

[Exhibit 4.42](#) sets out various operating data for Walmart for 2018 through 2020. [Exhibit 4.43](#) presents segment data. [Exhibit 4.44](#) presents comparative balance sheets for Walmart for 2017 through 2020 (an extra year to enable average balance computations when necessary), [Exhibit 4.45](#) presents comparative income statements for 2018 through 2020, and [Exhibit 4.46](#) presents comparative statements of cash flows for 2018 through 2020. [Exhibit 4.47](#) presents selected financial statement ratios for Walmart for 2018 through 2020. With the exception of segment ratios, Walmart financial ratios include an adjustment for imputation of interest on operating leases based on Walmart's 2020 disclosed weighted-average discount rate on operating leases of 6.1%. The statutory income tax rate is 21%.

Exhibit 4.42 Walmart Stores Operating Data (Integrative Case 4.1, Part A)

	2020	2019	2018
Walmart Discount Stores, Supercenters, and Neighborhood Markets (U.S.)			
Number of stores	4,743	4,756	4,769
Square footage (millions)	703	703	705
Sales (millions)	369,963	341,004	331,666
Sales per square foot	\$526.26	\$485.07	\$470.45
Operating income (millions)	19,116	17,380	17,386
Operating income per square foot	\$27.19	\$24.72	\$24.66
Total assets (millions)	113,490	110,353	105,114
International			
Number of stores	6,101	6,146	5,993
Square footage (millions)	337	345	344
Sales (millions)	121,360	120,130	120,824
Sales per square foot	\$360.12	\$348.20	\$351.23
Operating income (millions)	3,660	3,370	4,883
Operating income per square foot	\$ 10.86	\$ 9.77	\$ 14.19
Total assets (millions)	109,445	105,811	97,066
Sam's Club (Domestic)			
Number of stores	599	599	599
Square footage (millions)	80	80	80
Sales (millions)	63,910	58,792	57,839
Sales per square foot	\$798.88	\$734.90	\$722.99
Operating income (millions)	1,906	1,642	1,520
Operating income per square foot	\$ 23.83	\$ 20.53	\$ 19.00
Total assets (millions)	13,415	13,494	12,893
Domestic Comparable Store Sales Increase	8.7%	1.6%	5.4%

Exhibit 4.43 Walmart Stores Segment Profitability Analysis (Integrative Case 4.1, Part A)

	2020	2019	2018
Sales Mix			
Walmart Discount Stores, Supercenters, and Neighborhood Markets	66.63%	65.59%	64.99%
International	21.86%	23.11%	23.68%
Sam's Club	11.51%	11.31%	11.33%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Walmart Discount Stores, Supercenters, and Neighborhood Markets			
Operating profit margin	5.17%	5.10%	5.24%
Assets turnover	3.26	3.09	3.16
ROA	16.84%	15.75%	16.54%
International			
Operating profit margin	3.02%	2.81%	4.04%
Assets turnover	1.11	1.14	1.24
ROA	3.34%	3.18%	5.03%
Sam's Club			
Operating profit margin	2.98%	2.79%	2.63%
Assets turnover	4.76	4.36	4.49
ROA	14.21%	12.17%	11.79%

Exhibit 4.44 Walmart Stores Balance Sheets (Amounts in Millions) (Integrative Case 4.1, Part A)

	2020	2019	2018	2017
ASSETS				
Cash and cash equivalents	\$ 17,741	\$ 9,465	\$ 7,722	\$ 6,756
Receivables, net	6,516	6,284	6,283	5,614
Inventories	44,949	44,435	44,269	43,783
Prepaid expenses and other	20,861	1,622	3,623	3,511
Total current assets	90,067	61,806	61,897	59,664
Property and equipment, net	92,201	105,208	104,317	107,675
Operating lease right-of-use assets	13,642	17,424	0	0
Finance lease right-of-use assets, net	4,005	4,417	7,078	7,143
Goodwill	28,983	31,073	31,181	18,242
Other long-term assets	23,598	16,567	14,822	11,798
Total Assets	\$ 252,496	\$ 236,495	\$ 219,295	\$ 204,522
LIABILITIES AND EQUITY				
Short-term borrowings	\$ 224	\$ 575	\$ 5,225	\$ 5,257
Accounts payable	49,141	46,973	47,060	46,092
Accrued liabilities	37,966	22,296	22,159	22,122
Accrued income taxes	242	280	428	645
Long-term debt due within one year	3,115	5,362	1,876	3,738
Operating lease obligations due within one year	1,466	1,793	0	0
Finance lease obligations due within one year	491	511	729	667
Total current liabilities	92,645	77,790	77,477	78,521
Long-term debt	41,194	43,714	43,520	30,045
Long-term operating lease obligations	12,909	16,171	0	0
Long-term finance lease obligations	3,847	4,307	6,683	6,780
Deferred income taxes and other	14,370	12,961	11,981	8,354
Commitments and contingencies				
Common stock	282	284	288	295
Capital in excess of par value	3,646	3,247	2,965	2,648
Retained earnings	88,763	83,943	80,785	85,107
Accumulated other comprehensive loss	(11,766)	(12,805)	(11,542)	(10,181)
Total Walmart shareholders' equity	80,925	74,669	72,496	77,869
Noncontrolling interest	6,606	6,883	7,138	2,953
Total equity	87,531	81,552	79,634	80,822
Total liabilities and equity	\$ 252,496	\$ 236,495	\$ 219,295	\$ 204,522

Exhibit 4.45 Walmart Stores Income Statements (Amounts in Millions) (Integrative Case 4.1, Part A)

	2020	2019	2018
Net sales	\$ 555,233	\$ 519,926	\$ 510,329
Membership and other income	3,918	4,038	4,076
Total revenues	559,151	523,964	514,405
Cost of sales	420,315	394,605	385,301
Operating, selling, general and administrative expenses	116,288	108,791	107,147
Operating income	22,548	20,568	21,957
Interest expenses:			
Debt	1,976	2,262	1,975
Finance, capital lease and financing obligations	339	337	371
Interest income	(121)	(189)	(217)
Interest, net	2,194	2,410	2,129
Other (gains) and losses	(210)	(1,958)	8,368
Income before income taxes	20,564	20,116	11,460
Provision for income taxes	6,858	4,915	4,281
Consolidated net income	13,706	15,201	7,179
Consolidated net income attributable to noncontrolling interest	(196)	(320)	(509)
Consolidated net income attributable to Walmart	\$13,510	\$14,881	\$6,670
Other comprehensive income (loss), net of income taxes			
Currency translation and other	842	286	(226)
Net investment hedges	(221)	122	272
Cash flow hedges	235	(399)	(290)
Minimum pension liability	(30)	(1,244)	131
Other comprehensive income (loss), net of income taxes	826	(1,235)	(113)
Other comprehensive (income) loss attributable to noncontrolling interest	213	(28)	188
Other comprehensive income (loss) attributable to Walmart	1,039	(1,263)	75
Comprehensive income, net of income taxes	14,532	13,966	7,066
Comprehensive (income) loss attributable to noncontrolling interest	17	(348)	(321)
Comprehensive income attributable to Walmart	\$14,549	\$13,618	\$6,745

Exhibit 4.46 Walmart Stores Statements of Cash Flows (Amounts in Millions) (Integrative Case 4.1, Part A)

	2020	2019	2018
Cash flows from operating activities:			
Consolidated net income	\$ 13,706	\$ 15,201	\$ 7,179
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	11,152	10,987	10,678
Net unrealized and realized (gains) and losses	(8,589)	(1,886)	3,516
Losses on disposal of business operations	8,401	15	4,850
ASDA pension contribution	—	(1,036)	—
Deferred income taxes	1,911	320	(499)
Other operating activities	1,521	1,981	1,734
Changes in certain assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables, net	(1,086)	154	(368)
Inventories	(2,395)	(300)	(1,311)
Accounts payable	6,966	(274)	1,831
Accrued liabilities	4,623	186	183
Accrued income taxes	(136)	(93)	(40)
Net cash provided by operating activities	36,074	25,255	27,753
Cash flows from investing activities:			
Payments for property and equipment	(10,264)	(10,705)	(10,344)
Proceeds from the disposal of property and equipment	215	321	519
Proceeds from the disposal of certain operations	56	833	876
Payments for business acquisitions, net of cash acquired	(180)	(56)	(14,656)
Other investing activities	102	479	(431)
Net cash used in investing activities	(10,071)	(9,128)	(24,036)
Cash flows from financing activities:			
Net change in short-term borrowings	(324)	(4,656)	(53)
Proceeds from issuance of long-term debt	—	5,492	15,872
Repayments of long-term debt	(5,382)	(1,907)	(3,784)
Dividends paid	(6,116)	(6,048)	(6,102)
Purchase of Company stock	(2,625)	(5,717)	(7,410)
Dividends paid to noncontrolling interest	(434)	(555)	(431)
Other financing activities	(1,236)	(908)	(629)
Net cash used in financing activities	(16,117)	(14,299)	(2,537)
Effect of exchange rates on cash, cash equivalents and restricted cash	235	(69)	(438)
Net increase in cash, cash equivalents and restricted cash	10,121	1,759	742
Cash and cash equivalents reclassified as assets held for sale	(1,848)	—	—
Cash, cash equivalents and restricted cash at beginning of year	9,515	7,756	7,014
Cash, cash equivalents and restricted cash at end of year	\$ 17,788	\$ 9,515	\$ 7,756
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 5,271	\$ 3,616	\$ 3,982
Interest paid	2,216	2,464	2,348

Exhibit 4.47 Walmart Stores Financial Ratio Analysis (Integrative Case 4.1, Part A)

	Fiscal Year		
	2020	2019	2018
Profitability Ratios			
ROA	6.67%	7.57%	4.26%
Profit margin for ROA	2.92%	3.29%	1.76%
Assets turnover	2.29	2.30	2.43
Cost of goods sold/Sales	75.17%	75.31%	74.90%
Selling and administrative expense/Sales	20.80%	20.76%	20.83%
Interest expense (net of taxes)/Sales	0.31%	0.36%	0.33%
Income tax expense (excluding tax effects of interest expense)/Sales	1.31%	1.03%	0.92%
Accounts receivable turnover	87.4	83.4	86.5
Inventory turnover	9.4	8.9	8.8
Fixed assets turnover	4.7	4.4	4.5
ROCE	15.98%	18.46%	8.31%
Profit margin for ROCE	2.42%	2.84%	1.30%
Capital structure leverage	3.1	3.1	2.8
Risk Ratios			
Current ratio	0.97	0.79	0.80
Quick ratio	0.26	0.20	0.18
Accounts payable turnover	8.76	8.40	8.28
Cash flow from operations to current liabilities ratio	42.33%	32.53%	35.58%
Long-term debt ratio	22.95%	27.14%	22.89%
Total liabilities/Total assets ratio	65.33%	65.52%	63.69%
Cash flow from operations to total liabilities ratio	24.66%	18.73%	22.84%
Interest coverage ratio	10.28	8.53	10.31

Required

- a. What are the likely reasons for the changes in Walmart's rate of ROA during the three-year period? Analyze the financial ratios to the maximum depth possible.
- b. What are the likely reasons for the changes in Walmart's rate of ROCE during the three-year period?

Note: Requirements c and d require coverage of material from [Chapter 5](#).

- c. How has the short-term liquidity risk of Walmart changed during the three-year period?

- d. How has the long-term solvency risk of Walmart changed during the three-year period?

Part B

Part A of [Integrative Case 4.1](#) analyzed the profitability and risk of **Walmart Stores** for its fiscal years 2018, 2019, and 2020. Part B of this case compares the profitability and risk ratios of Walmart and two other leading discount retailers, **Carrefour** and **Target**, for their 2018 through 2020 fiscal years.

Carrefour

Carrefour, headquartered in France, is Europe's largest retailer and the second largest retailer in the world. **Carrefour** is organized by geographic region (France, Europe excluding France, Asia, and Latin America). Each segment is organized according to store formats, which include the following:

- **Hypermarkets:** Offer a wide variety of household and food products at competitively low prices under the **Carrefour** store brand.
- **Supermarkets:** Sell traditional grocery products under the Market, Bairro, and Supeco store brands.
- **Convenience Stores:** Offer a limited variety of food products in smaller stores than those of hypermarkets and supermarkets at aggressively low prices under Express, City, Contact, Bio, Montagne, and other store brands.
- **Cash & Carry:** Provides professional restaurant and shop owners food and nonfood products at wholesale prices, under the Promocash and

other store brands.

- **E-commerce:** Operates an online shopping website unique to each country in which **Carrefour** operates.

France represents the largest segment, followed by Rest of Europe, Latin America, and Asia.

Target

Target Corporation, headquartered in the United States, is a retailer that includes large-format general merchandise and food discount stores as well as an online business at www.target.com. **Target** stores offer a wide variety of clothing, household, electronics, sports, toy, and entertainment products at discount prices. **Target** stores attempt to differentiate themselves from **Walmart's** discount stores by pushing trendy merchandising with more brand-name products, but **Target** also owns a significant number of their own brands, which account for approximately one-third of sales. **Target** emphasizes customer service, referring to its customers as “guests” and focusing on the theme of “Expect More, Pay Less.” **Target Corporation** attempts to differentiate itself from competitors by providing wider aisles and a less cluttered store appearance.

[Exhibits 4.48](#) and [4.49](#) present profitability ratios for **Carrefour**, **Target**, and **Walmart** for their 2018 through 2020 fiscal years. [Exhibit 4.50](#) presents risk ratios for the three firms. [Exhibit 4.51](#) presents selected other data for these firms.

Exhibit 4.48 Carrefour, Target, and Walmart Cross-Section

ROA Profitability Analysis (Integrative Case 4.1, Part B)

		ROA		
		2020	2019	2018
Carrefour		1.93%	2.96%	-0.37%
Target		10.93%	8.70%	8.09%
Walmart		6.67%	7.57%	4.26%

	Profit Margin for ROA*			Assets Turnover		
	2020	2019	2018	2020	2019	2018
Carrefour	1.32%	2.03%	-0.23%	1.46	1.46	1.64
Target	5.49%	4.68%	4.38%	1.99	1.86	1.85
Walmart	2.76%	3.26%	1.72%	2.29	2.30	2.43

	Carrefour			Target			Walmart		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other revenues	3.1%	0.7%	3.5%	1.3%	1.3%	1.2%	0.7%	0.8%	0.8%
Cost of goods sold	81.0%	81.0%	80.9%	71.6%	71.1%	71.6%	75.7%	75.9%	75.5%
Selling and administrative	19.0%	19.5%	20.1%	20.1%	21.0%	21.1%	20.9%	20.9%	21.0%
Income taxes	0.7%	0.7%	0.7%	1.3%	1.2%	1.0%	1.2%	0.9%	0.8%
Receivables turnover	26.9	27.5	28.5	59.7	52.6	52.1	86.8	82.7	85.8
Inventory turnover	10.0	9.6	8.8	6.9	5.9	6.0	9.4	8.9	8.8
Fixed assets turnover	4.5	4.9	5.8	3.2	2.8	2.8	4.7	4.4	4.5

*Amounts do not sum because profit margin for ROA is reduced by taxes on operating profits, which do not equal total taxes reported on the income statement.

Exhibit 4.49 Carrefour, Target, and Walmart Cross-Section ROCE Profitability Analysis (Integrative Case 4.1, Part B)

	ROCE		
	2020	2019	2018
Carrefour	5.58%	9.81%	-4.79%
Target	33.25%	28.37%	25.60%
Walmart	15.98%	18.46%	8.31%

	Profit Margin for ROCE			Assets Turnover			Capital Structure Leverage		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Carrefour	0.9%	1.6%	-0.7%	1.46	1.46	1.64	4.31	4.31	4.06
Target	4.7%	4.2%	3.9%	1.99	1.86	1.85	8.48	7.89	8.03
Walmart	2.4%	2.8%	1.3%	2.29	2.30	2.43	2.89	2.83	2.64

Exhibit 4.50 Carrefour, Target, and Walmart Cross-Section Risk Analysis for (Integrative Case 4.1, Part B)

	Carrefour			Target			Walmart		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Short-Term Liquidity									
Current ratio	0.82	0.81	0.81	2.72	1.87	0.89	0.89	0.80	0.78
Quick ratio	0.32	0.30	0.29	0.41	0.24	0.25	0.23	0.19	0.17
Cash flow from operations/ Average current liabilities	15.3%	14.0%	9.1%	60.8%	48.2%	42.6%	42.3%	32.5%	35.6%
Days receivables	13.6	13.3	12.8	6.1	6.9	7.0	4.2	4.4	4.3
Days inventory	36.4	37.9	41.5	52.8	62.1	60.9	38.8	41.0	41.7
Days payable	105.4	109.8	110.4	69.2	66.6	65.7	42.6	43.4	44.5
Long-Term Solvency									
Long-term debt ratio	15.5%	14.2%	17.5%	24.7%	26.9%	27.3%	17.5%	20.8%	20.7%
Total liabilities/Total assets ratio	76.3%	77.3%	76.2%	71.8%	72.3%	72.6%	65.3%	65.5%	63.7%
Cash flow from operations/ Average total liabilities	8.9%	8.6%	5.9%	31.1%	23.4%	20.4%	22.6%	17.2%	21.1%
Interest coverage ratio	9.9	5.0	3.3	5.7	8.8	8.0	9.4	8.3	5.4

Exhibit 4.51 Carrefour, Target, and Walmart Selected Other Financial Data (Integrative Case 4.1, Part B)

	2020	2019	2018
Growth Rate in Sales			
Carrefour	-2.7%	-4.9%	-3.0%
Target	19.8%	3.7%	3.6%
Walmart	6.8%	1.9%	2.9%
Number of Stores			
Carrefour	13,048	12,225	12,111
Target	1,897	1,868	1,844
Walmart	11,443	11,501	11,361
Square Footage (in thousands)			
Carrefour	n.a.	n.a.	n.a.
Target	241,648	240,516	239,581
Walmart	1,120,000	1,128,000	1,129,000
Sales per Square Foot			
Carrefour	n.a.	n.a.	n.a.
Target	\$387	\$325	\$315
Walmart	\$496	\$461	\$452
Sales per Store			
Carrefour	5,529,583	6,064,785	6,438,032
Target	49,320,506	41,815,846	40,865,510
Walmart	48,521,629	45,207,025	44,919,373
Square Feet per Store			
Carrefour	n.a.	n.a.	n.a.
Target	127,384	128,756	129,925
Walmart	97,876	98,078	99,375
Fixed Assets per Square Foot			
Carrefour	n.a.	n.a.	n.a.
Target	\$ 120	\$ 119	\$ 115
Walmart	\$98	\$ 113	\$97
Number of Employees			
Carrefour	322,164	321,383	363,862
Target	409,000	368,000	360,000
Walmart	2,300,000	2,200,000	2,200,000
Sales per Employee			
Carrefour	€ 223,954	€ 230,697	€ 214,287
Target	\$ 228,756	\$ 212,261	\$ 209,322
Walmart	\$ 241,406	\$ 236,330	\$ 231,968
Exchange Rate			
U.S. dollars per euro (€)	\$ 1.23	\$ 1.12	\$ 1.15

Required

- Walmart** and **Target** follow somewhat different strategies. Using information in [Exhibits 4.48](#) and [4.51](#), suggest reasons for differences in operating profitability.
- Walmart** and **Carrefour** follow similar strategies, but **Walmart** consistently outperforms **Carrefour** on ROA. Using information in [Exhibits 4.48](#) and [4.51](#), suggest reasons for these differences in operating profitability.
- Refer to [Exhibit 4.49](#). Which firm appears to have used financial leverage most effectively in enhancing the rate of ROCE? Explain your

reasoning.

Note: Requirements d and e require coverage of material from [Chapter 5](#).

- d.** Refer to [Exhibit 4.50](#). Rank-order these firms in terms of their short-term liquidity risk. Do any of these firms appear unduly risky as of the end of fiscal 2020? Explain.

- e.** Refer to [Exhibit 4.50](#). Rank-order these firms in terms of their long-term liquidity risk. Do any of these firms appear unduly risky as of the end of fiscal 2020? Explain.