may interest patient investors."

3. Similar metrics to prior report. EPS was increased slightly to $4.05 and $4.45 for F2010 and F2011, respectively.

December 13, 2010 (54.01) Few more words on Thesis from 12/7/10

I am using some conservative growth rates. Hence our valuation spreadsheets might not show as much upside, as perhaps can reasonably be selected. WMT seems to be one of the core examples of our theme of getting high quality and sustainability cheap. Typically one must pay up for quality, reasonable expectations, predictable earnings, but in many cases I think the blue chips are being punished for their past prices. Investor may ask, “Why buy WMT, when it was a greater price 10 years ago?” Answer is it was probably severely over-valued 10 years ago. See comparison table from 11/10.

Free Cash flow is a tough WalMart metric, because of their store growth, etc. One day that will hopefully start generating ample excess cash.

December 7, 2010 (55.13) Thesis one more time

We are using a 5% to 7% eps growth rate in our intrinsic value analyzer.

	RBCO	RBCO	ML	Argus	DB	1St Global	VL
	12/7/10	12/7/10	11/17/10	11/16/10	11/16/10	11/30/10	11/05/10
Eps	5.0%	7.0%	9.5%	10%	N/A	N/A	10%
2011	4.05	4.05	4.10	4.08	4.04	4.10	4.05
2012	4.30	4.45	4.40	4.37	4.47	4.53	4.45
2013	4.52	4.76	4.80	N/A	N/A	N/A	N/A
2014	4.74	5.09	N/A	N/A	N/A	N/A	N/A
2015	4.98	5.45	N/A	N/A	N/A	N/A	N/A

I have been using a growth rate below consensus from above.

Using our 5% table above, we have current value of $60 per share, and at 7%, current value would be $73 per share. This uses a 30 year Corporate bond assumption of 5.50%. If we use the same assumptions, yet change the rate to 6.00%, we would get a current value of $55 at 5% eps growth, and $67 at 7% growth rate. If we use 10% growth rate , and a 6% corporate bond rate, we would get a current value of $85. This assumes eps of 4.05 in F11 and 4.45 in F12.

Something to watch in future. If growth comes in greater than 5%, I think we have a core value hold.

Company Name	**Walmart**	**Walmart**
Date	31-Jan-10	7-Dec-10
Price	$53.14	$55.14
Shares Oustanding	3,877	3,706
Market Capitalization	$206,024	$204,349
Cash and CE	$7,907	$10,616
Long Term Debt	$33,231	$40,803
Minority Interests	$2,180	$2,495
Goodwill	$16,126	$16,586
Intangibles	$0	$0
Other Intangibles	$0	$0

Enterprise Value	$233,528	$237,031
Enterprise Value Per Share	$60	$64
Price To Enterprise Value	88.22%	86.21%
Short Term Debt	$4,573	$5,196
Stockholders Equity	$72,929	$68,020
Tangible Book Value	$56,803	$51,434
Book Value Per Share	$18.81	$18.35
Tangible Book Value Per Share	$14.65	$13.88
Price / Book Value	282.50%	300.42%
Price / Tangible Book Value	362.70%	397.30%
Price / Earnings Ratio	1429.33%	1346.88%
Enterprise Value / Revenues	57.65%	56.10%
Market Cap / Revenues	50.86%	48.37%
Goodwill / Total Assets	9.45%	8.87%
Debt / Equity	51.84%	67.63%
P/E	14.29	13.47
Average P/E Last 10 Years	25.00	25.00
Depreciation	$7,157	$7,500
CapEx	$12,184	$12,500
Cash Flow	$9,387	$10,000
Cash Flow Per Share	2.42	2.70
Price / Cash Flow	21.95	20.43
Revenues	$405,046	$422,500
Revenues Per Share	$104	$114
Total Assets	$170,706	$186,890

Net Income	$14,414	$15,172
Net Income Per Share	$3.72	$4.09
Return on Equity	19.76%	22.31%
Bond Rating (S&P)	AA	AA
Growth Rate	5.00%	5.00%
Dividend	$1.09	$1.18
Dividend Yield	2.05%	2.14%
Dividend / Net Income	29.32%	28.82%
Dividend / Cash Flow	45.02%	43.73%
Interest Expense	$1,787	$2,000
Net Income Before Taxes	$22,066	$22,066
Interest Coverage Ratio	13.35	12.03
Insider Activity	Selling	Neutral
BuyBacks	Yes	Yes
Dilution	No	No
Management Compensation	TBD	TBD
Price to buy more	$0.00	$49.00
Price to sell or consider reducing	$0.00	$58.00

December 7, 2010 (55.13) Review of 3Q11 10-Q

Really nothing different than earnings notes from November 16, 2010.

December 7, 2010 (55.13) Retail Basics as per a retail analyst. Just some things to watch

So, for a retailer, i will return to referencing things like:

*store count
*growth in count and sqft
*growth-historical
*Point in Growth cycle
*SSS trends and compares
*Niche
*Inventory levels - this quarter and expected next
*Capital Allocation
*min cash required by biz
*Margins - Now vs. Historical

November 16, 2010 (54.48) R Some Changes I noticed looking at Value Line 11/5/10

	2010E	**2000**
Price	$54.48 11/16/10	$60.46 12/31/99
Sales Per Share	116.70	42.80
Cash Flow Per Share	6.20	2.05
Earnings Per Share	4.05	1.40
Dividends Per Share	1.21	0.23
Book Value Per Share	25.65	7.01
Shares Outstanding	3625	4470
Dividend Yield	2.22%	0.0038%
Sales	4.23B	1.91B
Gross Margin	26.6%	23.0%
Operating Margin	7.5%	6.5%
# of Stores	8,900	4,189
Net Profit Margin	3.5%	3.3%
Long Term Debt	35,600	15,655
Shareholder Equity	85,000	31,343
Return on Capital	13.0%	14.5%
Return on Equity	17.5%	20.1%
Dividend retained to Net Profit	31%	17%
Market Cap	$198B	$254B
Estimated Annual Growth Rates		
Sales	8.5%	16.0%
Cash Flow	8.5%	20.0%
Earnings	10.0%	19.5%
Dividends	11.0%	21.0%

Book Value	10.0%	19.5%
Metrics		
Price To Sales	46.68%	141.26%
Price To Cash Flow	8.79	29.49
Price To Book Value	2.12	8.62
Price to Earnings	13.45	43.19
RBCO Intrinsic Value Year 1	66.83	29.64
RBCO Intrinsic Value Year 5	89.95	61.46

Our two-minute investment thesis on Wal-Mart.

A. World leader in retail. International business is growing and profitable. They have aspirations to succeed in China and India. There are some difficulties being felt in Brazil.

B. Emphasizes technology and efficiency.

C. Investors look at price today and compare it to a decade plus ago. Not necessarily a fair comparison. When you look at the metrics, you will see that Wal-Mart been operationally successful. If you look at the metrics from a decade ago, you will see metrics that were priced for perfection. Most metrics today are positive.

D. Two concerns for me right now are the same store sales, and the inventory growth during the quarter ended October 31, 2010. Same store sales decreased by 1.3%. Yet, Sam's Club has increased Same store sales by 2.4% (without fuel). The other concern is that inventory grew 7.7% year to date, whereas Sales on increased by 3.8%. Something to monitor. Inventory growth is being explained as normal holiday build.

E. S&P bond rating of 'AA.'

F. Buying back shares. 845M less shares than December 31, 1999.

G. We project WMT will earn at least $4.05 this year (company projects $4.08 to $4.12), and $4.30 in F2012 (Value Line projects $4.45). If company earns $4.30 and using a Price/Earnings ratio of 15, would give WMT a stock price of $64.50.

H. Using various projections of revenue growth and earnings, based on current levels, we are expecting annualized returns of WMT between 6% and 13% if held for a long period. If we were to use a "gun to the head" guess of ROI for our WMT investment duration, we would expect returns slightly north of 10%. This is merely a non-authoritative guess, and as I have mentioned previously, we could be very incorrect in our interpretations. The above guess of return is based on WMT achieving a 15 year growth rate of 3.5%, and a 'Price to Book Value' in years 10 and 15 of 2.5X. Historically, WMT has traded at a price much greater than 3X book value.

I. Perceived as socially irresponsible. I have spoken to several people who will try to avoid, or will avoid shopping at WMT, because these people perceive WMT being socially irresponsible. I have wrestled with this for years, and I find WMT to be a fairly "fair" organization (at least within our "capitalistic system.")

J. Insiders own > 60% of shares outstanding.

K. Return on Equity consistently in the high teens to low 20's.

L. Cash flow yield low, yet this looks to be from material international expansion.

November 16, 2010 (54.57) R Notes from earnings release and conference call

1. Company claims to continue to leverage operating expenses. Leveraging operating expenses has been an important reiterated theme of theirs. They claim it is the key to ROI (search 'leverage' below), and think that same store sales growth is the key to this leverage.

2. Another theme has been that Operating Income will rise faster than Sales. This has been achieved.

3. Sam's Club increased same store sales by 2.4% (without fuel.) Same store higher for Advantage members, but lower for Business members.

4. ROI for trailing 12 months has increased to 18.6% from 18.4%.

5. John mentioned that Same Store Sales decreased 1.3%. They also claimed that traffic decreased and average ticket price was down slightly. Prior year same store comp decreased 2%. WMT claimed comp sales were within guidance.

6. "*International remains a key to our future growth*." "*International Sales were up 9.3% and Operating Income grew faster than Sales*." On a constant currency basis Sales grew 7.9%.

7. Guidance increase to reflect 3Q10 tax benefit.

8. *"Financial uncertainty still weighs heavily on everyday Americans." "The paycheck cycle is still pronounced for these customers."*

9. Expects tax rate to be 33% to 34% with some quarterly fluctuation.

10. Inventory grew 7.7% YoY, whereas Sales increased 3.8%. Mentions U.S. was primary driver of this. Inventory growth pressured FCF, whereas growth in Accounts Payable, partially offset that pressure. Payables grew faster than inventory. Accounts Payable to Inventory ratio was 88.2%, up from 81.1% same time last year. Expects same inventory pressure in 4Q10.

11. International inventory grew 13.9%,which was faster than Sales growth. They previously indicated an objective was to grow inventory at ½ the rate of Sales. Objective not met.

12. Debt to Total Capitalization ratio was 46.4%, up from 41.3% last year at same time.

13. F2010 capex expected to be $13 - $14B, already spent $9.3B. Claims this is inline with guidance.

14. Inventory growth driven by planned seasonal build-up of distribution centers.

15. "Deflationary pressures continue to affect sales of consumables."

16. "Walmart.com grew at a faster rate than the overall online market again this quarter."

17. Expects positive comps for the holidays. Expects 4Q10 comps to increase 1% to 2%.

18. Sam's Club experienced inflation in Dairy and meat.

What has changed in 10 Years according to Conference call transcript

1. Store count and square footage has doubled.

2. Sales were $150B compared to > $400B today.

3. Eps was $1.25, compared to guidance of $4.08 to $4.12 for F2011.

November 16, 2010 (54.92) J Random notes from the 8K earnings report issued this morning:

1. U.S. comp store sales declined 1.3% during the quarter. I'm sure this will set off headlines, but... (Ron note: I asked John what he meant by this, and he wrote, "#2 is International sales grew over 9% and overall sales were up about 2.5%. The headline will be lower U.S. sales but as you look deeper, the headline is misleading..")

2. International sales rose 9.3% during the qtr. International sales were 26.6% of total sales vs. 25% of sales last year 3Q. Total sales increased 2.6% for the quarter, and are up 3.7% YTD.

3. EPS was $0.95, including $0.05 tax benefit so the adjusted eps met guidance.
4. Raised full-year eps to $4.08 - $4.12 from $3.95 - $4.05.
5. Repurchased $3.9B in shares during the qtr ($11B YTD) and still has $8.5B remaining under the current repurchase program ($15B announced June 4, 2010).
6. EPS was up 9.3% for the qtr vs. last year and YTD eps is up 7.5%.

The shares currently trade at 13.4 times the midpoint of full year eps estimate of $4.10. Nothing in the report to alter my opinion (hold) and perhaps buy if price < $50. I would consider reducing at $60 which would be a PE of 15. We will need to watch international growth as that may be a reason to increase our growth estimates if the company is successful in new markets.

November 15, 2010 (53.96) R Briefing.com earnings preview

The world's largest retailer Wal-Mart (**WMT**) is scheduled to report earnings tomorrow (Nov 16) before the open followed by a pre-recorded conference call released at 7:00am ET. Current consensus is for Q3 EPS of $0.90 (**midpoint of estimate range of $0.88-0.92**) on revs of $102.3 bln; Q4 EPS of $1.28 on revs of $117.6 bln; and FY11 EPS of $4.03 on revs of $424 bln. Co **issued Q3 guidance and updated its full year guidance with last quarter's results**. WMT forecasted Q3 EPS of $0.87-0.91 (the consensus has lowered by a penny from $0.91 since this guidance was issued). **Walmart U.S.** expects Q3 comparable store sales to range from -2.0% and 1.0% and **Sam's Club** expects Q3 comparable club sales of 0-2.0%, ex fuel. Co also **raised FY11 EPS guidance by a nickel to $3.95-4.05** from $3.90-4.00. Along with Q3 results release tomorrow, the co will issue guidance for Q4/FY11 comps for Walmart U.S and Sam's Clubs and update its full year EPS guidance ***in the press release***... During the co's Annual investor conference in October, the co reaffirmed plans for 4-6% growth this year (which calc to $424.5-432.7 bln in revs) and forecasted FY12 growth of 4-6% (emphasized EXCLUDING acquisitions). The ***driver will be forward looking guidance with the crucial upcoming holiday period***.

WMT has been the clear laggard YTD (up less than 4%) but over the past three months WMT and COST have outpaced other retailers and the overall market. Click here for details related to the **stock price movement of WMT, big box retail peers and the retail sector** (note users may need to click image to enlarge).

Key areas of focus:

- **Guidance**: Co will issue guidance for Q4 comps for Walmart U.S and Sam's Clubs and update its full year EPS guidance in the press release. *Estimates are currently in-line with the co's prior FY11 EPS guidance.*
- **Traffic**: Co said at its Annual investor meeting that it was encouraged by Q3 traffic trends. Walmart U.S. did see sequential improvement in Q2 traffic. *Commentary surrounding this*

metric has been more in focus since the co reported that traffic in Q4 decreased slightly.

- **Comparable Store Sales** (*no longer provides monthly comps*): **Wal-Mart U.S.** comps turned negative Q3 of last year (after posting two straight years of positive comps) as **Sam's Club** comps (ex fuel) have managed to hold in positive territory (last qtr Sam's Club 1% comps topped their guidance). Co saw ***Q2 comps improve towards the end of the qtr***, which could basis for momentum heading into the holidays... To assess this qtr's comps we provided reported numbers from a few of WMT's peers over the past three months. Please click here for **chart of WMT peer's comps** (users may need to click image to enlarge).
- **Margin details/commentary**: The gross margin can be calculated from the earnings press release (co does not usually give the number explicitly). The Q3 consensus is in-line with last qtr's (25.26%)--the co previously forecasted 2H margin rate to hold flat with last year.
- **Sam's membership trends**: The press release does not usually provide much information regarding membership details. The Q2 membership income increased 80 basis points y/y due to Plus membership upgrades. *Upgrades have been the driver for the past three quarters*. The add-on business memberships have been facing headwinds since Q4.
- **Walmart.com**: Co recently announced the launch of free shipping for select online purchases (allowing the co to compete more directly with online retail giant AMZN). Last qtr, the co said its traffic to Walmart.com increased "significantly" sequentially, although order size remained flat.
- **International growth**: International segment is the co's fastest growing division. Co operates Asda in the U.K, Walmex in Mexico, Seiyu in Japan and Best Price in India as Best Price and has operations in Argentina, Brazil, Canada and Puerto Rico. New stores are expected to add 21 mln square feet of space this fiscal year and between 23-24 mln square feet next year.
- **Capital Spending**: During the co's annual investor meeting in Oct, it lowered the high end of its FY11 forecast for capital spending by $1 bln to bring range to $13-14 bln with square footage growth of 3-4% (*sq foot and CapEx growth about same*). Co also forecasted FY12 CapEx of $13.5-14.5 bln. In FY11 co expects to add ~32.5 mln square feet globally, compared to ~34 mln square feet added in the prior year. Walmart expects to increase global square footage between 34.5 and 35.5 mln square feet in fiscal year 2012. Co noted that in Q2 it leveraged expenses and **confirmed plans to continue to leverage expenses**.

November 1, 2010 (54.27) R Review of 11/5/10 Value Line (Much of the discussion was based on investor day discussed below. VL did not mention this, but to me it is obvious.)

1. Various Value Line Metrics comparing 11/5/10 to 8/6/10 for F2011. We have certainly seen detonation in many of the categories. Something to watch.

	11/5/10	8/6/10

Sales Per Share	125.35	130.55
CF per share	6.65	6.80
Eps	4.45	4.45
Divs	1.38	1.30
Book Value	25.65	22.20
Shares o/s	3550	3500
Sales	445,000	457,000
Operating Margin	7.5%	7.0%
# of Stores	9250	9250
Profit Margin	3.6%	3.5%
Working Capital	-11,000	-11,000
Shareholder Equity	91,055	77,750
Long Term Debt	35,600	38,300
ROTC	13.5%	14.5%
ROE	17.5%	20.5%
Divs to Profits	31%	29%
Projected Growth Rates		
Sales	8.5%	10.0%
Cash Flow	8.5%	10.0%
Earnings	10.0%	10.0%
Dividends	11.0%	11.0%
Book Value	10.0%	11.0%

2. Expects comps to be slightly negative in October quarter and turn positive in January quarter.

3. Company plans to compete with dollar stores. Only 30 - 40 this year, but Claims Company thinks there are "hundreds to thousands of opportunities in urban areas." This was discussed at investor meeting during October.

4. Major savings by eliminating middleman. Buying more produce directly from suppliers (19% more), and expects this to rise to 25% in F2011. This was discussed at investor meeting during October.

5. "Patient investors may find these shares neutrally ranked shares appealing.

6. Thinks sales to lower income houses will increase because of cost efficiencies. Yet, they are concerned that wealthier earnings will have less traffic, and that could offset the lower income gains.

Review of Meeting with Investment Community on October 13, 2010

1. Focus on top line sales. Same store comps are "critical."

2. Claims to be focused on shareholder returns. Increasing dividends and implementing share buybacks.

3. Claims Sam's Club is gaining momentum. Projects 3rd quarter revenue guidance of +1% to +3%. Prior guidance was flat to +2%. Encouraged with traffic momentum. Bill Simon (Grandson of Sam Walton) confirmed that this is a guidance raise.

4. Claims operating growth being greater than revenue growth shows investor they are nimble. I am always concerned with this type of growth, as the potential for quality of earnings could be impacted, or that the trend can not continue, as a type of cost savings saturation is attained.

5. "We are seeing tremendous growth in China, and China is a key market for us." "It is a must win market."

6. Expects inventory to grow at ½ the rate of sales. Claims inventory turnover is higher, although inventory has grown.

7. Deflation has been in food at around 1% over the last 12 months. They are seeing deflation moderate slightly. Expects slight inflationary environment in food next year. Definitely experiencing commodity inflation. Does not see demand strong enough from consumers to inflate prices next year. Some inflation, but moderate. (Ron mention: Commodity inflation is a fact, so at some point it will be passed on.) WalMart went on to discuss that inflation will be what it will be, and customers will have to focus on baskets of savings.

8. Reiterated that without top line growth, they can not continue to leverage ROI. (Ron's comment: I think this is an important concept, as one of my concerns of such was mentioned above. Hence, I am comfortable and relieved that WMT is cognizant of such.)

9. They claim to be focused on ecommerce growth, without WMT cannibalization. They mentioned limited retail market, so pie has to be cut somewhere, but they do not expect pie to cut into WMT, and should occur elsewhere.

10. Charles Holley – Incoming CFO

A. Original guidance was that they would grow 4% to 6% this year. He claimed they did do this. To be fair, he identified in square footage they guided to grow 4%, whereas they expect to end a little under that, somewhere between 3% and 4%.

B. SG&A will be levered. Committed to productivity loop, hence operating income will increase greater than sales.

C. Free Cash flow will be strong as guided. Had record FCF of $14B last year. Mentioned last year inventory was too light ($2B to $3B). They claimed to build it this year, and that cash flow will be impacted. Yet, cash flow "still very strong."

D. Thinks same store sales will be sooner than later.

E. Expects "huge growth in China." Currently in the low single digits. "Imagine if we can capture 5, 7, 10%, and 15% of that growth?"

F. Claims SG&A grew from 2006 to F2010, because of investing on people and financial systems. Also had to catch up on some merchandising systems.

G. Leverage of SG&A will be enhanced when same store sales are positive on a comp metric. Claims they failed to lever SG&A previously, and that will change.

H. EPS has grown 8% on average over the last 5 years.

I. ROI will stay around 19%. It will fluctuate quarter to quarter. Committed to keeping ROI stable over the long term.

J. First priority is investing in growth, second priority is dividends and third is share repurchases. They want to do this under an umbrella of an AA rating... First six months of year, had $7.1B in share repurchases. Expect to continue, but it is the last use of their cash.

K. Capex this year expected to be $13B to $14B and next year expected to be $13.5B to $14.5B. Corporate will spend around $1B in this and next year for capex, mostly in technology.

L. Organically expects to grow 4% to 6% next year. Expects square footage growth to be 3% to 4%.

M. Analyst asked about stock price and P/E. Holley mentioned that disciplined operations and executions are the key. An increase of cash and shareholder returns will typically show up in a stock price.

11. **Ron's thoughts**: Need to really watch WMT from all points above. They made some promises and assertions. I have no reason to believe these will not develop positively.

September 27, 2010 (53.70) J

Updated the intrinsic valuation worksheet and the valuation analysis. There are variables present in these worksheets that will have a significant impact on the final results in these worksheets.

Intrinsic value worksheet result and assumptions:

30 yr bond rate	6%	6%
Growth rate (eps)	10%	7%
Curr yr eps est.	$4.05	$4.05
Next yr eps est	$4.45	$4.45
Current Intrinsic value	$84.65	$66.83

Valuation analysis worksheet assumptions and results:

Curr yr eps est	$4.05	$4.05	$4.05
10 yr growth rate	3.50%	10%	7%
11-15 yr growth rate	3.50%	7%	5%
Tangible book multiple	3	3	3
Potential ROI 10 yr based on book value	13.00%	17.63%	15.45%
Potential ROI 15 yr based on book value	12.16%	16.75%	14.49%

ROI assuming year 15 PE =15	3.73%	9.23%	6.56%
Year 15 ROI assuming Al Meyer rule	6.00%	11.00%	8.00%

I had used a growth rate of 3.5% in the most recently prepared analysis. The adjusted growth rates are based on Value line's 10% growth and the 7% growth was essentially a mid-point between my admittedly harsh growth rate and the Value Line growth assumption. (Credit Suisse uses a 7.5% eps growth next year.)

September 22, 2010 Blurbs from WMT speaking at GS conference on 9/15/10

1. Walmart responds on September 15, 2010 to a question if they are seeing cost inflation. "*Again, I'll try to give you a forecast. We are seeing some cost on the food side. We are seeing some cost inflation in some of the dairy areas, or dairy-related areas, grain-related areas. The dry grocery area, not yet. That doesn't seem to be happening. We have started to get indications from the Orient that in apparel there could be some cost increases next season. But not to the level that it is a showstopper, and we don't believe that our costs are going to be any greater than any of our competitors. And then I think -- that is probably about all we are seeing right now in the business.*"

2. Still concerned with middle America consumer. WMT sees signs of stress. Cited example of basic needs being filled at midnight after Government Electronic subsidies are activated for consumer.

August 17, 2010 (51.34) J

WMT reported 2Q results this morning. At first glance, nothing out of the ordinary – the Q has not been released yet.

First line of press release: "Walmart reports second quarter diluted earnings per share of $0.97, above First Call consensus of $0.96, and within the company's guidance of $0.93 to $0.98."
J comment - This is a complete throwaway line. When you compare earnings to consensus and guidance, it strikes me as proving the company is very good at managing earnings.

EPS full year guidance was raised from a range of $3.90 to $4.00 to a range of $3.95 to $4.05.

2Q sales were 2.8% higher than last year. However, same store sales were down 1.8% during the quarter. International sales were up 11%, Sam's Club sales were up 2.2%, while U.S. sales were flat during the quarter.

Added 5M sq ft. of retail space this quarter as it continues to grow around the world. They plan to continue to "leverage" expenses (I think this means "cut") and that accounts for the increased eps guidance.

Book value was $17.27 per share as of 7/31/10. ($64,646/3,744)

I ran the valuation schedule using a 3.5% growth rate and 3 times tangible book multiple. The computed 10 and 15 year ROIs are 13% and 12%. However, using that 3.5% growth rate and 15 PE, the ROI is only 3.73%. I think the discrepancy is showing that the shares are currently undervalued, but if the undervaluation gap disappears, the shares should be sold. If we assume eps of $4 and a PE of 15, the shares are $60, but if our growth projections are correct, the PE is unrealistic. Why would you pay

15 times earnings for something growing at 3.5%? If a market sell-off comes (and I think it will), I think WMT will not go down as much – I guess that's a positive.

International growth is one variable that will need to be watched, as any additional growth will be a positive.

I could argue that things might be as good as they can get for Walmart. Poor economy leads consumers to the low cost leader. I forget where I read it recently, but someone noted that "no one aspires to be a Walmart shopper." When the economy improves and the unemployed return to the workforce, they may "treat" themselves to Target or Kohls.

I am okay with the holding currently as it appears undervalued and is paying a dividend of 2.4%, but if it gets above $55/share or near $60, I'd probably look to reduce the holding. It is one of our larger positions but at that price, I don't think it would undervalued. There is, of course, the possibility that the low growth rate will inhibit the PE and my 15 PE assumption is wrong and may be closer to 13 (which means stock is fairly valued now) or 14 ($56 price).

Miscellaneous notes from the 2Q presentation (I hestitate to refer to it as a "call" since it is recorded and there are no questions):

- International was helped by currency benefit of $857M. Constant currency sales increased 2% (vs. 2.8% in press release).
- Gross margin decreased 32 basis points to 24.7%. This was attributed to U.S. operations.
- Repurchased 81.3M shares at a cost of $4.1B ($50.43 avg price) during the quarter. Have $12.4B remaining for repurchases.
- U.S. comp sales declined 1.8% although comps did improve by the end of the quarter and traffic trends improved sequentially during the quarter.
- Customers continue to spend cautiously, especially on discretionary items. Gov't assistance continues to increase as a form of payment, and credit represents 15% of tender. (J notes – The reference to gov't. assistance, i.e., food stamps, supports the item I read from Supervalue supermarkets. While credit purchases were down, we don't know if the credit transactions were just replaced by debit.)
- Expense "leveraging" was driven by: a) 2.8% in labor productivity as they matched associate hours with customer traffic; b) The sales shortfall resulted in a decrease for the management incentive accrual; and c) advertising expenditures were cut to historical levels. (J note – Are these sustainable?)
- Noted the mostly deflationary food environment yet grocery comps were positive.
- International growth seems to have been driven by Brazil (+13.3% sales) and comp sales in Brazil were +3.1%. Opened 93 new stores in the past 12 months.
- Comp sales in Canada were flat. Traffic was down 40 basis point and ticket was up 40 basis points as customers continue to be cautious. (J note- Was the Canadian customer cautious or did the consumer go elsewhere?)

Credit Suisse 8/17/10; rated neutral and $58 target price

Sales continue to be pressured by its core customer. Inventories grew 4.3% while sales grew 2.8%. Their price target is 13.5 times 2011 estimated earnings and the stock is currently trading at 12 times.

Walmart (WMT) 53.42 J

Current year eps estimate 4.00, PE 13.4; and next year eps estimate of 4.40, PE of 12.1. Retailer known for low prices. I don't think share price will suffer as much as general market. Yet, if we sold a portion, I don't think we would miss much on the upside either.
It wouldn't be the first place I would look to reduce. Current dividend of 1.21 (2.3%).

May 10, 2010 (52.36) (R) Review of 5/7/10 Value Line

1. Claims capex in F2009, were 20% below average levels from 2006/2007. Considers capex to be at a very low level. This could enhance ROI and FCF.

2. "Long-term growth prospects for International, are particularly bright.

February 24, 2010 (53.80) ® 2 minute drill

World leader. Hopeful and expected execution of international sales model. Technology leader. I think mass opinion is one of WMT being socially irresponsible, as well as most investors look at last 10 years and say, "why should I own this?" We think those perceptions are built into the price. Major metrics we use are positive, including Price to Sales, Price to earnings, Sales per share, etc. Ratios are all strong including interest coverage, inventory turns. Would like to see price lower (be careful what you wish for.), would increase position. S&P bond rating AA. Stock buy backs. ("The Company repurchased approximately $2.2 billion of our shares during the quarter and $7.4 billion for the year. This represents 40.3 million and 145.5 million shares respectively. We have approximately $9.2 billion remaining on our $15 billion share repurchase program. We remain committed to share repurchase this year."). Worldwide diversification.

Potential negatives. Insider selling. Officers have been selling. Not necessarily huge, but sales nevertheless. Seems to be around $53.92 - $54.73. What if Amazon.com generates $400B in revenues, much would have to come from Walmart.

Quick ROI potential.... Used estimated earnings of $3.92 F2011. Net margin of 3.35%, 3,800 shares outstanding, 15 year growth rate of near 5% (5% 10N and 4% years 11-15), used future price to tangible book value of 3X, ROI > 12%. Currently trades at 3.5X TBV**.**

February 18, 2010 (53.27) (R)

Quick review of earnings release, conference call and Value Line.

From Briefing.com:

1. "Comps were below the co's expectations. Co expects Q1 sales to be difficult, especially with the y/y comparisons. Co is pleased with progress it is making with suppliers and stakeholders... Co dies not expect healthcare to be headwind this fiscal year... Customers remain cautious especially in discretionary spending. Unemployment remains concern, expected to be even greater concern this year... Co expects food deflation to subside in the 1H of the year. Big ticket discretionary categories continue to face pressures. Inventory mgmt continues to be very positive. Co reduced inventory 9.5% y/y (although some of this

is due to deflation). Overall comp traffic and ticket were up for the period. Gross margin ex fuel increased by favored mix in merchandise. Renewal rates continue to be flat. (the call was pre-recorded and the co does not take questions)"

2. "Reported fourth quarter earnings that topped the consensus estimate, but a revenue miss and lukewarm guidance have shares of the world's largest retailer moving lower ahead of Thursday's opening bell. Wal-Mart reported fourth quarter earnings of $1.17 per share, $0.05 better than the First Call consensus of $1.12. Revenues rose 4.5% year-over-year to $113.65 billion, shy of the $114.36 billion consensus. Fourth quarter same-store sales declined 1.6%, excluding fuel. The company expects same-store sales, excluding fuel, for its first quarter to be flat, plus or minus 1%. Wal-Mart's earnings expectations for the first quarter are a bit soft, but do fall in-line with the consensus. The company expects Q1 earnings to range from $0.81 to $0.85 per share; the consensus currently stands at $0.85. Wal-Mart's earnings guidance for the full year falls in-line with estimates and leaves room for a small upside surprise. Wal-Mart expects full year earnings to range from $3.90 to $4.00 per share; the consensus expects $3.97."

Earnings notes:

1. Claims to have returned $11.5B to shareholders in 2009, via dividends and share repurchases.

2. Claims Pre-Tax ROI to be 19.3%, which is same as last years.

3. Claims free cash flow is "Strong." $14.1B in F2010, which is an increase of ~21% over $11.6B in F2009.

4. International Operating Income for 4Q10, included $122M in currency gains. Yet , for F2010 currency reduced income by $540M.

5. Various Sam's Club restructuring charges of $174M. Closed 10 U.S. Clubs.

6. Same Store Sales without fuel in U.S for 13 weeks ended 1/29/10, declined 2.0% for Walmart and increased 0.7% for Sam's Club. Same Store Sales without fuel in U.S for 52 weeks ended 1/29/10, declined 0.2% for Walmart and increased 1.4% for Sam's Club. These comps were materially below 2009's comps.

7. "Comparable stores were below guidance." Claims primarily due to grocery and electronics deflation.

8. Projects 1Q11 13 weeks same store comps to be flat, +/- 1.0%. This compares to an increase of 3.6% in prior year.

9. Guidance for F2011 projected eps to be $3.90 - $4.00, and 1Q11 to be $0.81 - $0.85. Earnings assumes no currency gains or losses.

10. Share count as follows:

Weighted Average	**3 months ended**	**3 months ended**	**12 months ended**	**12 months ended**

Shares	1/31/10	1/31/09	1/31/10	1/31/09
Basic	3,805	3,924	3,866	3,939
Diluted	3,820	3,936	3,877	3,951

11. Various quick ratios. This is incomplete at this time.

Company Name	Walmart
Date	31-Jan-10
Price	$53.14
Shares Oustanding	3,877
Market Capitalization	$206,024
Cash and CE	$7,907
Long Term Debt	$33,231
Minority Interests	$2,180
Goodwill	$16,126
Intangibles	$0
Other Intangibles	$0
Enterprise Value	$233,528
Enterprise Value Per Share	$60
Short Term Debt	$4,573
Stockholders Equity	$72,929
Tangible Book Value	$56,803
Book Value Per Share	$18.81
Tangible Book Value Per Share	$14.65
Goodwill / Total Assets	9.45%
Debt / Equity	51.84%
P/E	14.29

Average P/E Last 10 Years	25.00
Depreciation	$7,157
CapEx	$12,184
Cash Flow	$9,387
Cash Flow Per Share	2.42
Price / Cash Flow	21.95
Revenues	$405,046
Total Assets	$170,706
Net Income	$14,414
Net Income Per Share	$3.72
Return on Equity	19.76%
Bond Rating (S&P)	AA
Growth Rate (My estimate. VL uses 9.5%.)	5.00%
Dividend	$1.09
Dividend Yield	2.05%
Dividend / Net Income	29.32%
Dividend / Cash Flow	45.02%
Interest Expense	$1,787
Net Income Before Taxes	$22,066
Interest Coverage Ratio	13.35
Insider Activity (officers have been selling. Not necessarily huge, but sales nevertheless. Seems to be around $53.92 - $54.73.)	Selling

BuyBacks ("The Company repurchased approximately $2.2 billion of our shares during the quarter and $7.4 billion for the year. This represents 40.3 million and 145.5 million shares respectively. We have approximately $9.2 billion remaining on our $15 billion share repurchase program. We remain committed to share repurchase this year.")	Yes
Dilution	No
Management Compensation	TBD
Price to buy more	$0.00
Price to sell or consider reducing	$0.00

Conference Call Notes:

1. "We expect fiscal year 2011 CapEx to be in the range of $13 billion to $15 billion which we shared at the October meeting for the investment community."

2. "The Company repurchased approximately $2.2 billion of our shares during the quarter and $7.4 billion for the year. This represents 40.3 million and 145.5 million shares respectively. We have approximately $9.2 billion remaining on our $15 billion share repurchase program. We remain committed to share repurchase this year."

3. ""We did experience, however, a slight decrease in traffic during the quarter and as I will discuss later, we are accelerating the implementation of several Project Impact initiatives to drive traffic to our stores. For the full year, customer traffic was up 1.3% while average ticket declined due to price deflation."

4. "Wal-Mart.com had an outstanding fourth quarter delivering sales growth over 30% compared to last year. Site traffic and order growth both exceeded the market. It is no small accomplishment that fiscal 2010 traffic to the site exceeded one billion visits. Without a doubt, these results reflect the strength of the Wal-Mart brand across multiple channels."

5. "The first quarter of fiscal 2011 is now underway. Customers remain cautious especially in discretionary spending. Personal finances remain the top concern facing consumers in our latest multi-research report. Concern about unemployment remains much higher compared to last year followed by concerns about the cost of living and the economy."

6. Discussing Sam's Club - "We continue to be pleased with the momentum at Sam's Club and I'm excited about sharing our results today. However, before I get started, it's important to note that the results on discussing today exclude charges related to the 10 club closures and the recently announced initiatives related to our demo and club membership rep programs." "Despite the continuing challenging environment, we expect comp club sales without fuel for the current 13-week period from January 30, 2010 through April 30, 2010 to be flat plus or minus 1%. Our comp sales for this period last year were 4.2% without fuel."

7. "Let me point out that fiscal 2010 was an environment that was difficult to forecast and challenging in which to operate. Deflation across categories such as food and electronics as well as difficult comparisons made topline growth tough. Net square footage grew by 3.7% since the end of last year to total square footage of more than 952 million square feet around the world. In fiscal year 2010, we continued our focus on capital efficiency increasing capital outlays on remodels, building smaller supercenters and closing 10 underperforming Sam's Clubs. Although our square footage growth was just a touch shy of our forecast of 4%, we added 34 million net square feet of retail selling space this year. The additional square footage was done completely by organic growth since we did not have any acquisitions."

8. "To demonstrate just how strong this performance was, I will ask you to guess when the corporation actually reported an inventory level that was lower than that fiscal 2010? The answer, fiscal 2006. Since then, the corporation has grown by nearly $100 billion in topline sales and operates today on basically the same inventory level."

Other Reports we read:

1. **Credit Suisse** (2/18/09) – "Dealing With Maturity." Neutral $53 price target. "*Walmart's recent corporate actions, including its second reorganization of Walmart US's operating structure in three years as well as the decision to lay off Sam's Club employees and close 10 clubs, raise questions about its corporate culture. We believe the company is still too focused on growth, but it is beginning to try to maximize operating margins through gross margin improvement and now SG&A control. It is doing so while remaining competitive on pricing with selective price reductions but not the widespread pricing actions that many retail investors feared. Walmart's business is economically susceptible, and this is showing up increasingly in foreign operations like Canada and Brazil most recently. We commend the company for returning over $11 billion to shareholders in 2009 through dividends and share repurchase while also reducing its debt to capital ratio (this could be in preparation for a major acquisition, but we do not know). We wish we could find a near term catalyst for the stock or a better explanation of Walmart's recent change in organizational structure*."
2. **Argus** (2/18/09) – "*We are maintaining our BUY rating on Wal-Mart Stores Inc. (NYSE: WMT) with a target price of $65. We believe that the company's financial strength, dominant market position and low cost structure make for a favorable balance of reward-to-risk. We believe this is important as unemployment remains near 10% and as consumers try to rebuild their savings and pay down debt. One reason we currently like Wal-Mart, along with Costco, is that we believe they have low cost structures and the potential to provide consumers with compelling merchandise at bargain prices (These two companies also have strong credit ratings, high real estate ownership and a combined $11 billion of cash). We think that WMT management is doing a much better job of focusing on simple objectives like saving customers' money and trying to be fast, clean and friendly. We note that Wal-Mart has been part of our longstanding emphasis on steady-growth*

retailers with dominant market positions. We recently reduced our five-year earnings growth rate estimate to 10% from 13%. We continue to believe that the company can benefit from a combination of sales growth from domestic and international expansion, small efficiency improvements and share buybacks. We are simply taking a more conservative view of the company's growth prospects given the size of the business and the inherent challenge of getting the domestic and international businesses clicking at the same time. With broad geographic exposure there may often be regions that are sagging. Of course this geographic diversification may ultimately add stability to earnings growth."

3. **Morningstar** (2/18/10) **** FV $60.00 –"met expectations." Really nothing new in the report.

September 15, 2009 (49.90) (J)

Ran a valuation analysis using earnings growth rate of 8.5% for 10 years, 5% after and 3 times book and came up returns over the next 5 years of 8%, 15%, and 17%. Reuters consensus estimate is a long-term growth rate of 12% so my estimate may be quite low.

From the Q, the company repurchased 39M shares during the qtr ended 7/31/09 with $13.7B remaining from the $15B repurchase program authorized 6/4/09. The average purchase prices ranged from $48.55 to $49.81. The remaining amount could repurchase 7% of current shares at the current price.

It seems that investors jump into these shares in difficult times and get out when things normalize in the economy. It is almost a cash substitute for investors. S&P hasn't moved in 10 years and neither have these shares.

Better than expected gov't retail sales numbers this morning and these shares were down 1%. Hard to figure.

The company has updated its website and will now offer merchandise from other vendors. Just another e-tailer that should trade at a PE of 40 and P/B of 50? (Just a cheap shot at an overvalued Amazon.)

Other than the fact that these shares do not participate in any market rallies, looking at the numbers, I think people should be jumping into these shares.

August 13, 2009 (51.34) (J)

Walmart issued earnings for the quarter ended 7/31/09 today. Earnings of .88 compared to .87 for last year. Sales of $100,082M in the quarter were down 1.5% from last year. Walmart pointed out in the release that foreign currency translation was -$4,199M in the quarter and excluding this adjustment, sales would have increased 2.7%.

Same store sales for the quarter were down 1.2% vs. last year (excluding fuel). TV analysts seemed concerned with the decrease but this should not be a surprise to anyone and attributed the earnings beat (analysts were expecting .85) to cost reductions. Retailers have been cutting prices but Walmart's "beat" seemed to be related to an increase in the gross margin of .85% versus last year. The SG&A

expenses increased .74% versus last year so it doesn't appear that they have cut expenses. With the increase in gross margins, it looks like cost of goods has declined and Walmart is passing on a portion of the lower costs to consumers (lower sales/higher margins).

I think this report shows that the consumer is still cautious and is still "re-setting". Walmart, I think, will benefit from that re-set.

Company is projecting full year earnings of $3.50 to $3.60 per share.

There was one sentence in the earnings statement that seemed out of place and struck me as being too defensive. "We are one of the few Dow 30 companies to report a year-over-year earnings increase this quarter." Why are they concerned with other Dow components' earnings?

	Three months ending		Six months ending	
$M	7/31/2009	7/31/2008	7/31/2009	7/31/2008
Sales	100,082	101,546	193,553	195,588
Cost of sales	75,153	77,118	145,541	148,490
% of sales	75.09%	75.94%	75.19%	75.92%
SG&A	19,875	19,411	38,512	37,662
% of sales	19.86%	19.12%	19.90%	19.26%

7/31/09 equity	67,008
Goodwill	16,149
Diluted shs	3,900
Book value	17.18
Tangible book	13.04

Looking at some data from Morningstar efficiency ratios (4/30/09):

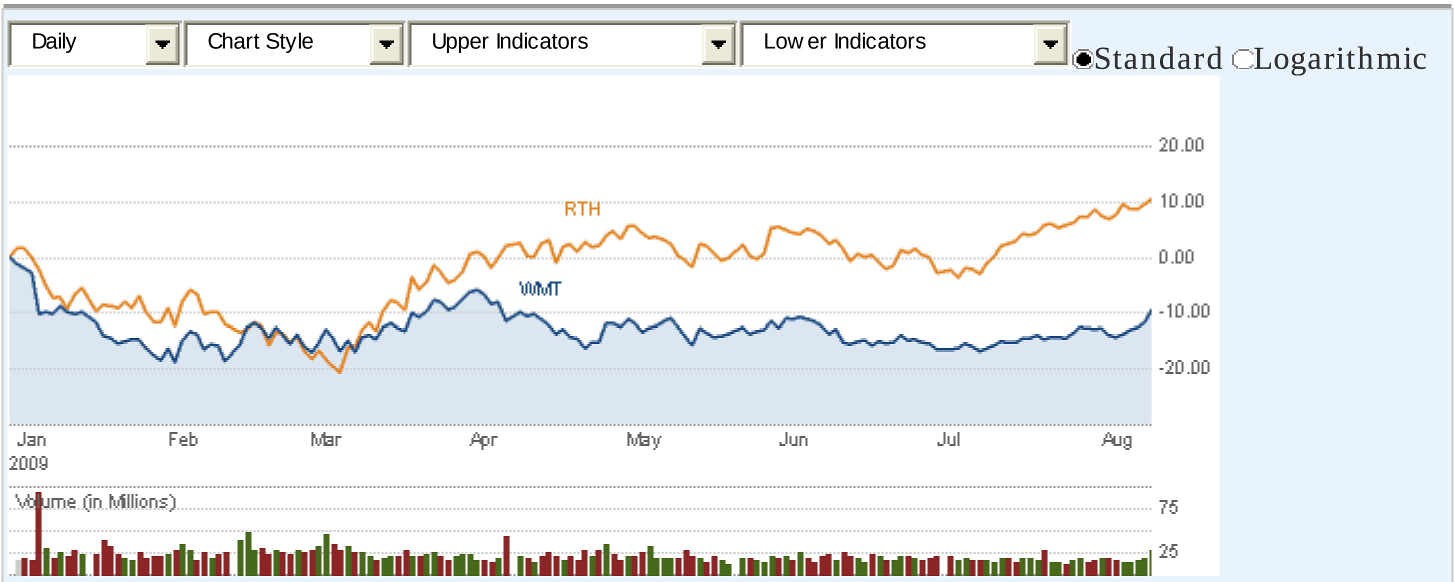
Inventory days	**2009**	**2008**	**2007**	**2006**	**2005**
WMT	41.5	43.9	45.5	46.8	46.6
TGT	53.8	56.8	56.0	58.6	62.3
TJX	67.9	68.9	68.3	70.0	68.9

Inventory turns	**2009**	**2008**	**2007**	**2006**	**2005**
WMT	8.8	8.3	8.0	7.8	7.8
TGT	6.8	6.4	6.5	6.2	5.9
TJX	5.4	5.3	5.3	5.2	5.3

Ratios are not surprising. WMT turns should be somewhat higher than TGT because of higher % of perishable groceries. Same theory means TJX should be lowest turns. Days of inventory also not out of line but I am a bit surprised that TJX is about at same level of 5 years ago while others are lower.

Net margins for the qtr of 3.4% are .1% higher than prior year.

WAL-MART STORES INC **WMT : NYSE**
Industry: Broadline Retailers



This chart compares ytd WMT stock performance to the performance of the retail etf (RTH). WMT has significantly underperformed (-20%) the index. The underperformance began in March as the markets turned around. Maybe WMT was looked at as a safety play during difficult period and was sold as people moved into other areas when turnaround began? This is really surprising. I think an indication that people think retail problems are in the past and I think it may have gotten way ahead of itself. (Walmart is 22% of the etf and Home Depot is 12%). Amazon is 8% but that doesn't explain why the etf is 20% higher than its largest holding. Would it be stupid to short the etf?

I continue to think the company performs very well and hopefully the stock price will reflect the company's operations. I would continue to buy with new money and consider increasing position to 5% on any pullbacks. I think if market falls, this stock will go up as it may be looked at as the ultimate defensive stock for those that remain in the market.

Others:
Morningstar (8/13/09; price 50.51) – 2nd qtr results show the firm is one of the few retailers capable of maintaining its top line. Feels Walmart will handily outperform its peers until personal income recover. Efficient inventory management boosted operating margins. Rated as 4 stars with FV of $60.

Value Line (8/7/09) lowered timeliness rank to 3 on 7/31/09. Cites market share gains among households with annual incomes above $50k. Notes the store-refurbishment program and expansion of high-end electronic. SG&A expenses will remain elevated due to higher employee costs. 2009 eps estimate of $3.60 and 2010 eps of $3.95.

Credit Suisse (8/13/09; price 50.51) – sales pressure in 2Q but strong gross margins. Disappointing comp store sales were due to slowdown in consumer spending and worse than expected food deflation. SG&A increase due to healthcare, advertising and recycling. Rated as neutral with $53 target price.

S&P (7/22/09; price $49.17) – well-positioned to gain market share in adverse economic environment. They like significant staples product offerings. Project 2009 eps of $3.35 and 2010 of $3.60. Ebitda margins will widen. They rate as a strong buy with a target price of $61 based P/E ratio of 15.7.

July 22, 2009 (49.11) John

We instituted a 2.5% position. The stock had been watched for a while. It is the world's largest retailer and is known for its low prices. As we think that consumers are in the process of re-setting (if they haven't already), and their spending will focus on "needs" and not "wants", Wal-mart will be able to take advantage of the consumers' needs.

The price of the stock has really not moved in 10 years, trading between $45 and $60. The 52 week low for the stock is $46.25 and, considering the 52 week period includes Nov. 2008 and March 2009, we think the current price is a good entry point.

The stock is currently trading at 13.9 times projected 2009 earnings of $3.55/share. The average annual PE from 2004-2008 is 17.6. The PE is also lower than most others in the retailer sector. The following table is based on value line past results and 2009 estimates.

	Walmart WMT	Target TGT	TJX Cos. TJX	Best Buy BBY	Costco COST	Tiffany TIF	Amazon AMZN
Price 7/22//09	49.11	41.15	35.25	35.88	48.76	28.97	88.36
2009 est Sales/sh	106.90	86.65	46.65	115.00	171.70	20.55	52.15
2009 est Price/sales	0.46	0.47	0.76	0.31	0.28	1.41	1.69
2009 est Book val/sh	18.35	20.05	5.85	13.50	23.50	13.80	5.85
2009 est Price/book	2.68	2.05	6.03	2.66	2.07	2.10	15.10

Net profit margin	WMT	TGT	TJX	BBY	COST	TIF	AMZN
2004	3.6%	4.0%	4.6%	3.5%	1.8%	9.5%	5.0%
2005	3.5%	4.6%	3.9%	3.7%	1.9%	10.6%	4.0%
2006	3.5%	4.7%	4.5%	3.8%	1.8%	9.6%	1.8%
2007	3.4%	4.5%	4.8%	3.8%	1.9%	11.0%	3.2%
2008	3.4%	3.4%	4.7%	2.7%	1.8%	10.3%	3.1%
2009 est.	3.3%	2.9%	4.3%	2.5%	1.5%	7.7%	3.2%

Earnings per share	WMT	TGT	TJX	BBY	COST	TIF	AMZN
2004	2.41	2.07	1.34	1.91	1.86	1.42	0.82
2005	2.63	2.71	1.29	2.27	2.03	1.75	0.79
2006	2.92	3.21	1.63	2.79	2.31	1.80	0.45
2007	3.16	3.33	1.92	3.12	2.63	2.33	1.12
2008	3.42	2.86	2.01	2.88	2.89	2.33	1.39
2009 est.	3.55	2.50	1.90	2.75	2.50	1.60	1.65

Cash flow per share	WMT	TGT	TJX	BBY	COST	TIF	AMZN
2004	3.47	3.53	2.00	2.82	2.86	2.20	1.05

2005	3.78	4.37	2.06	3.29	3.11	2.56	1.10
2006	4.27	4.98	2.49	3.92	3.50	2.74	0.95
2007	4.83	5.51	2.95	4.84	4.05	3.50	1.74
2008	5.19	5.37	3.11	4.65	4.48	3.40	2.07
2009 est.	5.45	5.10	3.05	4.65	4.20	2.65	2.60

Avg Annual P/E	**WMT**	**TGT**	**TJX**	**BBY**	**COST**	**TIF**	**AMZN**
2004	22.8	22.2	17.8	18.6	20.0	24.2	53.2
2005	18.3	19.7	17.9	19.2	22.4	20.2	50.5
2006	16.0	16.7	16.1	18.6	22.1	19.7	80.0
2007	14.9	18.0	14.8	15.1	21.0	20.5	60.3
2008	16.2	16.2	14.6	12.4	23.1	15.2	50.3
2009 P/E a/o 7/22	13.8	16.5	18.6	13.0	19.5	18.1	53.6

In June, the company announced a $15B stock repurchase plan. At the current price, that represents about 7.5% of company's outstanding shares. The company's 2009 dividend is also 15% higher than the 2008 amount with a current yield of 2.2%.

Value Line notes that international selling space increased 34% over the past two years, largely due to acquisitions in China and Chile.

The company has indicated that it will expand its electronics business. This will affect Best Buy if they are successful.

Will look at more detailed info when the 2Q09 report is issued but this is a solid company seems to be substantially undervalued.

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