



FLASH REPORT

Walmart WALMART (WMT) 3Q17 RESULTS: E-COMMERCE CONTRIBUTION INCREASES AT WALMART US

	3Q17	3Q16	YoY Change
Revenues (USD Bil.)	\$118.2	\$117.4	0.7%
Gross Margin	25.3%	25.0%	30 bps
SG&A/Sales	21.8%	20.8%	100 bps
Operating Margin	4.3%	4.9%	(60) bps
EPS	\$0.98	\$1.03	(4.9)%

Source: Company reports/Fung Global Retail & Technology

- Walmart reported 3Q17 EPS of \$0.98 versus the consensus estimate of \$0.96.
- Walmart US comps were up 1.2% versus consensus of 1.4% and guidance of 1.0%–1.5%. Traffic at Walmart US was up 0.7%, while average ticket increased by 0.5%. E-commerce added 50 basis points to comps, which was the channel's largest contribution to date. The company experienced a favorable back-to-school season to start the quarter, although that strength was offset by unseasonably warm weather that negatively impacted apparel, and cold weather categories in particular.
- The company's 4Q17 guidance calls for EPS of \$1.18–\$1.33, driven by a comp increase of 1.0%–1.5% at both Walmart US and Sam's Club, versus consensus of 1.5% and 1.0% comp growth, respectively.

3Q17 RESULTS

Walmart reported 3Q17 EPS of \$0.98 versus the consensus estimate of \$0.96.

Total revenue was \$118.18 billion versus expectations of \$118.59 billion. In constant currency, revenues were \$120.32 billion. Sales at Walmart US totaled \$74.55 billion; international sales were \$28.39 billion, Sam's Club sales were \$14.24 billion and membership income was \$1.00 billion.

Walmart US comps were up 1.2% versus consensus of 1.4% and guidance of 1.0%–1.5%. Traffic at Walmart US was up 0.7%, while average ticket increased by 0.5%. E-commerce added 50 basis points to comps, which was the channel's largest contribution to date. Neighborhood Market comps were up 5.2%. The company experienced a favorable back-to-school season to start the quarter, although that strength was offset by unseasonably warm weather that impacted apparel, and cold weather categories in particular.

Sam's Club comps excluding fuel were up 1.4% versus consensus of 0.6% and guidance of slightly positive. Traffic at Sam's Club was down 0.5%, while average ticket increased by 1.9%. E-commerce added 60 basis points to comps. Stronger categories at Sam's Club were health and wellness and home and apparel, both of which saw comp increases in the mid-single-digit range. The food and grocery category was the weakest segment, with comps down by mid-single digits due to continued commodity deflation.

Global e-commerce sales and gross merchandise volume increased by 20.6% and 16.8%, respectively. The US results were stronger than those of international markets, and were driven by the marketplace offering as well as by Jet.com's contribution. Results in the e-commerce business have improved sequentially throughout the year.



FLASH REPORT

Internationally, sales were led by Walmex, where comps in 10 of 11 markets were positive.

OUTLOOK

The company's 4Q17 guidance calls for EPS of \$1.18–\$1.33, driven by a comp increase of 1.0%–1.5% at both Walmart US and Sam's Club, versus consensus of 1.5% and 1.0% comp growth, respectively.

Full-year EPS guidance is now \$4.20–\$4.35, versus prior guidance of \$4.15–\$4.35 and consensus of \$4.34.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Shoshana Pollack

Senior Research Associate

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com