

The Wealth Advisory

An Angel Investment Research Publication

Buy, Sell, or Hold

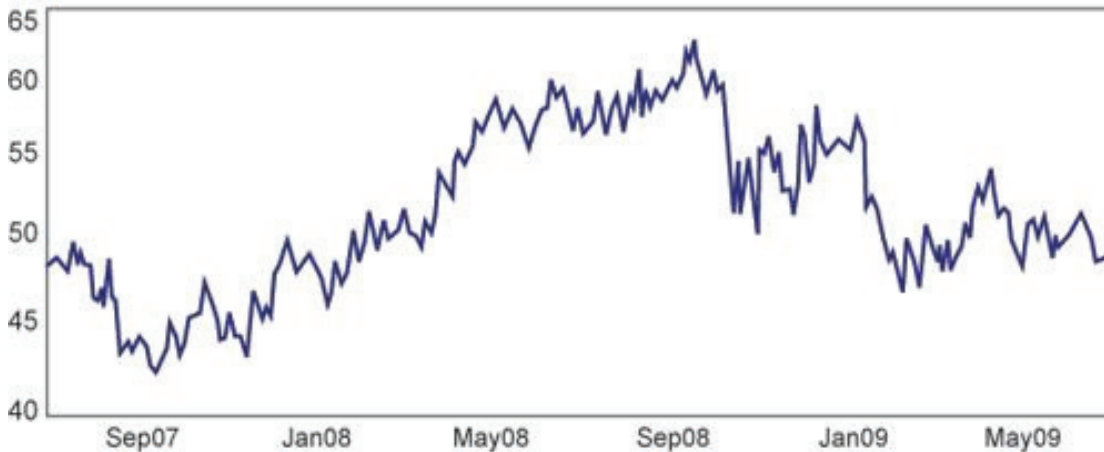
July 1, 2009

(WMT:NYSE)

Wal-Mart Stores Inc.



WAL-MART STORES INC



Source: Angel Research



Our Recommendation

07/01/2009

BUY				HOLD				SELL						
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	F+	F	F-

Moving Average (MACD) indicates a bearish trend
Chart pattern is in a down trend of lower highs
Relative Strength is bearish
Up/Down pattern indicates distribution
Stock has recently broken support

Current Share Price: \$48.50 Stop/Loss: \$48.00 12-Mo. Target: \$50.00

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Corporate Information

Wal-Mart Stores Inc.

Investor Contact

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Address

702 S.W. 8th Street
 Bentonville, AR 72716
 (479) 273-4000

Website

<http://www.walmartstores.com>

Officers:

CEO- Mr. Mike Duke
 CFO-Mr. Thomas M. Schoewe
 Exec.VP-Mr. Doug McMillan

Sector: Retail Sales

Founded: 1945

Employees: 2,100,000



Company Overview

Wal-Mart is the largest retailer in North America with a worldwide reach. The company operates 7,873 stores across three business segments of retail stores worldwide that offer a wide array of general merchandise including apparel, electronics, and small appliances. In addition, the giant sized retailer is the world's largest retailer and grocery chain by sales, with nearly 25% of the market.

The company's operations are divided into three divisions: Wal-Mart, Sam's Club, and International. The company operations include over 3,000 venues in international markets, where the company has grown its presence at an average annual rate of 30% between 2005 and 2009. The company operates over 920 million square feet of retail space globally while adding on average at least 8% per annum.

As of January 31, 2009, it operated 891 discount stores, 2,612 super centers, 153 Neighborhood Markets, and 602 Sam's Clubs in the United States; and 28 units in Argentina, 345 in Brazil, 318 in Canada, 197 in Chile, 164 in Costa Rica, 77 in El Salvador, 160 in Guatemala, 50 in Honduras, 371 in Japan, 1,197 in Mexico, 51 in Nicaragua, 56 in Puerto Rico, and 358 in the United Kingdom, as well as 243 stores through a of joint ventures.

The company was founded in 1945 and is based in Bentonville, Arkansas.

Recent Company Highlights Q1--FY 2010

Wal-Mart Stores Inc. reported a flat first-quarter profit in mid May as revenue from its huge international operations were hurt by the stronger dollar. The world's largest retailer earned \$3.02 billion, or 77 cents per share, for the period ended April 30. Revenue fell 0.6 percent to \$93.47 billion, from \$94.04 billion a year earlier.

Meanwhile, new customers made up 17% of Wal-Mart's new shopper visits, and their purchases were 40% higher on average than its traditional shoppers, said U.S. operations chief Eduardo Castro-Wright. Customer visits have "accelerated to levels we have not seen in several years," Mr. Castro-Wright said.

But its international operations continued to be a drag on the company's bottom line, largely due to the rise in the value of the U.S. dollar. Wal-Mart's net sales edged down to \$93.5 billion, from \$94 billion last year.

Wal-Mart has forecast a profit of between 83 cents and 88 cents a share for its fiscal second quarter. But executives warned it would have a tough time exceeding the 86 cents a share it earned last year when stimulus checks were distributed to U.S. consumers.

The company recently announced of a \$15 billion share repurchase program and its debt was affirmed as stable by Fitch

Key Statistics

WMT:NYSE

52 W Range: \$46.25-\$63.85

P/E--14.33

Forward P/E--12.52

PEG Ratio--1.12



EPS next year-- \$3.59

Income(ttm)-- \$404.91 B

Shs Outstand--3.90 B

Market Cap--190.00 B

Shs Float--2.16 B

Book/sh--15.97

Cash/sh--1.68

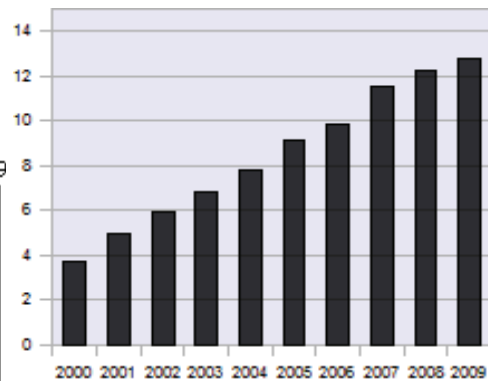
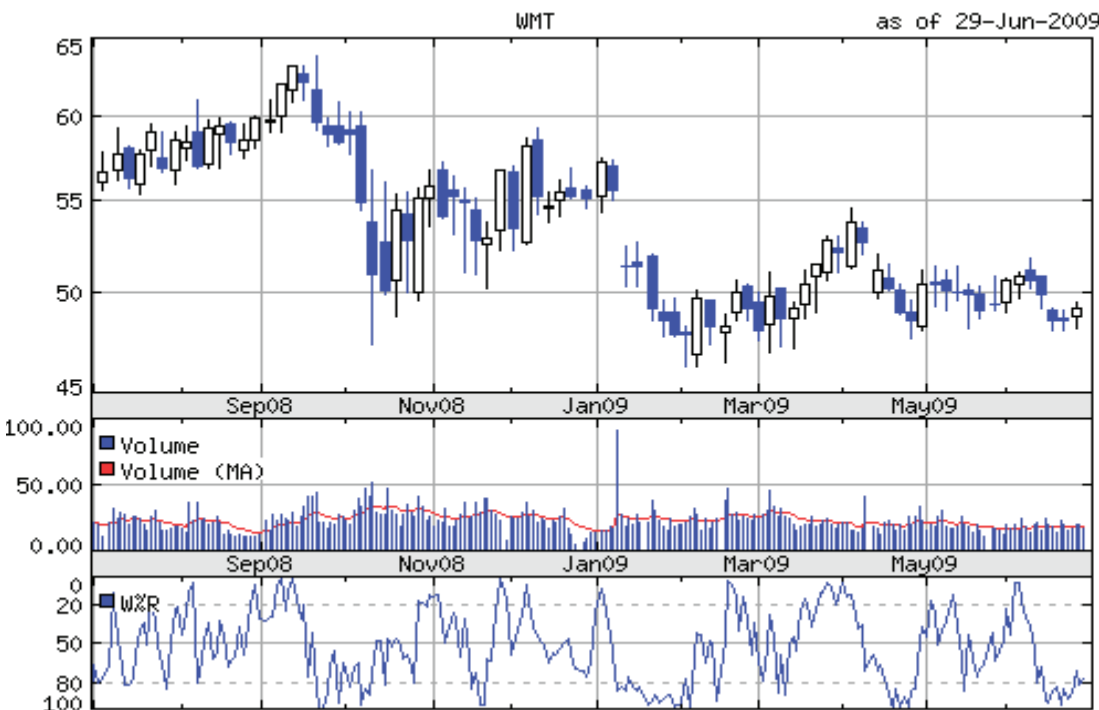
Profit Margin-3.31%

ROE-- 21.13%

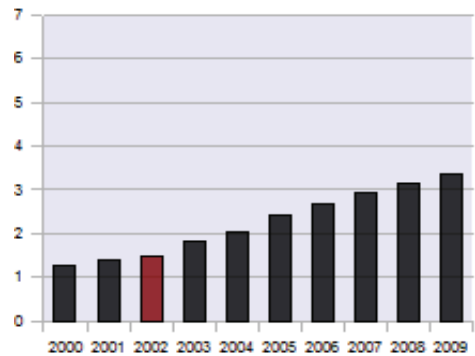
ROA--8.74%

Total Cash (MRQ): \$6.58 B

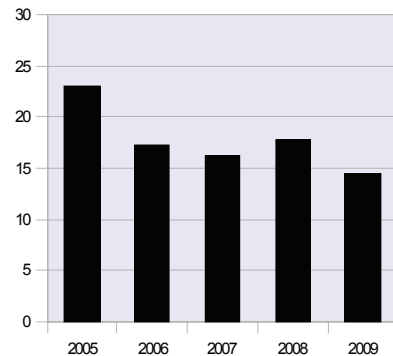
Technical Outlook



Historical Book Value



Historical Earnings



Historical P/E Ratios 5yr avg- 17.74

Moving Average Analysis

10-day	48.65	Down
20-day	49.52	Down
50-day	49.54	Down
200-day	52.15	Down

Volume Analysis

Avg Daily (00's)	191699
MO Chg (%)	1.7%
OBV	Bearish
UP/Down Vol.	Down

Technical Analysis

RSI (14)	46.14
Beta	0.52
MACD ST	Bearish
MACD LT	Bearish

Notes:

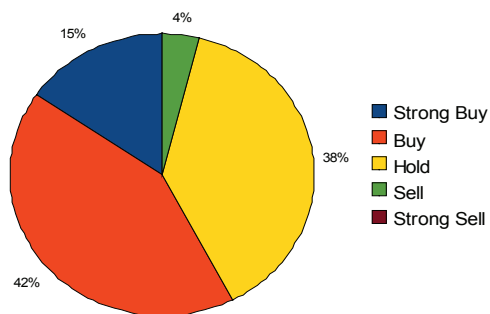
Stock is currently in a 12 month bearish down trend marked by lower highs and has been in a short-term range from 48.00 to 52.00. WMT recently broke support at the 49.11 level in pullback from the April bounce. As such we would be sellers of WMT as it meets resistance at the 50.00 level. However, we would be buyers of this stock on a move below \$43.00 or roughly 12X earnings.

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Technical Score

Analyst Sentiment

Below is the breakdown of the 26 analyst ratings for Wal-Mart Stores (WMT). By averaging these ratings investors are given insight into the consensus opinion of the independent research community on a given security.



Ratings Distribution

	06/29/09	05/31/09	04/30/09	03/31/09	01/31/09
Strong Buy (Rating=1)	4	4	6	4	6
Buy (Rating=2)	11	13	14	9	8
Hold (Rating=3)	10	8	5	11	9
Sell (Rating=4)	1	1	1	1	2
Strong Sell (Rating=5)	0	0	0	1	1
AVERAGE RATING:	2.31	2.23	2.04	2.46	2.38

Industry Overview

With a low beta and dependable revenue, food and staples retailing stocks are defensive in nature. This sector is the second largest segment of consumer spending and includes drugstores, grocery stores, and super centers. The major players include Wal-Mart, Target, Costco, BJ's Wholesale, Kroger, and Walgreens.

Together these types of businesses remain stable even in uncertain economic conditions since consumers gravitate towards discounters to save money. As a result, during periods of weak economic growth this segment of the industry tends to outperform.

Nonetheless, given the depth of the current downtrend, a weak labor market has put a crimp in sales growth. In fact, the Commerce Department's measure of retail sales, which includes everything from candy to cars, increased only 0.5% in May. However, much of the increase was due to a jump in the price of gasoline, which boosted revenue

at gasoline stations by 3.6%. Absent gas-station receipts, sales rose by 0.2%.

Even still, May marked the third increase in five months since consumer spending fell sharply in the fall. The larger question is whether or not consumers will spend more in the future driving sales higher. That's because as households move to rebuild their finances, they are buying less and saving more. In April, personal saving as a percentage of after-tax income rose to 5.7%, up from zero a year earlier

Moreover, the Federal Reserve's "flow of funds report" showed recently that household net worth fell \$1.1 trillion in the first quarter from the fourth quarter last year to \$50.4 trillion, putting it \$13.9 trillion below its 2007 peak. That will undoubtedly make for a tough operating environment over the next twenty-four months as unemployment tops 10% and consumers dig in even deeper

Peer Review

Price/Earnings **WMT: 14.33** **Peer Avg: 15.10**

- Compared to its peer average, WMT is trading at a small P/E discount. Additionally, WMT is trading above the P/E of Target (13.92) and BJ's Wholesale (13.20)

Price/Sales **WMT: 0.47** **Peer Avg: 0.40**

- Compared to its peer average, WMT is trading at an average P/S multiple. Additionally, WMT is trading above the P/S ratio of Costco (0.28) . Price to sales ratios are how each investor values each dollar of sales.

Price/Projected Earnings **WMT: 12.36** **Peer Avg. 13.60**

- Compared to its peers on this metric WMT is trading at a slight discount. This can signify the company is underpriced.

Price/Book **WMT: 3.08** **Peer Avg: 3.03**

- Compared to its peer average, WMT is trading at a book value discount. However, WMT trades above Target (2.08) and Costco (2.06) It is calculated by dividing the current by the latest quarter's book value per share.

Price/Earnings Growth **WMT: 1.12** **Peer Avg: 1.19**

- Compared to its peer average, WMT is trading at a neutral PEG ratio. PEG is a widely used indicator of a stock's potential value. A PEG ratio of 1 indicates the company is fairly valued.

Price/Cash Flow **WMT: 8.37** **Peer Avg. 15.51**

- Compared to its peers WMT is trading at a discount. P/CF is a measure of the market's expectations of a firm's future financial health. In theory, the lower a stock's price/cash flow ratio is, the better value that stock is.

Growth Estimates

	Jan 2010*	Jan 2011*	Past 5 Years	Next 5 Years	Forward P/E	PEG *
WMT -	4.20%	8.80%	10.50%	11.00%	13.70	1.24
Industry -	8.90%	8.60%	4.70%	12.50%	13.70	1.10
S&P 500 -	17.30%	23.30%	-2.70%	0.00%	15.80	0.00

*year ending



Income Statement (Non-Cumulative)-Last 5 quarters

	Q1 4/09	Q4 1/09	Q3 10/08	Q2 7/08	Q1 4/08
Revenues (000's)	94,242,000	107,996,000	97,634,000	101,598,000	94,122,000
Cost of Revenues	68,688,000	80,916,000	72,426,000	75,904,000	70,258,000
Gross Income	25,554,000	27,080,000	25,208,000	25,694,000	23,864,000
General & Admin. Expenses	18,637,000	20,138,000	19,236,000	19,228,000	18,107,000
Research & Development	0	0	0	0	0
Ebitda	6,917,000	6,942,000	5,972,000	6,466,000	5,757,000
Depreciation & Amortization	1,700,000	1,685,000	1,688,000	1,738,000	1,628,000
Operating Income	5,217,000	5,257,000	4,284,000	4,728,000	4,129,000
Interest Expense	518,000	560,000	537,000	527,000	560,000
Income Taxes/(Credit)	1,603,000	1,959,000	1,690,000	1,826,000	1,670,000
Minority Interest	117,000	134,000	113,000	130,000	120,000
Other Income	117,000	1,120,000	1,008,000	1,069,000	1,181,000
Net Income From Continuing Operations	3,147,000	3,792,000	3,033,000	3,385,000	3,022,000
Net Income From Discontinued Operations	-8000	0	105,000	64,000	0
Net Income From Total Operations	3,139,000	3,792,000	3,138,000	3,449,000	3,022,000
Other Gains/(Losses)	0	0	0	0	0
Total Net Income	3,139,000	3,792,000	3,138,000	3,449,000	3,022,000

Fully Diluted EPS:	0.77	0.96	0.80	0.87	0.76
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The Bottom Line

Wal-Mart is the world's largest retailer and grocery chain by sales, and in the U.S. it accounts for 7.5% and 21% of consumers' total annual expenditures on retail goods and groceries, respectively. In fact, Wal-Mart is so large that its 2008 sales were almost 50% more than its 7 closest competitors combined, including Target and Sears.

Even so, a weakening consumer both here and abroad will crimp the company's growth in the years to come as its cash flow works to keep up with its 43.17B debt load-- big portions of which (\$13.9B) are coming due in the next 3 years. Additionally, the company faces major currency fluctuation problems since 23% of its revenue comes from overseas.

As such, we rate Wal-Mart Stores Inc. (WMT) as a "Sell" based primarily on a short term technical basis and a weakening consumer. We believe at its current share price Wal-Mart is essentially fully valued offering little upside in either the short or long term.

Since our valuation puts the retail giant at roughly \$50.00 a share, we wouldn't be buyers unless the share price fell below \$43.00 offering a minimum of 15% to the upside.

Analysis of the stocks worth based on our proprietary quantitative model is as follows:

Stock.....	WMT
Earnings per share.....	\$3.43
5 yrs EPS Growth Rate %.....	5.5%
Perpetual Growth Rate %.....	2%
Benchmark Return.....	10%
Risk-adjusted price.....	\$50.65

Investment Report Prepared by: Steve Christ, Investment Director of the *The Wealth Advisory*

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Total Score

Wealth Advisory Research

Methodology:

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