



Walmart Inc.

WMT

EQUITY RESEARCH REPORT

August 13, 2026

WMT — WALMART INC.

Report Date: 2026-08-13

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Exchange: Nasdaq | **CIK:** 0000104169 | **SIC:** 5331 Retail-Variety Stores | **FY End:** January 31

■ ■ DATA AVAILABILITY DISCLOSURE (READ FIRST)

The research payload delivered for this report contained only two usable sources: a Perplexity risk assessment and EDGAR entity metadata plus a filings index. **No FMP financial statements, no yfinance price history, no deep_dive_metrics block, and no market_expectations or business_drivers payload were provided.**

Consequently:

- The live price of **\$116.01 / €100.67** is authoritative and used throughout.
- All financial statement figures, ratios, multiples, and per-share data below are marked **[EST]** and represent analyst reconstructions from prior-period knowledge of Walmart's filings. They are directional, not audited pulls from this pipeline run.
- Forward P/E, PEG, beta, short float, and analyst targets are **NOT AVAILABLE** in this payload. I have left those fields blank rather than inventing numbers.
- Confidence level for this report is therefore capped at **MEDIUM**, and the recommendation rests primarily on the relationship between the authoritative live price and Walmart's earnings power, which is the one comparison I can make with confidence.

The conclusion below would not change under a full data pull. The valuation gap is too wide for reasonable estimate error to close it.

USD/EUR rate used: 1.1524

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID** (quality business, unacceptable entry price)
Current Price	\$116.01 / **€100.67**
Fair Value (Base Case, today)	~\$88.50 / **€76.80** [EST]
Margin of Safety	**−23.7%** (price exceeds fair value)
Target Entry Price	~\$92.00 / **€79.83** (−20.7% from current)

Return Profile	Value
Dividend Yield (trailing)	~0.81% [EST]

Return Profile	Value
Expected Dividend Growth	~9-11% CAGR [EST]
Expected Price Appreciation (Base)	~4.9% CAGR
Total Expected Return (Base)	**~6.1% CAGR**
Bear Case Total Return	**~3.6% CAGR**
Bull Case Total Return	+10.5% CAGR
Probability-Weighted Return	**~4.8% CAGR**

Risk Assessment	Value
Wealth Preservation Score	**52 / 100**
Downside Protection Score	55 / 100
Quality Score	62 / 100
Return Adequacy Score	40 / 100
Risk Level	**MODERATE** (business risk LOW, valuation risk ELEVATED)
Probability of >50% Permanent Loss	~3%
Recession Profile	**RESILIENT**

One-Line Thesis:

Walmart is one of the ten best businesses in the world for capital preservation, and at 43x trailing earnings with a 0.8% yield you are paying a growth-stock price for a 4-6% grocery retailer, which converts a defensive asset into a valuation-risk asset.

INVESTMENT THESIS

Walmart passes every quality gate this framework applies. The company generates roughly \$710bn in annual revenue [EST], services its debt more than ten times over from operating income, has raised its dividend for over fifty consecutive years, grew revenue and gained share during both 2008-2009 and 2020, and earns a return on invested capital in the mid-teens against a cost of capital near 7%. Management has shrunk the share count while funding a genuine transformation into an omnichannel operator with three high-margin profit pools attached: advertising through Walmart Connect, marketplace and fulfillment services, and Walmart+ membership income. Those three lines carry gross margins that grocery retail never will, and they explain why the market stopped valuing Walmart like a supermarket around 2023.

The market has now finished that repricing and then continued past it. At \$116.01 you pay roughly 43x trailing and high-30s forward earnings [EST] for a business whose revenue compounds in the mid-single digits and whose consensus EPS growth sits near 10%. Walmart's ten-year average multiple ran near 22-24x. Its five-year average, already inflated by the re-rating, sits near 28-30x. Buying at 43x requires either that Walmart sustains double-digit EPS growth for a full decade with no multiple compression, or that a 40x-plus multiple becomes the permanent floor for the largest retailer on earth. Neither assumption belongs in a capital preservation portfolio,

because both put the return entirely in the hands of other investors' willingness to keep paying up.

Run the arithmetic on downside. If Walmart compounds EPS at 4% for a decade, which is roughly what it did between 2015 and 2021, and the multiple reverts to 18x, the stock trades near \$71. That is a 39% decline in price with an 0.8% dividend providing almost no cushion. The framework's absolute requirement is a bear case total return of zero or better. Walmart fails it, not because the business breaks, but because the entry multiple leaves no room for the business to be merely good. Compare this against the alternative: a 4% deposit carries no drawdown risk and delivers 4% guaranteed, and Walmart's probability-weighted expected return of 4.8% offers you 80 basis points of premium in exchange for accepting a plausible 39% mark-to-market loss. That trade fails on its face.

The specific risks Walmart discloses reinforce the point rather than driving it. The 2026 filing flags margin pressure from omnichannel and technology spending, mix shift toward lower-margin grocery and essentials, rising last-mile and logistics costs, third-party pharmacy reimbursement cuts, and roughly 230 pending cases in the national opioid MDL as of March 6, 2026. None of these threatens solvency. All of them threaten the double-digit EPS growth path the current multiple assumes. A single quarter of guidance that implies 6% EPS growth instead of 11% is enough to take 25% off the multiple, and you have no valuation floor beneath you when that happens.

What would change this recommendation: a price near \$92 or below, which restores a 28-30x multiple on forward earnings and lifts base case total return above 8% while pushing the bear case toward breakeven. Walmart belongs on your watchlist permanently. It does not belong in your portfolio at 43x.

STAGE 1 — SECTOR & THEME ASSESSMENT

Screening Question	Answer	Verdict
Is the sector understandable?	Yes. Selling groceries and general merchandise at low prices, increasingly through digital channels.	CONTINUE
Is the sector in secular decline?	No. US food-at-home retail grows with population and nominal income. Walmart is taking share.	CONTINUE
Defensive or cyclical?	**Defensive.** Consumer staples-weighted (PERF 5.1% vs 3.2% of US sales are grocery [EST]). Walmart is a defensive stock.	DEFENSIVE
Sector tailwinds?	(1) Consumer trade-down benefiting value brands (2) retail media as a structurally new high-margin business	RETAIL MEDIA
Sector valuation vs. history	US large-cap staples retail trades materially elevated 10-year average multiple. Walmart specific	ELEVATED

Stage 1 Verdict: CONTINUE. The sector qualifies. The problem is not the sector.

STAGE 2 — FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

All figures [EST], reconstructed from prior filings.

Metric	Estimated Value	Threshold	Pass/Fail
Debt-to-Equity (incl. finance lease)	0.55-0.65x	<1.0x	**PASS**
Interest Coverage (EBIT/Interest)	12-14x	>5.0x	**PASS (strong)**
Current Ratio	~0.80-0.85x	>1.5x	**FAIL as written**
Free Cash Flow	Positive 5/5 years (~\$12-15bn/yr)	Positive 4/5	**PASS**
Debt Maturity Schedule	Laddered, no cliff >30% in any 2-year window	No cliff	**PASS**
Cash as % of Total Debt	~15-20%	>20% preferred	**MONITOR**
Credit Rating	AA / Aa2 (one of a handful of AA-rated US corporates)		**PASS**

Framework adaptation on current ratio. The <1.0x automatic-removal rule was written for manufacturers and cyclicals. Walmart runs structurally negative working capital: it turns inventory in roughly six weeks, collects cash at the register instantly, and pays suppliers on 30-60 day terms. Suppliers finance the balance sheet. A current ratio below 1.0 has been the normal state at Walmart for two decades across two recessions without a liquidity event. I override the automatic removal and treat this as a business-model feature, not a distress signal. The relevant liquidity test for Walmart is committed revolver capacity plus commercial paper access plus an AA rating, all of which are intact.

Stress test: revenue –30% for two years. This scenario has never occurred in Walmart's history and is close to physically impossible for a company selling food and household essentials to 250 million weekly customers. Under a hypothetical severe scenario, Walmart would remain solvent with wide margin (interest coverage would still exceed 4x), would maintain the dividend (payout is roughly 35% of EPS), and would not need dilutive equity. It would cut buybacks and slow capex first, both of which are discretionary.

Solvency Assessment: FORTRESS

2.2 Earnings Quality

Test	Assessment
Operating cash flow vs. net income	OCF has run roughly 2.0-2.4x net income [EST], well above the 80% threshold
Receivables growing faster than revenue?	Receivables have grown faster than sales in recent years, tied to marketp
Inventory vs. COGS	Inventory growth has broadly tracked or lagged COGS since the 2022-20
Unusual one-time gains inflating earnings?	Reported results in recent years have included equity-investment mark-to
Restatements in past 5 years	None disclosed. Perplexity risk work found no accounting scandal or resta

Earnings Quality: HIGH, with the caveat that GAAP EPS is noisy from investment marks and you must value on adjusted figures.

2.3 Dilution Check

Metric	Assessment
Share count direction	**Declining.** Walmart has repurchased shares consistently; net share co

Metric	Assessment
Annualized dilution rate	**Negative** (accretive)
CEO comp as % of net income	Far below the 3% flag threshold given ~\$19-20bn net income [EST].
Insider ownership	The Walton family holds roughly 45% of shares outstanding. Extreme alignment.
Insider selling	Perplexity flagged third-party commentary on insider selling. Walton family.

Dilution Assessment: EXCELLENT

2.4 Dividend Sustainability

Metric	Estimated Value	Threshold	Assessment
Dividend Yield	**~0.81%** (\$0.94 annual / \$116.55/share spot)	10.5% Sweet spot	**BELOW RANGE**
Payout Ratio (Div/EPS)	~35%	<60%	Excellent cushion
FCF Payout Ratio	~50-55%	<70%	Sustainable
Dividend Growth (5Y CAGR)	~5.1%, with the last two raises near 13% [EST]	≥8%	**PASS**
Consecutive Years of Increases	**50+** (uninterrupted since 1974)	10	Exceptional
Dividend Coverage (FCF/Div)	~1.8-2.0x	>1.3x	**PASS**

Stress test: earnings –40%. Payout ratio would rise to roughly 58% of EPS. The dividend survives with room to spare, and management would sooner halt the buyback than touch a fifty-year streak.

Dividend Sustainability: ROCK SOLID

The problem is not sustainability. It is magnitude. An 0.81% yield contributes almost nothing to total return and provides no downside cushion. The framework's BUY criterion of dividend yield plus expected growth $\geq 5\%$ is met arithmetically ($0.8\% + 10\%$ growth), but that formulation assumes the yield is large enough to matter during a drawdown. At 0.8%, it is not. You are relying entirely on price.

2.5 Capital Efficiency

Metric	Estimated Value
ROIC	**~14-15%** [EST]
WACC	~7.0-7.5%
Spread	+7 to +8 points
5-Year Trend	**Improving** (mix shift toward advertising, marketplace, and membership)

Verdict: Value Creating. Walmart earns roughly double its cost of capital and the trend is up. The risk Perplexity identifies is real: rising capital intensity from automation, AI, and fulfillment build-out can dilute returns if revenue does not keep pace. So far it has kept pace.

2.6 Valuation Screening

All multiples **[EST]** using \$116.01 and reconstructed FY2026 figures (revenue ~\$710bn, adjusted EPS ~\$2.65, FY2027E EPS ~\$2.95).

Metric	Current	5Y Avg [EST]	10Y Avg [EST]	vs. History	Assessment
P/E (trailing, adjusted)*~43.8x**		~28-30x	~22-24x	**+50% / +85%**	EXPENSIVE
Forward P/E	~39x	~26x	~20x	+50%	EXPENSIVE
P/S	~1.30x	~0.75x	~0.55x	+73% / +136%	EXPENSIVE
EV/EBITDA	~24-25x	~15x	~11x	+65%	EXPENSIVE
P/FCF	~65-70x	~35x	~25x	+90%	EXPENSIVE
Dividend Yield	0.81%	~1.5%	~2.0%	-46% / -60%	EXPENSIVE

Margin of safety calculation. Applying a 30x multiple (the generous five-year average, which already embeds the re-rating) to FY2027E adjusted EPS of \$2.95 produces a fair value near **\$88.50 / €76.80**. Against \$116.01, margin of safety is **-23.7%**. Applying the ten-year average of 23x produces \$67.85, a -41% margin of safety.

Valuation: EXPENSIVE. The framework's own rule is explicit: trading more than 40% above the five-year average multiple means avoid regardless of quality. Walmart trades roughly 50% above on P/E and further above on P/S, P/FCF, and EV/EBITDA.

STAGE 3 — PEER COMPARISON & QUALITY RANKING

3.1 Competitive Cohort

Peer figures are **[EST]** approximations, provided for relative context only. No peer data was supplied in this payload.

Dimension	WMT	COST	TGT	KR	AMZN	Best for Preservation
Debt/Equity	~0.60x	~0.35x	~1.1x	~1.5x	~0.5x	COST
Interest Coverage	~13x	>40x	~7x	~6x	>20x	COST
Dividend Yield	0.81%	~0.5%	~4.0%+	~2.0%	0%	TGT
Payout Ratio	~35%	~28%	~50%	~30%	n/a	COST
FCF Margin	~1.8%	~2.5%	~3%	~2%	~6%	AMZN
ROIC	~14-15%	~20%+	~10%	~10%	~12%	COST
5Y Dilution	Negative (accretive)	Flat	Negative	Negative	~+0.5%	WMT/TGT
P/E vs. own history	+50%	+60%+	Below	Below	Above	**TGT / KR**
Dividend Growth	5-15% (accelerating)	~13% + specials	~5%	~15%	n/a	KR

Reading the cohort. Walmart is the second-best business in this group on quality and the second-worst on valuation discipline. Costco is a better business trading at an even more extreme multiple. Target and Kroger are

worse businesses trading at genuine discounts to their own history, with Target offering a 4%-plus yield that provides the income cushion Walmart lacks. If your mandate is capital preservation with a 7% hurdle, the interesting names in this cohort right now are the discounted ones, subject to their own quality screens which Target in particular would struggle to clear on execution consistency.

3.2 Wealth Preservation Quality Score

Balance Sheet Fortress (40 points possible)

Component	Result	Points
D/E 0.5-1.0x	~0.60x	10 / 15
Interest Coverage >8x	~13x	15 / 15
FCF positive 5 consecutive years	Yes	10 / 10
Subtotal		**35 / 40**

Income Reliability (30 points possible)

Component	Result	Points
Yield 2-4% with <60% payout	Yield only 0.81%	0 / 15
Dividend growth >5% CAGR	~5.1%, accelerating	10 / 10
Dividend history >15 years	50+ years	5 / 5
Subtotal		**15 / 30**

Capital Efficiency (15 points possible)

Component	Result	Points
ROIC 10-15%	~14-15%	7 / 10
ROIC trend improving	Improving	5 / 5
Subtotal		**12 / 15**

Valuation (15 points possible)

Component	Result	Points
Position in 5Y multiple range	>75th percentile (near top)	0 / 15
Subtotal		**0 / 15**

QUALITY SCORE: 62 / 100

Interpretation: **Secondary candidate**. Note the shape of the score. Walmart loses 30 of its 38 lost points to two things: a yield too small to count as income, and a multiple at the top of its range. The operating business scores 47 out of the 55 points available on balance sheet and capital efficiency.

STAGE 4 — QUALITATIVE ASSESSMENT

4.1 Competitive Moat

Moat Component	Type	Durability
Purchasing scale and supplier terms	Cost Advantage	**Very High.** Walmart buys more consumer goods
Store footprint as fulfillment network	Cost Advantage	**High.** Roughly 90% of the US population lives wi
Price-leader brand identity	Brand Power	**High.** "Everyday low price" is the single most dur
Retail media (Walmart Connect)	Network Effect	**Medium-High, and growing.** Advertisers pay for c
Walmart+ membership	Switching Cost	**Medium.** Real but thinner than Costco's or Amaz

Can the competitive position materially erode in ten years? Very unlikely on the cost side. Possible on the mix side. The genuine threat Perplexity identifies is not that Walmart loses customers, but that growth concentrates in low-margin grocery while Amazon and Temu-style entrants take general merchandise, leaving Walmart with more traffic and worse margins. That scenario does not impair capital. It caps EPS growth in the mid-single digits, which is precisely what breaks a 43x multiple.

- **Primary Moat:** Purchasing scale plus store-as-node fulfillment. Very high durability.
- **Threat Assessment:** **Low** to franchise, **Moderate** to margin mix.
- **Moat Preservation Confidence:** **HIGH**

4.2 Management Quality & Capital Allocation

Factor	Assessment
CEO tenure and record	Doug McMillon led from 2014 and executed the pivot from a share-losing
Capital allocation: buybacks	Consistent and accretive when executed at historical multiples. **At 43x, c
Capital allocation: acquisitions	Disciplined since the international retreats (UK, Japan, Argentina exits). V
Capital allocation: dividends	Fifty-plus consecutive increases, with the last two raises near 13%. Predic
CapEx	Rising, now roughly 3.3-3.5% of sales [EST] versus a historical 2.5-3.0%.
Insider ownership	Walton family ~45%.

Red flag scan: No frequent large acquisitions. No dividend cuts. No unusual executive turnover. No related-party issues surfaced. **One flag: buybacks at peak valuation.**

- **Management Quality:** **EXCELLENT**
- **Capital Allocation Track Record:** **STRONG**, with a caution on repurchase price discipline

4.3 Recession Performance History

Downturn	Revenue	EPS	Dividend	Stock Peak-to-Trough	Recovery
2008-2009	**Grew** (trade-down benefit)	Grew	**Raised**	Modest; WMT was one of the few large caps to finish	Recovery

Downturn	Revenue	EPS	Dividend	Stock Peak-to-Trough	Recovery
2020 COVID	Grew sharply (essential retailer)	Flat	Raised	~-27% in the March 2020 event	14x in 12 months
2015-2016 (company specific)	Flat	Declined on wage and pension	Raised	~-37%** over roughly 18 months	10x in 18 months

The 2015-2016 episode is the one that matters for this report. It was not a recession. It was a de-rating. Walmart announced heavy investment spending, guided to flat EPS, and the multiple compressed from the mid-teens toward 12x. The stock lost more than a third of its value in a growing economy. That is the template for the bear case here, and the starting multiple today is three times higher than it was then.

Recession Profile: RESILIENT. Business risk is genuinely low. Valuation risk is the exposure.

4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact on Thesis	Risk to Downside
Continued 20%+ advertising revenue growth	Ongoing	High	Supports mix-driven margin expansion	Low
Walmart+ membership and 24-hour acceleration	2024	Medium	Recurring high-margin revenue	Low
US eCommerce reaching 12-24% profitability	2024	Medium-High	Removes a long-standing drag	Low
Automation-driven cost-per-unit reduction	2024-2026	Medium	Margin expansion, offsets inflation risk	Medium (inflation risk)
Multiple compression toward 10Y average	Anytime	**Medium-High**	**Negative. -24% to -41%**	**HIGH**
Guidance cut implying single-digit EPS growth	Anytime	Medium	**Negative. Multiple resets to 18x	**HIGH**
Opioid MDL resolution (~230 pending cases)	2026	Medium	Manageable in dollar terms	Low-Medium

The operating catalysts are all real and all already reflected in the price. The two negative catalysts are the ones with unpriced impact.

STAGE 5 — VALUATION & SCENARIO ANALYSIS

5.1 Total Return Model (10-Year Horizon)

Starting point: \$116.01 | FY2026 adjusted EPS ~\$2.65 [EST] | FY2027E EPS ~\$2.95 [EST] | Annual dividend ~\$0.94 [EST]

Return Component	Base Case Assumption
Dividend yield (entry)	0.81%
Average yield over holding period (rising payout, rising price)	~1.2%
EPS CAGR (10-year)	9.0%
Terminal P/E	30x (five-year average)
Annual multiple change	-3.6% per year (43.8x → 30x over 10 years)
Total Return CAGR	**0.81% + 9.0% - 3.6% ≈ 6.1%**

The mechanics are unforgiving. Even granting 9% EPS compounding for a full decade, which would be Walmart's best sustained stretch in twenty-five years, reversion to the already-elevated five-year multiple consumes 3.6 points of annual return. You need the multiple to hold at 43x to earn 10%.

5.2 Scenario Analysis

BEAR CASE (25% weight)

- Recession plus mix deterioration. Grocery share of sales rises, general merchandise cedes ground to Amazon and low-cost cross-border entrants, capex stays elevated, logistics and labor costs compress gross margin.
- Revenue CAGR: ~3% | EPS CAGR: **4.0%** → FY2036E EPS ~\$3.92
- Terminal multiple: **18x** (ten-year trough territory, above the 12x of 2016)
- Dividend: maintained and grown modestly (payout has room). No cut.
- **10-Year Price Target: \$70.60 / €61.26**
- Price change from today: **-39.1%**
- **Total Return CAGR including dividends: -3.6%**

BASE CASE (50% weight)

- Trend growth. Advertising, marketplace, and membership continue mixing up. eCommerce turns profitable. Automation delivers partial cost offsets. No share loss.
- Revenue CAGR: ~4.5% | EPS CAGR: **9.0%** → FY2036E EPS ~\$6.27
- Terminal multiple: **30x** (five-year average, generous)
- Dividend: grows ~10% annually
- **10-Year Price Target: \$188.00 / €163.14**
- Price change from today: **+62.1%** (4.9% CAGR)
- **Total Return CAGR including dividends: +6.1%**

BULL CASE (25% weight)

- Advertising and marketplace scale faster than expected. Operating margin expands 100-150bps. Walmart is re-rated permanently as a data and logistics platform rather than a retailer.
- Revenue CAGR: ~5.5% | EPS CAGR: **12.0%** → FY2036E EPS ~\$8.23
- Terminal multiple: **35x**
- **10-Year Price Target: \$288.00 / €249.91**
- Price change from today: **+148%** (9.5% CAGR)
- **Total Return CAGR including dividends: +10.5%**

Scenario	Price Target (USD)	Price Target (EUR)	Total CAGR	Weight	Contribution
Bear	\$70.60	€61.26	-3.6%	25%	-0.90%
Base	\$188.00	€163.14	+6.1%	50%	+3.05%
Bull	\$288.00	€249.91	+10.5%	25%	+2.63%
Expected			**+4.8%**		**4.78%**

5.3 Downside Protection Analysis

Measure	Value
Historical max drawdown (10 years)	~-27% (2020 liquidity event)
Historical max drawdown (15 years)	~-37% (2015-2016 de-rating)
Bear case price decline from current	**~39.1%**
Dividend cushion during stress	~0.8-1.0% annually. Immaterial.
Probability of permanent capital loss (>50% decline unrecovered in 5 years)	~1-3%

Capital at Risk: 25% probability × 39% decline = **9.8% expected loss contribution** from the bear branch alone.

The permanent-loss probability is genuinely low, and that is the strongest thing you can say about owning Walmart here. You are unlikely to lose money forever. You are meaningfully likely to spend five years underwater while a 4% deposit compounds ahead of you. For a preservation mandate, dead capital with a 39% interim drawdown is a failure mode even without permanent impairment.

STAGE 6 — INVESTMENT DECISION FRAMEWORK

6.1 Wealth Preservation Scoring

Downside Protection Score

Component	Adjustment	Running
Start (neutral)	—	50
Bear case total return positive? No (-3.6%)	+0	50
D/E <0.5x? No (~0.60x)	+0	50
Dividend maintained through 2008 and 2020? Yes, raised in both	+10	60
Max historical 10-year drawdown <40%? Yes (-27%)	+10	70
Current yield >3%? No (0.81%)	+0	70
Bear case shows >20% price decline? Yes* (-39%)	-15	55
D/E >1.0x? No	-0	55
FCF negative in any of last 5 years? No	-0	55
Dividend cut in past 10 years? No	-0	55
Payout ratio >75%? No (~35%)	-0	55
DOWNSIDE PROTECTION SCORE		**55 / 100**

Return Adequacy Score

Base case total return of 6.1% falls in the 6-7% band → **40 / 100** (below hurdle)

Quality Score (Stage 3)

62 / 100

Composite:

$$\begin{aligned} \text{WP Score} &= (55 \times 0.45) + (40 \times 0.30) + (62 \times 0.25) \\ &= 24.75 + 12.00 + 15.50 \\ &= 52.25 \end{aligned}$$

WEALTH PRESERVATION SCORE: 52 / 100

Interpretation band: **45-55 = Marginal; better alternatives likely exist.**

6.2 Absolute Requirements Test

Requirement	Result	Pass/Fail
Bear case total return $\geq 0\%$	-3.6% CAGR	■ **FAIL**
Base case total return $\geq 7\%$	6.1% CAGR	■ **FAIL**
Solvency: FORTRESS or ADEQUATE	FORTRESS	■ PASS
Dividend sustainability: ROCK SOLID or SUSTAINABLE	ROCK SOLID	■ PASS
Probability of >50% permanent loss <10%	~3%	■ PASS

Two absolute requirements fail. The framework mandates AVOID regardless of upside.

6.3 Position Sizing

WP Score	Expected CAGR	Bear Case	Recommended Position
52	**4.8%**	**_39% price**	**€0**

STAGE 7 — FINAL INVESTMENT DECISION

7.1 BUY Criteria Test

Quantitative

- [] WP Score $\geq 65 \rightarrow$ **52. FAIL**
- [] Base case total return $\geq 8\%$ CAGR $\rightarrow$ **6.1%. FAIL**
- [] Bear case total return $\geq 0\% \rightarrow$ **-3.6%. FAIL**
- [x] Dividend yield + expected growth $\geq 5\% \rightarrow 0.8\% + 10\% = 10.8\%$. **PASS on arithmetic**, but the yield component is too small to function as a cushion

- [] Margin of safety $\geq 10\%$ → **-23.7%. FAIL**

Qualitative

- [x] Understandable business with durable moat → **PASS**
- [x] Management track record GOOD or better → **EXCELLENT. PASS**
- [x] Recession profile RESILIENT or SENSITIVE → **RESILIENT. PASS**

Walmart passes every qualitative test and fails four of five quantitative tests. The business is not the problem. The price is.

7.2 AVOID Triggers Fired

Trigger	Status
Base case total return < 7%	■ **FIRED** (6.1%)
Bear case total return $\geq 0\%$ requirement breached	■ **FIRED** (-3.6%)
Trading >40% above 5Y average multiple	■ **FIRED** (+50% on P/E, +65% on EV/EBITDA, +90% on P/FCF)
WP Score < 50	Not fired (52)
Solvency MARGINAL or worse	Not fired
Dividend AT RISK	Not fired

8. PEER COMPARISON SUMMARY

Walmart is the best-capitalized, most recession-proof operator in mass retail, and it is priced as though that is a new discovery. Costco carries the same problem in more extreme form. Target and Kroger trade below their own historical multiples and offer real yields, which is where the value in this cohort currently sits, subject to their own quality screens. Amazon competes with Walmart on general merchandise while carrying no dividend and a different risk profile entirely. Within a preservation mandate, none of these is a compelling substitute today. The right comparison for Walmart at \$116 is not its peers. It is a 4% deposit, and Walmart offers you 80 basis points of expected premium for a plausible 39% drawdown.

9. KEY METRICS SUMMARY

Metric	Value	Source
Current Price	**\$116.01 / €100.67**	**Live (authoritative)**
Trailing P/E (adjusted)	~43.8x	[EST]
Forward P/E	~39x	[EST]
PEG Ratio	NOT AVAILABLE	Payload missing
EV/EBITDA	~24-25x	[EST]

Metric	Value	Source
Beta	NOT AVAILABLE	Payload missing
Dividend Yield	~0.81%	[EST]
Payout Ratio	~35%	[EST]
FCF Payout	~50-55%	[EST]
Debt/Equity	~0.60x	[EST]
Interest Coverage	~13x	[EST]
Current Ratio	~0.82x	[EST]
ROIC	~14-15%	[EST]
Credit Rating	AA / Aa2	Public
Consecutive Dividend Increases	50+	Public
Insider / Family Ownership	~45% (Walton)	Public
Short Float	NOT AVAILABLE	Payload missing
Analyst Consensus Target	NOT AVAILABLE	Payload missing
Fiscal Year End	January 31	EDGAR
Opioid MDL cases pending (as of 2026-03-06)	230	Perplexity / FY2026 filing

10. RISK ASSESSMENT

Margin pressure from omnichannel and technology spending. Walmart's FY2026 filing states that failure to execute the omnichannel strategy, and the cost of e-commerce and technology investment, could damage market position and financial performance. Capex has risen toward 3.5% of sales from a historical 2.5-3.0%. If those dollars do not convert into cost-per-unit reduction, ROIC drifts down and EPS growth lands closer to 5% than 10%. **Impact at current multiple: severe.**

Profit-mix stagnation. Growth concentrated in grocery and essentials generates traffic without margin. This is the specific mechanism by which Walmart can look operationally healthy and still miss the growth rate the price requires. **Probability: moderate. Impact: severe.**

Weak consumer. Low household savings rates and elevated credit card balances threaten comp guidance. Walmart usually benefits from trade-down, so the effect is mix-negative rather than volume-negative. **Impact on solvency: none. Impact on multiple: high.**

Litigation. Roughly 230 cases remained pending in the national opioid MDL as of March 6, 2026. Walmart has settled similar exposures before at amounts that are material in headlines and immaterial against \$19-20bn of annual net income. **Impact on capital: low.**

Labor and regulatory. Worker classification, wages, scheduling, and Spark driver treatment all carry scrutiny risk. Pharmacy faces third-party reimbursement cuts and formulary changes. Walmart's scale invites antitrust

attention structurally. **Impact: cost inflation and headline risk, not solvency.**

Cybersecurity. The filing warns of potential claims from customers, financial institutions, regulators, and payment card networks. A large breach at Walmart's scale would be expensive and reputationally damaging. **Low probability, contained impact.**

Interest rate and FX. Short-term borrowings and long-term debt create rate sensitivity; international operations create translation effects. At 13x interest coverage, this is noise.

The dominant risk is none of the above. It is that you pay 43x for a business that grows earnings at 9% in the good case, and multiple compression is the variable with the largest coefficient in the return equation. Walmart's own 2015-2016 experience shows the mechanism: no recession, no crisis, guidance reset to flat EPS, stock down 37%.

Risk Level: MODERATE. Business risk LOW. Valuation risk ELEVATED.

11. MARKET EXPECTATIONS & CONSENSUS

Live consensus data (analyst targets, short interest, forward multiples) was not delivered in this payload. I will not invent it. What follows is derived from the authoritative price and reconstructed earnings.

What the price implies. At roughly 39x forward earnings against a ten-year average near 20x, the market is pricing one of two things: sustained double-digit EPS compounding for a decade with the multiple holding, or a permanent structural re-rating of Walmart from retailer to platform. The implied revenue CAGR embedded in a 30x terminal-multiple base case is roughly 4.5% with 100-150bps of cumulative operating margin expansion, all of which must come from advertising, marketplace, and membership rather than from selling groceries.

Consensus bull narrative. Walmart Connect advertising compounds above 20%, marketplace and fulfillment services scale, Walmart+ becomes a genuine annuity, automation cuts cost per unit, and US eCommerce turns durably profitable. Operating margin expands and Walmart earns a platform multiple permanently.

Consensus bear narrative. Capital intensity rises faster than returns, general merchandise cedes share to Amazon and low-cost cross-border sellers, mix shifts toward grocery, last-mile costs eat the automation savings, EPS growth decelerates to mid-single digits, and the multiple normalizes.

What would validate the bulls: a quarter showing operating income growing faster than sales alongside advertising growth above 20% and explicit disclosure that US eCommerce is profitable and scaling.

What would disappoint: guidance implying high-single-digit EPS growth or lower, gross margin down year over year, or capex guided above 4% of sales without a stated return framework.

Forward Valuation Table

Metric	Value	vs. Sector Avg	Assessment
Fwd P/E	~39x [EST]	Well above staples-retail average	EXPENSIVE
PEG	NOT AVAILABLE	—	Cannot assess
EV/EBITDA	~24-25x [EST]	Roughly 2x the historical retail norm	EXPENSIVE
Beta	NOT AVAILABLE	—	Historically ~0.5-0.7, defensive factor exp

Short Interest: NOT AVAILABLE. **Analyst Consensus / Target:** NOT AVAILABLE.

12. KEY BUSINESS DRIVERS

Driver 1: US comparable sales ex-fuel

- Why it matters: measures whether Walmart keeps taking share from grocers and other big-box retailers without new store growth.
- Current level: recent quarters have run in the mid-single digits [EST].
- Bull threshold: sustained above +4%.
- Bear threshold: below +2% for two consecutive quarters.
- Next data point: Q2 FY2027 earnings (mid-to-late August 2026).

Driver 2: Advertising revenue growth (Walmart Connect plus Vizio)

- Why it matters: this is the highest-margin dollar Walmart earns and the sole justification for a multiple above 30x.
- Current level: growing above 20% year over year [EST].
- Bull threshold: above 20% growth sustained.
- Bear threshold: below 12%. The platform thesis breaks here.
- Next data point: quarterly earnings; management discloses this specifically.

Driver 3: Operating income growth relative to sales growth

- Why it matters: the single cleanest test of whether mix shift is producing real operating leverage or whether grocery and logistics costs are absorbing it.
- Current level: operating income has been growing faster than sales in recent periods [EST].
- Bull threshold: operating income growth exceeds sales growth by 300bps or more.
- Bear threshold: operating income grows slower than sales.
- Next data point: quarterly earnings.

Driver 4: Capex as a percentage of sales, and free cash flow

- Why it matters: rising capital intensity is the specific mechanism through which ROIC and FCF deteriorate while headline EPS looks fine.
- Current level: roughly 3.3-3.5% of sales; FCF roughly \$12-15bn [EST].
- Bull threshold: capex stabilizes at or below 3.5% while FCF grows.
- Bear threshold: capex above 4% of sales with FCF flat or declining.
- Next data point: quarterly cash flow statement and FY2027 capex guidance.

Driver 5: Buyback execution price

- Why it matters: management repurchasing stock above intrinsic value destroys value and signals poor capital discipline.
- Current level: buybacks have continued through the re-rating [EST].
- Bull threshold: management slows repurchases and redeploys to dividend or debt reduction.

- Bear threshold: accelerated repurchases above 40x earnings.
- Next data point: quarterly cash flow statement.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker / Symbol	Relationship	Signal
SPDR Consumer Staples Select	**XLP**	Correlates. Walmart's multiple moves with XLP. Defensive stock. SPDR tracks S&P 500	Bullish with XLP. Defensive stock. SPDR tracks S&P 500
SPDR S&P Retail ETF	**XRT**	Leads on general-merchandise demand. XRT breaks above its 200-day M	Bullish above +0.4% m/m; bearish below
US Retail Sales Control Group	Census monthly release	Leads comp sales by 2-6 weeks	Bullish above +0.4% m/m; bearish below
Amazon	**AMZN**	Competing claim on general-merchandise demand. Amazon accelerates	Bullish above +0.4% m/m; bearish below
Costco	**COST**	Valuation comparable. Serves as a proxy for retail. Costco follows	Bullish above +0.4% m/m; bearish below

Monitoring rule: If XLP breaks below its 200-day moving average while the Census control group prints negative for two consecutive months, expect defensive-multiple compression across staples retail. That combination is the entry setup for Walmart, not a reason to stay away. Set an alert at \$95 and revisit.

MONITORING CHECKLIST

Item	Frequency	Threshold / Action
Price vs. target entry	Weekly	**Below \$95 / €82.4: begin re-underwriting. Below \$
Trailing and forward P/E	Quarterly	Below 30x forward: valuation gate reopens
US comp sales ex-fuel	Quarterly	Below +2% for two quarters: growth thesis weakens
Advertising revenue growth	Quarterly	Below 12%: platform re-rating thesis is dead, termin
Operating income vs. sales growth	Quarterly	Op income growing slower than sales: mix pressure
Capex / sales	Quarterly	Above 4.0%: ROIC dilution risk, reduce base-case E
Free cash flow	Quarterly	Flat or declining for four quarters: earnings quality g
Dividend increase	Annual (Feb)	Increase below 5%: management signalling caution
Buyback pace and price	Quarterly	Accelerating above 40x: governance flag
Interest coverage	Annual	Below 8x: solvency reassessment
Opioid MDL developments	Ongoing	Aggregate settlement above \$5bn: re-model
XLP / XRT / Census control group	Monthly	See Section 13 monitoring rule
CEO transition execution	Ongoing	Strategic reversal or margin-dilutive acquisition: full r

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Current Price: \$116.01 / €100.67

Position Size: €0

Target Entry Price: **\$92.00 / €79.83** (–20.7% from current)

Secondary alert level: \$95.00 / €82.44

Reason for AVOID:

Two absolute requirements fail. Base case total return of 6.1% CAGR sits below the 7% hurdle (inflation plus 4%), and bear case total return of –3.6% CAGR breaches the requirement that capital be preserved in the downside scenario. The stock trades roughly 50% above its five-year average P/E, 85% above its ten-year average, and 90% above its ten-year average price-to-free-cash-flow. The framework's own rule on multiples more than 40% above the five-year average applies directly. Wealth Preservation Score of 52 places Walmart in the marginal band.

What is not the reason: business quality. Walmart earns a FORTRESS solvency rating, ROCK SOLID dividend sustainability, EXCELLENT management and dilution scores, and a RESILIENT recession profile. The probability of permanent capital loss is roughly 3%, among the lowest of any equity you could own. This is a decision about price, not about the company.

What would change this assessment:

1. Price at or below **\$92** (roughly 30x forward earnings), which lifts base case total return above 8% and pushes the bear case toward breakeven.
2. A sustained step-change in earnings power, meaning advertising, marketplace, and membership income reaching a large enough share of operating profit that a 30x-plus terminal multiple becomes defensible on mix alone. Watch the disclosed advertising growth rate and the operating-income-versus-sales spread.
3. A dividend policy shift toward a materially higher payout, raising the yield above 2% and restoring a real income cushion. Nothing suggests management intends this.

Walmart belongs on your permanent watchlist. Set the alert at \$95, review at \$92, and let the multiple come to you. History says it will: Walmart de-rated 37% between 2015 and 2017 with no recession and no impairment to the franchise. The business will still be here.

ANALYST NOTES

Key Assumptions

- FY2026 (ended 2026-01-31) revenue near \$710bn and adjusted EPS near \$2.65 [EST]. FY2027E adjusted EPS near \$2.95 [EST].
- Annual dividend near \$0.94 per split-adjusted share [EST]. Diluted share count near 7.95-8.0bn [EST].

- Terminal multiple of 30x in the base case, which is the five-year average and already embeds the 2023-2026 re-rating. Using the ten-year average of 23x would produce a base case total return of roughly 3.4% CAGR and a fair value near \$68.
- Bear case terminal multiple of 18x, notably above the 12x Walmart actually reached in 2016.
- Base case EPS CAGR of 9%, above Walmart's twenty-year average and near the top of its historical range.
- WACC of 7.0-7.5%.
- USD/EUR of 1.1524, derived from the authoritative dual-currency price.

Limitations

- **Severe data gap.** This pipeline run delivered no FMP financials, no yfinance history, and no deep_dive_metrics. Every ratio and multiple above is a reconstruction marked [EST]. Forward P/E, PEG, beta, short float, and analyst targets are unavailable and left blank.
- Historical average multiples (5Y and 10Y) are estimated from memory rather than computed from a price series. Errors of a few multiple points are possible. They are not large enough to change the conclusion: at 43x trailing, Walmart would need its five-year average to be above 38x for the valuation gate to pass, which it is not.
- GAAP EPS at Walmart is distorted by equity-investment marks. All valuation work uses adjusted EPS. If actual FY2026 adjusted EPS came in materially above \$2.65, the trailing multiple falls proportionally. At \$2.90, trailing P/E is 40x. At \$3.20, it is 36x. The AVOID conclusion holds across that range.
- The current-ratio override is a judgment call. I stand behind it for Walmart specifically and would not extend it to a leveraged or slower-turning retailer.
- CEO succession from Doug McMillon to John Furner introduces execution uncertainty not fully weighted in the base case.
- Ten-year scenario modelling carries wide error bars. The near-term risk is not the terminal value; it is a single guidance reset compressing the multiple 25% in a day.

Confidence Level: MEDIUM

High confidence on business quality, solvency, dividend safety, and recession resilience. These rest on public facts and a fifty-year record. High confidence that the current price embeds growth expectations well above Walmart's long-run delivery, because that conclusion follows from the authoritative price and any reasonable estimate of earnings. Medium confidence on the precise return figures, given the absence of live financial and multiple data in this payload. A full data pull would sharpen the numbers and would not reverse the recommendation.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

IMPORTANT DISCLOSURES

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