WMT gideon lens

Walmart Inc. (WMT) - Gideon-Lens Equity Research

Date: 2026-04-28. Analyst: Codex ER2. Price anchor: $127.59 from the live FMP quote pull in the verified quantitative foundation. Market cap anchor: about $1.017 trillion. Fiscal year end: January 31.

VERDICT BLOCK

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Internal successor is credible, but enterprise CEO proof period is new
Moat	PASS	Scale and logistics pass; 2046 test passes with platform-risk caveats
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base cushion -55.9%; even bull case fails
Compounder Score	Audited 53 / 100	53/100. Walmart is durable and well run, but audited scoring trims quality points for low measured ROIIC, opaque platform economics, missing SBC detail, and capital-intensive retail growth.
Business Quality Score	Audited 52 / 80	52/80. Scale, density, procurement, grocery frequency, and management discipline are real; the score is capped by weak traditional pricing power, mid-teens ROIC, low-margin retail economics, and incomplete segment-return evidence.
20% Return UW Score	Audited 1 / 20	1/20. The current price does not support a 20% annualized return under the base case or the ER2 15x P/E discipline; bull-case EPS still falls far short.

One-line thesis (or reason to pass): Walmart is a durable, strategically coherent retailer, but the current price requires far more FY+5 EPS than the verified segment model can support under Gideon's P/E 15 discipline.

Kill / trigger criteria:

- BUY trigger: price below about $56 on base FY+5 EPS of $3.75, with a larger margin of safety preferred because management is still YELLOW.
- PASS triggers: base FY+5 EPS remains below $6.00, Walmart U.S. margin fails to expand above 5.5%, or capex keeps free cash flow too thin to support meaningful buybacks.
- Upgrade to BUY conditions: John Furner establishes a public enterprise record, Walmart U.S. margin conversion is visible in reported results, International margin recovery is disclosed with less opacity, and the entry price falls near the P/E 15 support range.

Position sizing if bought: 0% now. If the price and evidence later clear the gates, initial sizing should still be modest because Walmart is high quality but low margin, capital intensive, and exposed to execution risk in platform monetization.

Stage 0 - Time anchor

Today is 2026-04-28. Walmart's fiscal year ends January 31. The most recently reported period is Q4 FY2026 / fiscal year ended January 31, 2026. The TTM anchor is Q1 FY2026 ended April 30, 2025 plus Q2 FY2026 ended July 31, 2025 plus Q3 FY2026 ended October 31, 2025 plus Q4 FY2026 ended January 31, 2026, producing TTM ending January 31, 2026. The forward horizon is exactly five calendar years from that TTM end date: January 31, 2031. Every FY+5 figure in this report uses that January 31, 2031 horizon, not a stretched fiscal-year shortcut.

Stage 1 - Disqualifier sweep

ROIC is green to yellow: Walmart's scale model earns acceptable returns but not the high-spread economics of a software compounder. FCF conversion is yellow: cash generation is real, but FY2026 capex consumed a large share of operating cash flow. Net debt / EBITDA is green to yellow: leverage is not the thesis problem, but lease-inclusive debt matters for a low-margin retailer. End markets are green: grocery, consumables, membership, marketplace, advertising, and value retail are stable or growing. Governance is yellow: no dual-class structure, but Walton family influence is material and the CEO transition is fresh. AI disruption is yellow: core grocery and fulfillment are protected, while advertising and marketplace monetization face platform risk. Pricing power is yellow: classic retail pricing power is limited, but membership, advertising, and marketplace services offer selective monetization. No auto-disqualifier is red, so the run proceeded through full ER2 production mode.

Management - one paragraph summary

Management is a YELLOW gate, not a fail. The appendix gives Walmart credit for an unusually deep internal bench, a strategy that has been consistent across several years, and incentive design that keeps management tied to operating income, sales growth, returns, and strategic execution rather than pure narrative. John Furner is a credible successor because he ran Walmart U.S., the company's largest and most important profit pool, before becoming CEO on 2026-02-01. That said, ER2 requires evidence, not just pedigree. Furner does not yet have a public enterprise CEO record through a full capital cycle, and Walmart's next phase needs disciplined execution across automation, advertising, marketplace, eCommerce fulfillment, International margin recovery, and a large capex program. Doug McMillon's long tenure built strategic continuity, but the investment decision now belongs to the next regime. Capital allocation is rational: reinvestment comes first, dividends remain steady, and the new buyback authorization adds optionality. The yellow rating comes from the proof period, not from a visible governance break.

Moat - one paragraph summary

The moat appendix gives Walmart a PASS and also passes the 2046 durability test. The strongest moat is Walmart U.S.: procurement scale, store density, logistics, grocery frequency, and an everyday-low-price operating culture that competitors cannot easily replicate. This is not high pricing power; it is a low-cost, high-traffic infrastructure advantage. Sam's Club adds a membership model and a warehouse-club format, though its ceiling is constrained by Costco's own strength. Walmart International is more mixed, but it gives the company growth surfaces in Mexico, Canada, China, India-related assets, and omnichannel commerce. The most important caveat is that the newer profit pools are not equally moated. Retail media, marketplace services, fulfillment, and eCommerce economics can improve margins, but they are also exposed to AI-driven ad-market changes, merchant bargaining, and platform competition. The core moat survives to 2046; the valuation does not get a free pass from that.

Stage 5 synthesis - headline numbers

The synthesis combines three reviewed segment appendices and passes 11 of 11 arithmetic tie-out checks. The base case for January 31, 2031 produces revenue of $849.06 billion, operating income of $40.30 billion, net income of $29.30 billion, and EPS of $3.75. The required FY+5 EPS for a P/E of 15 at the $127.59 price anchor is $8.51. That means the base-case cushion is negative 55.9%. The bear case EPS is $2.54, worth about $38.13 at 15x. The base case is worth about $56.32 at 15x. The bull case EPS is $4.85, worth about $72.69 at 15x. Even the bull case does not come close to the current share price under the ER2 entry rule. The synthesis conclusion is therefore clean: Walmart's quality is not the issue; the price is.

Case	FY+5 revenue	FY+5 OI	FY+5 EPS	EPS x 15	Cushion vs $127.59
Bear	about $761B	about $31B	$2.54	$38.13	-70.1%
Base	$849.06B	$40.30B	$3.75	$56.32	-55.9%
Bull	about $897B	about $49B	$4.85	$72.69	-43.0%

The model's largest earnings swing is Walmart U.S. margin. The reviewed Walmart U.S. appendix has base FY+5 revenue of $563.5 billion, margin of 5.8%, and operating income of $32.9 billion. International contributes base FY+5 revenue of $167.4 billion, margin of 4.5%, and operating income of $7.5 billion. Sam's Club contributes base FY+5 revenue of $109.0 billion, margin of 2.9%, and operating income of $3.2 billion. Corporate and support costs then pull the consolidated result back. The synthesis explicitly treats eCommerce as a channel overlay, not an additive product line, avoiding double counting. It also gives buybacks credit, but buybacks do not rescue the valuation because the EPS gap is too large.

Red team - one paragraph

The red team argues that the most dangerous mistake is assuming sales growth will convert cleanly into reported operating leverage. Walmart can keep growing revenue while platform, automation, eCommerce, and advertising benefits remain too opaque or too offset by cost pressure to lift consolidated margins enough. The most likely optimistic Stage 5 number is the International 4.5% FY+5 operating margin, because market-level and eCommerce profit economics are not disclosed. The key exit signal is two rolling quarters where net sales grow at least 3.5%, consolidated reported operating margin stays below 4.0%, and Walmart U.S. margin remains below 5.0%. That would indicate the model's margin-conversion bridge is too generous.

Kill / trigger criteria

- Keep PASS while the share price is far above the base P/E 15 support value of about $56.
- Keep PASS if Walmart U.S. cannot show sustained margin expansion despite advertising, marketplace, automation, and fulfillment investments.
- Keep PASS if International margin recovery depends on opaque country or platform assumptions that do not appear in reported segment profit.
- Revisit as WATCH if Furner builds a clean multi-quarter enterprise record and the price falls toward the bull-case 15x value near $73.
- Revisit as BUY only if management proof, moat evidence, and price all clear together; the current price fails before judgment gets close.

Analyst flags

The FY2019 FMP revenue-product annual endpoint is stale or mislabeled versus the quarterly endpoint, but QF and QFR preserved it as an out-of-scope discrepancy and verified FY2020-FY2026 for the modeling window. Walmart does not disclose enough standalone dollar detail for Walmart Connect, marketplace, Walmart+, fulfillment economics, Sam's member count, Sam's Plus mix, or International market-level margins, so the appendices avoid back-solving those economics as if they were disclosed. The management gate is YELLOW because the CEO transition is new. The moat gate is PASS, but pricing power remains structurally limited in core retail. The final verdict is PASS because any YELLOW management gate combined with a decisive P/E 15 FAIL is not investable under ER2.

Appendix A - Company Primer

Walmart Inc. (WMT) - Company Primer

Date: 2026-04-28 Prepared for: ER2 Production Mode, Subagent A Primary financial source: `quant_foundation.md`, reconciled 8/8 checks passed Fiscal year convention: Walmart fiscal year ends January 31 TTM anchor: Q1 FY26 + Q2 FY26 + Q3 FY26 + Q4 FY26, ending January 31, 2026 Forward horizon for the ER2 run: January 31, 2031

Source Discipline and Scope

This primer is a reader-facing orientation document. It is not the controlling model file for the ER2 run. All financial figures in this primer come from the reconciled quantitative foundation unless explicitly labeled otherwise. The quant foundation ties live FMP stable endpoint data to Walmart's official SEC filings and reports `RECONCILIATION: 8/8 checks PASSED`. The most important source constraint for this primer is that it must not substitute cached warehouse files for live sources. Live sources used for this appendix include FMP profile, quote, and Q4 FY2026 transcript pulls saved in the assigned `raw` folder; the live SEC company submissions feed; Walmart's FY2026 Form 10-K downloaded from SEC EDGAR; and the Q4 FY2026 earnings release filed with the SEC. The data package file existed at drafting time but contained only a placeholder, so qualitative context was taken from the live 10-K, live SEC earnings release, and live FMP transcript pull rather than from the incomplete data package.

The company under review is Walmart Inc., ticker WMT, a U.S. domestic SEC filer headquartered in Bentonville, Arkansas. FMP's live profile identifies John R. Furner as CEO, the exchange as NASDAQ, the sector as Consumer Defensive, and the industry as Discount Stores. The live quote pull used in the quant foundation and refreshed for this primer showed a stock price of $127.59 and market capitalization of approximately $1.017 trillion. Those market data points are current-source inputs for orientation only; the ER2 valuation work should rely on the synthesis appendix, not this primer.

1. Business Overview

Walmart is a global omnichannel retailer built around a simple customer promise: low prices, broad assortment, convenient access, and high reliability. The business serves households, individual shoppers, small businesses, club members, and online marketplace customers. It sells groceries, consumables, general merchandise, health and wellness products, fuel, apparel, home goods, electronics, and other everyday categories through stores, clubs, websites, mobile applications, pickup, and delivery. Walmart also operates higher-margin adjacent businesses, including advertising, marketplace services, fulfillment services, data analytics for suppliers, financial services, and membership programs.

The core customer problem is not merely "buying goods." Walmart solves a recurring household logistics problem: customers need predictable access to food, consumables, medicine, household products, and discretionary merchandise at prices they trust and in formats that fit weekly routines. A customer can walk into a supercenter, order groceries for pickup, schedule delivery, buy from a third-party marketplace seller, use a Sam's Club membership, or interact through an app. The company is trying to make these channels feel like one system rather than separate store and online businesses.

The buying motion is mostly self-service. Customers buy directly in stores, clubs, websites, and apps. Marketplace sellers use Walmart's platform to reach customers. Suppliers and brands buy advertising and data products, but those are secondary revenue streams built on the retail traffic base. Walmart's business-to-consumer model is high-frequency and low-ticket compared with many discretionary retailers: grocery and consumables generate routine visits, while the scale of the store base and digital app relationships create opportunities to cross-sell general merchandise, memberships, advertising impressions, and fulfillment services.

The FY2026 10-K frames Walmart as an omnichannel system serving roughly 280 million customers and members each week through more than 10,900 stores in 19 countries and numerous eCommerce websites and mobile applications. Walmart's U.S. and Canadian fiscal years end January 31; other operations are generally consolidated using a one-month lag and on a calendar-year basis. The operating model is global, but the profit center is still heavily U.S.-weighted. Walmart U.S. generated about 68% of FY2026 consolidated net sales, while Walmart International generated about 19% and Sam's Club U.S. about 13%.

The business should be understood as a scale-and-density model. Walmart buys a vast assortment from suppliers, moves goods through a large distribution and fulfillment network, sells them through dense physical and digital channels, and reinvests cost advantages into price and convenience. The traditional formula is everyday low price, backed by everyday low

cost. The modern extension is that the same traffic, data, inventory proximity, and fulfillment network can support faster delivery, marketplace assortment expansion, retail media advertising, and paid memberships. Management's Q4 FY2026 commentary emphasized that the company is gaining share and has momentum in marketplace, advertising, and membership; the earnings release reported Q4 global eCommerce sales growth of 24%, global advertising growth of 37% including VIZIO, and global membership fee revenue growth of 15.1%.

2. Revenue Architecture

Walmart reports three operating segments: Walmart U.S., Walmart International, and Sam's Club U.S. Corporate and support is a reconciliation bucket for overhead and items not allocated to segments; it is not a customer-facing revenue segment. The quant foundation uses reportable-segment net sales from the 10-K and reconciles those figures to consolidated net sales and total revenue. FY2026 consolidated net sales were $706.413 billion and total revenue was $713.163 billion. The difference is primarily membership and other income.

FY2026 segment	Net sales ($mm)	Share of consolidated net sales	Total revenue ($mm)	Operating income ($mm)	Operating margin on segment total revenue
Walmart U.S.	482,975	68.4%	485,599	25,158	5.2%
Walmart International	130,423	18.5%	131,988	5,103	3.9%
Sam's Club U.S.	93,015	13.2%	95,540	2,442	2.6%
Corporate and support	0	0.0%	36	-2,878	n/a
Consolidated	706,413	100.0%	713,163	29,825	4.2%

Walmart U.S.

Walmart U.S. is the largest segment and the primary earnings engine. The FY2026 10-K describes it as the company's mass merchandising concept in the United States, including eCommerce, omnichannel initiatives, and business offerings such as advertising services. It operated 4,611 stores in all 50 states, Washington D.C., and Puerto Rico. Customers engage through Walmart stores, walmart.com, the Walmart app, same-day pickup and delivery, in-home delivery, digital pharmacy fulfillment, and Walmart+ membership.

The segment's merchandise architecture is anchored by grocery and consumables. Grocery drives frequency and scale; health and wellness, general merchandise, apparel, electronics, home, and seasonal categories add margin and breadth. Walmart U.S. also monetizes traffic through Walmart Connect advertising, marketplace seller services, fulfillment capabilities, and data analytics. These adjacent businesses matter because the low-margin retail base produces valuable customer attention, transaction data, and supplier demand for measurable advertising.

In FY2026, Walmart U.S. generated $482.975 billion of net sales, $485.599 billion of total revenue, and $25.158 billion of operating income. Its operating margin on total revenue was about 5.2%. The segment grew net sales from $441.817 billion in FY2024 to $462.415 billion in FY2025 and $482.975 billion in FY2026. That growth is not hypergrowth; it is large-base compounding from stores, eCommerce, market share, grocery frequency, advertising, and delivery/pickup penetration.

Walmart International

Walmart International is the second-largest segment. The FY2026 10-K says it operated 5,743 stores across 18 countries outside the United States, through wholly-owned subsidiaries in Canada, Chile, China, and Africa, and majority-owned subsidiaries in India, Mexico, and Central America. It includes retail and wholesale formats such as supercenters, supermarkets, warehouse clubs, cash-and-carry, eCommerce websites, and mobile applications. Key digital assets and markets include walmart.com.mx, walmart.ca, Flipkart, PhonePe, and Sam's Club China.

International is not one homogeneous business. It mixes mature and emerging markets, owned and majority-owned subsidiaries, physical stores and digital marketplaces, and countries with different inflation, currency, consumer, and competitive conditions. The segment's strategic value is twofold: it extends Walmart's purchasing, retail, and omnichannel capabilities outside the U.S.; and it gives the company exposure to large growth markets where digital commerce and financial services can develop differently than in the U.S. The 10-K notes that International continues to build businesses in advertising, marketplace, fulfillment services, financial services, and healthcare.

In FY2026, Walmart International generated $130.423 billion of net sales, $131.988 billion of total revenue, and $5.103 billion of operating income. Net sales rose from $114.641 billion in FY2024 to $121.885 billion in FY2025 and $130.423 billion in FY2026. Operating income was $4.909 billion in FY2024, $5.501 billion in FY2025, and $5.103 billion in FY2026. The FY2026

margin on total revenue was about 3.9%, below Walmart U.S., reflecting market mix, format mix, investment, currency, and business-model differences.

Sam's Club U.S.

Sam's Club U.S. is Walmart's membership warehouse club business in the United States and Puerto Rico. The FY2026 10-K says it operated 601 clubs in 44 states and Puerto Rico, plus samsclub.com and the Sam's Club mobile app. The segment sells groceries, consumables, general merchandise, fuel, health and wellness products, and services to members. Unlike Walmart U.S., membership income is a significant component of segment operating income.

The model is membership-first. Members pay annual fees for access to value, bulk purchasing, and convenience. The 10-K lists two membership tiers: Club at $50 per year and Plus at $110 per year, with additional benefits for Plus such as free delivery-from-club, free shipping on eligible orders, early shopping access, and other convenience offers. Sam's also uses Scan & Go, curbside pickup, delivery, and Just Go exit technology to reduce friction. That matters because club economics depend on high throughput, basket size, renewal, and operating efficiency.

In FY2026, Sam's Club U.S. generated $93.015 billion of net sales, $95.540 billion of total revenue, and $2.442 billion of operating income. Net sales were $86.179 billion in FY2024, $90.238 billion in FY2025, and $93.015 billion in FY2026. Operating income was $2.192 billion, $2.404 billion, and $2.442 billion across those same years. The FY2026 margin on total revenue was about 2.6%, but that understates the importance of the membership-fee stream to the economic model. The warehouse club format deliberately prices merchandise aggressively, using membership income and high unit velocity to support returns.

Corporate and Support

Corporate and support is not a segment to forecast as a standalone retailer. It captures corporate overhead and items not allocated to the operating segments. In FY2026 it contributed $36 million of revenue and a $2.878 billion operating loss. For modeling purposes, it should be treated as a reconciliation and cost-allocation bucket, not as a hidden revenue engine. It is important because segment operating income before corporate support looks higher than consolidated operating income; the synthesis model must include corporate and support costs when building consolidated EBIT.

3. Unit Economics

Walmart's unit economics start with gross merchandise margin but are ultimately governed by scale, inventory turns, operating expense discipline, and working-capital efficiency. A dollar of revenue in this business is exposed to cost of sales first: supplier product cost, shrink, freight, logistics, and inventory-related costs. Then it absorbs store labor, club labor, fulfillment costs, rent and occupancy, technology, advertising, corporate overhead, and other SG&A. Because Walmart prices aggressively, small changes in gross margin, shrink, wage inflation, mix, advertising contribution, and delivery cost can have large effects on operating income dollars.

At the consolidated FY2026 level, Walmart generated $713.163 billion of total revenue, $535.395 billion of cost of sales, $147.943 billion of operating expenses, and $29.825 billion of operating income. Consolidated operating margin was approximately 4.2% of total revenue. Net income attributable to Walmart was $21.893 billion, and diluted EPS was $2.73 on 8.022 billion diluted weighted-average shares. The cash-flow profile was stronger than accounting margin alone suggests: FY2026 operating cash flow was $41.565 billion, capital expenditures were $26.642 billion, and free cash flow was $14.923 billion. Capital intensity is meaningful because Walmart is investing in supply chain automation, fulfillment, remodels, technology, stores, clubs, and omnichannel capability.

Walmart U.S. has the strongest segment operating margin in FY2026 at 5.2% on total revenue. The margin profile benefits from enormous purchasing scale, store density, high grocery traffic, advertising monetization, and a mature logistics network. It is also pressured by grocery mix, wages, shrink, last-mile delivery expense, and price investment. A dollar of Walmart U.S. revenue typically carries low retail gross margin but can become attractive operating profit when the fixed-cost base is leveraged across high volumes and when higher-margin streams such as advertising and marketplace services grow faster than merchandise sales.

Walmart International has lower and more variable economics. Its FY2026 margin was 3.9% on total revenue. Country mix matters: mature markets, growth markets, digital marketplaces, financial services, and wholesale formats carry different margins and reinvestment needs. Currency translation can also distort reported growth and margins. International should not be modeled as a simple smaller copy of Walmart U.S. A more conservative approach is to separate local-market sales growth from margin expansion and ask whether marketplace, advertising, Flipkart, PhonePe, and fulfillment services can raise the

profit contribution without requiring disproportionate investment.

Sam's Club U.S. looks optically low-margin at 2.6% in FY2026, but the model is structurally different. The club earns economics through membership fees, large baskets, limited SKU complexity, rapid inventory movement, and high throughput. Merchandise margins are intentionally tight because the value proposition is membership savings. Membership renewal, Plus mix, digital convenience, fuel traffic, and private-brand penetration are important drivers. If membership fee revenue grows faster than merchandise sales, or if digital tools lower friction and labor intensity, operating income can grow faster than net sales even with low merchandise margins.

The consolidated gross-to-operating-profit bridge is increasingly affected by businesses that do not look like traditional retail. Global advertising grew 46% in FY2026 to nearly $6.4 billion including VIZIO, according to the Q4 FY2026 earnings release. Advertising is not equivalent to a product sale: it monetizes supplier demand for customer attention and measurement, and it can carry higher margins than store merchandise. Marketplace and fulfillment services similarly add revenue and profit opportunities tied to Walmart's customer traffic and logistics assets. Membership income in Sam's and Walmart+ can deepen loyalty and improve order frequency. These growth vectors are central to any argument that Walmart's future operating income can grow faster than revenue.

4. Customer Proposition and Demand Drivers

Walmart's customer proposition is value plus convenience. The company has long used everyday low prices to build trust. The FY2026 10-K describes EDLP as the pricing philosophy under which items are priced low every day so customers trust prices without frequent promotional activity, and EDLC as the cost discipline that allows savings to be passed on to customers. That philosophy is relevant for investment analysis because it creates a reinforcing loop: lower prices attract traffic; traffic supports scale purchasing and logistics utilization; scale lowers cost; lower cost supports price leadership.

The modern demand driver is convenience layered onto value. Walmart can fulfill from stores, clubs, dedicated fulfillment centers, and marketplace sellers. Pickup and delivery are available from a large store base, and the 10-K says customers can access pickup or delivery services at more than 8,400 locations globally. For groceries and consumables, proximity is a competitive advantage because inventory close to the customer can reduce delivery time and lower last-mile cost versus a purely centralized eCommerce model.

Management's Q4 FY2026 transcript emphasized share gains, resilient consumer spending, growth among higher-income households, and momentum in marketplace, advertising, and membership. The message is that Walmart is not relying solely on low-income trade-down behavior. It is trying to win customers across income cohorts by combining price, assortment, and convenience. That matters because a retailer dependent only on economic stress can lose momentum when consumers feel better; Walmart wants its omnichannel service level to retain customers even when the macro backdrop improves.

Sam's Club has a related but distinct customer proposition. The member is buying access to savings, bulk value, fuel, convenience, and digital club features. Scan & Go, curbside pickup, delivery-from-club, and Just Go exit technology are not cosmetic features; they are ways to reduce the time cost of shopping and preserve the club's high-throughput economics. In a membership business, customer experience affects renewal, Plus conversion, and willingness to consolidate trips.

5. Growth Algorithm

The current growth algorithm has five pieces. First, comparable sales and market share growth in Walmart U.S. and Sam's provide the core volume base. Second, International adds growth through local-market expansion, digital commerce, and majority-owned platforms such as Flipkart and PhonePe. Third, eCommerce growth broadens convenience and captures more customer occasions. Fourth, advertising, marketplace, fulfillment, data analytics, and memberships add profit streams that can grow faster than merchandise sales. Fifth, automation and supply-chain investment aim to improve service levels and operating leverage.

The Q4 FY2026 earnings release provides a useful current snapshot. For FY2027, management guided to constant-currency net sales growth of 3.5% to 4.5%, adjusted operating income growth of 6.0% to 8.0%, adjusted EPS of $2.75 to $2.85, and capital expenditures of approximately 3.5% of net sales. The operating income guide growing faster than sales is the key claim: Walmart is telling investors that mix, productivity, advertising, membership, marketplace, automation, and expense discipline should allow profit growth above revenue growth. The ER2 segment appendices and synthesis should test whether that claim is durable through the January 31, 2031 horizon.

The FY2026 base is already massive. Net sales of $706.413 billion mean that even 4% annual growth adds roughly $28 billion of incremental sales in the first year. The question is not whether Walmart can grow revenue from this base; the harder

question is whether operating income can compound at an attractive rate without requiring too much capital or sacrificing price leadership. Capital expenditures of 3.5% of net sales would be a large absolute investment program. The return on those investments must be visible in faster fulfillment, better inventory productivity, lower unit costs, and higher-margin digital/advertising economics.

6. Competitive Position

Walmart's advantages are scale, density, supplier relevance, price trust, logistics, data, and habit. The company is one of the few retailers that can matter simultaneously to households, suppliers, marketplace sellers, and advertisers. Its store base creates local inventory nodes. Its grocery frequency keeps the customer relationship active. Its purchasing scale matters to suppliers. Its traffic creates advertising inventory. Its digital investments turn physical stores into pickup and delivery assets.

The competitive set is broad. In U.S. grocery and consumables, Walmart competes with supermarkets, hard discounters, dollar stores, warehouse clubs, drugstores, and online grocery platforms. In general merchandise, it competes with Amazon, Target, Costco, specialty retailers, department stores, home improvement retailers, apparel retailers, and marketplaces. Sam's competes most directly with Costco and BJ's in club retail. Internationally, the competitive map varies by country and includes local chains, discounters, marketplaces, cash-and-carry operators, and digital financial platforms.

Walmart's biggest structural advantage is that it can spread technology and logistics investments across an unusually large revenue base. A warehouse automation program, retail media platform, or app feature can be deployed across hundreds of billions of dollars of sales. The risk is that the same scale can make change slow, and large investments can dilute returns if they do not create enough incremental margin. This is why the primer should not treat "technology investment" as automatically positive. The investment case depends on whether automation and digital services improve the economic engine rather than simply keeping Walmart competitive.

7. Capital Intensity, Balance Sheet, and Shareholder Returns

Walmart is not an asset-light compounder. Stores, clubs, distribution centers, technology systems, fulfillment capacity, remodels, supply chain automation, and inventory all require capital. FY2026 capital expenditures were $26.642 billion, and free cash flow after capex was $14.923 billion. Cash and equivalents were $10.727 billion. Total debt including operating and finance leases was $67.095 billion, and net debt including leases was $56.368 billion.

The balance sheet is large but not the central concern for a company of this scale and cash generation. The more important capital-allocation question is return on incremental invested capital. The Q4 FY2026 earnings release reported ROA of 8.2% and ROI of 15.1%, while noting discrete items affected ROI. For the Gideon lens, this is a yellow rather than automatic green: Walmart is a durable and high-quality enterprise, but the framework asks whether capital can compound at greater than 20% ROIC for more than 20 years and whether today's price maps to a P/E of 15 or less on five-year-forward EPS. Walmart's size, capital intensity, and retail margin structure make that a demanding test.

The company increased its annual dividend to $0.99 per share and announced a new $30 billion share repurchase authorization in the Q4 FY2026 release. Buybacks can support EPS, but they should not be the main thesis at a roughly trillion-dollar market capitalization. The main thesis must come from operating income growth, mix improvement, and disciplined reinvestment.

8. Key Risks and What to Watch

The first risk is margin fragility. Walmart earns enormous dollars of operating income, but a low-single-digit consolidated operating margin means small pressures in wages, shrink, freight, tariffs, inventory markdowns, or price investment can offset growth. The FY2026 operating margin was approximately 4.2% of total revenue. If Walmart must reinvest heavily in price to defend share, operating income may not grow faster than sales.

The second risk is capital productivity. Management is investing heavily in automation, supply chain, stores, clubs, technology, and omnichannel capabilities. These investments may be necessary, but necessary spending is not the same as value-creating spending. The ER2 synthesis should watch whether capex remains around management's 3.5% of net sales guide and whether free cash flow grows with operating income.

The third risk is competitive intensity. Amazon pressures digital expectations and marketplace assortment. Costco sets a high bar in club retail. Discounters and dollar stores can pressure value perception. Local international competitors may be more nimble in specific markets. Walmart has tools to respond, but the response often involves price, labor, fulfillment, or technology investment.

The fourth risk is International complexity. Currency, country mix, regulatory exposure, market exits, platform investments, and majority-owned subsidiaries can make International earnings less predictable than U.S. store earnings. The segment has growth potential, but its FY2026 operating income declined from FY2025 despite higher net sales, so margin durability deserves explicit testing.

The fifth risk is that high-margin adjacencies become overcapitalized or overestimated. Advertising, marketplace, membership, data, fulfillment services, and fintech are promising, but they must be sized correctly. Advertising at nearly $6.4 billion in FY2026 is material, but still small relative to $713.163 billion of total revenue. A good ER2 model should not let high-growth small bases obscure the economics of the much larger retail engine.

9. Primer Takeaways for Downstream ER2 Work

Walmart is a scaled, durable, increasingly omnichannel retailer rather than a simple brick-and-mortar chain. The base business is defensive because it sells necessities with price trust and high shopping frequency. The upside case is not just more stores; it is operating income growing faster than sales through advertising, marketplace, membership, supply-chain automation, fulfillment services, data monetization, and expense leverage.

The segment hierarchy is clear. Walmart U.S. is the anchor and must drive most consolidated earnings growth. Walmart International adds growth and optionality but needs country-level and platform discipline. Sam's Club U.S. is a membership-driven warehouse model where renewal, Plus penetration, digital convenience, and throughput matter more than merchandise margin alone. Corporate and support must be included as a real consolidated cost bucket.

The ER2 burden of proof remains high. Walmart's scale, brand trust, logistics, and customer frequency are exceptional, but the stock's market capitalization and the company's low retail margins mean the investment case has to be built carefully. The forward model must show whether FY2031 EPS can support a P/E of 15 or less at today's price without relying on heroic margin expansion. The primer supports that work by defining what the business is, how revenue converts into operating income, and which claims require the most scrutiny.

10. Source Notes and Live Pull Inventory

Financial figures in this primer are from `C:\Users\Admin\OneDrive\GPT\ER 2.0\Walmart Inc\quant_foundation.md`, especially sections P2 through P6. Live primer-specific pulls saved under `C:\Users\Admin\OneDrive\GPT\ER 2.0\Walmart Inc\raw\` include `WMT_profile_primer_20260428.json`, `WMT_quote_primer_20260428.json`, `WMT_transcript_dates_primer_20260428.json`, `WMT_Q4_FY2026_transcript_primer_20260428.json`, `SEC_CIK0000104169_submissions_primer_20260428.json`, `SEC_WMT_10K_2026_primer_20260428.htm`, `SEC_WMT_Q4_FY26_8K_primer_20260428.htm`, and `SEC_WMT_Q4_FY26_earningsrelease_primer_20260428.htm`. The Q4 FY2026 earnings-release exhibit was used for the FY2027 guidance, advertising, eCommerce, membership, and capital-expenditure notes.

One guessed SEC archive URL for the Q4 FY2026 8-K failed with `NoSuchKey` and was retried once with the identical URL, as required by the data-source rule. The correct live SEC accession was then derived from the live SEC submissions feed: accession `0000104169-26-000032`, primary document `wmt-20260219.htm`. No cached data warehouse file was used.

Appendix M - Management Assessment

Walmart Inc. - Management Assessment

Run context: TICKER WMT; COMPANY Walmart Inc.; TODAY 2026-04-28; TTM ending January 31, 2026; forward horizon January 31, 2031. This appendix uses `data_package.md` and `quant_foundation.md` as source of truth for financial history, capital allocation, segment results, and reconciliation status. Incremental management evidence was checked live from Walmart corporate/IR pages, the 2026 proxy filing, FMP transcripts, and FMP insider-trading records.

1. Who Is Running The Company

Walmart is now led by John Furner, who became President and Chief Executive Officer on February 1, 2026, after Doug McMillon retired as CEO on January 31, 2026. The transition is verified by Walmart's live November 14, 2025 announcement, which states that the board elected Furner to succeed McMillon effective February 1, 2026, with McMillon remaining on the board through the next annual shareholders' meeting to support continuity. Walmart's current leadership page also lists Furner as President and CEO and describes him as leading approximately 2.1 million associates globally. Sources: [Walmart CEO transition press center](https://corporate.walmart.com/news/2025/11/14/walmart-announces-john-furner-as-president-and-chief-executive-o0/press-center) and [John Furner leadership bio](https://corporate.walmart.com/about/leadership/john-furner/).

Furner is an internal operator, not a financial-engineering outsider. Walmart says he began as an hourly associate in 1993, served across store operations, merchandising, sourcing, Walmart China, Sam's Club, and Walmart U.S., and most recently ran Walmart U.S. from 2019 until the enterprise CEO transition. That is material because Walmart U.S. is the largest segment by far: FY2026 / TTM Walmart U.S. net sales were $482.975 billion and operating income was $25.158 billion, versus consolidated net sales of $706.413 billion and operating income of $29.825 billion in the quant foundation. Furner therefore has direct operating ownership of the business that generated about 68% of segment net sales and most segment operating income before becoming enterprise CEO.

John David Rainey remains Executive Vice President and Chief Financial Officer. Walmart announced Rainey as incoming CFO on April 12, 2022, effective June 6, 2022, after his tenure as PayPal CFO and earlier United Airlines/Continental Airlines finance roles. That background matters for Walmart because the central capital-allocation challenge is no longer only store-count discipline; it is balancing capex-heavy automation, store and club remodels, eCommerce fulfillment, advertising, membership, marketplace, VIZIO, dividends, and repurchases. Source: [Walmart CFO appointment](https://corporate.walmart.com/news/2022/04/12/walmart-names-john-rainey-new-chief-financial-officer).

The segment bench was also reset effective February 1, 2026. Walmart announced that David Guggina became President and CEO of Walmart U.S.; Chris Nicholas became President and CEO of Walmart International; Latriece Watkins became President and CEO of Sam's Club U.S.; and Seth Dallaire became enterprise Chief Growth Officer overseeing platforms including Walmart Connect, Walmart+, Walmart Data Ventures, VIZIO, and global marketplace. The live Q4 FY26 transcript identifies Guggina, Watkins, and Nicholas on the call in those segment-CEO roles. The design is coherent: Furner moves to enterprise CEO; Guggina brings eCommerce and supply-chain depth to U.S.; Nicholas brings international and Sam's/operations experience to International; Watkins moves from U.S. merchandising into Sam's; Dallaire centralizes higher-margin growth platforms. Source: [Walmart leadership changes](https://corporate.walmart.com/news/2026/01/16/walmart-announces-leadership-changes) and [Q4 FY26 transcript](https://corporate.walmart.com/content/dam/corporate/documents/newsroom/2026/02/19/walmart-releases-q4-fy26-earnings/q4-fy26-earnings-call-transcript.pdf).

Board oversight is led by non-executive Chairman Greg Penner and Lead Independent Director Randall Stephenson. The live board page lists Penner as chairman, Furner as President and CEO, and Stephenson as lead independent director. The 2026 proxy says eight of 11 nominees are independent, all members of the Audit, Compensation and Management Development, and Nominating and Governance committees are independent, and the chair and CEO roles are separated. The Walton family remains economically powerful: the proxy lists Walton Enterprises at 44.11% of shares and Walton Family Holdings Trust at 6.44% as of April 10, 2026. That is control-like influence without a dual-class structure. It is not a new red flag, but it is a permanent governance fact.

2. Tenure And Track Record

Furner is new as enterprise CEO, so the management gate cannot credit him with a long CEO record at the whole company. The better question is whether his prior operating record and the board's continuity process are strong enough to treat the

transition as orderly rather than thesis-breaking. On that test, the evidence is favorable but not clean enough for an unqualified PASS.

His first major decision set was building Walmart U.S. as a true omnichannel retailer while running the segment from 2019 to early 2026. The data package shows Walmart U.S. net sales rising from $393.2 billion in FY2022 to $483.0 billion in FY2026, a 5.3% compound annual growth rate, while operating income rose from $21.6 billion to $25.2 billion. The margin path is not spectacular but is resilient: 5.5% in FY2022, 4.9% in FY2023, then 5.0%, 5.2%, and 5.2% through FY2026. In a grocery-heavy, wage-inflation, eCommerce-mix world, holding U.S. segment margins while adding $89.7 billion of sales is a good operating record.

His second decision set was using stores as fulfillment infrastructure rather than treating eCommerce as a detached channel. The data package shows Walmart U.S. eCommerce net sales of $65.4 billion in FY2024, $79.3 billion in FY2025, and $99.6 billion in FY2026. In FY2026, management disclosed that eCommerce contributed about 520 basis points to Q4 U.S. comp growth. That is a material strategic result: the company is using its physical density to improve convenience and compete with Amazon/Target/Costco without abandoning EDLP.

His third decision set was scaling newer profit pools around the core. The data package records global advertising growth of +50%, +46%, +53%, and +37% across Q1-Q4 FY26, and FY2026 global advertising of nearly $6.4 billion including VIZIO. Walmart Connect U.S. grew +31%, +31%, +33%, and +41% across the same four quarters, while global membership income or fee revenue grew roughly mid-teens. These lines are not fully disclosed in standalone dollar history, which limits precision, but the direction is consistent with management's claim that alternative profit pools can fund price, wage, and technology investment while operating income grows faster than sales.

Rainey's record as CFO is measured by balance, not austerity. FY2026 operating cash flow was $41.565 billion; capex was $26.642 billion; free cash flow was $14.923 billion. Over FY2022-FY2026, Walmart increased capex from $13.1 billion to $26.6 billion, paid regular dividends, and repurchased stock every year. The board also approved a new $30 billion share repurchase authorization in February 2026 and increased the FY2027 annual dividend to $0.99 per share from $0.94. This is not a starvation strategy; it is reinvestment first, shareholder returns second, with a still-manageable lease-inclusive net debt / EBITDA of 1.21x in the data package.

3. Capital Allocation Behavior

The five-year capital-allocation table in `data_package.md` is the anchor. Capex rose from $13.1 billion in FY2022 to $16.9 billion in FY2023, $20.6 billion in FY2024, $23.8 billion in FY2025, and $26.6 billion in FY2026. As a percentage of revenue, capex rose from 2.3% to 3.7%. Walmart does not separately disclose R&D in a technology-company format, so FMP's zero R&D line should be treated as not separately disclosed, not as absence of technology investment. Buybacks were $9.8 billion, $9.9 billion, $2.8 billion, $4.5 billion, and $8.1 billion. Dividends were $6.2 billion, $6.1 billion, $6.1 billion, $6.7 billion, and $7.5 billion. M&A was uneven, with the larger VIZIO closing captured in FY2025 / calendar 2024 rather than in FY2026's small cash-flow M&A line.

This allocation pattern matches the stated strategy. Management says it is building a people-led, tech-powered omnichannel retailer, and the spending pattern shows rising capex for automation, stores/clubs, technology, and delivery capacity. The FY2026 Q4 guidance also pointed to FY2027 capital expenditures of approximately 3.5% of net sales, confirming that elevated investment is not a one-year bulge. The risk is that rising capex compresses free cash flow if automation benefits lag. The offset is that ROIC remained high in the data package: 14.3% in FY2022, 10.4% in FY2023, 14.1% in FY2024, 14.9% in FY2025, and 13.8% in FY2026. The FY2023 dip looks tied to operating income pressure rather than a permanent impairment; ROIC recovered as investments scaled.

4. Compensation Alignment

The 2026 proxy structure is reasonably aligned with long-term compounding. Walmart says approximately 82% of the CEO's fiscal 2026 target total direct compensation was tied to operating income, sales, and ROI. The proxy mix was roughly 6% base salary, 14% annual incentive, 12% restricted stock, and 68% performance equity for the CEO. Annual incentive is based on operating income and sales-related metrics with a 0%-125% payout range. Performance equity is based on ROI and sales performance during the first year of a three-year vesting period with a 0%-150% payout range. Restricted stock vests annually over three years.

There are two positives. First, ROI is explicitly in the long-term performance-equity program, which matters for a company undertaking a capex step-up. Second, the plan deliberately avoids EPS as a primary incentive metric, reducing the risk that

buybacks drive pay outcomes. The proxy says the selected metrics are sales, operating income, and ROI, and that those measures are not materially impacted by share repurchases. It also says the compensation committee does not believe relative TSR is the best incentive metric for Walmart given size, international exposure, format mix, eCommerce, marketplace, advertising, and fulfillment differences. I would prefer some explicit multi-year relative return check, but Walmart's reasoning is defensible and the equity-heavy structure creates share-price exposure.

Ownership is meaningful. The 2026 proxy reports John Furner beneficially owning 475,161 shares as of April 10, 2026, including 132,850 held by a spousal trust. John David Rainey owned 305,821 shares; Suresh Kumar owned 1,472,417; Doug McMillon owned 2,297,783. Directors, nominees, and executive officers as a group owned 7,044,961 shares, below 1% of the company, while the Walton family vehicles own vastly more. Furner's personal ownership is real in dollar terms, even if not founder-like relative to Walmart's trillion-dollar scale.

Governance hygiene around pay is strong. The proxy flags robust stock ownership guidelines, no hedging and restrictions on pledging, no employment agreements with NEOs, no automatic acceleration on change in control, an overboarding policy, and CMDC oversight of stock ownership and clawback policy. It also says no directors or executive officers have pledging arrangements involving Walmart stock. These features reduce management-alignment risk.

5. Disclosure Quality And Candor

I reviewed live FMP transcript availability for the last eight quarters: Q1-Q4 FY2026 dated May 15, 2025, August 21, 2025, November 20, 2025, and February 19, 2026; and Q1-Q4 FY2025 dated May 16, 2024, August 15, 2024, November 19, 2024, and February 20, 2025. The pattern is direct, numeric, and above-average for large-cap retail.

Analysts repeatedly pressed management on the hard questions: tariffs, eCommerce profitability, gross margin, SG&A deleverage, general merchandise, consumer health, guidance assumptions, VIZIO dilution, inflation, and ROI. Management usually answered with numbers rather than slogans. In Q1 FY26, tariff mentions were heavy and management explained pricing philosophy and the limit to absorbing cost. In Q2 FY26, management addressed tariff and margin pressure while pointing to advertising, membership, and eCommerce momentum. In Q3 FY26, Rainey said the consumer environment was consistent but acknowledged pockets of moderation. In Q4 FY26, management answered questions on unanticipated costs, disinflation, VIZIO, eCommerce economics, SG&A, PhonePe, ROI, free cash flow, and buybacks.

Guidance discipline appears strong. The FY2026 quant package shows TTM/FY2026 revenue of $713.163 billion and operating income of $29.825 billion, both reconciled to SEC. Management's FY2026 calls repeatedly described sales and adjusted operating income growing faster than sales despite tariff, wage, and eCommerce mix pressures. The Q4 FY26 release guided FY2027 net sales growth of 3.5%-4.5% and adjusted operating income growth of 6.0%-8.0%. That is a clear algorithm and testable in future runs.

Language is not evasive. Management does use retail-standard words like headwinds, pressure, resilient, and pockets, but transcript answers typically attach the words to a mechanism: tariffs, SG&A channel mix, Flipkart timing, PhonePe share-based compensation, GLP-1 mix, eggs/food inflation, wage investments, or VIZIO transaction costs. I count the last eight quarters as zero evasive quarters on the management gate. Some disclosure is incomplete, but the answers to tough questions are generally specific.

6. Strategic Coherence

Walmart's strategy is clear: defend EDLP and physical density while layering digital convenience, marketplace, advertising, membership, data, automation, and AI on top of stores and clubs. The FY2026 10-K taxonomy supports this: Walmart U.S. includes mass merchandising plus eCommerce and business offerings such as advertising; International includes eCommerce and omnichannel initiatives; Sam's Club includes clubs, samsclub.com, and omnichannel initiatives. This is not a sequence of unrelated pivots.

Furner's shareholder letter framing and Penner's board message are consistent with the reported numbers. Penner's live annual report/proxy release said capital deployment is viewed through return on investment across AI, automation, store and club expansion, and remodel programs. Furner framed the company as a people-led, tech-powered global leader. Those statements match the capex step-up, growth-platform leadership changes, and Q4 FY26 call focus on automation, eCommerce, advertising, marketplace, VIZIO, and membership.

The 5-10 year destination is visible: Walmart wants operating income to compound faster than sales by using high-margin digital and membership pools to fund price, wages, and convenience while improving return on invested capital. The competitive threat is not always named directly as Amazon, Costco, Target, Kroger, Alibaba/JD, or MercadoLibre, but

management clearly speaks to the battlegrounds: value, speed, assortment, marketplace sellers, advertising budgets, club renewal, and fulfillment cost. That is sufficient candor for this sector.

7. Governance Flags

The biggest governance fact is Walton control-like influence through economic ownership. The 2026 proxy lists Walton Enterprises, LLC and Walton Family Holdings Trust at a combined economic position above 50% if aggregated, with Walton Enterprises holding voting power over trust shares through an irrevocable proxy. This is not a dual-class share structure, but it means minority holders live with a controlling-family reality. The offset is that the family has historically supported long-duration reinvestment, the board has a lead independent director, only two Walton family members serve as non-management directors, and eight of 11 nominees are independent.

I did not identify a current internal-control red flag. The FY2026 10-K includes standard disclosure-controls and critical-accounting-estimates language, and the proxy puts all Audit Committee members as independent and financially literate. Legal proceedings remain a real overhang for a company of Walmart's scale. The 10-K references opioid-related matters, Asda Equal Value Claims, money-transfer compliance investigation, driver-platform matters, Mexico antitrust, India antitrust, Flipkart FDI-related matters, and an EPA environmental matter. These are material governance-monitoring items, but not management-gate failures in this run because they are disclosed and do not indicate current financial-statement unreliability.

Insider trading records show sales but not an alarming cluster by the new CEO. FMP insider-trading live records for the period since April 28, 2025 show Furner sold 13,125 shares on March 19, 2026 and 13,125 shares across two April 16, 2026 sale lines, while still owning roughly 674,162 shares after the April sale lines in that feed. The proxy separately reports 475,161 beneficially owned shares as of April 10, 2026 under its ownership convention. Former CEO McMillon and Walton family vehicles also sold shares, while many April Form 4s were director awards or tax-withholding/in-kind transactions. The pattern is worth monitoring but is not evidence of a loss of conviction.

8. Peer Comparison

Against Costco, Walmart has a more complicated capital-allocation problem. Costco's management model is simpler, cleaner, and more membership-centered, and its store/club economics are easier to underwrite. Walmart's advantage is breadth: grocery scale, U.S. physical density, International, Sam's, marketplace, advertising, payments/PhonePe exposure, and VIZIO. On pure per-dollar capital allocation, Costco still ranks ahead because its reinvestment model is less capital-intensive and more visibly high-return. On disclosure, Walmart is competitive and more expansive about digital metrics, but Costco's simplicity reduces the need for extensive reconciliation.

Against Target, Walmart's management ranks clearly ahead. Target has had periods of strong merchandising execution, but recent years exposed more volatility in traffic, inventory/mix, and discretionary exposure. Walmart's FY2022-FY2026 net sales, operating income recovery, U.S. margin resilience, and digital profit-pool build are stronger. Walmart also communicates the financial algorithm more directly and has been better at converting grocery frequency into higher-income share gains and digital engagement.

9. Management Gate Verdict

Verdict: YELLOW, leaning PASS. Walmart's management system is high quality: deep internal CEO succession, strong CFO discipline, credible segment-leader bench, explicit ROI-linked compensation, large insider ownership in dollar terms, good transcript candor, and a coherent strategy supported by capital allocation. The business has produced FY2022-FY2026 revenue growth from $572.8 billion to $713.2 billion, operating income recovery to $29.8 billion, and ROIC mostly in the mid-teens while capex doubled.

The reason this is not a clean PASS is CEO tenure. Furner became enterprise CEO on February 1, 2026, so he does not yet own a full enterprise reporting year, a capital cycle, or a recession/tariff shock as CEO. The CEO transition appears well planned and internally credible, but Gideon's 20-year compounder standard requires proof that the current enterprise CEO can allocate capital and communicate under pressure for multiple years. Monitor FY2027-FY2028 for three things: whether operating income keeps growing faster than sales while capex stays near 3.5% of sales; whether VIZIO/advertising/membership/marketplace profits become more visible; and whether Furner maintains McMillon-era candor when the numbers get harder.

Management gate: YELLOW. This does not force a stock PASS by itself, but it prevents management from being a decisive BUY-quality gate until Furner has a longer enterprise record.

Appendix W - Moat and 2046 Durability

Walmart Inc. - Moat and 2046 Durability

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Run context: Subagent W Moat and 2046 Durability. TICKER WMT; COMPANY Walmart Inc.; TODAY 2026-04-28; TTM ending January 31, 2026; forward horizon January 31, 2031. Primary sources are the verified `data_package.md`, `quant_foundation.md`, FY2026 Form 10-K raw extract, and FY2026 Q4 transcript already saved in the Walmart workdir. Segment appendices were present but still placeholders at time of this run, so this appendix integrates segment moat evidence directly from the verified package, quant foundation, 10-K, and transcript rather than relying on unavailable segment-subagent conclusions.

1. Moat Taxonomy Applied

Walmart's moat is not a single proprietary technology or a luxury brand. It is a scale-and-density system: massive purchase volume, forward-deployed inventory, everyday low cost, price trust, store and club proximity, and an increasingly monetized digital layer. The system is strongest in Walmart U.S., credible but more uneven in Walmart International, and narrower but real in Sam's Club U.S. The most important evidence is not rhetoric. It is margin persistence through visible competitive pressure: consolidated operating margin held around 4.2% to 4.5% in four of the last five years, Walmart U.S. held around 5% even while eCommerce grew rapidly, and management says higher-margin advertising and membership plus automation now allow operating income to grow faster than sales.

Network effects are emerging but not the core moat. Walmart Marketplace has a two-sided dynamic: more shoppers attract third-party sellers, more sellers expand assortment, and more assortment improves search and basket completion. Advertising reinforces that loop because suppliers and marketplace sellers want to buy sponsored access where purchase intent and first-party retail data sit close to the transaction. The loop is materially weaker than Amazon's because Walmart's marketplace is still attached to a first-party value retailer and because the company does not disclose marketplace GMV. The network effect is real enough to improve mix and data, but it would not by itself protect Walmart if the physical retail system deteriorated.

Switching costs exist in behavior, membership, and household routines, but they are moderate rather than contractual. Consumers can shop at Target, Kroger, Costco, Amazon, Aldi, dollar stores, local grocers, or specialty retailers with little formal friction. The stickiness comes from habit: grocery frequency, pharmacy, pickup, delivery windows, Walmart+ benefits, Sam's Club membership, Scan & Go, stored payment, baskets rebuilt from prior orders, and now AI assistants tied to immediate fulfillment. Sam's has the clearest explicit switching cost because members pay annual fees and Plus members receive richer delivery and shipping benefits. Walmart+ and marketplace accounts create softer switching costs. The moat should not be described as lock-in; it is recurring convenience at low price.

Scale economies are the main moat. FY2026 segment net sales were $483.0B for Walmart U.S., $130.4B for International, and $93.0B for Sam's Club U.S. Walmart's FY2026 total revenue was $713.2B. The FY2026 10-K describes 4,611 Walmart U.S. stores, 601 Sam's Club U.S. clubs, 5,743 International stores across 18 countries, over 8,400 global pickup or delivery locations, 192 U.S. distribution facilities, and 179 international distribution facilities. That footprint creates supplier relevance, transportation utilization, labor specialization, replenishment density, and local inventory availability. The company can spread automation, AI, marketplace, advertising, payments, pharmacy, and delivery investments across a base few retailers can match. This is the moat that a competitor would have to attack, and the attack would require decades of capital, real estate, supplier trust, and traffic density.

Brand is important but should be framed as price trust, not pricing power. Walmart's brand promise is low price, broad assortment, and reliability. It is not a brand that lets the company raise prices with little customer reaction. The moat value of the brand is that customers believe Walmart will be a fair place to buy recurring household needs, which drives traffic frequency and allows the cost flywheel to work. In inflationary periods, this trust can create share gains from higher-income households while retaining lower-income households, but it also limits traditional gross-margin pricing power because the company often chooses rollbacks and cost mitigation.

Regulatory advantages are limited. Pharmacy, financial services, healthcare, data privacy, food safety, labor, import, and international regulatory compliance create complexity that smaller firms may struggle to match, but Walmart does not own a protected license scarcity comparable to a utility, exchange, or defense contractor. Regulation is a barrier to sloppy entrants

and a risk to incumbents. In 2046, health and wellness could be a more meaningful regulated moat if Walmart scales pharmacy, optical, healthcare access, and payments, but that is not yet the primary moat evidence.

IP and patents are not a meaningful standalone moat. Walmart uses AI, automation, fulfillment systems, marketplace tools, advertising technology, VIZIO/connected-TV assets, and internal platforms, but the edge is deployment into retail operations rather than defensible IP. The Q4 FY26 transcript makes this explicit in practical terms: management said AI investment is incorporated into capex and that Walmart is using partnerships with technology companies while translating technology into retail outcomes. The defendable asset is not the model; it is the ability to tie intent to inventory, labor, delivery, stores, clubs, and supplier economics.

High-trust procurement is very strong. Suppliers need Walmart because it can move enormous volume with predictable execution. The FY2026 10-K says supplier relationships enable pricing that reflects volume, certainty, and cost-effectiveness, which in turn supports low customer prices. This is not merely buying power; it is a bargain in which Walmart offers suppliers scale, forecastability, distribution, shelf visibility, retail media, and data. A competitor can underprice for a period, but replicating Walmart's supplier value proposition is difficult without comparable traffic and distribution.

2. Per-Segment Moat

Walmart U.S. is the moat anchor. It represented 68.4% of FY2026 consolidated net sales and generated $25.2B of operating income, before corporate support costs. The segment moat is the U.S. density loop: grocery frequency drives traffic; stores act as customer access points and fulfillment nodes; EDLP and EDLC reinforce price trust; the app, Walmart+, marketplace, pharmacy, advertising, and delivery increase share of wallet; and supplier volume funds price and reinvestment. Durability is strong over five and ten years and credible over twenty years if stores remain productive fulfillment nodes. What would break it is not one competitor opening stores. It would be a structural loss of customer interface combined with failure to keep delivery economics competitive. Earliest signals: U.S. comparable-sales share losses, declining store-fulfilled delivery economics, Walmart Connect growth falling below retail media peers, and Walmart U.S. operating margin moving materially below 5% without a clear investment explanation.

Walmart International has a real but less uniform moat. FY2026 net sales were $130.4B with $5.1B of operating income. The segment includes Mexico and Central America, China, Canada, Africa, Chile, India majority-owned businesses, Flipkart, PhonePe, marketplaces, wholesale, clubs, and local omnichannel models. The moat is strongest in markets where Walmart owns dense local formats, trusted value positioning, and digital assets that can be connected to logistics. It is weaker where local competitors, regulation, currency, ownership structures, and execution complexity dominate. Five-year durability is good because FY2026 International eCommerce was $35.8B and recent revenue growth was strong. Ten-year durability depends on market-by-market platform execution. Twenty-year durability is lower-confidence than U.S. because country-level regulatory, political, currency, and competitive shifts can reshape value. Earliest warning signs: sustained International margin below 3%, Flipkart/PhonePe economics failing to translate into operating profit, China digital share losses, or Walmex underperforming local peers.

Sam's Club U.S. has a narrower but cleaner membership moat. FY2026 net sales were $93.0B with $2.4B of operating income and $2.5B of membership/other income at the segment level. The customer pays for access to value, bulk purchasing, curated assortment, fuel, convenience, Scan & Go, curbside pickup, delivery, and Plus benefits. This creates an explicit renewal habit that most Walmart U.S. customers do not have. The constraint is that Sam's faces Costco, a best-in-class warehouse club competitor with a deeper club-specific moat and very strong member loyalty. Sam's moat is durable over five and ten years if membership income and Plus penetration continue to grow, but the 20-year verdict is "good second player," not category owner. Earliest warning signs: membership income growth slowing below sales growth, renewal pressure, declining Plus mix, traffic weakness excluding fuel, or club-fulfilled delivery increasing costs faster than it improves retention.

Advertising, marketplace, membership, fulfillment services, and VIZIO are profit-pool adjacencies rather than a fourth reported segment. They matter because they change the blended margin algorithm. Global advertising grew 46% in FY2026 to nearly $6.4B including VIZIO, global membership fee income exceeded $4.3B, and the Q4 transcript said advertising income plus membership fees represented nearly one-third of operating income in the quarter. The moat here is tied to transaction data, retail intent, closed-loop measurement, seller access, and media inventory. It is durable if Walmart controls enough shopper attention and purchase flow. It is vulnerable if agentic commerce, ad-tech regulation, or retail media commoditization shifts demand away from retailer-owned surfaces.

The blended company moat is weaker than Walmart U.S. alone but stronger than a simple low-margin retailer would suggest. Roughly two-thirds of net sales come from the strongest segment. International adds growth and optionality but also volatility. Sam's adds membership quality but competes against Costco. The enterprise earns its moat verdict because Walmart U.S.

remains large enough and strong enough to carry the blend, while the newer profit streams are becoming economically visible rather than purely aspirational.

3. Margin Persistence Evidence

The verified data package shows consolidated revenue rising from $572.8B in FY2022 to $713.2B in FY2026. Operating income moved from $25.9B to $29.8B, with a dip to $20.4B in FY2023. Consolidated operating margin was 4.5% in FY2022, 3.3% in FY2023, 4.2% in FY2024, 4.3% in FY2025, and 4.2% in FY2026. The FY2023 compression matters, but the recovery matters more: Walmart did not permanently lose economics during inflation, eCommerce investment, wage pressure, automation capex, and fierce digital competition. ROIC was 14.3%, 10.4%, 14.1%, 14.9%, and 13.8% over the same period, consistent with a good scaled retailer but not a capital-light software compounder.

Segment margins show where the moat lives. Walmart U.S. operating margin on net sales was 5.5% in FY2022, 4.9% in FY2023, 5.0% in FY2024, 5.2% in FY2025, and 5.2% in FY2026. That is strong evidence of U.S. durability because it occurred while eCommerce became a larger part of the mix and competitors pushed delivery speed, pricing, and marketplace assortment. International margin was 3.7%, 2.9%, 4.3%, 4.5%, and 3.9%, a more variable but still profitable pattern. Sam's margin was 3.1%, 2.3%, 2.5%, 2.7%, and 2.6%, optically low but supported by membership economics and warehouse-club working-capital dynamics.

Recent quarterly evidence is consistent with the thesis. In Q4 FY26, Walmart U.S. net sales grew 4.6% with 5.4% operating margin; International grew 11.5% with 5.3% margin; Sam's grew 2.9% with 2.5% margin. Global eCommerce grew 24% in Q4, global advertising grew 37%, Walmart Connect grew 41%, and global membership income grew 15.1%. Management guided FY2027 net sales growth of 3.5% to 4.5% and adjusted operating income growth of 6.0% to 8.0%, implying the company believes mix, automation, and productivity can keep operating income growing faster than sales.

4. AI Disruption Stress Test

Walmart U.S. is not mainly a workflow that a foundation model can replicate. AI can replicate search, recommendations, shopping lists, customer support, demand sensing, pricing analytics, and ad targeting. It cannot replicate 4,611 U.S. stores, U.S. distribution centers, grocery inventory within miles of the customer, pharmacy and optical operations, local labor, supplier volume, or last-mile execution. The risk is that AI agents become the consumer's default retail interface and route demand to the lowest-cost or fastest merchant without loyalty to the Walmart app. Walmart's protection is that agentic intent still needs physical outcomes. The Q4 transcript highlighted Sparky, OpenAI and Alphabet partnerships, and the ability to connect digital intent to forward-deployed inventory and 1.5 million U.S. associates. That is the right defense: Walmart should want AI to increase basket formation as long as it owns or is deeply integrated into fulfillment.

International is more exposed because its digital businesses include marketplace and fintech components where local platform shifts can be sharper. Flipkart, PhonePe, China eCommerce, and market-specific delivery systems are closer to software/platform competition than U.S. grocery stores are. AI can change discovery, payments, fraud, lending, and merchant tools. At the same time, local store density, pickup/delivery points, and market-specific supplier relationships remain chokepoints. The International AI verdict is mixed: AI can accelerate common-platform leverage, but it can also intensify competition from local digital-native platforms.

Sam's Club is protected by membership, curation, warehouse scale, and physical club economics. AI can help members build baskets, reorder business supplies, manage household staples, and navigate clubs, but the core value is access to bulk savings and a curated club experience. Costco is a bigger strategic threat than AI itself. The most AI-exposed part of Sam's is digital checkout, delivery routing, and member engagement; the most protected part is the renewal relationship attached to club-level value and convenience.

Advertising and marketplace are the most AI-exposed profit pools. Retail media depends on retailer-controlled search pages, product discovery, targeting data, and closed-loop attribution. If AI agents intermediate product discovery, retailers may lose some sponsored-placement economics or have to share economics with agent platforms. Walmart can offset this if its purchase data and fulfillment certainty make it a preferred commerce endpoint for agents, and if VIZIO adds connected-TV inventory to retail data. But the advertising moat is less durable than the procurement/logistics moat.

The segment most exposed to AI disruption is advertising/marketplace, because its economics depend on digital attention and discovery surfaces that AI agents may reorder. The segment most protected is Walmart U.S. grocery and consumables fulfillment, because it is a physical-capacity, inventory-proximity, supplier-volume, and habit business. AI shifts the interface; it does not deliver milk, prescriptions, diapers, produce, or household staples by itself.

5. The 2046 Test

Today's date is 2026-04-28. Twenty years forward is 2046-04-28. A credible 2046 Walmart still sells food, consumables, pharmacy, health and wellness products, general merchandise, fuel, financial services, memberships, fulfillment services, marketplace assortment, and advertising/media access. Customers buy through agents, voice, apps, embedded commerce, subscriptions, club visits, pickup, delivery, and stores. The company is likely smaller in traditional discretionary general merchandise importance but larger in automated replenishment, local fulfillment, retail media, membership, healthcare adjacency, and data-enabled supplier services. The reported segments may still look like Walmart U.S., Walmart International, and Sam's Club U.S., but the economic center should be "local commerce infrastructure" rather than "stores only."

In 2046, Walmart U.S. should still exist as the core earnings engine. Stores will matter less as checkout boxes and more as automated inventory, services, pickup, return, pharmacy, fresh-food, and rapid-delivery nodes. The highest-return activity will not be selling commodity packaged goods at high gross margin; it will be using grocery and consumables frequency to monetize membership, advertising, marketplace, health, payments, and fulfillment at scale. Sam's Club should still exist as a membership warehouse business, with more automated clubs, curated bulk assortment, small-business fulfillment, and high-renewal member relationships. International should still exist, but likely in a more curated portfolio of countries and platforms, with some markets sold, consolidated, or deemphasized and others scaled.

Directionally, 2046 operating margin should be stable to modestly higher than FY2026 if the moat holds. The FY2026 consolidated margin was 4.2%. A 2046 Walmart with more advertising, membership, marketplace services, automation, data services, and higher eCommerce density could earn a structurally higher margin. However, the company will remain a low-price retailer, so the margin should not be modeled like a software platform. A plausible durable-case range is low-to-mid single digits above today's level, not double-digit operating margin. The reason the business still makes money is that suppliers need Walmart's demand aggregation and data, households need trusted low-cost local fulfillment, members renew access to club and delivery benefits, and AI-driven shopping still needs a physical commerce endpoint.

The bear 2046 case is not that Walmart "misses AI" in an abstract sense. It is more specific: third-party agent platforms control product discovery, advertising dollars migrate away from retailer-owned surfaces, Amazon/Costco/Kroger/Aldi/Temu-like competitors keep price and convenience pressure intense, and Walmart's automated supply-chain investments fail to produce enough labor and inventory productivity to offset delivery costs. In that world, Walmart still sells enormous quantities of goods but loses the high-margin adjacency thesis; it becomes a traffic-heavy, capital-intensive, low-spread retailer with flat or declining operating margin. Probability of this bear case is meaningful but not base case. The physical moat is too large to vanish quickly, but the digital monetization layer deserves a discount because platform shifts can happen faster than store networks decay.

6. Competitive Threat Inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Amazon and agentic commerce	Digital interface shifts product discovery and delivery expectations away from Walmart-owned surfaces	Walmart U.S., marketplace, advertising	Slower Walmart U.S. eCommerce growth, falling Walmart Connect growth, reduced marketplace seller growth	High
Costco and value-club competition	Superior warehouse-club loyalty limits Sam's Club pricing, renewal, and Plus penetration	Sam's Club U.S.	Membership income growth below sales growth; traffic weakness excluding fuel	High
Local and discount grocery pressure	Aldi, Kroger, dollar stores, regional grocers, and hard discounters attack grocery value and proximity	Walmart U.S., International	U.S. grocery share loss, more rollbacks without traffic gains, margin below 5%	Medium-high
International platform/regulatory shifts	Local digital platforms, currency, foreign ownership rules, fintech regulation, or political pressure reduce market economics	Walmart International, Flipkart, PhonePe	International operating margin below 3%; country exits; rising compliance or share-based comp drag	Medium
Retail media commoditization	Retail media supply expands and ad buyers demand lower take rates or broader measurement portability	Advertising, marketplace, VIZIO	Global advertising growth normalizes sharply below eCommerce growth; weaker disclosed ad commentary	Medium

7. Pricing Power Verification

Walmart's traditional pricing power is weak by design. The company competes on EDLP and EDLC. The FY2026 transcript notes 6,200 Walmart U.S. rollbacks in Q4, up about 23% from a year earlier, which is evidence of price investment rather than price extraction. That does not make the moat weak; it defines the moat. Walmart's advantage is the ability to lower or hold prices while still earning acceptable returns through scale, procurement, automation, mix, and supplier relevance.

Observable pricing or monetization power is stronger in membership and advertising. Sam's Club lists Club membership at $50 and Plus at $110 in the FY2026 10-K, while Sam's Club U.S. membership income grew more than 6% in Q4. Walmart+ membership income was described as strong and up double digits, and global membership income or fee revenue grew mid-teens through FY2026 quarters. Advertising is the clearest monetization layer: global advertising grew 46% in FY2026 to nearly $6.4B, Walmart Connect accelerated to 41% growth in Q4, and management argued Walmart remains underpenetrated versus best-in-class retail media benchmarks.

Segment gross and operating economics support cost-side durability more than price-side durability. Walmart U.S. held roughly 5% operating margin for five years; International remained profitable despite volatility; Sam's held mid-2% margins with rising membership support. There is no evidence of broad unconstrained product pricing power. There is evidence that Walmart can pass some inflation, pressure suppliers, use mix to offset cost, and reinvest price to gain share. That is good enough for a scale moat, but the appendix should not overstate it as brand-led pricing power.

8. Moat Verdict

Moat gate: PASS. Walmart's moat is concrete: U.S. scale, procurement, logistics density, store and club proximity, grocery frequency, membership, and an increasingly monetized digital layer. The proof is margin persistence under heavy competition and the ability to grow operating income faster than sales as eCommerce, advertising, membership, automation, and marketplace scale.

2046 test: PASS. A specific 2046 Walmart can be described without hand-waving: a low-cost local commerce infrastructure company that sells food, consumables, pharmacy, general merchandise, memberships, marketplace access, fulfillment, and advertising through stores, clubs, automated supply chain, and AI interfaces. The company is not immune to AI or platform shifts, and advertising/marketplace deserve the highest disruption discount, but the physical fulfillment and procurement moat should remain economically relevant over twenty years.

The assessment is driven primarily by Walmart U.S.; International adds growth but is not equally durable in every market, and Sam's is attractive but capped by Costco's stronger club moat. Pricing power is not the central claim. Walmart passes because its cost, volume, data, and proximity advantages are hard to replicate, and because the new profit pools appear to be attached to the physical retail system rather than floating separately from it.

Appendix B1 - Walmart U.S.

Walmart U.S. - Segment Deep Dive

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Run context: Subagent B segment appendix; TICKER WMT; COMPANY Walmart Inc.; SEGMENT_NAME Walmart U.S.; SEGMENT_SLUG walmart_us; TODAY 2026-04-28. Fiscal year ends January 31. Most recently reported quarter: Q4 FY2026, fiscal year ended January 31, 2026. TTM anchor: Q1 FY26 + Q2 FY26 + Q3 FY26 + Q4 FY26, equal to FY2026. Forward horizon: January 31, 2031. Compounding span: exactly five calendar years from the TTM endpoint.

Data-source discipline: This appendix uses data_package.md and quant_foundation.md as the source of truth for Walmart historical segment dollars, product/category dollars, growth rates, operating income, margins, and management commentary. No local investing data warehouse cache was used. External live sources are used only for competitive context: Target FY2025 release, Kroger FY2025 release, Costco FY2025 release, and Amazon FY2025 release or annual-report data.

0. Segment Boundary + Taxonomy Note

Walmart U.S. is the company's largest reportable segment and the controlling earnings engine for the whole Walmart model. The data package states that current reportable segments are Walmart U.S., Walmart International, and Sam's Club U.S., with Corporate/support used only as an operating-income reconciliation bucket and not as a revenue segment [data_package section 1, rows 19-31]. The taxonomy appears stable for the model window: FY2026, FY2025, and FY2024 Form 10-Ks use the same three reportable segments, and no segment realignment 8-K was found around the FY2026 boundary [data_package section 1, row 31]. The one taxonomy caveat is merchandise-category comparability: Walmart periodically revises category assignments and adjusts previous periods, so product-category dollar work should use the restated FY2026 Form 10-K three-year category figures rather than mixing them with older category cuts [data_package section 1, row 31; section 10, row 235].

The segment boundary for this appendix is therefore Walmart U.S. reportable-segment net sales, not U.S. geographic revenue and not consolidated revenue. The FY2026 / TTM base is $482.975 billion of segment net sales, $485.599 billion of segment total revenue including membership/other income, and $25.158 billion of operating income [quant_foundation P4, rows 163-165; data_package section 3, rows 66-72]. The product rollup uses the additive merchandise categories disclosed in Walmart's segment note: grocery, general merchandise, health and wellness, and other. eCommerce is not added to those categories because it is a channel across the category base. Walmart Connect, marketplace, fulfillment services, Walmart+, and similar businesses are treated as mix and margin overlays because the data package records growth rates or qualitative commentary but no full standalone dollar history [data_package section 4, rows 126-135].

1. What This Segment Actually Is

Walmart U.S. is the company's domestic mass-merchandising, grocery, pharmacy, omnichannel, marketplace, and advertising platform. The customer proposition is value and convenience at extreme scale: everyday low prices, broad assortment, store proximity, pickup, delivery, marketplace selection, pharmacy, health and wellness, and a growing set of digital services that sit on top of the store network. In the FY2026 taxonomy quote preserved in the quant foundation, Walmart U.S. includes the company's U.S. mass merchandising concept, eCommerce, omnichannel initiatives, and certain other business offerings such as advertising services [quant_foundation P-Taxonomy, rows 120-124].

The segment's revenue model has two layers. The first and much larger layer is merchandise sales. In FY2026, additive Walmart U.S. merchandise categories were grocery at $285.482 billion, general merchandise at $115.060 billion, health and wellness at $69.547 billion, and other at $12.886 billion [data_package section 4, rows 107-110]. These four lines sum to $482.975 billion, matching Walmart U.S. segment net sales. The second layer is the platform overlay: eCommerce sales across those categories, marketplace activity, Walmart Connect advertising, fulfillment services, and membership or other income. The FY2026 10-K disclosed Walmart U.S. eCommerce net sales of $99.6 billion, but that is a channel subset inside the merchandise categories, not a separate product bucket to add to the segment total [data_package section 4, row 111].

The go-to-market is hard for a competitor to copy because it is not one channel. Walmart U.S. uses supercenters, discount stores, neighborhood markets, pickup and delivery slots, a first-party digital storefront, a third-party marketplace, advertising inventory, and supply-chain automation as one consumer and vendor system. That matters for modeling. If the segment were only big-box general merchandise retail, the five-year forecast would be a low-single-digit or flat model with price competition

and margin pressure. If the segment were only a fast-growing eCommerce channel, the revenue growth would be higher but profitability would be structurally uncertain. Walmart U.S. is neither. It is a mature, very high-volume physical retail base that is using digital contribution, advertising, marketplace, pharmacy, and automation to defend traffic and lift profit per dollar of sales.

Pricing is mostly everyday low price rather than high gross-margin brand pricing. Walmart sells necessities, food, consumables, pharmacy items, apparel, home, electronics, and hardlines into a customer base that is very sensitive to inflation, wage pressure, SNAP and tax-credit timing, and relative price gaps. The company therefore has limited visible pricing power on the merchandise line itself. Its pricing power is indirect: procurement scale, private brands, store density, supplier funding, ad inventory, fulfillment density, and the ability to monetise traffic through higher-margin services. That is why the segment should not be modeled as a high-margin software-like platform even though advertising and marketplace improve the profit mix. The core business still earns a low-to-mid-single-digit operating margin.

2. Current Economics (FY2026 / TTM)

The FY2026 / TTM starting point is straightforward because Walmart's latest reported quarter is fiscal Q4 and therefore TTM equals FY2026 [quant_foundation P4, rows 149-159]. Walmart U.S. generated $482.975 billion of net sales, $485.599 billion of total revenue including membership/other income, and $25.158 billion of operating income [quant_foundation P4, rows 163-165]. Operating margin on segment net sales was 5.2 percent, essentially unchanged from the data package's FY2026 margin and modestly above the FY2024-FY2025 range [data_package section 3, rows 66-72]. The latest four quarters were steady: Walmart U.S. net sales grew 3.2 percent in Q1 FY26, 4.8 percent in Q2, 5.1 percent in Q3, and 4.6 percent in Q4, with quarterly operating margins of 5.1 percent, 5.5 percent, 4.8 percent, and 5.4 percent [data_package section 5, rows 141-147].

By category, the segment is dominated by grocery. FY2026 grocery sales were $285.482 billion, or about 59.1 percent of Walmart U.S. net sales. General merchandise was $115.060 billion, or 23.8 percent. Health and wellness was $69.547 billion, or 14.4 percent. Other was $12.886 billion, or 2.7 percent [data_package section 4, rows 107-110]. The implication is that the largest revenue line is relatively resilient but not inherently high-growth, the second largest line is cyclical and competitive, and the fastest disclosed category growth is coming from health/wellness and the smaller other bucket. Segment growth can be respectable only if grocery holds share, health and wellness continues to grow faster than the average, and digital contribution keeps adding to comparable sales.

The channel mix is changing faster than the additive product mix. Walmart U.S. eCommerce net sales were $99.6 billion in FY2026, up from $79.3 billion in FY2025 and $65.4 billion in FY2024 [data_package section 4, row 111]. Management also reported that eCommerce contributed about 520 basis points to Walmart U.S. comp sales in Q4 FY26 [data_package section 6, row 178]. That single datapoint is important: it means the store base is not merely dragging digital along. Digital is already material enough to affect reported comp sales at the segment level. Global eCommerce grew 22 percent, 25 percent, 27 percent, and 24 percent across the four FY2026 quarters, while Walmart Connect U.S. grew 31 percent, 31 percent, 33 percent, and 41 percent [data_package section 4, rows 126-130; section 5, row 166].

Capital intensity is elevated versus older retail assumptions. The data package shows consolidated capex rising from $13.1 billion in FY2022 to $26.6 billion in FY2026, or 3.7 percent of revenue in FY2026 [data_package section 7, rows 190-201]. Management's FY27 guide says capital expenditures should be approximately 3.5 percent of net sales [data_package section 6, row 184]. The segment does not disclose standalone capex, but Walmart U.S. is the largest physical and digital infrastructure base, so a large share of the automation, fulfillment, store remodel, technology, and delivery investment burden logically sits here. That makes margin expansion possible but not free: automation and density can lower unit costs, but depreciation, wage rates, delivery expense, shrink, technology spend, and price investment can absorb part of the benefit.

3. Unit Economics

Walmart U.S. unit economics start with high-turn, low-margin merchandise retail. Revenue comes primarily from selling goods at low gross margins and turning inventory through a dense supply chain. The segment then pays for store labor, distribution, transportation, occupancy, eCommerce fulfillment, technology, advertising sales support, and overhead. The FY2026 segment cost structure from the quant foundation was $350.360 billion of cost of sales and $110.081 billion of SG&A or operating expense against $485.599 billion of total segment revenue, leaving $25.158 billion of operating income [quant_foundation P2, row 89]. That is a 5.2 percent operating margin on net sales. In dollar terms, a 10 basis point movement in Walmart U.S. operating margin at the FY2026 base is nearly $0.5 billion of annual operating income. The segment's earnings sensitivity is therefore more about basis points than dramatic margin percentages.

Gross margin pressure comes from price investment, mix, shrink, wage inflation passed through vendors, and category mix. Grocery is resilient but typically lower margin than discretionary categories. Health and wellness can include pharmacy sales that are high volume but affected by reimbursement, mix, and regulatory or reimbursement dynamics. General merchandise can be higher margin, but it is more discretionary and exposed to inventory markdowns. The data package does not disclose category-level margins for Walmart U.S., so product-level margin assumptions in this appendix are estimates designed to reconcile to the known segment margin rather than reported facts [DATA GAP: Walmart U.S. product-level operating margins are not separately disclosed in the data package].

Operating leverage has three sources. First, traffic and unit volume let Walmart spread fixed store, technology, and logistics costs over more sales. Second, supply-chain automation can improve labor productivity and inventory accuracy, though the benefit arrives only after capital is deployed and assets ramp. Third, higher-margin revenue streams - advertising, marketplace services, membership or other income, data/retail media, and fulfillment services - can increase profit per customer interaction without requiring the same inventory capital as first-party retail. Management explicitly links the forward model to the omnichannel system and says supply-chain automation is on track [data_package section 6, row 174]. The company also guided FY27 net sales growth of 3.5 percent to 4.5 percent and adjusted operating income growth of 6.0 percent to 8.0 percent [data_package section 6, rows 175-176], which implies management expects profit to grow faster than sales at the enterprise level.

The risk is that the same mix shift that raises long-term profit can depress near-term margins. eCommerce fulfillment requires pick, pack, last-mile delivery, returns handling, technology, and customer service. Marketplace can be attractive once scaled, but it requires seller acquisition, compliance, fraud prevention, search and ad tools, and a customer experience that does not damage the Walmart brand. Advertising is high-margin but grows from a smaller base; Walmart Connect does not yet have a standalone disclosed revenue line [data_package section 4, row 130]. Automation improves labor productivity, but depreciation and implementation expense can precede visible savings. This is why the base case expands Walmart U.S. operating margin from 5.2 percent to 5.8 percent by January 31, 2031, rather than assuming a step-change to a retailer-platform margin that the historical data do not yet support.

4. Competitive Dynamics

Walmart U.S. competes in multiple markets at once: grocery, pharmacy, general merchandise, eCommerce, marketplace, retail media, delivery, and local convenience. The closest U.S. physical retail competitors are Kroger in grocery, Costco in club/value bulk retail, Target in mass merchandise and omnichannel, regional grocers, dollar stores, drugstores, warehouse clubs, and hardline/category specialists. The closest digital competitors are Amazon, Instacart, DoorDash or other local delivery platforms, and retailer marketplaces that compete for sellers and ad budgets.

Scale context matters. Walmart U.S. FY2026 net sales of $483.0 billion are far larger than Kroger's FY2025 total company sales of $147.6 billion, Target's FY2025 net sales of $104.8 billion, and Costco's FY2025 total company net sales of $269.9 billion, although Costco is global and includes non-U.S. warehouses [data_package section 1, row 25; Kroger FY2025 release lines 255-256; Target FY2025 release lines 250 and 303-315; Costco FY2025 release lines 64-80]. Amazon is the digital exception: its 2025 North America sales were about $426.3 billion, but that segment includes a broader mix of first-party online retail, third-party seller services, subscriptions, advertising, and other activity rather than a like-for-like grocery and mass-merchandise store base [Amazon FY2025 release / annual-report data]. Walmart's competitive advantage is not that it is the largest company by every definition; it is that its U.S. retail base combines grocery frequency, store density, fulfillment nodes, procurement scale, and digital monetisation in one system.

In grocery, the competitive battle is price, freshness, private label, pickup/delivery convenience, pharmacy adjacency, and household trip consolidation. Kroger remains a strong pure grocery competitor and guided FY2026 identical sales excluding fuel of 1.0 percent to 2.0 percent, with management citing eCommerce profitability, procurement efficiencies, and productivity gains as funding for value investment [Kroger FY2025 release lines 269-311]. That is directly relevant to Walmart U.S.: grocery competitors are not standing still, and Kroger's own plan is to fund price and digital from operational savings. The base case therefore does not assume Walmart grocery can compound above the recent 3 percent to 4 percent range for five more years without pressure.

In general merchandise, Target, Amazon, Costco, dollar stores, specialty retailers, and category specialists pressure traffic and margin. Target's FY2025 net sales fell 1.7 percent to $104.8 billion, with comparable sales down 2.6 percent and operating income down 8.1 percent [Target FY2025 release lines 248-253]. That weakness shows that discretionary mass retail remains difficult. Walmart's advantage is that grocery traffic can support store visits and cross-shopping, but the general merchandise category itself should not be modeled as a major growth engine. The base case assumes only 1.0 percent

annual growth for Walmart U.S. general merchandise, with a bear case of negative 1.0 percent if discretionary categories remain pressured.

In club and value retail, Costco is a structural competitor even though its format differs from Walmart U.S. Costco FY2025 net sales grew 8.1 percent to $269.9 billion and U.S. adjusted comparable sales rose 7.3 percent [Costco FY2025 release lines 64-77]. Costco's membership economics, high traffic, and value reputation create pressure in grocery, consumables, general merchandise, and discretionary big-ticket categories. The model does not transfer Costco's growth rate to Walmart U.S. because Walmart U.S. is much larger and not a membership warehouse model. It does, however, support the view that value-led formats can keep gaining wallet share from traditional retail.

Digital competition is the wildcard. Amazon's North America scale and marketplace flywheel are the benchmark for seller selection, delivery speed, advertising tools, and customer expectations. Walmart has an advantage in grocery pickup and local store fulfillment, but Amazon has a deeper third-party marketplace, broader digital shopping habit, and a larger advertising ecosystem. Walmart Connect's FY2026 quarterly growth rates are very strong, but the data package flags no standalone Walmart Connect dollar history [data_package section 4, row 130]. The forecast treats Walmart Connect as a margin lever, not a separately modeled revenue line, because anything more precise would be false precision.

5. Moat at the Segment Level

Walmart U.S. has a real segment moat, but it is a scale-and-system moat rather than a brand-pricing moat. The sources of protection are procurement scale, store density, grocery frequency, logistics infrastructure, supplier relationships, data scale, and the ability to monetize traffic through advertising and marketplace services. A competitor can copy one feature - pickup, delivery, low prices, or retail media - but copying the full system at Walmart's scale would require massive capital, years of execution, and willingness to accept low operating margins during the buildout.

The moat is strongest in grocery and consumables because local frequency matters. A household can defer apparel or electronics purchases, but food, household consumables, pharmacy, and wellness purchases recur weekly. Walmart's EDLP model and physical proximity create habit. Management's Q3 FY26 commentary links Walmart U.S. share gains to EDLP and omnichannel advantages [data_package section 6, row 177]. That is the right moat framing: price leadership alone is not enough, because competitors can discount, but price plus grocery frequency plus local pickup and delivery infrastructure is harder to dislodge.

The moat is weaker in general merchandise. Discretionary products are more substitutable, online comparison is easy, and Amazon, Target, Costco, category specialists, and direct-to-consumer brands all compete for the same dollars. Walmart can win by combining traffic, price, and convenience, but it has less product differentiation here. That is why the base case for general merchandise is close to inflation and population rather than a share-gain story.

The emerging moat is retail media and marketplace. Walmart Connect is advantaged by closed-loop purchase data, supplier demand, and high-intent traffic. If Walmart can grow advertising while improving eCommerce contribution margins, the segment can expand operating margin without requiring high merchandise price increases. The limitation is disclosure. The data package gives growth rates and global advertising scale, but Walmart U.S. advertising revenue is not separately disclosed [data_package section 4, rows 128-130]. The moat conclusion is therefore positive but bounded: advertising and marketplace can lift margin, but the analyst should not underwrite software-like economics from undisclosed dollars.

Durability over five to ten years looks good if Walmart keeps investing. The main threat is not a single new entrant taking all share. It is margin erosion from labor, delivery, shrink, pharmacy reimbursement, tariffs, value reinvestment, and competitive price gaps. The moat protects relevance and traffic better than it guarantees margin. In the model, this means the bear case still grows revenue modestly to $516.0 billion by the horizon, but margin slips to 4.9 percent because value investment and fulfillment cost pressure absorb mix benefits. The base and bull cases require not just sales growth but measurable improvement in ad, marketplace, automation, and eCommerce unit economics.

6. Historical Growth Rates - Reproduced from Data Package

The data package provides five years of segment history for Walmart U.S. and three fiscal years of additive merchandise-category and eCommerce-channel dollars. Product-category history is therefore shown as the FY2024-FY2026 disclosed window, not as a fabricated five-year product series. The product-category CAGR below is a two-year CAGR across the three disclosed fiscal-year observations. The segment total CAGR is a four-year CAGR from FY2022 to FY2026. Every Walmart dollar figure in the table is from the data package or quant foundation.

Product / sub-segment	FY24 rev	FY25 rev	FY26 / TTM rev	Historical CAGR	Most recent YoY	Data package cite
Walmart U.S. segment net sales	$441.817B	$462.415B	$482.975B	5.3% FY22-FY26 segment CAGR; 4.6% FY24-FY26 CAGR	4.4%	data_package section 3 Walmart U.S. rows 66-72; quant_foundation P4 rows 163-165
Grocery	$264.210B	$276.003B	$285.482B	3.9% two-year disclosed-window CAGR	3.4%	data_package section 4 row 107
General merchandise	$113.985B	$113.921B	$115.060B	0.5% two-year disclosed-window CAGR	1.0%	data_package section 4 row 108
Health and wellness	$54.898B	$62.092B	$69.547B	12.6% two-year disclosed-window CAGR	12.0%	data_package section 4 row 109
Other	$8.724B	$10.399B	$12.886B	21.5% two-year disclosed-window CAGR	23.9%	data_package section 4 row 110
eCommerce channel, non-additive	$65.4B	$79.3B	$99.6B	23.4% two-year disclosed-window CAGR	25.6%	data_package section 4 row 111

Arithmetic tie-outs: The additive FY2026 category rows sum to $285.482B + $115.060B + $69.547B + $12.886B = $482.975B, matching Walmart U.S. FY2026 net sales [data_package section 4 rows 107-110; quant_foundation P4 row 165]. FY2025 categories sum to $276.003B + $113.921B + $62.092B + $10.399B = $462.415B, matching FY2025 Walmart U.S. net sales [data_package section 3 rows 66-72]. FY2024 categories sum to $264.210B + $113.985B + $54.898B + $8.724B = $441.817B, matching FY2024 Walmart U.S. net sales [data_package section 3 rows 66-72]. The eCommerce channel is intentionally excluded from these sums because it is embedded inside category sales.

Row tie-outs from disclosed YoY: Grocery FY25 to FY26: $276.003B x 1.034 = about $285.4B, tying to $285.482B within rounding. General merchandise FY25 to FY26: $113.921B x 1.010 = about $115.1B, tying to $115.060B. Health and wellness FY25 to FY26: $62.092B x 1.120 = about $69.5B, tying to $69.547B. Other FY25 to FY26: $10.399B x 1.239 = about $12.9B, tying to $12.886B. eCommerce FY25 to FY26: $79.3B x 1.256 = about $99.6B, tying to the disclosed $99.6B.

The visible historical pattern is three-part. First, grocery is large and steady, with growth decelerating from pandemic/inflation levels but still positive. Second, general merchandise is effectively flat across the three-year category window, which is consistent with broad discretionary pressure and competitive substitution. Third, health and wellness plus the smaller other line are the disclosed faster-growing category contributors. eCommerce is growing much faster than total segment sales, but because it is a channel rather than an additive product category, its main modeling role is to explain comp contribution, share retention, and margin mix rather than to add another $100 billion to segment revenue.

7. Management Guidance - Quoted From Data Package Section 6

The data package records a small number of short management anchors relevant to Walmart U.S. The first is enterprise-level but important for the segment: John Furner referred to the "power of our omnichannel model" and said supply-chain automation is on track on the Q4 FY26 call [data_package section 6, row 174]. The interpretation for Walmart U.S. is that management is not presenting stores, eCommerce, advertising, and automation as separate projects. The forward model should therefore test a system outcome: sales grow around the low-to-mid-single-digit range while margin expands if digital and automation economics improve.

The second anchor is FY27 enterprise guidance: Walmart expects net sales to grow 3.5 percent to 4.5 percent [data_package section 6, row 175]. This is not a Walmart U.S.-only guide, but it is the closest near-term numerical anchor. Because Walmart U.S. is roughly 68 percent of consolidated net sales, it is hard for enterprise net sales to hit that range if Walmart U.S. is much below 3 percent unless International and Sam's materially outperform. The base case therefore uses a 3.1 percent Walmart U.S. segment CAGR across the full five-year horizon, with category-level variation underneath.

The third anchor is FY27 profit algorithm: adjusted operating income is expected to grow 6.0 percent to 8.0 percent [data_package section 6, row 176]. This supports some margin expansion but does not prove five years of expansion. The base case raises Walmart U.S. operating margin from 5.2 percent to 5.8 percent by January 31, 2031. That margin change is meaningful but not heroic: it requires roughly 60 basis points of net benefit from advertising, marketplace, eCommerce contribution improvement, automation, shrink/productivity, and category mix over five years, while still allowing price investment and wage/fulfillment costs to offset part of the benefit.

The fourth anchor is U.S.-specific customer value: Doug McMillon cited "EDLP" and "omnichannel advantages" on the Q3 FY26 call [data_package section 6, row 177]. This matters because it frames growth as share gain and frequency rather than pure price. The model does not assume Walmart can simply raise prices ahead of inflation. It assumes it can maintain traffic and share through value while monetising the traffic base more effectively.

The fifth anchor is the Q4 FY26 release statement that eCommerce contributed about 520 basis points to Walmart U.S. comp [data_package section 6, row 178]. This is the strongest evidence that digital is now large enough to matter to segment reported growth. The base case assumes eCommerce channel sales grow from $99.6 billion to about $183.5 billion by the horizon, an 13 percent CAGR, but again this is non-additive to segment revenue. It supports the base segment CAGR by improving retention, basket capture, and delivery convenience.

The sixth U.S.-specific platform anchor is Walmart Connect growth: the Q4 FY26 release recorded Walmart Connect up 41 percent [data_package section 6, row 183]. Walmart Connect is a high-potential margin driver, but because the data package says there is no standalone Walmart Connect dollar revenue history, the model uses it only to justify margin expansion rather than as a separate revenue line [data_package section 4, row 130].

The seventh anchor is capital intensity: management guided FY27 capital expenditures at approximately 3.5 percent of net sales [data_package section 6, row 184]. This constrains the free-cash-flow interpretation of any margin improvement. The segment can improve operating income while still requiring elevated investment in stores, supply chain, fulfillment, and technology. That investment supports the moat, but it should not be mistaken for asset-light compounding.

[DATA GAP: The data package does not provide Walmart U.S.-specific five-year capex, product-level margins, Walmart Connect revenue dollars, marketplace revenue dollars, Walmart+ revenue, or fulfillment-service revenue. This appendix therefore models those items as qualitative mix and margin drivers rather than standalone forecast lines.]

8. Forward Growth Assumptions - Explicit, Per Product

The additive forecast uses grocery, general merchandise, health and wellness, and other. eCommerce is shown as a non-additive channel forecast because it is included inside those category revenues. Walmart Connect and marketplace are discussed in the justification but excluded from the revenue sum because standalone dollar histories are not disclosed.

Base Case Growth Assumptions

Product / line	Historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to Jan. 31, 2031	Horizon revenue	Justification
Grocery	3.9% two-year category CAGR	3.4%	Enterprise net sales +3.5% to +4.5%	3.0%	$331.0B	Grocery is the frequency anchor. Base growth is below the disclosed-window CAGR because inflation should normalize and Walmart is already very large, but it remains above population growth because value positioning and omnichannel convenience support share.
General merchandise	0.5% two-year category CAGR	1.0%	No category guide	1.0%	$120.9B	The category has been flat. Base assumes Walmart holds share and gets modest recovery, but Amazon, Target, Costco, dollar stores, and category specialists cap growth.
Health and wellness	12.6% two-year category CAGR	12.0%	No category guide	5.5%	$90.9B	The recent growth rate is unlikely to persist for five years at this scale. Base assumes pharmacy and wellness remain faster than segment average but decelerate materially.
Other	21.5% two-year category CAGR	23.9%	No category guide	10.0%	$20.8B	Other is small and growing quickly, likely including newer or reclassified offerings. Base keeps faster growth but assumes the law of large numbers and category reclassification risk.

Product / line	Historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to Jan. 31, 2031	Horizon revenue	Justification
eCommerce channel, non-additive	23.4% two-year channel CAGR	25.6%	eCommerce contribution to comp about 520 bps	13.0%	$183.5B	Digital remains the largest comp contributor, but growth decelerates as the channel approaches a much larger share of segment sales. It is not added to segment revenue.

The base case produces additive Walmart U.S. revenue of $563.5 billion by January 31, 2031, a 3.1 percent segment CAGR from the $482.975 billion TTM base. This is slightly below the FY27 enterprise guide midpoint because International and Sam's can grow faster, but it is consistent with Walmart U.S. remaining the largest and most mature segment. The key assumption is not that U.S. retail demand accelerates; it is that Walmart can keep taking incremental share in grocery and omnichannel while health/wellness and platform mix lift the blended outcome.

Bull Case Growth Assumptions

Product / line	Historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to Jan. 31, 2031	Horizon revenue	Justification
Grocery	3.9% two-year category CAGR	3.4%	Enterprise net sales +3.5% to +4.5%	4.0%	$347.3B	Bull case assumes sustained share gains from EDLP, store proximity, grocery delivery, and private-label or procurement advantage. This requires competitors to be disciplined or less able to fund value gaps.
General merchandise	0.5% two-year category CAGR	1.0%	No category guide	2.0%	$127.0B	Bull case assumes discretionary categories stabilize and Walmart captures cross-shopping from grocery and digital traffic. This still does not make general merchandise a high-growth line.
Health and wellness	12.6% two-year category CAGR	12.0%	No category guide	7.0%	$97.5B	Bull case assumes pharmacy and wellness continue to gain share and reimbursement/mix pressure does not erase the revenue opportunity. Growth still decelerates from recent levels.
Other	21.5% two-year category CAGR	23.9%	No category guide	14.0%	$24.8B	Bull case gives credit for newer offerings, services, and monetisation buckets growing from a small base. It remains a small contributor to total dollars.
eCommerce channel, non-additive	23.4% two-year channel CAGR	25.6%	eCommerce contribution to comp about 520 bps	17.0%	$218.4B	Bull case assumes pickup/delivery density, marketplace assortment, and fulfillment automation sustain high-teens digital growth while unit economics improve. It is not added to segment revenue.

The bull case produces additive segment revenue of $596.7 billion, a 4.3 percent CAGR. This is close to the high end of current enterprise guide but sustained for five years. It requires a favorable consumer backdrop, continued grocery share gains, a mild recovery in general merchandise, and no major compression from price gaps or pharmacy reimbursement. It also requires eCommerce to become a margin-positive contributor, not just a sales-growth channel.

Bear Case Growth Assumptions

Product / line	Historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to Jan. 31, 2031	Horizon revenue	Justification
Grocery	3.9% two-year category CAGR	3.4%	Enterprise net sales +3.5% to +4.5%	1.5%	$307.5B	Bear case assumes price investment, lower food inflation, and intense competition from Kroger, Costco, discounters, and local grocers limit nominal growth. Walmart still grows because traffic is defensive.
General merchandise	0.5% two-year category CAGR	1.0%	No category guide	-1.0%	$109.4B	Bear case assumes discretionary weakness and online substitution persist, forcing markdowns and limiting category dollars.
Health and wellness	12.6% two-year category CAGR	12.0%	No category guide	3.5%	$82.6B	Bear case assumes recent growth decelerates sharply due to reimbursement pressure, mix normalization, and competitive pharmacy dynamics.
Other	21.5% two-year category CAGR	23.9%	No category guide	5.0%	$16.4B	Bear case assumes the small other bucket remains positive but reclassification or lower attach rates reduce growth materially.
eCommerce channel, non-additive	23.4% two-year channel CAGR	25.6%	eCommerce contribution to comp about 520 bps	8.0%	$146.3B	Bear case assumes digital sales keep growing but fulfillment economics, Amazon competition, and weaker discretionary demand reduce the pace. It is not added to segment revenue.

The bear case produces additive segment revenue of $516.0 billion, a 1.3 percent CAGR. That is not a collapse scenario; Walmart U.S. is too defensive for that to be the base risk. The bear case is a margin and opportunity-cost risk: the segment grows slowly, continues to invest, and must use price to defend traffic, so operating income barely improves from the FY2026 base.

9. Forward Operating Margin Assumptions - Explicit and Justified

The current segment operating margin is 5.2 percent on FY2026 / TTM net sales [data_package section 3, rows 66-72; quant_foundation P4 rows 163-165]. The data package does not disclose category-level margins, so this appendix uses category margin estimates that reconcile to segment-level economics and express mix logic rather than reported product margins. The margin model should be read as a decomposition of the segment margin, not a claim of disclosed product economics.

Margin Bridge Logic

Base case margin rises to 5.8 percent by the horizon. The drivers are: eCommerce contribution improving as route density and automation improve; Walmart Connect and marketplace monetisation growing faster than the merchandise base; health and wellness mix expanding; shrink and supply-chain productivity improving; and fixed costs spreading across higher sales. Offsets are wage inflation, price investment, delivery costs, depreciation from capex, and pharmacy/grocery mix. A 60 basis point net improvement over five years is demanding but consistent with management's FY27 adjusted operating-income growth guide exceeding net-sales growth [data_package section 6, rows 175-176].

Bull case margin reaches 6.8 percent. This requires the platform layer to become visibly more profitable: Walmart Connect continues high growth, marketplace improves seller density, fulfillment automation lowers cost per order, shrink improves, and grocery price gaps are funded by productivity rather than margin sacrifice. This is possible, but it is not the default because Walmart U.S. has historically operated in a narrow margin band.

Bear case margin slips to 4.9 percent. In this case, price investment and cost inflation absorb most mix benefits. eCommerce grows but does not deliver enough fulfillment leverage, pharmacy mix is lower margin, shrink remains elevated, and general

merchandise weakness creates markdown pressure. The bear margin is not catastrophic; it is only 30 to 40 basis points below the FY2026 starting point, but on a $516 billion revenue base it implies a large profit shortfall versus the base case.

Case	Grocery horizon margin	General merchandise horizon margin	Health and wellness horizon margin	Other horizon margin	Blended horizon margin	Segment OI
Bear	4.7%	4.5%	5.2%	8.5%	4.9%	$25.1B
Base	5.7%	5.0%	6.3%	11.0%	5.8%	$32.9B
Bull	6.6%	5.5%	7.0%	14.5%	6.8%	$40.3B

The >100 basis point change in the bull case versus current margin needs a specific mechanism. It cannot come from merchandise pricing alone. It requires advertising, marketplace, and other income to carry a larger share of profit; eCommerce fulfillment costs to improve with automation and delivery density; and general merchandise to stop dragging mix. The bear case also needs a mechanism: price reinvestment, wage and delivery inflation, lower pharmacy profitability, and markdowns are enough to push margin below the current level even if revenue still grows.

10. Segment Rollup - Built Bottoms-Up

The rollup below sums only additive merchandise categories. eCommerce, Walmart Connect, marketplace, and membership-related benefits are included in the growth and margin logic but excluded from the revenue sum to prevent double counting. Every segment revenue number must be reconstructable from the section 8 category forecasts.

Case	Grocery revenue	General merchandise revenue	Health and wellness revenue	Other revenue	Segment TTM+5y revenue	Blended op margin	Segment TTM+5y operating income
Bear	$307.5B	$109.4B	$82.6B	$16.4B	$516.0B	4.9%	$25.1B
Base	$331.0B	$120.9B	$90.9B	$20.8B	$563.5B	5.8%	$32.9B
Bull	$347.3B	$127.0B	$97.5B	$24.8B	$596.7B	6.8%	$40.3B

Arithmetic checks: Bear revenue equals $307.5B + $109.4B + $82.6B + $16.4B = $515.9B, rounded to $516.0B. Base revenue equals $331.0B + $120.9B + $90.9B + $20.8B = $563.6B, rounded to $563.5B due to unrounded source calculations. Bull revenue equals $347.3B + $127.0B + $97.5B + $24.8B = $596.6B, rounded to $596.7B due to unrounded source calculations. Operating income equals revenue multiplied by blended margin within rounding: bear $516.0B x 4.9 percent = about $25.1B; base $563.5B x 5.8 percent = about $32.9B; bull $596.7B x 6.8 percent = about $40.3B.

The base case is the central estimate for synthesis. It implies Walmart U.S. adds about $80.5 billion of revenue and $7.7 billion of operating income over five years. In contribution terms, Walmart U.S. remains the largest profit contributor to the company and likely supplies a substantial share of enterprise operating-income growth even if International and Sam's grow faster on smaller bases. The model is not aggressive on revenue: 3.1 percent segment CAGR is below the historical FY22-FY26 segment CAGR of 5.3 percent. The more important assumption is margin: if Walmart U.S. cannot reach the high-5 percent range, consolidated EPS will struggle to clear a demanding valuation even if revenue is resilient.

Probability weights for the segment are 25 percent bear, 55 percent base, and 20 percent bull. The distribution is skewed toward the base because the segment's recent quarterly performance is stable, management's FY27 guide supports the broad algorithm, and the store/digital flywheel is already visible. The bear case still deserves meaningful weight because price investment, labor, delivery, shrink, pharmacy reimbursement, and general merchandise weakness can erase operating leverage quickly. The bull case is possible but requires stronger evidence that higher-margin platform businesses are large enough to move segment profit, which current disclosure does not yet prove.

11. Key Risks and Wildcards

Bear risk - price investment and consumer stress. Walmart's value proposition is a strength, but it can become a margin burden if consumers weaken and competitors respond aggressively. If Walmart must widen price gaps in grocery and consumables, revenue may hold up while gross margin compresses. The signal to watch is Walmart U.S. comp sales staying positive while operating margin falls below 5.0 percent for multiple quarters.

Bear risk - eCommerce fulfillment economics. eCommerce contributed materially to comp growth, but delivery, picking, returns, and fulfillment are expensive. If digital keeps growing at double-digit rates but operating margin does not improve, the market may be overestimating the profitability of the omnichannel transition. The signal is eCommerce contribution remaining high while management stops talking about improved contribution margin or automation savings.

Bear risk - pharmacy and health/wellness mix. Health and wellness grew 12.0 percent in FY2026 and is a major component of category growth [data_package section 4, row 109]. That growth can be lower margin depending on reimbursement, drug mix, and operating requirements. If health and wellness is the only large growth engine but carries below-average margin, the revenue model can look better than the profit model.

Bear/base risk - general merchandise stagnation. General merchandise was only up 1.0 percent in FY2026 and had a 0.5 percent two-year disclosed-window CAGR [data_package section 4, row 108]. This category matters because it can carry better margins than grocery but is exposed to discretionary pressure and online substitution. The base case assumes only modest growth; a persistent decline would pressure both mix and traffic monetisation.

Base/bull wildcard - retail media and marketplace. Walmart Connect grew 41 percent in Q4 FY26, and global advertising grew strongly during FY2026 [data_package section 4, rows 128-130; section 6, row 183]. If Walmart discloses that Walmart U.S. advertising and marketplace services are much larger than the market currently assumes, the margin case could improve materially. The issue is not whether the business is attractive; it is disclosure and scale. Without standalone dollars, the model can only embed a moderate margin lift.

Base/bull wildcard - automation productivity. Management says supply-chain automation is on track [data_package section 6, row 174]. If automation materially reduces cost per case, improves inventory availability, and lowers fulfillment cost, Walmart U.S. could expand margin even while maintaining price leadership. The key evidence would be sustained Walmart U.S. operating-income growth above sales growth without a deterioration in customer traffic or price perception.

Bear/base risk - capital intensity and depreciation. FY26 consolidated capex was $26.6 billion and FY27 capex guidance is approximately 3.5 percent of net sales [data_package section 7, rows 190-201; section 6, row 184]. If the required investment stays high for longer, reported operating income may improve but free cash flow conversion could disappoint. For a Gideon-style quality compounder test, the issue is not only whether Walmart U.S. grows operating income; it is whether incremental invested capital earns attractive returns.

Bear risk - competition from Costco, Kroger, Amazon, Target, and discounters. Costco's FY2025 growth shows that value formats remain strong; Kroger's guidance shows traditional grocers are still funding value from productivity; Amazon's North America scale pressures digital selection and delivery expectations; Target's weakness shows discretionary categories can remain soft. Walmart U.S. can win in this environment, but it cannot assume competitors will cede share without margin response.

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$516.0B	4.9%	$25.1B	25%
Base	$563.5B	5.8%	$32.9B	55%
Bull	$596.7B	6.8%	$40.3B	20%

External Competitive Sources Used

- Kroger FY2025 release, accessed live: https://ir.kroger.com/news/news-details/2026/Kroger-Reports-Fourth-Quarter-and-Full-Year-2025-Results-andAnnounces-Guidance-for-2026/default.aspx.
- Target FY2025 release, accessed live: https://corporate.target.com/press/release/2026/03/target-corporation-reports-fourth-quarter-and-full-year-2025-earnings.
- Costco FY2025 release, accessed live: https://investor.costco.com/news/news-details/2025/Costco-Wholesale-Corporation-Reports-Fourth-Quarter-and-Fiscal-Year-2025-Operating-Results/.
- Amazon FY2025 release and annual-report data, accessed live via Amazon IR and SEC-indexed annual-report source: https://ir.aboutamazon.com/news-release/news-release-details/2026/Amazon-com-Announces-Fourth-Quarter-Results/default.aspx.

Appendix B2 - Walmart International

Walmart International - Segment Deep Dive

Run context: TICKER WMT; COMPANY Walmart Inc.; segment Walmart International; TODAY 2026-04-28; TTM ending January 31, 2026; forward horizon January 31, 2031. Source hierarchy follows the ER2 data source rule. Walmart's own historical segment dollars, growth rates, operating income, and management quotes are taken from `data_package.md` and `quant_foundation.md`, not re-derived from filings in this appendix. External competitive discussion is used only for context and does not replace the verified Walmart source package.

0. Segment boundary and taxonomy note

Walmart International is a stable current reportable segment. The data package states that Walmart's current reportable segments are Walmart U.S., Walmart International, and Sam's Club U.S.; Corporate/support is an operating-income reconciliation bucket, not a revenue segment. The current segment boundary is "operations outside the U.S., as well as eCommerce and omnichannel initiatives" [quant_foundation P-Taxonomy, Walmart International row]. The FY2026, FY2025, and FY2024 Form 10-Ks use the same three reportable segments, and the data package found no live SEC segment realignment 8-K around the FY2026 boundary [data_package section 1]. There is a merchandise-category caveat: Walmart periodically revises merchandise-category assignments and restates previous periods for comparability, so market and category dollar tables should be treated as FY2026 10-K restated three-year figures, not mixed with older category cuts [data_package section 1].

This matters because the forward model uses two layers. The additive revenue model uses the market/geography disclosures that sum to International net sales: Mexico and Central America, China, Canada, and Other International. The International eCommerce figure is not additive to those markets; it is an overlapping digital sales channel inside the same countries. I therefore forecast International eCommerce as a key mix KPI, but I do not add it to the market lines in the segment rollup. That prevents double counting.

1. What this segment actually is

Walmart International is Walmart's non-U.S. retail and digital commerce portfolio. It contains owned or controlled retail operations outside the United States, including large physical-store and club networks, regional eCommerce platforms, marketplace businesses, financial and payments adjacencies in certain markets, and omnichannel fulfillment models that connect stores, clubs, distribution centers, and digital channels. The FY2026 disclosure splits International net sales by major markets: Mexico and Central America at $52.492B, China at $24.623B, Canada at $23.724B, and Other International at $29.584B [data_package section 4, Walmart International market rows]. Total Walmart International FY2026 net sales were $130.423B and operating income was $5.103B [quant_foundation P4 TTM segment table].

The segment is not one uniform international chain. Mexico and Central America are anchored by Walmex, with a broad format portfolio and a large grocery/value retail position. China includes Walmart China and Sam's Club China, with Sam's-style membership retail and omnichannel grocery/consumer channels becoming increasingly important. Canada is a mature market with a store base, grocery and general merchandise mix, and digital pickup/delivery initiatives. Other International includes the remainder of Walmart's international portfolio, the most strategically visible part being India/Flipkart and related digital ecosystem exposure, alongside other smaller markets and businesses. The company does not disclose a full country-by-country revenue bridge beyond the named markets in the FY2026 segment note, so the model keeps "Other International" as one line rather than inventing a Flipkart dollar base.

The customer proposition varies by country but has common Walmart traits: value pricing, grocery frequency, broad assortment, store convenience, pickup/delivery availability, and increasingly marketplace breadth. Pricing is mainly transaction based, with retail gross profit from merchandise sales, marketplace take rates, fulfillment-related revenue where applicable, advertising revenue in digital ecosystems, and membership/other income in certain formats. Walmart's segment revenue metric is net sales; total revenue including membership and other income was $131.988B for Walmart International in FY2026, compared with $130.423B of net sales [quant_foundation P4 TTM segment table]. That difference should not be ignored, but the reportable segment history and forward rollup are built on net sales because that is the consistent segment revenue base in the data package.

Go-to-market is local-market retail plus global capability transfer. Walmart has scale advantages in sourcing, private brands, food retail operations, logistics, technology investment, and data, but each country's competitive set is local. The International

segment's reported growth can therefore be driven by very different forces at the same time: a mature Canada grocery/omnichannel comp, Walmex store and digital penetration, high China Sam's Club and eCommerce growth, and Flipkart/marketplace expansion in India. The common ER2 modeling risk is to apply one "International retail" CAGR to all of this. I avoid that by using market-level lines and then checking whether the weighted result is plausible against the reported segment total.

2. Current economics (FY2026 / TTM)

Walmart International's TTM is FY2026 because the latest reported quarter is Q4 FY2026, fiscal year ended January 31, 2026 [data_package run context; quant_foundation P4]. TTM net sales were $130.423B, TTM total revenue was $131.988B, and TTM operating income was $5.103B [quant_foundation P4 TTM segment table]. Operating margin on net sales was 3.9%, matching the data package segment history [data_package section 3, Walmart International row]. The segment represented 18.5% of consolidated net sales in FY2026 [data_package section 1 segment table].

Recent reported momentum improved through the year. Walmart International quarterly net sales were $29.754B in Q1 FY26, $31.201B in Q2 FY26, $33.541B in Q3 FY26, and $35.927B in Q4 FY26 [quant_foundation P4; data_package section 5]. YoY growth was -0.3%, +5.5%, +10.8%, and +11.5% respectively [data_package section 5, Walmart International quarterly table]. Operating margin by quarter was 4.4%, 3.8%, 2.1%, and 5.3% [data_package section 5, Walmart International quarterly table]. This is not a smooth profit series. The data package notes that FY2026 full-year reported operating income declined despite stronger Q4 adjusted performance because of discrete and timing items including PhonePe share-based compensation and Flipkart event timing [data_package section 6 commentary synthesis].

The most granular additive revenue disclosure is by market. FY2026 International net sales were $52.492B in Mexico and Central America, $24.623B in China, $23.724B in Canada, and $29.584B in Other International [data_package section 4, Walmart International market rows]. Those four lines sum to $130.423B, tying to the segment TTM net-sales base. The corresponding FY2026 mix was approximately 40.2% Mexico and Central America, 18.9% China, 18.2% Canada, and 22.7% Other International. International eCommerce was $35.8B in FY2026, up from $29.5B in FY2025 and $24.8B in FY2024 [data_package section 4, Walmart International eCommerce row]. Because that digital sales figure cuts across the market lines, International eCommerce was about 27.4% of International net sales in FY2026, but it is not an incremental line item.

Capital intensity is not disclosed at the International segment level. Enterprise guidance says FY27 capital expenditures are expected to be approximately 3.5% of net sales [data_package section 6, capital intensity row], and FY2026 enterprise capex was $26.6B, or 3.7% of revenue [data_package section 7]. Walmart does not disclose a segment capex table that would let us allocate store remodels, supply-chain automation, fulfillment, and technology investments precisely to International. [DATA GAP: Walmart does not disclose Walmart International capital expenditures or invested capital separately in the source package.] For modeling segment operating income, this gap affects return-on-capital analysis more than operating margin; operating margin is directly disclosed.

3. Unit economics

Walmart International's unit economics are grocery-heavy, scale-sensitive, and market-mix-sensitive. Revenue begins with high-frequency retail transactions. Grocery and consumables create traffic and basket frequency, while general merchandise, marketplace, advertising, financial services, and membership-like formats can improve mix. The data package does not provide merchandise-category split within International, but it does provide market and eCommerce dollars. The economics therefore have to be interpreted from segment margin history and known business model mechanics rather than from a disclosed gross-margin bridge.

The segment's operating margin has ranged from 2.9% to 4.5% over the FY2022-FY2026 window: 3.7% in FY2022, 2.9% in FY2023, 4.3% in FY2024, 4.5% in FY2025, and 3.9% in FY2026 [data_package section 3, Walmart International table]. That range is narrow in absolute retail terms but meaningful in profit dollars. At the FY2026 revenue base, 100 bps of margin is about $1.3B of operating income. The FY2026 cost structure in quant foundation P2 shows International total revenue of $131.988B, cost of sales of $102.576B, SG&A/OpEx of $24.309B, and operating income of $5.103B [quant_foundation P2]. On that total-revenue basis, cost of sales was about 77.7% and SG&A/OpEx was about 18.4%, leaving operating income of 3.9%. The same 3.9% margin appears on the net-sales base because membership/other income is small relative to segment sales.

The gross margin side is pressured by EDLP-style value pricing, grocery mix, local wage and logistics costs, currency, shrink, and competitive price investment. Margin expands when the segment gets better vendor terms, improves private-brand and general-merchandise mix, increases marketplace/advertising contribution, automates fulfillment, raises delivery density, and

scales fixed technology and distribution costs. The operating expense side depends on labor productivity, store format productivity, fulfillment cost per order, rent and occupancy, and corporate allocation within each local market. International eCommerce can be margin dilutive early, especially if delivery and fulfillment costs are ahead of density, but it can become margin accretive when marketplace take rates, advertising, and first-party fulfillment scale.

FY2026 highlights the difference between structural earnings power and reported timing. Full-year operating income declined from $5.501B in FY2025 to $5.103B in FY2026 even as net sales grew from $121.885B to $130.423B [data_package section 3, Walmart International table]. That pulled margin down from 4.5% to 3.9%. Yet Q4 FY26 margin was 5.3%, much higher than the full-year figure, and the data package quotes the Q4 release on International "Adjusted operating income (cc)" and "26.5%" [data_package section 6, Walmart International profit quality row]. The correct interpretation is not that International permanently reset to a 5%+ margin in one quarter; it is that the underlying business can earn above the FY2026 full-year reported margin when mix, timing, and discrete items cooperate.

The model's base case therefore uses modest margin recovery from 3.9% to 4.5% by FY2031, matching the FY2025 reported level rather than assuming a new high. The bull case assumes 5.1%, which requires stronger digital monetization and operating leverage across China, Walmex, and Flipkart-like assets. The bear case assumes 3.2%, above the FY2023 trough but below FY2026, reflecting a world where price investment, fulfillment costs, wage pressure, or local competition absorb growth. I do not allocate operating margins by market because Walmart does not disclose country-level operating income. [DATA GAP: Region-level and International eCommerce operating income are not separately disclosed; product margin tables below use segment-level margin scenarios.]

4. Competitive dynamics

Walmart International faces a different competitive battlefield in each major market. In Mexico and Central America, the primary competition is local and regional grocery, discount, warehouse club, convenience, and informal retail. Walmex's scale, procurement, distribution network, store density, and brand trust are powerful, but price gaps are constantly contested. The main strategic question is not whether Walmart can keep a retail presence; it is whether it can grow above inflation and population without over-investing in price, wages, or omnichannel fulfillment.

In China, competition is more dynamic. Walmart competes against local eCommerce platforms, community group-buying models, delivery aggregators, warehouse membership operators, and large domestic retailers. China is also where Walmart's Sam's Club format has had unusually strong brand and membership resonance. That can produce higher growth than the mature retail base, but it exposes the segment to tougher local digital competition, consumer sentiment shifts, and regulatory expectations around data, labor, pricing, and platform behavior. The FY2026 China line grew to $24.623B from $19.975B in FY2025 and $17.011B in FY2024 [data_package section 4, Walmart International / China row], which is a much faster path than the consolidated International segment. The risk is that current growth is partly format and city expansion, not a permanent high-teens comp algorithm.

Canada is mature. Walmart Canada competes with Loblaw, Costco, Metro, Amazon, Canadian Tire, Dollarama, and local specialty retailers. It has scale and value positioning, but there is less room for explosive store or category penetration. The FY2026 Canada line was $23.724B, up only 3.0% from FY2025 [data_package section 4, Walmart International / Canada row]. That is consistent with a mature market where inflation, market share, and omnichannel penetration determine most of the forward growth.

Other International is the most mixed line. It includes the remaining markets and digital assets that are not separately disclosed as Mexico/Central America, China, or Canada. Strategically, Flipkart and India are the key forward variable, but Walmart does not disclose Flipkart revenue in the segment table. Flipkart competes with Amazon India, Reliance Retail/JioMart, Meesho, vertical specialists, and offline retail. The segment also has PhonePe exposure, which is strategically valuable but complicates reported operating income because share-based compensation and investment spend can move segment profit. The data package explicitly notes PhonePe preparatory IPO steps in the April 2025 investment-community release [data_package section 9] and says FY2026 International operating income was affected by PhonePe share-based compensation and Flipkart event timing [data_package section 6 commentary synthesis]. The forward model therefore gives Other International faster revenue growth than Canada or Mexico but does not assign it a technology-company margin.

International eCommerce is the cross-market competitive thread. Walmart International eCommerce was $35.8B in FY2026, versus $29.5B in FY2025 and $24.8B in FY2024 [data_package section 4, Walmart International eCommerce row]. That is a roughly 20% growth profile over the disclosed three-year window, far above total International. It competes against Amazon, Alibaba ecosystem competitors, JD-style and local Chinese digital retail, MercadoLibre-like regional marketplace behavior in Latin America, and local quick-commerce players. The strategic question is whether eCommerce becomes a margin tailwind

through marketplace, advertising, and fulfillment density, or whether it stays a cost center because customers expect low prices and fast delivery.

Pricing power is therefore uneven. Walmart has clear procurement and scale power, but retail customers are price sensitive, and the company competes on value by design. The real pricing power is not "raise price because the brand is premium." It is the ability to keep relative prices low while extracting more margin from supply chain productivity, mix, ads, marketplace services, data, and membership. Entry barriers include real estate, distribution, vendor relationships, regulatory licenses, food retail execution, last-mile density, capital access, and customer habit. Substitution risk is high at the basket level because customers can shift channels easily, but lower at the system level where Walmart has dense stores and reliable value.

5. Segment-level moat

Walmart International's moat is a portfolio of local scale positions plus global operating capability. The strongest moat elements are procurement scale, logistics knowledge, store and club density in specific markets, grocery frequency, local brand recognition, digital traffic, and the ability to amortize technology and supply-chain investment across very large sales bases. A smaller retailer can match an online interface or copy a price promotion; it is much harder to replicate the full system of buying, inventory, food safety, store operations, fulfillment, and customer data at Walmart's scale.

The moat is most visible in Mexico/Central America and China Sam's-style membership retail, less visible in mature Canada, and still being proven in India/digital parts of Other International. Mexico/Central America has the best combination of scale and local embeddedness. China has attractive growth and format differentiation, but local competition and regulatory conditions make the moat less certain. Canada has a durable place in the market, but growth and margin are more constrained. Other International could create significant value if Flipkart and related ecosystems compound profitably, but the current disclosure does not yet prove segment-level operating leverage.

The durability question is whether Walmart can convert omnichannel investment into higher operating income, not just higher sales. Management's enterprise language emphasizes a "people-led, tech-powered omnichannel strategy" [data_package section 6, investment community framework row] and the "power of our omnichannel model" [data_package section 6, enterprise omnichannel model row]. For International, management says the segment "continues to lift the growth rate" [data_package section 6, Walmart International growth engine row]. Those are supportive, but the hard proof is margin. FY2026 International margin was 3.9%, down from 4.5% in FY2025 despite 7.0% net-sales growth [data_package section 3]. That prevents an unqualified moat conclusion.

My segment moat rating for the model is good but not exceptional. It is sufficient to support mid-single-digit revenue compounding and modest margin recovery in the base case. It is not sufficient to assume sustained high-single-digit segment growth and expanding margins without execution proof in China, Flipkart/Other International, and eCommerce monetization. The moat can protect share and reduce downside, but it does not eliminate local-market price competition, currency exposure, wage inflation, or digital fulfillment cost risk.

6. Historical growth rates - reproduced from data package, not re-derived

The following table reproduces Walmart International segment and market history from the data package. Segment totals have a five-year history in section 3. Market and International eCommerce lines have three fiscal years in section 4. eCommerce is an overlapping channel and does not sum with market rows. CAGRs for market/eCommerce rows use the FY2024-FY2026 disclosed three-year window, which contains two annual intervals; I label it as the disclosed-window CAGR to avoid pretending older product dollars exist.

Product / sub-segment	FY2024 rev	FY2025 rev	FY2026 rev	Disclosed-window CAGR	Most recent YoY	Data package cite
Walmart International total	$114.641B [DP section 3, Walmart International row]	$121.885B [DP section 3, Walmart International row]	$130.423B [DP section 3, Walmart International row]	6.7%	7.0%	FY2026 10-K Note 11 via data_package section 3
Mexico and Central America	$49.726B [DP section 4, Mexico row]	$51.970B [DP section 4, Mexico row]	$52.492B [DP section 4, Mexico row]	2.7%	1.0%	FY2026 10-K Note 11 via data_package section 4
China	$17.011B [DP section 4, China row]	$19.975B [DP section 4, China row]	$24.623B [DP section 4, China row]	20.3%	23.3%	FY2026 10-K Note 11 via data_package section 4
Canada	$22.639B [DP section 4, Canada row]	$23.035B [DP section 4, Canada row]	$23.724B [DP section 4, Canada row]	2.4%	3.0%	FY2026 10-K Note 11 via data_package section 4

Product / sub-segment	FY2024 rev	FY2025 rev	FY2026 rev	Disclosed-window CAGR	Most recent YoY	Data package cite
Other International	$25.265B [DP section 4, Other International row]	$26.905B [DP section 4, Other International row]	$29.584B [DP section 4, Other International row]	8.2%	10.0%	FY2026 10-K Note 11 via data_package section 4
International eCommerce (overlap, not additive)	$24.8B [DP section 4, International eCommerce row]	$29.5B [DP section 4, International eCommerce row]	$35.8B [DP section 4, International eCommerce row]	20.2%	21.4%	FY2026 10-K Note 11 via data_package section 4

Five-year segment context from data_package section 3: Walmart International net sales were $100.959B in FY2022, $100.983B in FY2023, $114.641B in FY2024, $121.885B in FY2025, and $130.423B in FY2026. YoY growth was 0.0% in FY2023, 13.5% in FY2024, 6.3% in FY2025, and 7.0% in FY2026 [data_package section 3, Walmart International table]. The FY2022-FY2026 four-year CAGR is approximately 6.6%; the FY2023-FY2026 three-year CAGR is approximately 8.9%. I use the lower, longer four-year CAGR as the better normalized total-segment anchor because FY2024 had a step-up after a flat FY2023.

Arithmetic tie-out checks:

Row	Tie-out evidence
Total International	$121.885B x 1.070 = $130.417B, within rounding of $130.423B; $114.641B x 1.063 = $121.863B, within rounding of $121.885B.
Mexico and Central America	$51.970B x 1.010 = $52.490B, within rounding of $52.492B; $49.726B x 1.045 = $51.964B, within rounding of $51.970B.
China	$19.975B x 1.233 = $24.629B, within rounding of $24.623B; $17.011B x 1.174 = $19.970B, within rounding of $19.975B.
Canada	$23.035B x 1.030 = $23.726B, within rounding of $23.724B; $22.639B x 1.017 = $23.024B, within rounding of $23.035B.
Other International	$26.905B x 1.100 = $29.596B, within rounding of $29.584B; $25.265B x 1.065 = $26.908B, within rounding of $26.905B.
International eCommerce	$29.5B x 1.214 = $35.8B, ties to disclosed FY2026 eCommerce; $24.8B x 1.190 = $29.5B, ties to disclosed FY2025 eCommerce.

Open disclosure limitations in the history:

- [DATA GAP: Walmart does not disclose Walmart International market-level revenue before FY2024 in the data package.]
- [DATA GAP: Walmart does not disclose separate Flipkart, PhonePe, marketplace, advertising, or fulfillment-services dollar revenue within Walmart International.]
- [DATA GAP: International eCommerce is disclosed as a channel total, but quarterly eCommerce dollars by International segment are not separately disclosed in the earnings-release tables.]

7. Management guidance and commentary

All quotes below are taken from data_package section 6. I use the short verbatim anchors exactly as provided by the source package and do not re-fetch transcripts for Walmart's own commentary.

Topic	Source row	Verbatim anchor	Interpretation for Walmart International
International growth engine	data_package section 6, Walmart International / growth engine, Q3 FY26 call dated 2025-11-20	"continues to lift the growth rate"	Management explicitly identifies International as a consolidated growth accelerator. This supports using a higher revenue CAGR than mature Walmart U.S., but the model must still account for market mix and FY2026 margin pressure.
International profit quality	data_package section 6, Walmart International / profit quality, Q4 FY26 release dated 2026-02-19	"Adjusted operating income (cc)" and "26.5%"	Q4 showed strong adjusted constant-currency profit growth, but FY2026 full-year reported operating income still declined. The base case treats margin recovery as possible, not automatic.

Topic	Source row	Verbatim anchor	Interpretation for Walmart International
Enterprise FY27 net-sales guide	data_package section 6, Enterprise / FY27 guide, Q4 FY26 release dated 2026-02-19	"net sales expected to grow 3.5% to 4.5%"	This is a consolidated guide. International can exceed it because it grew faster exiting FY2026, but the consolidated guide prevents an overly aggressive base case without segment-specific dollar guidance.
Enterprise profit algorithm	data_package section 6, Enterprise / profit algorithm, Q4 FY26 release dated 2026-02-19	"adjusted operating income to grow 6.0% to 8.0%"	Management expects profit growth above sales growth at the enterprise level. For International, the model allows operating leverage, but only after absorbing discrete items and eCommerce investment.
Omnichannel model	data_package section 6, Enterprise / omnichannel model, Q4 FY26 call dated 2026-02-19	"power of our omnichannel model" and "automation of our supply chain is on track"	International eCommerce and market growth depend on stores/clubs plus digital fulfillment, not a standalone online retail model. Automation can support margins, but capex remains elevated.
Capital intensity	data_package section 6, Capital intensity, Q4 FY26 release dated 2026-02-19	"Capital expenditures Approximately 3.5% of net sales"	Segment-level capex is not disclosed, but enterprise capex guidance implies continued reinvestment in automation, fulfillment, stores, and technology. The margin model should not assume all productivity gains fall immediately to operating income.
Investment community framework	data_package section 6, Investment community framework, 2025-04-09	"people-led, tech-powered omnichannel strategy"	This supports the qualitative case for International eCommerce, marketplace, and automation, but it is not a quantitative substitute for reported market revenue and operating income.
Global advertising	data_package section 6, Advertising / Walmart Connect, Q4 FY26 release dated 2026-02-19	"Walmart Connect ... up 41%"	The row is U.S.-specific for Walmart Connect, but the enterprise advertising growth vector matters for global digital monetization. No International advertising dollars are separately disclosed, so I do not model a separate International advertising line.

The management anchor is therefore mixed but constructive. Revenue growth is strong, especially in China and eCommerce; management frames International as a growth-rate lift; and Q4 adjusted profit quality was better than the full-year result. The offset is that FY2026 reported International margin fell 60 bps from FY2025, so forward margin expansion must be earned through mix, scale, and productivity rather than assumed from a single quarter.

8. Forward growth assumptions - explicit, per product

The additive forecast lines are the four market rows that sum to Walmart International net sales. International eCommerce is shown as an overlapping channel KPI. The forward endpoint is exactly five years from the TTM ending January 31, 2026 to January 31, 2031. Revenue numbers are net sales unless specified.

Base case growth assumptions

Product / sub-segment	Historical CAGR anchor	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	TTM+5y revenue / KPI	Justification
Mexico and Central America	2.7% disclosed-window CAGR	1.0%	No market-specific guide; enterprise net sales +3.5% to +4.5%	3.5%	$62.34B	The market is large and scaled, but FY2026 growth slowed to 1.0%. Base assumes a recovery toward nominal retail growth through comp, stores, and digital, not a return to China-like growth.

Product / sub-segment	Historical CAGR anchor	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	TTM+5y revenue / KPI	Justification
China	20.3% disclosed-window CAGR	23.3%	International "continues to lift the growth rate"	9.5%	$38.76B	China is the strongest disclosed market, but the model requires deceleration as Sam's/omnichannel scale grows from a $24.6B base and local competition remains intense.
Canada	2.4% disclosed-window CAGR	3.0%	No market-specific guide; enterprise net sales +3.5% to +4.5%	2.5%	$26.84B	Canada is mature, with growth mainly from inflation, share, and omnichannel. Base is near the disclosed trend and below consolidated guide midpoint.
Other International	8.2% disclosed-window CAGR	10.0%	International growth engine commentary; no dollar guide	6.0%	$39.59B	Other International includes faster digital assets but is not separately disclosed. Base assumes continued outgrowth with deceleration from the FY2026 10.0% YoY pace.
International eCommerce (overlap)	20.2% disclosed-window CAGR	21.4%	Omnichannel strategy commentary	12.5%	$64.51B	eCommerce should outgrow the segment but decelerate as it approaches nearly $65B. It is treated as channel mix, not incremental revenue.

Base case arithmetic: additive market revenue is $62.34B + $38.76B + $26.84B + $39.59B = $167.53B. That implies a five-year segment revenue CAGR of 5.1% from the $130.423B TTM base. International eCommerce would rise from $35.8B to $64.51B, increasing from 27.4% of segment net sales to about 38.5% of base-case segment net sales. This mix shift is plausible only if marketplace, pickup/delivery density, and store-linked fulfillment continue to scale.

Bull case growth assumptions

Product / sub-segment	Historical CAGR anchor	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	TTM+5y revenue / KPI	Justification
Mexico and Central America	2.7% disclosed-window CAGR	1.0%	No market-specific guide	5.0%	$66.99B	Bull assumes Walmex and Central America reaccelerate through price leadership, store productivity, and digital penetration, with local macro and FX not blocking nominal growth.
China	20.3% disclosed-window CAGR	23.3%	International growth engine commentary	12.5%	$44.37B	Bull allows China to remain the segment's growth leader as Sam's Club and omnichannel continue to expand, but still decelerates materially from the recent 20%+ pace.
Canada	2.4% disclosed-window CAGR	3.0%	No market-specific guide	3.5%	$28.18B	Bull assumes Canada modestly outgrows its recent trend through share gains and better digital contribution, while remaining a mature market.
Other International	8.2% disclosed-window CAGR	10.0%	International growth engine commentary	8.0%	$43.47B	Bull assumes Flipkart/India and other digital assets sustain high-single-digit growth and the disclosed Other International line does not lose momentum.

Product / sub-segment	Historical CAGR anchor	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	TTM+5y revenue / KPI	Justification
International eCommerce (overlap)	20.2% disclosed-window CAGR	21.4%	Omnichannel strategy commentary	16.0%	$75.19B	Bull assumes global marketplace, fulfillment density, and digital adoption stay strong enough for eCommerce to remain a mid-teens compounder.

Bull case arithmetic: additive market revenue is $66.99B + $44.37B + $28.18B + $43.47B = $183.01B. Segment revenue CAGR is 7.0%. International eCommerce would be $75.19B, or roughly 41.1% of segment net sales. This case requires China and Other International to remain strong without a margin-destructive price or fulfillment arms race.

Bear case growth assumptions

Product / sub-segment	Historical CAGR anchor	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	TTM+5y revenue / KPI	Justification
Mexico and Central America	2.7% disclosed-window CAGR	1.0%	No market-specific guide	1.5%	$56.55B	Bear assumes weak consumer spending, FX pressure, and price investment leave the region barely above the FY2026 growth rate.
China	20.3% disclosed-window CAGR	23.3%	International growth engine commentary	4.0%	$29.96B	Bear assumes rapid deceleration as local competition, regulatory risk, and format saturation reduce growth from the current high base.
Canada	2.4% disclosed-window CAGR	3.0%	No market-specific guide	1.0%	$24.94B	Bear assumes mature-market price competition and consumer weakness offset most omnichannel gains.
Other International	8.2% disclosed-window CAGR	10.0%	International growth engine commentary	2.5%	$33.47B	Bear assumes Flipkart/other digital assets slow sharply and investment spending does not translate into proportional net-sales growth.
International eCommerce (overlap)	20.2% disclosed-window CAGR	21.4%	Omnichannel strategy commentary	7.0%	$50.21B	Bear assumes eCommerce still outgrows the segment but at a much slower rate as delivery economics and local digital competition constrain adoption.

Bear case arithmetic: additive market revenue is $56.55B + $29.96B + $24.94B + $33.47B = $144.92B. Segment revenue CAGR is 2.1%. International eCommerce would be $50.21B, or roughly 34.6% of segment net sales. This case is not a collapse; it is a low-growth outcome where the segment keeps scale but loses the high-growth contribution from China, India/digital, and eCommerce.

Thesis-consistency check: The largest deceleration is China, from 23.3% latest YoY to 9.5% base CAGR and 4.0% bear CAGR. The base path is defensible because it still leaves China compounding faster than the segment and growing to $38.76B; it does not assume an immediate stop. The bear case requires specific adverse mechanisms: local digital competition, regulatory friction, weaker Chinese consumption, and format saturation. For International eCommerce, the base path decelerates from 21.4% latest YoY to 12.5% CAGR while still adding $28.7B of channel sales over five years. That is a deceleration, not a reversal.

9. Forward operating margin assumptions

Current TTM/FY2026 Walmart International operating income is $5.103B on $130.423B of net sales, or 3.9% operating margin [quant_foundation P4; data_package section 3]. The five-year reported segment margin history is 3.7% in FY2022, 2.9% in FY2023, 4.3% in FY2024, 4.5% in FY2025, and 3.9% in FY2026 [data_package section 3]. Quarterly FY2026 margins were 4.4%, 3.8%, 2.1%, and 5.3% [data_package section 5]. This is a volatile but not structurally broken profit base.

Walmart does not disclose market-level operating income for Mexico/Central America, China, Canada, Other International, or International eCommerce. I therefore do not fabricate product margins. Instead, I model segment-level operating margin with explicit mechanisms and use revenue-weighted market lines only for revenue. [DATA GAP: Market-level operating income and International eCommerce operating income are not separately disclosed.]

Case	Current margin	TTM+5y op margin	Mechanism
Bear	3.9%	3.2%	Margin falls 70 bps as price investment, wage/logistics pressure, eCommerce fulfillment cost, weak China/Other International growth, and PhonePe/Flipkart-like investment items absorb scale. This remains above the FY2023 2.9% trough but below FY2026.
Base	3.9%	4.5%	Margin recovers 60 bps to the FY2025 level through mix, operating leverage, marketplace/advertising contribution, better eCommerce density, and fewer discrete timing items. This does not assume a structural step-change above prior reported margin.
Bull	3.9%	5.1%	Margin expands 120 bps as China and Other International scale profitably, digital monetization improves, automation and supply-chain productivity flow through, and Q4 FY26 adjusted profit quality becomes more repeatable. This is above recent full-year history and therefore requires strong execution.

The base case is intentionally anchored to a previously reported full-year margin rather than Q4 FY26's 5.3% quarterly margin. The Q4 release's International adjusted operating-income commentary is supportive [data_package section 6, Walmart International profit quality row], but the full-year result includes enough noise and investment cost to keep the base case at 4.5%. The bull case can exceed the historical full-year range only if eCommerce and marketplace mix become margin accretive. The bear case assumes the opposite: eCommerce remains a revenue-growth engine but not enough of a profit engine.

I also treat currency cautiously. The data package gives reported U.S. dollar segment results and references constant-currency adjusted operating income in Q4, but the forward model reports U.S. dollar net sales and operating income. FX can move reported revenue and operating margin even when local-currency operations are healthy. This is one reason the base-case segment CAGR is 5.1%, below the recent FY2026 exit-quarter growth rate.

10. Segment rollup - bottoms-up and tied

The rollup below sums the four additive market lines. International eCommerce is excluded from the sum because it is a channel inside those markets. All values are U.S. dollars in billions, rounded to two decimals; minor rounding differences can occur.

Case	Mexico and Central America	China	Canada	Other International	Segment TTM+5y revenue	Segment op margin	Segment op income
Bear	$56.55	$29.96	$24.94	$33.47	$144.92	3.2%	$4.64
Base	$62.34	$38.76	$26.84	$39.59	$167.53	4.5%	$7.54
Bull	$66.99	$44.37	$28.18	$43.47	$183.01	5.1%	$9.33

Rollup check:

- Bear revenue ties: $56.55B + $29.96B + $24.94B + $33.47B = $144.92B. Operating income equals $144.92B x 3.2% = $4.64B.
- Base revenue ties: $62.34B + $38.76B + $26.84B + $39.59B = $167.53B. Operating income equals $167.53B x 4.5% = $7.54B.
- Bull revenue ties: $66.99B + $44.37B + $28.18B + $43.47B = $183.01B. Operating income equals $183.01B x 5.1% = $9.33B.

Implied revenue CAGR from the $130.423B TTM base is 2.1% in bear, 5.1% in base, and 7.0% in bull. Implied operating-income CAGR from the $5.103B FY2026 base is approximately -1.9% in bear, 8.1% in base, and 12.8% in bull. The base case therefore embeds operating leverage: revenue compounds at about 5.1%, while operating income compounds at about 8.1% because margin recovers from a depressed FY2026 level to the FY2025 level.

The model is sensitive to China and Other International. Together they were $54.207B in FY2026, or 41.6% of segment net sales. In the base case they become $78.35B, or 46.8% of segment net sales. That mix shift is one reason the base margin can recover; it is also the primary risk if those lines grow without profit leverage. Mexico/Central America remains the largest revenue base, but its growth is too slow to carry the whole segment. Canada is stable but not a major source of upside.

11. Key risks and wildcards

Bear risk - local price competition: Walmart International competes in price-sensitive retail categories. If local competitors force more price investment, the segment can grow sales while losing margin. This is most relevant to Mexico/Central America, Canada, and grocery-heavy parts of the portfolio.

Bear risk - China deceleration: China grew 23.3% in FY2026 [data_package section 4, China row]. A faster-than-modeled slowdown would materially reduce segment growth because China is now nearly 19% of International net sales. Regulatory, macro, local digital, and format-saturation risks are all relevant.

Bear risk - eCommerce fulfillment economics: International eCommerce is growing much faster than the segment, but channel dollars are overlapping and margin is not disclosed. If delivery, returns, inventory, and technology costs remain high, eCommerce can lift revenue mix without improving operating income.

Bear/base risk - currency translation: Walmart reports International in U.S. dollars. Local-currency growth can be masked by FX, and currency volatility can also affect imported goods, pricing, and reported margins. This appendix does not layer a separate FX scenario on top of the market cases.

Base risk - disclosure opacity: Flipkart, PhonePe, International advertising, marketplace, and fulfillment services are strategically important but not separately dollar-disclosed. This limits the precision of the model and makes operating leverage harder to validate before it appears in segment operating income.

Bull wildcard - marketplace and advertising monetization: If International develops a stronger marketplace and retail media profit layer, digital growth could become margin accretive rather than dilutive. The data package discloses global advertising growth and global eCommerce momentum, but not International advertising dollars.

Bull wildcard - PhonePe / Flipkart value realization: PhonePe IPO preparation was noted in the April 2025 investment-community release [data_package section 9]. Any monetization, improved profitability, or clearer disclosure could change investor perception of Other International, but this appendix does not assign standalone valuation credit.

Bull wildcard - supply-chain automation transfer: Management says automation of the supply chain is on track [data_package section 6, enterprise omnichannel model row]. If automation and global technology transfer improve productivity faster than expected, International margins can exceed the base-case recovery.

Summary case table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$144.92B	3.2%	$4.64B	25%
Base	$167.53B	4.5%	$7.54B	55%
Bull	$183.01B	5.1%	$9.33B	20%

Primary flags carried forward:

- [DATA GAP: Walmart does not disclose Walmart International capital expenditures or invested capital separately in the source package.]
- [DATA GAP: Region-level and International eCommerce operating income are not separately disclosed; product margin tables use segment-level margin scenarios.]
- [DATA GAP: Walmart does not disclose Walmart International market-level revenue before FY2024 in the data package.]

- [DATA GAP: Walmart does not disclose separate Flipkart, PhonePe, marketplace, advertising, or fulfillment-services dollar revenue within Walmart International.]
- [DATA GAP: International eCommerce is disclosed as a channel total, but quarterly eCommerce dollars by International segment are not separately disclosed in the earnings-release tables.]

Appendix B3 - Sam's Club U.S.

Sam's Club U.S. - Segment Deep Dive

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Run context: WMT; Walmart Inc.; TODAY 2026-04-28; fiscal year ends January 31; TTM ending January 31, 2026; forward horizon January 31, 2031. Historical Walmart figures and management quotation anchors are taken from `data_package.md` and `quant_foundation.md`, not from data warehouse caches.

0. Segment Boundary + Taxonomy Note

Sam's Club U.S. is one of Walmart's three current reportable segments. The controlling data package says the segment includes "U.S. membership clubs plus samsclub.com and omnichannel initiatives" and that the FY2026, FY2025, and FY2024 Form 10-Ks present the same three reportable segments: Walmart U.S., Walmart International, and Sam's Club U.S. [data_package Section 1, lines 17-31; quant_foundation P3 taxonomy, line 126]. No segment realignment boundary is required for the five-year model window. The one taxonomy caution is merchandise-category restatement: Walmart periodically revises category assignments and adjusts prior periods for comparability, so this appendix uses the FY2026 10-K three-year category table for FY2024-FY2026 category dollars and does not splice it to older category cuts. [data_package Section 1, line 31; Section 10, line 235].

This segment's revenue is reported primarily as net sales. Membership and other income are economically important because they support segment operating income, but they are not included in reportable-segment net sales. The quant foundation shows FY2026 / TTM Sam's Club U.S. net sales of $93.015B, segment total revenue including membership/other of $95.540B, and operating income of $2.442B. [quant_foundation P4, lines 161-167; downstream segment list, line 220]. Throughout the forward rollup, "segment revenue" means reported net sales unless explicitly labeled "total revenue including membership/other."

1. What This Segment Actually Is

Sam's Club U.S. is Walmart's domestic warehouse-club business: paid-membership clubs, fuel stations, digital ordering through samsclub.com, pickup, delivery, Scan & Go, and other omnichannel services tied to the club membership relationship. It is a different business model from Walmart U.S. supercenters. The club format narrows the assortment, pushes larger pack sizes, emphasizes bulk grocery and consumables, and uses membership fees to lower the required merchandise gross margin. The customer base includes households that shop for value and convenience, families that stock up on pantry and fresh items, and small businesses that buy recurring consumables.

The pricing model has two layers. First, merchandise pricing is designed around a value proposition: the member pays a fee and expects attractive unit economics on food, consumables, fuel, pharmacy, optical, and selected general merchandise. Second, the membership relationship creates recurring fee income and a data-rich channel through which Walmart can increase engagement, eCommerce adoption, Plus penetration, and advertising relevance. The data package does not disclose a separate Sam's Club advertising revenue dollar amount, and it warns not to convert Sam's advertising or other retail-media growth vectors into dollars without disclosure. [data_package Section 4, lines 124-135; Section 10, line 236]. That matters because the segment's moat is not simply "cheap goods"; it is the combination of a paid membership base, dense grocery trips, efficient replenishment, digital convenience, and Walmart's procurement and supply-chain scale.

The go-to-market is club-first but increasingly omnichannel. Sam's sells in physical clubs, through samsclub.com, and through pickup and delivery capabilities attached to club inventory. The FY2026 data package discloses Sam's Club U.S. eCommerce net sales of $15.0B in FY2026, up from $12.1B in FY2025 and $9.9B in FY2024. [data_package Section 4, line 121]. That figure is a channel disclosure, not an additive merchandise category. eCommerce orders contain grocery, general merchandise, health and wellness, and other items already included in segment net sales. In the model below, the additive rollup uses merchandise categories, while eCommerce is modeled as a channel-overlay check on whether the club business can keep compounding traffic and member engagement.

The segment is not a high-margin software business. It is a low-margin retail operation with a membership annuity attached. FY2026 operating income of $2.442B on $93.015B of net sales implies a 2.6% operating margin on net sales, matching the data package's FY2026 segment margin. [data_package Section 3, lines 82-88; quant_foundation P4, line 167]. Small basis-point moves are economically meaningful: 50 bps of operating margin on a $100B-plus net-sales base is roughly

$500MM of operating income. That is why membership mix, digital fulfillment cost, shrink, wage inflation, fuel mix, and grocery price investment deserve more attention than headline revenue growth alone.

2. Current Economics (FY2026 / TTM)

FY2026 / TTM Sam's Club U.S. net sales were $93.015B. This represented 13.2% of Walmart's FY2026 consolidated net sales, and the segment produced $2.442B of operating income. [data_package Section 1, lines 21-27; quant_foundation P4, line 167]. Segment total revenue including membership/other was $95.540B, so membership/other income was $2.525B. [quant_foundation P3, line 91]. The difference is important: the segment sells merchandise at low markups and then earns high-quality membership income that is not included in the net-sales denominator.

The five-year segment history shows a pandemic-era and inflation-era acceleration followed by normalization. Net sales were $73.6B in FY2022, $84.3B in FY2023, $86.2B in FY2024, $90.2B in FY2025, and $93.0B in FY2026. The corresponding YoY growth rates were 14.7%, 2.2%, 4.7%, and 3.1%. [data_package Section 3, lines 82-88]. Operating income was $2.3B, $2.0B, $2.2B, $2.4B, and $2.4B over the same period, with operating margin moving from 3.1% to 2.3%, 2.5%, 2.7%, and 2.6%. [data_package Section 3, lines 82-88]. The history argues for a mature but still healthy club model, not a hypergrowth segment.

The most granular disclosed FY2026 merchandise mix is heavily grocery weighted. Sam's Club U.S. FY2026 category net sales were $64.706B in grocery, $11.570B in fuel and other, $11.549B in general merchandise, and $5.190B in health and wellness. These four categories sum to $93.015B, tying to segment net sales. [data_package Section 4, lines 117-120; quant_foundation P4, line 167]. Grocery was therefore about 69.6% of segment net sales. Fuel and other was 12.4%, general merchandise was 12.4%, and health and wellness was 5.6%. The mix says the segment is primarily a recurring grocery and consumables engine with a smaller discretionary and health-services attachment.

The eCommerce channel is now large in absolute dollars. FY2026 eCommerce net sales of $15.0B equaled about 16.1% of Sam's Club U.S. segment net sales, up from $9.9B in FY2024 and $12.1B in FY2025. [data_package Section 4, line 121]. The two-year eCommerce CAGR was 23.1%, and FY2026 YoY was 24.0%. Because this is a channel, not a product category, it should not be added to the merchandise-category sum. Its modeling purpose is to test whether the forward assumptions for grocery, general merchandise, health, and member engagement are credible. If eCommerce keeps compounding above 15% while total segment revenue grows only low single digits, digital mix rises materially and the operating model must absorb higher fulfillment complexity or earn offsetting productivity from automation and member density.

Recent quarterly trend supports the normalization view. FY2026 quarterly Sam's Club U.S. net sales were $22.1B, $23.6B, $23.6B, and $23.8B, with YoY growth of 2.9%, 3.4%, 3.1%, and 2.9%. Operating margins were 3.2%, 2.1%, 3.0%, and 2.5%. [data_package Section 5, lines 157-163]. This is consistent but not accelerating. The FY2026 quarterly data do not support a forward model that simply extrapolates the FY2024-FY2026 eCommerce CAGR into total segment net sales. The correct anchor is low-single-digit club net-sales growth with a faster digital mix shift and a membership-fee margin support layer.

3. Unit Economics

Sam's Club U.S. unit economics start with membership. Members pay annual fees, and those fees subsidize lower merchandise margins while creating a behavioral hurdle against switching. The quant foundation discloses Sam's Club U.S. membership/other income of $2.051B in FY2024, $2.323B in FY2025, and $2.525B in FY2026. [quant_foundation P3, lines 91, 95, 99]. That three-year data gives a FY2024-FY2026 membership/other CAGR of about 11.0%, faster than segment net-sales growth. The data package also records global membership income or fee revenue growth of 14.8%, 15.3%, 16.7%, and 15.1% across the four FY2026 quarters, but it does not allocate those global rates only to Sam's Club U.S. [data_package Section 4, line 131; Section 5, line 166]. For Sam's specifically, the Q4 FY2026 release anchor says "Membership fee revenue grew 6.1%." [data_package Section 6, line 181]. The forward model uses Sam's-specific evidence where available and treats the global fee-growth series as support for the broader membership thesis, not as a Sam's-only dollar input.

The merchandise economic engine is gross spread on a high-volume, narrow-assortment retail model. Grocery produces frequent traffic but carries thin gross margin. Fuel is strategically useful because it drives trips and member retention, but fuel gross margin is volatile and reported net sales can move with commodity prices rather than unit demand. General merchandise is discretionary and should carry more gross-profit opportunity than grocery, but it also faces more substitution from Amazon, Costco, specialty retailers, and direct-to-consumer channels. Health and wellness is smaller but structurally useful because pharmacy, optical, hearing, and OTC items combine recurring need with service attachment.

Operating cost is mainly labor, occupancy, club operations, technology, fulfillment, and supply-chain cost. The segment's operating margin history is narrow: 3.1% in FY2022, 2.3% in FY2023, 2.5% in FY2024, 2.7% in FY2025, and 2.6% in FY2026. [data_package Section 3, lines 82-88]. The compression from FY2022 to FY2023 and only partial recovery afterward are a warning against assuming that digital growth automatically improves margins. More eCommerce can deepen member engagement and increase share of wallet, but it also introduces pick, pack, last-mile, and technology costs. Walmart's enterprise commentary emphasizes automation and supply-chain technology, and the data package cites management's "automation of our supply chain is on track" anchor. [data_package Section 6, line 174]. The base case assumes some productivity benefit, but not enough to move Sam's toward Costco-like consolidated margins in five years.

Membership mix is the main favorable margin lever. The Q2 FY2026 transcript anchor cites "increased penetration of Plus members." [data_package Section 6, line 182]. Plus penetration matters because higher-tier members typically shop more frequently, use more digital services, and carry higher lifetime value. The model does not have disclosed Sam's Plus member counts, renewal rates, or fee dollars by tier, so it does not build a false member cohort table. Instead, it lets membership/other income grow faster than merchandise net sales in the operating-margin bridge and requires the segment margin expansion to stay modest.

The negative margin levers are equally clear. Grocery mix, fuel price deflation, wage inflation, shrink, new-club expense, delivery subsidies, and tariff-related cost pressure can all absorb the membership benefit. The BJ's FY2025 release is a useful peer caution: BJ's reported membership fee income growth and digital strength, but also noted labor, occupancy, operational cost, and depreciation pressures connected with new clubs and gas stations. [BJ's FY2025 release, March 5, 2026, lines 278-285]. Sam's is larger and attached to Walmart's supply chain, but it is not immune to the same club-format cost structure.

4. Competitive Dynamics

The U.S. warehouse-club market is structurally concentrated. Sam's Club U.S. primarily competes with Costco, BJ's Wholesale Club, Amazon/Prime-driven bulk and repeat replenishment, dollar stores for value baskets, and conventional grocers for fresh and consumable trips. Costco is the quality benchmark. Its FY2025 release reported fiscal-year net sales of $269.9B, membership fees of $5.323B, operating income of $10.383B, and 914 warehouses globally, including 629 in the United States and Puerto Rico. [Costco FY2025 release, September 25, 2025, lines 64-80, 99-105]. BJ's is much smaller but regionally relevant; its FY2025 release reported $20.958B of net sales, $499.8MM of membership fee income, $816.6MM of operating income, and 263 clubs. [BJ's FY2025 release, March 5, 2026, lines 82-153, 302-304].

The competitive lesson is not that Sam's must copy Costco. Costco's membership culture, private-label authority, treasure-hunt merchandising, and purchasing scale remain formidable. Sam's has a different advantage: it is nested inside Walmart's U.S. procurement, logistics, technology, and data ecosystem. That gives Sam's access to Walmart's supplier leverage, automation investments, last-mile learning, and an enormous U.S. household reach. It can also use Walmart's broader digital and advertising infrastructure, although Sam's Club advertising dollars are not separately disclosed in the data package. [data_package Section 10, line 236].

Pricing power is conditional. Sam's cannot raise prices materially above Costco on like-for-like staples and still claim a value advantage. It can, however, increase economic yield through membership tiers, private-label mix, fuel attachment, digital convenience, and improved unit velocity. The most plausible path is not a large merchandise gross-margin expansion; it is a better member mix and cost-to-serve improvement while keeping retail prices attractive. That is a narrow path. If management pushes price too hard, the club proposition weakens. If management underprices too aggressively, membership fees cannot fully offset lower merchandise economics.

Entry barriers are meaningful but not absolute. A national club network requires real estate, distribution, supplier relationships, technology, member acquisition, and working capital scale. It also requires a reason for customers to pay an annual fee. Costco and Sam's have those assets; a new entrant would struggle to create them quickly. But substitution risk is real because households do not need a club membership to buy groceries, household essentials, or electronics. Amazon can attack convenience, Walmart U.S. can serve non-club value trips, Aldi and dollar stores attack price points, and Costco attacks both value and brand trust. The warehouse model protects repeat stock-up behavior; it does not guarantee immunity from channel shifts.

Sam's current quarterly growth profile looks neither distressed nor breakout. FY2026 quarterly net-sales growth stayed tightly around 3%. [data_package Section 5, lines 157-163]. By contrast, Costco's FY2025 company net sales grew 8.1%, and adjusted comparable sales excluding gasoline and FX were stronger than reported comparable sales. [Costco FY2025 release, lines 64-78]. BJ's FY2025 net sales grew 4.6%, and fiscal 2026 guidance called for comparable club sales excluding gasoline to increase 2.0% to 3.0%. [BJ's FY2025 release, lines 82-104, 291-297]. Against that backdrop, the Sam's base-case

net-sales CAGR of 3.2% is deliberately conservative: it gives credit for grocery and membership durability but does not assume Sam's takes broad share at Costco's rate.

5. Moat at the Segment Level

The Sam's Club U.S. moat has four components. First is membership habit. A paid member has an incentive to concentrate purchases inside the club to recover the fee. That does not eliminate churn, but it creates a repeat-purchase loop that ordinary retailers lack. Second is procurement and scale. Walmart's combined U.S. ecosystem gives Sam's leverage with suppliers and logistics density that a smaller club chain cannot match. Third is data and omnichannel convenience. The segment's $15.0B FY2026 eCommerce channel suggests that members are increasingly interacting with Sam's beyond a physical stock-up trip. [data_package Section 4, line 121]. Fourth is format discipline: the club model limits assortment, improves turns, and can run with lower unit cost when execution is strong.

The moat is not a high-margin moat. Segment operating margin was only 2.6% in FY2026, and the five-year range was 2.3% to 3.1%. [data_package Section 3, lines 82-88]. A business with a truly dominant pricing moat would show more margin power. Sam's moat is defensive and scale based: it helps the segment retain members, move volume, negotiate with suppliers, and participate in Walmart's broader logistics improvement. It does not by itself justify aggressive margin expansion.

Durability over five to ten years looks adequate but not exceptional. The most durable elements are grocery frequency, paid membership, and procurement scale. The less durable elements are discretionary general merchandise, fuel economics, and delivery economics. Digital penetration can be a moat if it improves convenience and member lifetime value, but it can also compress margins if fulfillment cost outruns automation savings. Management's "people-led, tech-powered omnichannel strategy" and supply-chain automation anchors support the idea that the company is investing to protect the model. [data_package Section 6, lines 174-185]. Still, the model should require evidence of margin improvement rather than assuming it.

The segment-level moat verdict is: solid, not elite. Sam's Club U.S. should be able to grow low to mid single digits and hold or modestly expand operating income over the forward horizon. It should not be modeled as a software-like compounder or even as a pure Costco clone. The strongest bear case is that grocery-heavy growth, fuel deflation, wage cost, and digital fulfillment complexity keep operating margin stuck around 2.4%-2.6% despite membership growth. The strongest bull case is that Plus penetration, eCommerce scale, automation, and advertising/membership economics allow a 70-80 bps margin step-up without damaging the value proposition.

6. Historical Growth Rates - Reproduced from Data Package

Segment net-sales history is from data_package Section 3, Sam's Club U.S. table, and quant_foundation P4 for the TTM anchor. Product/category history is from data_package Section 4, Sam's Club U.S. rows. Walmart discloses Sam's product-category dollars only for FY2024-FY2026 in the FY2026 10-K table; older category dollars are not used. [data_package Section 4, lines 101-121; Section 10, line 235].

Product / sub-segment	FY24 rev	FY25 rev	FY26 / TTM rev	FY24-FY26 CAGR	Most recent YoY	Data package cite
Sam's Club U.S. total net sales	$86.179B	$90.238B	$93.015B	3.9%	3.1%	data_package Section 3, lines 82-88; quant_foundation P4, line 167
Grocery	$57.565B	$61.253B	$64.706B	6.0%	5.6%	data_package Section 4, line 117
Fuel and other	$13.707B	$12.960B	$11.570B	-8.1%	-10.7%	data_package Section 4, line 118
General merchandise	$10.947B	$11.215B	$11.549B	2.7%	3.0%	data_package Section 4, line 119
Health and wellness	$3.960B	$4.810B	$5.190B	14.5%	7.9%	data_package Section 4, line 120
eCommerce channel, non-additive	$9.900B	$12.100B	$15.000B	23.1%	24.0%	data_package Section 4, line 121

Internal arithmetic checks:

Row	Check
Segment total	$90.238B x 1.0308 = $93.015B; FY2026 YoY tie-out passes.

Row	Check
Grocery	$61.253B x 1.0564 = $64.706B; FY2026 YoY tie-out passes.
Fuel and other	$12.960B x 0.8927 = $11.570B; FY2026 YoY tie-out passes.
General merchandise	$11.215B x 1.0298 = $11.549B; FY2026 YoY tie-out passes.
Health and wellness	$4.810B x 1.0790 = $5.190B; FY2026 YoY tie-out passes.
eCommerce channel	$12.100B x 1.2397 = $15.000B; FY2026 YoY tie-out passes.

The four merchandise categories sum exactly to segment net sales in FY2026: $64.706B + $11.570B + $11.549B + $5.190B = $93.015B. They also sum to FY2025 segment net sales and FY2024 segment net sales using the data-package rows. eCommerce is deliberately excluded from this additive check because it is a channel disclosure that overlaps the categories.

[DATA GAP: Walmart does not disclose Sam's Club U.S. category dollars before FY2024 in the data package. The appendix uses FY2024-FY2026 category CAGRs rather than fabricating a five-year category history.]

7. Management Guidance - Quoted from Data Package Section 6

Segment / topic	Source	Short verbatim anchor from data package	Interpretation
Enterprise / omnichannel model	Q4 FY26 call, 2026-02-19	"power of our omnichannel model" and "automation of our supply chain is on track"	Sam's should be modeled as a club plus digital and supply-chain productivity system, not only as square footage. [data_package Section 6, line 174]
Enterprise / FY27 guide	Q4 FY26 release, 2026-02-19	"net sales expected to grow 3.5% to 4.5%"	This is the near-term enterprise growth anchor. Sam's FY2026 quarterly growth below that range argues against assuming a segment acceleration without proof. [data_package Section 6, line 175]
Enterprise / profit algorithm	Q4 FY26 release, 2026-02-19	"adjusted operating income to grow 6.0% to 8.0%"	Walmart expects OI growth above sales growth; Sam's can contribute if membership and productivity offset low merchandise margins. [data_package Section 6, line 176]
Sam's Club U.S. / member economics	Q4 FY26 release, 2026-02-19	"Membership fee revenue grew 6.1%"	Segment membership remains the recurring profit support. Base case assumes membership/other growth faster than net sales but slower than the high global membership-growth rates. [data_package Section 6, line 181]
Sam's Club U.S. / Plus penetration	Q2 FY26 transcript, 2025-08-21	"increased penetration of Plus members"	Plus mix supports member monetization and engagement; the model captures this through modest margin expansion, not through undisclosed member counts. [data_package Section 6, line 182]
Capital intensity	Q4 FY26 release, 2026-02-19	"Capital expenditures Approximately 3.5% of net sales"	The company is still investing heavily in automation, clubs, technology, and fulfillment. Margin improvement must be net of that reinvestment. [data_package Section 6, line 184]
Investment-community framework	Investment community release, 2025-04-09	"people-led, tech-powered omnichannel strategy"	Supports the qualitative case for productivity and digital adoption but does not override reported segment margin history. [data_package Section 6, line 185]

[DATA GAP: The data package does not provide Sam's Club U.S. member count, renewal rate, Plus-member count, advertising dollars, or fulfillment-cost split. The model uses disclosed membership/other income, management anchors, and reported segment margins instead.]

8. Forward Growth Assumptions - Explicit, Per Product

All cases compound from FY2026 / TTM ending January 31, 2026 to January 31, 2031, exactly five years. The additive revenue model uses grocery, fuel and other, general merchandise, and health and wellness. eCommerce is shown as a

non-additive channel overlay because it is already embedded in category net sales.

Base Case Growth

Product	FY24-FY26 historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Grocery	6.0%	5.6%	Enterprise net sales +3.5% to +4.5%; Sam's quarterly net sales around +3%	4.0%	Grocery remains the traffic engine, but FY2026 segment growth was only 3.1%. A 4.0% CAGR gives credit for member traffic and inflation without assuming the FY2024-FY2026 grocery CAGR persists.
Fuel and other	-8.1%	-10.7%	No Sam's fuel-specific guide	-1.0%	Fuel is volatile and FY2026 category dollars fell sharply. Base assumes price normalization and unit retention, not growth.
General merchandise	2.7%	3.0%	No Sam's general-merchandise guide	1.5%	Discretionary club categories face Amazon, Costco, and demand cyclicality. Base trails recent growth to reflect substitution risk.
Health and wellness	14.5%	7.9%	No Sam's health-specific guide	5.5%	Health remains structurally better than general merchandise, but the FY2024-FY2026 CAGR is too high to extrapolate.
eCommerce channel, memo only	23.1%	24.0%	Omnichannel and automation anchors	12.0%	Digital penetration should keep rising, but a $15.0B channel base and fulfillment economics argue for deceleration. This does not add to segment net sales.

Bear Case Growth

Product	FY24-FY26 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Grocery	6.0%	5.6%	Enterprise net sales +3.5% to +4.5%	2.5%	Grocery traffic holds but price investment, private-label competition, and lower inflation reduce dollar growth.
Fuel and other	-8.1%	-10.7%	No Sam's fuel-specific guide	-3.5%	Fuel deflation or weaker fuel attachment continues to weigh on reported net sales.
General merchandise	2.7%	3.0%	No Sam's general-merchandise guide	-0.5%	Discretionary pressure and online substitution offset club traffic.
Health and wellness	14.5%	7.9%	No Sam's health-specific guide	3.5%	Health grows but decelerates meaningfully as the smaller base matures.
eCommerce channel, memo only	23.1%	24.0%	Omnichannel and automation anchors	7.0%	Digital remains positive but fulfillment costs and member saturation lower growth.

Bull Case Growth

Product	FY24-FY26 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Grocery	6.0%	5.6%	Enterprise net sales +3.5% to +4.5%	5.5%	Sam's sustains traffic and share gains through value, fresh execution, and member engagement.
Fuel and other	-8.1%	-10.7%	No Sam's fuel-specific guide	1.0%	Fuel stops being a drag and other categories offset commodity volatility.
General merchandise	2.7%	3.0%	No Sam's general-merchandise guide	3.0%	Improved digital discovery and curated club assortment keep discretionary growth near recent levels.
Health and wellness	14.5%	7.9%	No Sam's health-specific guide	7.5%	Pharmacy, optical, hearing, and OTC retain stronger recurring demand and benefit from member trust.

Product	FY24-FY26 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
eCommerce channel, memo only	23.1%	24.0%	Omnichannel and automation anchors	15.0%	Digital penetration compounds from $15.0B as Scan & Go, pickup, delivery, and Plus benefits deepen frequency.

The thesis-consistency check is deliberately conservative. The eCommerce channel's reported FY2026 YoY was 24.0%, but the base case uses 12.0% because a $15.0B channel base has already reached about 16% of segment net sales. This deceleration is also necessary because total segment quarterly growth was about 3% in every FY2026 quarter; if eCommerce kept compounding above 20% for five years while the total segment stayed low single digits, the offline club business would have to be flat or declining. The base model accepts digital mix shift but refuses to let non-additive channel growth double-count revenue.

9. Forward Operating Margin Assumptions

FY2026 Sam's Club U.S. operating income was $2.442B on $93.015B of net sales, a 2.6% margin on net sales. [quant_foundation P4, line 167; data_package Section 3, lines 82-88]. The segment's five-year margin range is narrow, and Walmart does not disclose category-level operating margins. Therefore this appendix models segment operating margin directly and uses product mix, membership/other income, and cost drivers as the bridge. It does not invent grocery, fuel, general merchandise, or health operating margins.

Case	FY2026 margin starting point	TTM+5y op margin	Change vs FY2026	Mechanism
Bear	2.6%	2.4%	-20 bps	Fuel and grocery mix remain heavy, wage and occupancy costs rise, eCommerce fulfillment costs absorb membership growth, and price investment offsets Plus penetration.
Base	2.6%	2.9%	+30 bps	Membership/other income grows faster than net sales, Plus penetration improves mix, automation offsets fulfillment cost, and grocery scale helps fixed-cost absorption.
Bull	2.6%	3.4%	+80 bps	Strong Plus penetration, digital productivity, advertising/membership monetization, and supply-chain automation allow operating leverage while price gaps remain attractive.

Membership/other income is the hidden support behind the margin bridge. It was $2.525B in FY2026. [quant_foundation P3, line 91]. For scenario discipline, the model assumes membership/other grows at 4.0% in bear, 5.5% in base, and 7.0% in bull, reaching approximately $3.07B, $3.30B, and $3.54B by the horizon. These are not added to reported segment net sales, but they explain why operating margin can expand modestly despite low merchandise margins. The base membership/other CAGR is below FY2024-FY2026 membership/other growth and consistent with the Q4 FY2026 Sam's-specific "Membership fee revenue grew 6.1%" anchor. [data_package Section 6, line 181].

The bear margin is not punitive. A 2.4% margin is only 20 bps below FY2026 and above FY2023's 2.3% margin. It reflects a world where Sam's keeps members but must reinvest the economics into value and digital convenience. The base margin of 2.9% is above every year since FY2022 but still below FY2022's 3.1% margin. The bull margin of 3.4% is a real step-up and should require evidence: stronger Plus penetration, sustained membership-fee growth, lower pick-and-pack cost, and no material fuel or shrink drag. The bull margin is possible, not the default.

10. Segment Rollup - Bottoms-Up and Tied

The additive revenue rollup compounds the FY2026 category base for five years. eCommerce remains a memo channel. All dollars are net sales except the membership/other memo.

Case	Grocery	Fuel and other	General merchandise	Health and wellness	Segment TTM+5y net sales	Blended op margin	Segment TTM+5y op income
Bear	$73.2B	$9.7B	$11.3B	$6.2B	$100.3B	2.4%	$2.4B
Base	$78.7B	$11.0B	$12.4B	$6.8B	$109.0B	2.9%	$3.2B
Bull	$84.6B	$12.2B	$13.4B	$7.5B	$117.6B	3.4%	$4.0B

Arithmetic tie-out:

Case	Category sum	Reported segment net-sales model	Difference
Bear	$73.2B + $9.7B + $11.3B + $6.2B = $100.3B	$100.3B	0.0%
Base	$78.7B + $11.0B + $12.4B + $6.8B = $109.0B	$109.0B	0.0%
Bull	$84.6B + $12.2B + $13.4B + $7.5B = $117.6B	$117.6B	0.0%

The implied five-year net-sales CAGRs are about 1.5% in bear, 3.2% in base, and 4.8% in bull from the FY2026 / TTM net-sales base of $93.015B. Those are reasonable against the five-year segment history: FY2022 to FY2026 net sales grew from $73.556B to $93.015B, a 6.0% CAGR, but that period includes unusually strong FY2023 growth. The more recent FY2024-FY2026 segment CAGR was 3.9%, and FY2026 quarterly YoY growth clustered around 3%. [data_package Section 3, lines 82-88; Section 5, lines 157-163]. Base is therefore slightly below the FY2024-FY2026 reported CAGR and broadly consistent with the recent quarterly run rate.

Operating income is the larger swing variable. Bear operating income of $2.4B is roughly flat with FY2026 despite higher net sales. Base operating income of $3.2B implies a 5.3% CAGR from FY2026 operating income, driven by modest revenue growth plus 30 bps of margin expansion. Bull operating income of $4.0B implies a 10.4% CAGR, requiring both high-end revenue growth and clear margin expansion. The bull case is not appropriate for a company-level base valuation unless the other appendices find strong evidence that Walmart's automation, membership, and advertising flywheel is already converting to segment operating leverage.

11. Key Risks and Wildcards

Bear risk: fuel and other remains a drag. Fuel and other fell from $13.707B in FY2024 to $11.570B in FY2026. [data_package Section 4, line 118]. If lower fuel dollars reflect weaker traffic rather than commodity price effects, the model overstates club visit frequency and member engagement.

Bear risk: eCommerce grows but margins do not. The $15.0B eCommerce channel is strategically valuable, but if pickup, delivery, and digital fulfillment require continued subsidy, Sam's could grow members while failing to grow operating income. This is the cleanest way for the base case to break.

Bear risk: Costco remains the quality anchor. Costco's larger net-sales base, membership-fee pool, and warehouse footprint create a powerful comparison point. If Sam's cannot match Costco's perceived value and private-label authority, it may need to compete more on price and convenience, limiting margin upside.

Base risk: category disclosure is thin. Walmart provides only three years of Sam's category dollars and does not disclose Sam's member count, renewal rate, Plus count, advertising dollars, or fulfillment cost. [data_package Section 10, lines 235-236]. The model is therefore more reliable at the segment level than at the category-driver level.

Bull wildcard: Plus penetration and automation combine. If "increased penetration of Plus members" continues and supply-chain automation reduces cost-to-serve, Sam's could earn a structurally higher margin without raising merchandise prices. [data_package Section 6, lines 174, 182]. This is the core bull case.

Bull wildcard: eCommerce becomes a loyalty moat. If the $15.0B channel compounds at a mid-teens rate while fulfillment costs fall, digital convenience can raise member frequency and retention. The model treats eCommerce as non-additive, but it can still improve category growth and membership economics.

Regulatory and macro wildcard: tariffs, food inflation, fuel price swings, labor costs, and health-care costs can change the short-term margin trajectory. Walmart's broader purchasing power helps, but Sam's cannot fully avoid commodity and wage pressure in a low-margin retail model.

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$100.3B	2.4%	$2.4B	25%
Base	$109.0B	2.9%	$3.2B	50%
Bull	$117.6B	3.4%	$4.0B	25%

Flags inserted: [DATA GAP: Walmart does not disclose Sam's Club U.S. category dollars before FY2024 in the data package.] [DATA GAP: The data package does not provide Sam's Club U.S. member count, renewal rate, Plus-member count, advertising dollars, or fulfillment-cost split.]

Appendix S - Synthesis (Combined Earnings Model)

Walmart Inc. - Synthesis (Combined Earnings Model)

Date: 2026-04-28 Ticker: WMT Company: Walmart Inc. Output: `appendix_synthesis.md` Subagent: S - Synthesis / Combined Earnings Model

1. Anchors

The forward model is anchored to the completed fiscal year that also equals the TTM period. Walmart's fiscal year ends on January 31. The TTM anchor is FY2026 ended January 31, 2026, which is Q1 FY2026 + Q2 FY2026 + Q3 FY2026 + Q4 FY2026. The forward horizon is January 31, 2031, exactly five calendar years from the TTM end date. Every CAGR and every "FY+5" number in this appendix uses that five-year span, not a six-year fiscal stretch and not a fiscal-year-plus-five shortcut.

The current price anchor is the FMP quote preserved in `quant_foundation.md`: WMT price $127.59, market capitalization $1,017.2 billion, exchange NASDAQ. I did not re-pull a live quote because the instruction allowed use of the quant-foundation quote and Subagent S's role is to synthesize verified appendices rather than refresh the data package.

Core TTM financial anchors from `quant_foundation.md` P4 and `data_package.md` section 2:

Anchor	Value
TTM / FY2026 total revenue	$713.163B
TTM / FY2026 net sales	$706.413B
TTM / FY2026 operating income	$29.825B
TTM / FY2026 net income attributable to Walmart	$21.893B
TTM / FY2026 diluted EPS	$2.73
TTM / FY2026 diluted weighted average shares	8,022M
TTM membership and other / non-net-sales revenue	$6.750B
TTM corporate/support operating loss	$(2.878)B
TTM operating cash flow	$41.565B
TTM capex	$26.642B
TTM free cash flow	$14.923B
Current price	$127.59
Required FY+5 EPS for P/E 15	$8.506

The required EPS is simply current price divided by 15: $127.59 / 15 = $8.506. This is the central valuation hurdle. The business can pass the moat and management tests and still fail the Gideon price test if base-case FY+5 EPS multiplied by 15 does not exceed today's price.

The segment base is net sales, because the Walmart segment appendices model net sales by merchandise category or market. Consolidated total revenue is higher than net sales because membership and other income add $6.750B in FY2026. I keep that as a separate company-level revenue adjustment so that the model does not double-count category sales or hide the difference between segment net sales and consolidated total revenue.

2. Segment-Level Forward Assumptions

The segment assumptions below are reproduced from the three verified segment appendices. I did not re-derive the segment cases. The main synthesis task is to combine them, add the corporate/support and membership/other lines, run net income and share-count math, and test the P/E 15 hurdle.

Segment	TTM net sales	Bear FY+5 revenue	Base FY+5 revenue	Bull FY+5 revenue	Bear OI margin	Base OI margin	Bull OI margin	Source
Walmart U.S.	$482.975B	$516.0B	$563.5B	$596.7B	4.9%	5.8%	6.8%	`appendix_B_walmart_us.md` sections 8-10

Segment	TTM net sales	Bear FY+5 revenue	Base FY+5 revenue	Bull FY+5 revenue	Bear OI margin	Base OI margin	Bull OI margin	Source
Walmart International	$130.423B	$144.92B	$167.53B	$183.01B	3.2%	4.5%	5.1%	`appendix_B_walmart_international.md` sections 8-10
Sam's Club U.S.	$93.015B	$100.3B	$109.0B	$117.6B	2.4%	2.9%	3.4%	`appendix_B_sams_club_us.md` sections 8-10

The associated segment operating-income outputs are:

Segment	Bear FY+5 OI	Base FY+5 OI	Bull FY+5 OI
Walmart U.S.	$25.1B	$32.9B	$40.3B
Walmart International	$4.64B	$7.54B	$9.33B
Sam's Club U.S.	$2.4B	$3.2B	$4.0B
Sum of operating segments	$32.14B	$43.64B	$53.63B

The model's most important segment fact is that Walmart U.S. remains the dominant profit driver. In the base case it supplies $32.9B of $43.64B of pre-corporate operating income, or roughly 75% of segment operating income. International supplies the fastest revenue growth and the most visible margin-recovery swing, but it starts from a much smaller profit base. Sam's contributes useful recurring membership economics, but it is too small to rescue the consolidated model if Walmart U.S. margin disappoints.

3. Combined Revenue Build

The operating segment appendices forecast segment net sales. To reach consolidated total revenue, I add membership and other income at the company level. The TTM starting point is $6.750B of non-net-sales revenue, equal to total revenue of $713.163B less net sales of $706.413B. That line includes membership and other revenue across Walmart U.S., International, Sam's Club, and a negligible corporate/support revenue line. The forward assumption is deliberately modest relative to disclosed FY2026 growth in membership and advertising-related lines: 4.0% CAGR in bear, 6.0% in base, and 8.0% in bull.

Line	Bear	Base	Bull
Walmart U.S. FY+5 net sales	$516.00B	$563.50B	$596.70B
Walmart International FY+5 net sales	$144.92B	$167.53B	$183.01B
Sam's Club U.S. FY+5 net sales	$100.30B	$109.00B	$117.60B
Sum of segment net sales	$761.22B	$840.03B	$897.31B
Membership/other revenue adjustment	$8.21B	$9.03B	$9.92B
Corporate eliminations	$0.00B	$0.00B	$0.00B
Combined FY+5 total revenue	$769.43B	$849.06B	$907.23B
Implied CAGR from TTM total revenue	1.5%	3.6%	4.9%

The base-case revenue CAGR of 3.6% is close to Walmart's FY2027 net-sales guidance range of 3.5% to 4.5% in the data package. That matters because the model does not assume an immediate reacceleration beyond the current management algorithm. It assumes Walmart U.S. grows a little below consolidated guidance, International grows faster than the enterprise, and Sam's grows around low-single to mid-single digits, with membership/other income growing faster than merchandise net sales.

The bear case is not a recessionary collapse. It still has Walmart compounding revenue at 1.5% because grocery, consumables, pharmacy, membership, and club frequency are defensive. The economic damage in bear is margin and valuation, not a lost revenue base. The bull case requires a sustained high end of current growth plus meaningful digital, advertising, membership, and marketplace contribution. It is possible but should not be the case used to clear a value discipline.

4. Combined Operating Income Build

I keep corporate/support as a separate expense bucket. The TTM corporate/support operating loss is $2.878B in `quant_foundation.md` P4 and `data_package.md` section 3. For the forward model, I grow that cost at 3.0% per year for five years, reaching $3.34B. This assumption is neither punitive nor optimistic. It recognizes that a $900B revenue Walmart will require more technology, compliance, corporate support, and international overhead, while also allowing automation and scale to limit the growth rate below revenue in the base and bull cases.

Line	Bear	Base	Bull
Sum of segment FY+5 operating income	$32.14B	$43.64B	$53.63B
Corporate/support expense	$(3.34)B	$(3.34)B	$(3.34)B
Combined FY+5 operating income	$28.80B	$40.30B	$50.29B
Combined FY+5 operating margin	3.7%	4.7%	5.5%
OI CAGR from TTM operating income	-0.7%	6.2%	11.0%

The base case is the one that best matches management's stated algorithm: revenue grows mid-single digits and operating income grows faster. Base operating income rises from $29.825B to $40.304B, a 6.2% CAGR. That is consistent with near-term adjusted operating-income guidance of 6.0% to 8.0% growth, but it is not a guarantee because the model uses reported operating income rather than adjusted operating income.

The bear case shows why revenue defensiveness is not enough. Revenue grows from $713.2B to $769.4B, but operating income is slightly lower than TTM because Walmart U.S. and Sam's margin pressure plus a still-growing corporate cost base offset International's modest profit. This is the realistic downside for a low-margin retailer: the top line survives, the earnings power does not compound.

The bull case requires more than cost control. It needs Walmart U.S. to lift operating margin to the high-6% range, International to hold a margin above recent full-year history, and Sam's to step up through membership and automation. The moat appendix supports the possibility of this mix shift, but it also warns that advertising and marketplace are the most AI- and platform-exposed profit pools. That is why the bull case cannot drive the investment verdict.

5. Net Income and EPS Build

The TTM income statement has a large gap between operating income and pre-tax income that reflects net interest expense and other income or gains. `quant_foundation.md` P3 shows FY2026 operating income of $29.825B, net interest expense of $2.431B, income before tax of $29.469B, and net income of $21.893B. That implies other income/gains of about $2.075B in FY2026. I do not assume the entire other-income line persists indefinitely. For discipline, the FY+5 cases use $0.5B, $1.0B, and $1.5B of other income in bear, base, and bull respectively, and net interest expense of $2.6B, $2.5B, and $2.4B.

Tax rates are anchored near the FY2026 effective tax rate. `data_package.md` calculates FY2026 NOPAT using a 24.4% effective tax rate. I use 25.0% in bear, 24.5% in base, and 24.0% in bull. The differences are small enough that tax does not drive the conclusion.

Line	Bear	Base	Bull
Combined FY+5 operating income	$28.80B	$40.30B	$50.29B
Net interest expense	$(2.60)B	$(2.50)B	$(2.40)B
Other income / gains	$0.50B	$1.00B	$1.50B
Pre-tax income	$26.70B	$38.80B	$49.39B
Tax rate	25.0%	24.5%	24.0%
Net income	$20.03B	$29.30B	$37.54B
Diluted share count	7,878M	7,803M	7,746M
EPS	$2.54	$3.75	$4.85

The base case produces $29.30B of net income and $3.75 of EPS. That is a credible earnings-compounding outcome from a business-quality perspective. It is not enough for the valuation test. At 15x base-case FY+5 EPS, the business would support about $56.32 per share, far below the $127.59 price anchor.

This is the key distinction for the final report. Walmart is not failing because the combined model cannot grow earnings. It is failing because today's share price embeds a level of FY+5 EPS that requires either a much larger margin step-change, much

more aggressive buybacks, or a very different terminal multiple discipline than Gideon's P/E 15 rule permits.

6. Share Count Path

The share-count model begins with FY2026 diluted weighted average shares of 8,022M. Walmart repurchased $8.1B in FY2026 and has a new $30B authorization announced in February 2026. Historical buybacks were $9.8B in FY2022, $9.9B in FY2023, $2.8B in FY2024, $4.5B in FY2025, and $8.1B in FY2026. The base case therefore assumes $8.0B of annual repurchases for five years, consistent with the latest annual run rate but not heroic relative to the authorization. I assume 10M shares of annual SBC/dilution issuance because the data package does not provide a separate SBC dollar figure; this is a modest explicit dilution placeholder, not a hidden offset.

Base-case share path:

Year	Starting shares	Buyback dollars	Avg repurchase price	Shares retired	SBC / issuance	Ending shares
FY2027	8,022M	$8.0B	$130	61.5M	10.0M	7,970.5M
FY2028	7,970.5M	$8.0B	$140	57.1M	10.0M	7,923.4M
FY2029	7,923.4M	$8.0B	$150	53.3M	10.0M	7,880.1M
FY2030	7,880.1M	$8.0B	$160	50.0M	10.0M	7,840.1M
FY2031	7,840.1M	$8.0B	$170	47.1M	10.0M	7,793.0M

For the EPS table, I use 7,803M rather than 7,793M to keep the final share-count assumption conservative and rounded to the level of model precision. The exact base path above would add only about half a cent to EPS. The case-specific share counts are:

Case	Buyback assumption	Share-count result
Bear	$5B/year repurchases, 10M annual issuance, lower but still elevated repurchase prices	7,878M
Base	$8B/year repurchases, 10M annual issuance	7,803M
Bull	$10B/year repurchases, 10M annual issuance, stronger cash generation	7,746M

The share-count path passes the discipline test because the ending count is derived from repurchase dollars and assumed prices. It is not held flat by convenience. At the same time, buybacks do not rescue the valuation. Even the bull share count produces FY+5 EPS of only $4.85, still far below the $8.51 required for a P/E 15 at the current price.

7. P/E 15 Test

Case	FY+5 EPS	EPS x 15	Current price	Cushion	Pass?
Bear	$2.54	$38.13	$127.59	-70.1%	Fail
Base	$3.75	$56.32	$127.59	-55.9%	Fail
Bull	$4.85	$72.69	$127.59	-43.0%	Fail

Required FY+5 EPS for P/E 15 at today's price is $8.506. The base-case cushion is therefore negative 55.9%. Stated differently, the base case gets to only about 44.1% of the EPS level required to justify the current price at 15x FY+5 earnings. The bull case still gets to only about 57.0% of the required EPS.

The P/E 15 gate is a valuation gate, not a comment on whether Walmart is a good company. On the verified appendices, Walmart appears durable, well-managed, and strategically coherent. The combined model still fails because the market price is far above what the five-year EPS path supports under Gideon's required multiple.

8. Reflexivity Check

The reported-financial anchor ties. FY2026 segment net sales from the quant foundation are $482.975B for Walmart U.S., $130.423B for Walmart International, and $93.015B for Sam's Club U.S. The sum is $706.413B, matching consolidated FY2026 net sales. Segment total revenue including membership/other is $485.599B + $131.988B + $95.540B + $0.036B = $713.163B, matching consolidated total revenue. Segment operating income including corporate/support is $25.158B + $5.103B + $2.442B - $2.878B = $29.825B, matching consolidated operating income.

That is the most important arithmetic defense in the appendix. The forward build compounds from a real TTM base that reconciles to the official FY2026 statements. There is no phantom segment, no unallocated revenue plug, and no hidden corporate profit bucket. The only adjustment from segment net sales to consolidated revenue is the known membership/other line.

The model also reconciles with the recent run rate. The first forward year implied by the base model is approximately a 3.6% revenue-growth step from FY2026 total revenue, within management's FY2027 net-sales guidance range and within 10% of the most recent four quarters' annualized run rate. The model does not begin above trend and then claim conservatism.

9. In-Progress FY Reconciliation

No in-progress fiscal-year treatment is required here. The TTM anchor is FY2026 ended January 31, 2026, and Walmart's latest reported quarter is Q4 FY2026. The TTM period equals the completed fiscal year. Therefore there is no partial-year YTD-to-full-year bridge, no seasonality adjustment, and no need to reconcile a stub period to an annualized estimate.

This matters because one common ER2 failure mode is silently stretching the forecast window. In this case, the window is clean: January 31, 2026 to January 31, 2031, exactly five years.

10. Sensitivity

The model is most sensitive to Walmart U.S. revenue and margin, because Walmart U.S. is the largest profit pool. International margin matters more than Sam's margin because International is the larger swing contributor, but even a 200 bp International margin swing cannot bridge the valuation gap. Share count and tax rate affect EPS, but not enough to change the P/E 15 conclusion.

Sensitivity table, holding other variables at base:

Variable changed	Downside case	Base	Upside case	EPS impact
Walmart U.S. revenue CAGR	1.1% CAGR -> EPS $3.46	3.1% CAGR -> EPS $3.75	5.1% CAGR -> EPS $4.08	About +/- $0.30
International OI margin	2.5% -> EPS $3.43	4.5% -> EPS $3.75	6.5% -> EPS $4.08	About +/- $0.32
Share count	5% higher -> EPS $3.58	7,803M -> EPS $3.75	5% lower -> EPS $3.95	About -$0.18 / +$0.20
Tax rate	27.5% -> EPS $3.61	24.5% -> EPS $3.75	21.5% -> EPS $3.90	About +/- $0.15

The two variables that matter most are Walmart U.S. operating leverage and International margin recovery. But the valuation gap is so large that normal sensitivity ranges do not change the verdict. To reach required EPS of $8.51, Walmart would need something closer to a structural doubling of base-case net income, a massive share-count reduction, or a much higher allowed multiple. None of those belongs in a disciplined base case.

11. Combined Earnings Summary

Case	Revenue	OI	OI margin	NI	EPS	Probability	EPS x 15	vs. $127.59
Bear	$769.43B	$28.80B	3.7%	$20.03B	$2.54	25%	$38.13	-70.1%
Base	$849.06B	$40.30B	4.7%	$29.30B	$3.75	55%	$56.32	-55.9%
Bull	$907.23B	$50.29B	5.5%	$37.54B	$4.85	20%	$72.69	-43.0%
Probability-weighted EPS	n/a	n/a	n/a	n/a	$3.67	100%	$55.02	-56.9%

Probability weights are 25% bear, 55% base, and 20% bull. This distribution reflects the disqualifier sweep implied by the input appendices: Walmart is durable enough that a collapse case should not dominate, but the bull case needs clearer proof of platform-margin scale than the current disclosure provides. The base case gets the highest weight because it matches recent guidance, the moat evidence, and the segment appendix conclusions.

The probability-weighted EPS is $3.67, slightly below base because the downside case is more damaging than the bull case is helpful under a low-margin retail structure. At 15x, that weighted EPS supports about $55 per share. The current price is more than double that. The synthesis conclusion is therefore a clear valuation fail.

12. Tie-Out Checks

- Reported-financial tie-out: PASSED. TTM segment net sales sum to $706.413B, matching consolidated net sales. Segment total revenue including membership/other and corporate/support sums to $713.163B, matching total revenue. Segment operating income including corporate/support sums to $29.825B, matching reported operating income. Because the TTM period equals FY2026, the latest completed FY tie-out is the same anchor and also passes.

- NI / shares = EPS: PASSED. Bear $20.03B / 7.878B = $2.54. Base $29.30B / 7.803B = $3.75. Bull $37.54B / 7.746B = $4.85. Differences are rounding only.

- Segment sum tie-out at horizon: PASSED. Segment net sales sum to $761.22B, $840.03B, and $897.31B in bear, base, and bull. Consolidated revenue adds named membership/other revenue of $8.21B, $9.03B, and $9.92B. There are no hidden eliminations.

- Product-to-segment rollup: PASSED. The Walmart U.S. appendix ties grocery, general merchandise, health and wellness, and other to segment revenue. The International appendix ties Mexico/Central America, China, Canada, and Other International to segment revenue. The Sam's appendix ties grocery, fuel and other, general merchandise, and health and wellness to segment revenue. eCommerce is correctly treated as non-additive in all three segment appendices.

- Weighted margin check: PASSED with disclosure limitation. Walmart U.S. uses product-level margin logic that reconciles to segment margin. International and Sam's explicitly do not invent product-level operating margins because Walmart does not disclose them; they model segment-level margin directly. That is a limitation, but not an arithmetic failure.

- Share count path: PASSED. The base-case ending share count is derived from a five-year path using starting diluted shares, annual buyback dollars, assumed repurchase prices, and explicit issuance. Bear and bull share counts are also derived from case-specific buyback assumptions.

- Growth plausibility: PASSED. Base segment CAGRs do not exceed historical anchors: Walmart U.S. base CAGR is about 3.1% versus a 5.3% FY2022-FY2026 segment CAGR; International base CAGR is about 5.1% versus a 6.6% FY2022-FY2026 segment CAGR; Sam's base CAGR is about 3.2% versus recent FY2024-FY2026 growth near 3.9% and FY2022-FY2026 growth near 6.0%. Product and market growth assumptions decelerate from the fastest disclosed recent rates.

- Historical arithmetic: PASSED. Segment appendices show the row-level compounding checks from TTM revenue to FY+5 revenue over exactly five years. Rounding differences are within 1%. This synthesis uses the appendix outputs rather than re-stating a different set of segment endpoints.

- Recency anchor: PASSED. The base-case first forward year implied revenue growth is about 3.6%, consistent with the most recent four quarters and within the FY2027 company net-sales guide of 3.5% to 4.5%. The model does not start from a run rate that is already detached from current trading.

- Capital-allocation and capex consistency: PASSED. The model uses a buyback pace consistent with the FY2026 repurchase run rate and new authorization. It does not assume buybacks above what the balance sheet and free-cash-flow profile can plausibly support. The appendix also respects the management and data-package point that capex remains elevated around 3.5% of net sales; no asset-light FCF conversion is smuggled into EPS.

- P/E 15 arithmetic and gate check: PASSED as arithmetic, FAILED as investment gate. Required EPS is $8.506. Bear, base, and bull FY+5 EPS are $2.54, $3.75, and $4.85. The base cushion is negative 55.9%; even the bull cushion is negative 43.0%. The math is internally consistent, but the valuation requirement is not met.

Tie-out score: 11/11 arithmetic checks passed, with Check 5 carrying a disclosure limitation and Check 11 producing an economic gate failure. No arithmetic check requires a reconciliation subagent. The failed conclusion is the valuation gate, not the model integrity.

13. Synthesis Verdict For Downstream Report

P/E 15 gate: FAIL. Base-case FY+5 EPS is $3.75. Required FY+5 EPS is $8.51. Base-case cushion is negative 55.9%.

The combined model says Walmart is a high-quality, durable, strategically coherent retailer whose earnings can plausibly compound from $21.9B of TTM net income to about $29.3B of FY+5 net income in the base case. That is not enough. The current share price requires more than twice the base-case EPS to clear Gideon's P/E 15 discipline five years forward.

The right final-report language should be direct: Walmart may be a good business and still be a PASS at this price. A BUY would require either a much lower entry price, a credible step-change in disclosed operating margin, or evidence that advertising, marketplace, membership, automation, and eCommerce economics are already large enough to lift consolidated EPS far beyond the current base case. None of the verified input appendices supports that leap today.

Appendix CS - Compounder Score

Walmart Inc. - Compounder Score

1. Executive Verdict

This diagnostic Compounder Score is 57/100: Business Quality 56/80 and 20% Return Underwriting 1/20. The score-implied classification is Reject. This is diagnostic only and is not an ER2 gate.

The evidence supports Walmart as a durable, well-managed retailer with a concrete scale-and-density moat. It does not support Walmart as a 20% annualized return underwriting at the current price. The score is capped because the business is low-margin and capital-intensive, measured ROIIC is not elite, and the current valuation already capitalizes a large amount of future execution.

2. Data Source Map

Evidence item	Local source used	Confidence
Price, market cap, exchange	quant_foundation.md and raw/WMT_quote.json	High
Enterprise value and FCF yield	raw/WMT_dp_enterprise_values_annual_20260428.json and key metrics	Medium
Income statement	quant_foundation.md, data_package.md, raw income statement	High
Balance sheet and debt	data_package.md, raw balance sheet	High
Cash flow, capex, FCF	data_package.md, raw cash flow	High
Share count and buybacks	appendix_synthesis.md, data_package.md	High
SBC	raw cash flow and local ER2 search	Low
Segment data	quant_foundation.md, data_package.md, appendix_B_*	High
Management, incentives, governance	appendix_management.md	High
Moat and durability	appendix_moat.md and segment appendices	High
Forward model and valuation	appendix_synthesis.md	High

No live fetch was performed because the local ER2 package contains the primary financial, segment, management, moat, and synthesis artifacts required for the diagnostic score. Missing SBC precision is recorded as a data gap.

3. Key Financial and Quality Metrics

Metric	Result	Evidence and calculation
Current price	$127.59	FMP quote preserved in quant_foundation.md
Current market cap	$1,017.2B	FMP quote preserved in quant_foundation.md
Lease-inclusive EV used here	$1,073.6B	Market cap plus FY2026 net debt including leases of $56.4B
FY2026 revenue	$713.2B	quant_foundation.md / data_package.md
FY2026 NOPAT	$22.5B	EBIT $29.825B x (1 - 24.4% tax rate)
FY2026 FCF	$14.9B	CFO $41.565B less capex $26.642B
5-year median ROIC	14.1%	FY2022-FY2026 data package ROIC series
3-year ROIIC	11.8%	NOPAT change FY2023-FY2026 divided by cumulative reinvestment
5-year ROIIC	3.4%	NOPAT change FY2022-FY2026 divided by cumulative reinvestment
5-year FCF conversion	64.9%	FCF / NOPAT, FY2022-FY2026 average
5-year share count CAGR	-1.2%	Diluted shares declined from 8.415B to 8.022B
Net debt / EBITDA	1.21x	data_package.md
EV / NOPAT	47.7x	Lease-inclusive EV / FY2026 NOPAT

Metric	Result	Evidence and calculation
FCF yield	1.5%	FY2026 FCF / current market cap

ROIIC is conservative because the local ER2 package does not provide segment invested-capital splits. Reinvestment is approximated from capex, working-capital change, and acquisitions. This is enough to avoid an elite ROIIC score, not enough to make a segment-level precision claim.

4. Rubric Scorecard

Category	Score	Max	Rationale
Incremental returns on capital	13	25	Mid-teens ROIC is good for retail but below elite compounder thresholds; ROIIC is low on available data.
Reinvestment runway	15	20	Large grocery, omnichannel, membership, International, advertising, and automation runway, but growth is capital-intensive.
Durability of moat	11	15	U.S. scale, density, procurement, and fulfillment are real; pricing power is weak by design and digital profit pools face platform risk.
Accounting and financial quality	9	10	Reconciled statements and strong CFO/NI support earnings; SBC disclosure is insufficient.
Capital allocation	8	10	Reinvestment-first policy, ROI-linked comp, dividends, and buybacks are coherent; new CEO tenure and VIZIO/platform economics cap the score.
Price and 20% underwriting	1	20	Current valuation does not support 20% annualized returns under the base case or P/E 15 discipline.
Total	57	100	Strong business, poor 20% return setup.

5. ROIIC and Reinvestment Analysis

The evidence supports acceptable returns on capital, not exceptional incremental returns. Data_package.md shows ROIC of 14.3%, 10.4%, 14.1%, 14.9%, and 13.8% for FY2022-FY2026. The five-year median is about 14.1%, earning only 2/5 under the rubric's normalized ROIC scale.

Measured ROIIC is weaker. NOPAT rose from about $19.3B in FY2022 to $22.5B in FY2026, while capex stepped up from $13.1B to $26.6B and cumulative reinvestment was heavy. The five-year acquisition-inclusive ROIIC estimate is about 3.4%; the three-year estimate is about 11.8%. This score is capped because incremental profit has not yet caught up with the automation, fulfillment, store, club, and digital investment cycle.

6. Runway Analysis

The runway is real. Appendix_synthesis.md models base-case revenue growth from $713.2B to $849.1B over five years, a 3.6% CAGR, aligned with FY2027 guidance of 3.5% to 4.5% net-sales growth. The segment appendices support Walmart U.S. as the profit anchor, International as the faster growth contributor, and Sam's Club as a smaller membership-supported compounder.

The score is not higher because the runway requires continued capex around 3.5% of net sales, fulfillment investment, automation execution, and clearer proof that advertising, marketplace, membership, VIZIO, Flipkart, and PhonePe can raise consolidated margins without sacrificing price leadership.

7. Moat Analysis

The moat is explainable in one paragraph: Walmart aggregates recurring household demand through low price, grocery frequency, store and club density, procurement scale, local inventory, and fulfillment infrastructure, then monetizes that traffic with membership, advertising, marketplace, data, and omnichannel services. This is a concrete cost-and-density moat, not a

premium-brand pricing moat.

Appendix_moat.md passes the moat and 2046 durability tests, but it also states that pricing power is weak by design and that advertising and marketplace economics are the most AI- and platform-exposed profit pools. That supports a good moat score, not a perfect one.

8. Accounting and Capital Allocation Analysis

The accounting evidence is mostly clean. Quant_foundation.md reports 8/8 reconciliation checks passed, and appendix_synthesis.md reports 11/11 arithmetic checks passed. FY2026 CFO of $41.6B comfortably exceeds net income of $21.9B, although FCF conversion is lowered by elevated capex.

Capital allocation is coherent. Appendix_management.md shows rising capex tied to automation, stores, technology, and delivery capacity; regular dividends; recurring buybacks; a new $30B repurchase authorization; and lease-inclusive net debt / EBITDA of 1.21x. Compensation includes sales, operating income, and ROI rather than EPS. The score is capped because the new enterprise CEO has not yet completed a full capital cycle and because VIZIO/platform economics remain incompletely disclosed.

9. 20% Return Underwriting

Case	Revenue CAGR	FY+5 EPS	Exit discipline	Estimated IRR	Verdict
Bear	1.5%	$2.54	Current-like rich multiple fades materially	-1.1%	Fails
Base	3.6%	$3.75	No expansion from today's high EV/NOPAT; 15x P/E test fails	6.2%	Fails
Bull	4.9%	$4.85	Strong execution but no heroic valuation rescue	10.9%	Fails

Appendix_synthesis.md is decisive: at a 15x FY+5 P/E, base-case value is $56.32 per share versus a current price of $127.59. The bull case still reaches only $72.69 at 15x. The required FY+5 EPS for a 15x P/E at today's price is $8.51, more than double the base-case EPS.

A 20% annualized result from today's price would require a much lower entry price, a very high terminal multiple, a structural doubling of base-case net income, or a much larger share-count reduction than the evidence supports. The conservative max buy price for a 20% IRR under the base-case 15x exit discipline is roughly $26 per share including discounted dividends.

10. Hard Veto Checklist

Veto	Status	Evidence
ROIIC below cost of capital with no path	Watch	Measured ROIIC is low, but automation and platform-profit path exists.
ROIC accounting artifact	Pass	Invested capital is large and positive; ROIC is not driven by tiny capital base.
Growth needs external financing	Pass	CFO supports capex and dividends; leverage is manageable.
Share count rises materially	Pass	Share count declined over five years.
Undisciplined acquisitions	Watch	VIZIO and digital assets need return proof; no recurring acquisition binge identified.
FCF lags earnings structurally	Watch	CFO is strong, but capex-heavy FCF conversion caps valuation.
Structural impairment risk	Watch	Retail competition, labor, regulation, tariffs, and platform shifts are real.
20% case requires multiple help	Fail	Current price does not clear 20% with disciplined exit assumptions.
Needs flawless execution	Fail	Valuation requires much more than base-case execution.
Moat cannot be explained	Pass	Scale, density, procurement, fulfillment, and habit are concrete.
Accounting/governance trust impaired	Pass	No current financial-statement red flag found; Walton control is disclosed.

Veto	Status	Evidence
Balance sheet can wipe out equity	Pass	Lease-inclusive net debt / EBITDA is about 1.21x.

11. Final Decision

Score-implied classification: Reject. Walmart is a credible compounder-quality business, but it is not a credible 20% annualized-return underwriting from the current price under this diagnostic rubric.

Compounder Score note: 57/100. Walmart is durable and well managed, but mid-teens ROIC, low measured ROIIC, heavy reinvestment, and an extreme valuation cap the diagnostic score.

Business Quality Score note: 56/80. Scale, density, defensive demand, cash conversion, and management discipline are real; the score is capped by low-price retail economics, limited pricing power, incomplete SBC disclosure, and unproven platform-margin scale.

20% Return UW Score note: 1/20. The evidence does not support a 20% annualized return from $127.59; even the base case needs a much lower entry price or a terminal multiple discipline far above the ER2/Gideon 15x test.

12. Machine-Readable JSON


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  ],
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    "Walmart U.S. scale, store density, procurement, grocery frequency, membership, advertising, and marketplace adjace
    "Management compensation includes ROI, sales, and operating income; capex, dividends, and buybacks are disciplined
  ],
  "top_negative_evidence": [
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    "Measured five-year acquisition-inclusive ROIIC is low because NOPAT growth has been modest relative to cumulative
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    "Advertising, marketplace, VIZIO, Walmart+, Flipkart, and PhonePe dollar economics are not fully disclosed, limitin
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Appendix CSA - Scoring Audit

Walmart Inc. - Scoring Audit

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	56	52	Quality is real, but acquisition-inclusive ROIIC, SBC, and platform-margin evidence are incomplete.
Valuation / 20% Return UW Score / 20	1	1	The current price still fails the 20% hurdle and the P/E 15 test by a wide margin.
Total Score / 100	57	53	Reduced to reflect evidence caps, not because the core valuation conclusion changed.
Classification	Reject	Reject	Threshold tests still fail.

Original scorer reconstruction: Business Quality 56/80, Valuation / 20% Return Underwriting 1/20, total 57/100, score-implied classification Reject. Original case IRRs were bear -1.1%, base 6.2%, and bull 10.9%. The stated maximum buy price for a 20% IRR was about $26 per share. The original JSON and markdown agree on the headline score, classification, IRRs, current price of $127.59, and the central 20% failure.

Audited result: Business Quality 52/80, Valuation / 20% Return Underwriting 1/20, total 53/100, classification Reject. The valuation section is preserved because the scorer did not overstate the 20% case. The business-quality section is reduced because several category scores were generous relative to the evidence available in the ER2 package.

2. Score Reductions and Reasons

Incremental returns on capital are reduced from 13/25 to 11/25. The data package supports historical ROIC of 14.3%, 10.4%, 14.1%, 14.9%, and 13.8%, which is good for a scaled retailer but not elite. The scorer calculated 3-year ROIIC at 11.8% and 5-year ROIIC at 3.4%, but the denominator is a broad approximation from capex, working capital, and acquisitions rather than a fully sourced invested-capital bridge. That is enough evidence to avoid a zero, but not enough for a mid-level score when measured 5-year ROIIC is low.

Reinvestment runway is reduced from 15/20 to 14/20. Walmart has a real runway in grocery, omnichannel, membership, International, advertising, marketplace, automation, and Sam's Club, but the runway is capital-intensive. The data package shows capex rising from $13.1B in FY2022 to $26.6B in FY2026, and management guided FY2027 capex around 3.5% of net sales. Low-margin retail economics mean growth cannot be treated as high-return reinvestment until incremental margin and cash conversion show up.

Durability of moat is reduced from 11/15 to 10/15. The moat appendix supports a PASS and a credible 2046 Walmart, but it also states pricing power is weak by design, advertising and marketplace are the most AI-exposed profit pools, and Sam's Club faces Costco as a stronger club benchmark. This deserves a good score, not a near-elite durability score.

Accounting and financial quality is reduced from 9/10 to 8/10. The historical statements reconcile cleanly, and CFO exceeds net income, but the ER2 package does not cleanly disclose standalone stock-based compensation. Treating FMP zeroes as insufficient evidence rather than zero economic cost is correct, but that missing evidence should cost a point.

Capital allocation is reduced from 8/10 to 7/10. ROI-linked compensation, leverage discipline, dividends, and recurring buybacks are positives. The cap remains because Furner has no full enterprise CEO cycle yet, VIZIO/platform economics are not fully disclosed, and the capital program is now materially heavier than the older retail base.

3. Unsupported Claims

No major unsupported bullish claim drove the original valuation score, which is appropriately severe. The unsupported or partly supported areas are mainly in Business Quality.

The evidence does not fully support a high-confidence platform-margin scale claim. The data package discloses global advertising growth and nearly $6.4B of FY2026 global advertising revenue including VIZIO, but it does not provide a five-year

standalone Walmart Connect, marketplace, Walmart+, fulfillment services, Flipkart, PhonePe, or Sam's advertising profit history. These lines may lift margins, but the score should not capitalize them as proven high-return pools.

The evidence does not support treating SBC as immaterial. The scorer correctly recorded standalone SBC ratios as null, but the synthesis used a 10M annual issuance placeholder. That is a practical modeling assumption, not evidence of the actual SBC burden. The audit therefore caps accounting quality and share-count confidence.

The evidence only partly supports acquisition-inclusive ROIIC. VIZIO closed in calendar 2024 / FY2025 and FY2026 advertising growth includes VIZIO, but the package does not isolate VIZIO invested capital, incremental profit, or post-close return. A broad acquisition-inclusive ROIIC estimate is useful, but not precise enough to award full credit.

4. Calculation Errors

No headline arithmetic error was found in the scorer's valuation conclusion. FY2026 NOPAT of roughly $22.5B equals operating income of $29.825B multiplied by one minus the 24.4% effective tax rate. Lease-inclusive EV of about $1.0736T divided by FY2026 NOPAT produces an EV/NOPAT multiple near 47.7x. FCF yield of about 1.5% is consistent with FY2026 FCF of $14.923B against a market cap near $1.017T.

The key valuation math ties to the synthesis. Required FY+5 EPS at a 15x P/E is $127.59 / 15 = $8.506. The base case reaches only $3.75 of FY+5 EPS, the bull case reaches $4.85, and the P/E 15 values are $56.32 and $72.69 respectively. That means the 20% case cannot clear without a much lower entry price, a structural earnings step-change, or a terminal multiple far above the ER2 discipline.

The calculation weakness is not a broken formula; it is evidence precision. ROIIC depends on approximate reinvestment rather than a complete acquisition and invested-capital bridge. SBC dilution is placeholder-modeled rather than sourced. Segment-level ROIIC cannot be verified because segment invested capital and capex are not disclosed.

5. Missing Data

The most important missing evidence is segment-level invested capital and capex. Without those data, the audit cannot prove whether Walmart U.S., International, or Sam's Club is earning attractive incremental returns on the incremental dollar.

Standalone SBC disclosure is missing in the local ER2 package. SBC should be treated as a real cost, and share-count dilution should be included. The synthesis did include a 10M annual issuance placeholder, but the score should still carry lower confidence.

Platform economics remain partially opaque. Advertising, marketplace, Walmart+, VIZIO, Flipkart, PhonePe, and fulfillment services matter to the margin-upside case, yet the package generally provides growth rates or partial dollar disclosures rather than full revenue, profit, capital, and return histories.

6. Hard-Veto and Threshold Test Audit

The hard-veto conclusion is preserved. The 20% return case fails. The base case does not reach 20% IRR, the bear case is negative, and even the bull case is around 10.9%. The current price requires more than twice base-case FY+5 EPS to clear the 15x P/E discipline.

The score-implied classification must remain Reject. Total score is below 80, Business Quality is below 65/80, Valuation / 20% Return Underwriting is below 15/20, ROIIC plus runway is below the compounder threshold, base IRR is below 20%, bear IRR is below the desired 8%-10%, and the 20% case would require valuation help or a much lower entry price.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle: FAIL. This score is reduced because Walmart's business quality is good but not elite enough to offset the starting valuation. Low-margin retail economics matter: consolidated operating margin was 4.2% in FY2026, Walmart U.S. margin was 5.2%, International was 3.9%, and Sam's was 2.6%. A business with that margin profile can be durable and still fail a 20% compounding hurdle when purchased at roughly 48x NOPAT.

8. Dream Business / Dream Investment Classification

Audited classification: neither. Walmart is closer to a durable good business than to a dream business because the moat is real, management is disciplined, and demand is defensive. It is not a dream business under Gideon's standard because ROIC is mid-teens, 5-year ROIIC is weak, reinvestment is heavy, pricing power is limited, and important high-margin adjacency

economics are not fully disclosed. It is plainly not a dream investment at the current price.

The single biggest reason Walmart does not qualify is starting valuation versus low-margin incremental economics. At $127.59, the stock needs a level of FY+5 EPS or terminal multiple that the verified ER2 model does not support.

9. Stage 7 Scorecard Notes

Compounder Score note: 53/100. Walmart is durable and well run, but audited scoring trims quality points for low measured ROIIC, opaque platform economics, missing SBC detail, and capital-intensive retail growth.

Business Quality Score note: 52/80. Scale, density, procurement, grocery frequency, and management discipline are real; the score is capped by weak traditional pricing power, mid-teens ROIC, low-margin retail economics, and incomplete segment-return evidence.

20% Return UW Score note: 1/20. The current price does not support a 20% annualized return under the base case or the ER2 15x P/E discipline; bull-case EPS still falls far short.

10. Auditor JSON

See `compounder_score_audit.json` for the machine-readable audited score.

Appendix RT - Red Team

Walmart Inc. - Red Team

Run context: Subagent RT Red Team. TICKER WMT. COMPANY Walmart Inc. TODAY 2026-04-28. TTM anchor FY2026 ended January 31, 2026. Forward horizon January 31, 2031. This appendix reads the verified synthesis, three segment appendices, management appendix, moat appendix, and data package supplied in the workdir. I did not use local investing data warehouse caches. No live external fetch was needed because the red-team challenge is already supported by the verified appendices and data package.

1. The Most Fragile Assumption

The most fragile Stage 5 assumption is not the headline P/E 15 math. That math already fails. The fragile assumption is the Walmart U.S. base-case operating margin of 5.8% on $563.5 billion of January 31, 2031 net sales. The segment appendix frames the move as only 60 basis points above the FY2026 starting margin, but on Walmart U.S.'s revenue base that is a very large operating-income claim: the base case has Walmart U.S. adding roughly $7.7 billion of operating income over five years, from about $25.2 billion to $32.9 billion.

The assumption is fragile because the explicit mechanism is a bundle of partially disclosed and partially unproven items: eCommerce contribution improving with route density and automation; Walmart Connect and marketplace monetization growing faster than merchandise; health and wellness mix expanding; shrink and supply-chain productivity improving; and fixed costs spreading over higher sales. Each one is plausible in isolation. The red-team problem is that several of them are required to work at the same time while Walmart remains committed to EDLP, elevated capex, fast delivery, fulfillment investment, wage pressure absorption, and price leadership. This is not a high-margin retailer discovering a small efficiency. It is a 5% margin retailer trying to add basis points while building the infrastructure that is supposed to create those basis points.

The strongest evidence against confidence in 5.8% is the historical band. Walmart U.S. segment operating margin was 5.5% in FY2022, 4.9% in FY2023, 5.0% in FY2024, 5.2% in FY2025, and 5.2% in FY2026. During the last four FY2026 quarters, the segment's quarterly margin was 5.1%, 5.5%, 4.8%, and 5.4%. The business is resilient, but it has not shown a sustained high-5% full-year margin while eCommerce is growing rapidly and while capex is running near current levels. The base case is therefore asking the reader to accept that the next five years will be better than the last five years on operating leverage, even though the strategy requires more fulfillment, technology, delivery capacity, and automation investment.

If this assumption is wrong by the difference between base margin and the current FY2026 margin, Stage 5 EPS moves materially. At $563.5 billion of base-case U.S. net sales, a 60 basis point shortfall is about $3.4 billion of operating income. After a 24.5% tax rate and using 7.803 billion diluted shares, that is about $0.33 of EPS. If the segment does not merely hold current margin but slips toward the appendix's bear margin of 4.9%, the operating-income gap versus base is roughly $5.1 billion to $5.2 billion on the base revenue level, or about $0.50 of EPS after tax. If the whole U.S. bear case is used instead of the base case, the segment OI gap is about $7.8 billion, which is roughly $0.75 per share after tax. In other words, the base $3.75 EPS could be closer to $3.25-$3.40 before touching International, Sam's, tax, interest, other income, or buyback assumptions.

That matters even though Walmart already fails the P/E 15 gate. The red-team job is not to make the fail bigger for sport. It is to prevent the final report from overstating the business-quality case while saying valuation is the only issue. The best bear point is that even the base earnings path may be generous because it grants the higher-margin adjacency thesis real consolidated profit credit before Walmart discloses enough dollars and unit economics to prove that those adjacencies are large enough to outrun the fulfillment and reinvestment drag.

2. Most-Likely-To-Be-Optimistic Stage 5 Number

The single Stage 5 number most likely to be revised down is Walmart International's 4.5% base-case FY+5 operating margin. The number looks conservative because it is only a return to the FY2025 full-year level, not a new high. That framing is too forgiving. The FY2026 International margin was 3.9%, down 60 basis points from FY2025. Quarterly margins in FY2026 were volatile: 4.4%, 3.8%, 2.1%, and 5.3%. The Q4 result supports a recovery narrative, but the Q3 trough shows how quickly local-market mix, timing, investment items, or digital economics can overwhelm segment leverage.

International is also the segment where the base revenue and margin assumptions are most intertwined. China and Other International were $54.2 billion in FY2026, or 41.6% of International net sales. In the base case they become $78.35 billion, or

46.8% of segment net sales. That mix shift is a margin support only if the incremental growth is profitable. The appendix admits the disclosure gap: Walmart does not disclose market-level operating income for Mexico/Central America, China, Canada, Other International, or International eCommerce. The red-team conclusion is blunt: the model is giving margin credit to a market mix whose economics are not disclosed.

The base case relies on China compounding at 9.5% for five years after a 23.3% latest-year increase, Other International compounding at 6.0%, and International eCommerce moving from $35.8 billion to $64.5 billion while being excluded as overlapping channel revenue. That can be right, but it is a high-execution path. It requires local competition, regulation, FX, marketplace economics, delivery costs, PhonePe/Flipkart-type investment items, and China format saturation not to convert fast revenue growth into weak profit conversion. The synthesis cites International margin as a key sensitivity: a 2.5% margin would move EPS down to $3.43 from $3.75, while 6.5% would move it up to $4.08. A milder miss from 4.5% to 3.9%, holding base revenue, is roughly $1.0 billion of operating income, or about $0.10 of EPS after tax. Not enough to change the valuation verdict, but enough to expose the quality of the base case.

3. Strongest Bear Case, Stated Hard

The strongest bear case is that Walmart is successfully defending traffic while failing to convert the omnichannel, advertising, marketplace, membership, and automation story into enough reported operating leverage to justify either the stock price or even the base FY+5 EPS. The company keeps growing sales because grocery, pharmacy, consumables, stores, clubs, and value pricing are durable, but the incremental dollar is increasingly expensive: picked, packed, delivered, returned, advertised against, subsidized through EDLP, and supported by capex-heavy automation. In that world, Walmart U.S. remains relevant but stuck near 5.0%-5.2% margin, International's growth stays volatile and locally contested, and Sam's membership gains are offset by Costco pressure, fuel mix, and fulfillment cost. The validation signal would be two consecutive quarters where enterprise net sales grow at least 3.5% but consolidated reported operating margin is below 4.0% and Walmart U.S. margin is below 5.0%, proving that the growth algorithm is sales-first rather than profit-first.

This bear case does not require a broken retailer. It requires a high-quality retailer whose market value has capitalized platform-like margin improvement into a business whose core remains low-price, low-spread, and capital intensive. That is the right adversarial framing because the synthesis already proves Walmart cannot clear $8.51 of FY+5 EPS. The more dangerous mistake would be to treat $3.75 as a conservative certainty.

4. Cross-Examination Of Management Commentary

First, management's Q4 FY26 call anchor says the company has the "power of our omnichannel model" and that "automation of our supply chain is on track." A skeptical read is that both statements are directionally true but incomplete. On track does not mean already earning a return. The data package shows capex rising from $13.1 billion in FY2022 to $26.6 billion in FY2026, or from 2.3% of revenue to 3.7%, and FY27 guidance still calls for capex of approximately 3.5% of net sales. If automation savings are real but depreciation, implementation cost, delivery capacity, wages, and inventory complexity rise at the same time, operating income can grow slower than the narrative. The first place this would show up is Walmart U.S. operating margin failing to move above the 5.2% FY2026 level despite continued eCommerce contribution to comps.

Second, company guidance says FY27 adjusted operating income should grow 6.0% to 8.0% while net sales grow 3.5% to 4.5%. The word to pressure is adjusted. The synthesis uses reported operating income. Walmart can hit adjusted growth in a given year while reported results absorb VIZIO integration, PhonePe/Flipkart effects, timing items, restructuring, depreciation, or other discrete costs. International already demonstrates the issue: the data package says Q4 adjusted constant-currency International operating income benefited from mix and operating leverage, but FY2026 full-year reported International operating income still declined because of discrete and timing items. If the adjustment bridge stays busy, the base model's reported OI CAGR of 6.2% is too clean. The first warning sign is a widening gap between adjusted OI growth and reported OI growth over FY2027-FY2028.

Third, Walmart Connect was reported as "up 41%" and global advertising grew strongly, with FY2026 global advertising nearly $6.4 billion including VIZIO. That sounds powerful, and it is strategically important. But Walmart Connect does not have standalone revenue dollars in the data package, Sam's Club advertising is not disclosed, and marketplace dollars are also not separately disclosed with a five-year history. The moat appendix is right that advertising and marketplace are the most AI-exposed profit pools because they depend on retailer-controlled search, product discovery, targeting data, and closed-loop attribution. If agentic commerce or broader retail media supply shifts sponsored placement economics away from Walmart-owned surfaces, the highest-margin part of the margin expansion story can decelerate before merchandise traffic weakens. The first sign would be global advertising growth normalizing sharply below eCommerce growth, or management

giving growth-rate language without clearer profit-dollar disclosure.

5. Stage 5 Tie-Out Reverification

The recency anchor mostly ties, but it is not risk-free. Walmart U.S. recent-quarter sales growth was 3.2%, 4.8%, 5.1%, and 4.6%, so the U.S. base CAGR of 3.1% is not aggressive on revenue. Sam's Club recent quarterly growth clustered around 3%, so its 3.2% base CAGR is reasonable. International is the more delicate anchor: Q1 was down 0.3%, then growth accelerated to 5.5%, 10.8%, and 11.5%, while margins swung from 4.4% to 3.8% to 2.1% to 5.3%. The base case seems to average through that volatility, but it may be over-reading the Q4 profit recovery and under-weighting the Q3 margin trough.

The share-count path is not the main break, but it should not be treated as a hidden margin of safety. The base case assumes $8.0 billion of annual repurchases for five years against a starting diluted share count of 8.022 billion, ending near 7.803 billion. FY2026 buybacks were $8.1 billion and the new authorization is $30 billion, so the assumption is grounded. The pressure point is free cash flow. FY2026 operating cash flow was $41.6 billion, capex was $26.6 billion, and free cash flow was $14.9 billion before dividends of $7.5 billion. Buybacks at $8 billion plus dividends are plausible, but not obviously protected if capex stays near 3.5% of net sales and operating leverage disappoints. If management chooses balance-sheet conservatism or more investment, EPS loses some buyback support. The synthesis sensitivity says a 5% higher share count would reduce EPS to $3.58, a $0.17 hit.

Product or market lines with hidden optimism exist even when top-line CAGRs look conservative. Walmart U.S. health and wellness is modeled at a 5.5% base CAGR after 12.0% latest YoY. That is a real deceleration, but the profit quality is uncertain because pharmacy and reimbursement dynamics can make revenue growth lower-margin. Walmart U.S. eCommerce is modeled as a 13.0% non-additive channel CAGR after 25.6% latest YoY. That is also a deceleration, but it still reaches $183.5 billion of channel sales. If eCommerce's contribution to comps remains high while unit economics remain heavy, the model can be right on traffic and wrong on earnings. International eCommerce is the same issue at a smaller but still material scale.

6. Signal That Forces An Exit

The exit signal should be tied to the precise break: Walmart growing sales but not converting the platform and automation strategy into reported operating leverage. The signal is: exit if, over any rolling two-quarter period in FY2027-FY2028, consolidated net sales growth is at least 3.5% year over year while reported consolidated operating margin is below 4.0% and Walmart U.S. segment operating margin is below 5.0%.

This threshold is specific and demanding. It does not punish Walmart for a normal single-quarter timing issue. It also does not wait for a revenue collapse that may never come. Walmart is a defensive retailer; the thesis break is more likely to appear as margin failure during acceptable sales growth. A 4.0% consolidated margin would sit below the FY2024-FY2026 consolidated range of 4.2%-4.3%, while a sub-5.0% Walmart U.S. margin would indicate that the core profit engine is back near FY2023/FY2024 pressure levels despite all the advertised benefits of digital, automation, membership, retail media, and scale.

A secondary monitor belongs on International: exit or at least rewrite the segment case if International operating margin is below 3.0% for two consecutive quarters while International net sales are still growing. The moat appendix itself names sustained International margin below 3% as an early warning sign. That would mean market growth and eCommerce penetration are not translating into acceptable segment economics.

7. Conviction After Red Team

The thesis does not survive as a BUY, but the reason should be written more sharply than "P/E 15 gate fail." The stock is a PASS because the required $8.51 FY+5 EPS is nowhere near the base $3.75, and because the base $3.75 itself embeds operating leverage that is plausible but not proven. Walmart is durable, well-run, and strategically coherent. That is not enough when the market price requires a financial outcome far beyond the disclosed evidence.

The strongest bear point is that Walmart's new profit pools are strategically real but analytically opaque. Advertising, marketplace, membership, automation, VIZIO, eCommerce contribution, and data assets are the exact lines investors want to capitalize at higher multiples, yet several of them lack standalone dollar histories or clear segment-level profit disclosure. The model therefore gives them measured margin credit, but the red team should force the final report to say that measured credit is still credit. It has not been fully earned by disclosure.

The conditional upside is straightforward: if Walmart discloses enough detail to show that advertising, marketplace, membership, and eCommerce contribution margins are large and rising, while Walmart U.S. sustains margins above 5.5% and International holds above 4.5%, the business-quality case strengthens. Even then, the P/E 15 math likely remains hard at the current price. Until then, the right conclusion is PASS with a high-quality-business watchlist note, not BUY and not a valuation hand-wave.

Appendix D - Data Package (raw historicals)

Walmart Inc. / WMT - Data Package

PATH_RECEIVED: C:\Users\Admin\OneDrive\GPT\ER 2.0\Walmart Inc\data_package.md

Run context: Subagent D Data Package; TICKER WMT; COMPANY Walmart Inc.; TODAY 2026-04-28; fiscal year ends January 31. Most recently reported quarter: Q4 FY2026, fiscal year ended January 31, 2026, reported February 19, 2026. TTM anchor: Q1 FY26 + Q2 FY26 + Q3 FY26 + Q4 FY26, which equals FY2026. Forward horizon: January 31, 2031.

Data-source discipline: ER2 data warehouse override applied. No local investing data warehouse files were read or substituted. All quantitative data below is sourced to live FMP stable pulls, SEC EDGAR live fetches, and Walmart IR live pages fetched in this run. FMP endpoint URLs are cited without API keys.

Primary live source files saved under `C:\Users\Admin\OneDrive\GPT\ER 2.0\Walmart Inc\raw\` in this run:

- FMP stable annual and quarterly statements: `WMT_dp_income_statement_annual_20260428.json`, `WMT_dp_income_statement_quarter_20260428.json`, `WMT_dp_balance_sheet_annual_20260428.json`, `WMT_dp_cash_flow_annual_20260428.json`, `WMT_dp_key_metrics_annual_20260428.json`, `WMT_dp_revenue_product_segmentation_annual_20260428.json`, `WMT_dp_revenue_product_segmentation_quarter_20260428.json`, `WMT_dp_revenue_geographic_segments_annual_20260428.json`.
- FMP stable transcripts: `WMT_dp_transcript_FY2026_Q1_20260428.json` through `WMT_dp_transcript_FY2026_Q4_20260428.json`; endpoint pattern `https://financialmodelingprep.com/stable/earning-call-transcript?symbol=WMT&year=2026&quarter={Q}`.
- SEC EDGAR live fetches: FY2026 10-K `https://www.sec.gov/Archives/edgar/data/104169/000010416926000055/wmt-20260131.htm`; FY2025 10-K; FY2024 10-K; FY2026 Q1-Q3 10-Qs; FY2026 earnings-release 8-K accessions `0000104169-25-000069`, `0000104169-25-000120`, `0000104169-25-000177`, and `0000104169-26-000032`.
- Walmart IR live pages: Q1-Q4 FY2026 earnings release pages at `https://stock.walmart.com/sec-filings/all-sec-filings/content/.../earningsreleasefy26q{n}.htm`, the FY2026 Q4 presentation page, the April 9, 2025 investment community release page, and the November 14, 2025 CEO-transition release page.

1. Reporting Structure & Taxonomy

Current reportable segments are Walmart U.S., Walmart International, and Sam's Club U.S. Corporate and support is included only as an operating-income reconciliation bucket and is not a revenue segment. Walmart states in FY2026 Form 10-K Note 11 that it operates in three reportable segments and that it is impractical to segregate revenues for each individual product and service. The segment descriptions used here are the company's current taxonomy: Walmart U.S. is the U.S. mass merchandising concept plus eCommerce and other business offerings including advertising; Walmart International is operations outside the U.S. plus eCommerce and omnichannel initiatives; Sam's Club U.S. is U.S. membership clubs plus samsclub.com and omnichannel initiatives; Corporate/support is corporate overhead and other non-segment items.

FY2026 segment net sales and share of consolidated net sales, sourced to FMP `revenue-product-segmentation?symbol=WMT&period=annual` and tied to FY2026 Form 10-K Note 11:

Segment	FY2026 net sales ($B)	% of consolidated net sales	Operating income ($B)	Source
Walmart U.S.	483.0	68.4%	25.2	FMP revenue-product-segmentation annual; FY2026 10-K Note 11
Walmart International	130.4	18.5%	5.1	FMP revenue-product-segmentation annual; FY2026 10-K Note 11
Sam's Club U.S.	93.0	13.2%	2.4	FMP revenue-product-segmentation annual; FY2026 10-K Note 11

Segment	FY2026 net sales ($B)	% of consolidated net sales	Operating income ($B)	Source
Corporate/support	0.0	0.0%	(2.9)	FY2026 10-K Note 11; reconciliation only

Reporting structure appears stable for the current model window. The FY2026, FY2025, and FY2024 Form 10-Ks present the same three reportable segments; the FY2026 10-K says the segments are Walmart U.S., Walmart International, and Sam's Club U.S. No segment realignment 8-K was found in the live SEC filing set around the FY2026 boundary. Taxonomy caveat: Walmart periodically revises merchandise-category assignments and adjusts previous periods to maintain comparability; therefore merchandise-category dollar tables should be used as restated FY2026 Form 10-K three-year figures, not mixed with older category cuts.

Geographic breakdown is material. FMP `revenue-geographic-segmentation?symbol=WMT&period=annual` reports FY2026 United States revenue of $581.2B and Walmart International revenue of $132.0B, which equals consolidated revenue of $713.2B. This differs from reportable-segment net sales because the geographic table includes membership and other income while segment net-sales tables exclude membership and other income. FY2026 International market net-sales detail from the 10-K: Mexico and Central America $52.5B, China $24.6B, Canada $23.7B, and other markets $29.6B.

2. Consolidated Historicals (5 Years, FMP-Sourced)

FMP endpoints used: `https://financialmodelingprep.com/stable/income-statement?symbol=WMT&period=annual`, `cash-flow-statement`, `balance-sheet-statement`, and `key-metrics`, all pulled live in this run and saved to the raw folder.

Metric	FY22	FY23	FY24	FY25	FY26	Source
Revenue ($B)	572.8	611.3	648.1	681.0	713.2	FMP income-statement annual
Operating income ($B)	25.9	20.4	27.0	29.3	29.8	FMP income-statement annual
Operating margin (%)	4.5%	3.3%	4.2%	4.3%	4.2%	calc
Net income ($B)	13.7	11.7	15.5	19.4	21.9	FMP income-statement annual
EPS diluted ($)	1.62	1.42	1.91	2.41	2.73	FMP income-statement annual
Diluted share count (M)	8,415	8,202	8,109	8,081	8,022	FMP income-statement annual
Capex ($B)	13.1	16.9	20.6	23.8	26.6	FMP cash-flow-statement annual
FCF ($B)	11.1	12.0	15.1	12.7	14.9	FMP cash-flow-statement annual
ROIC (%)	14.3%	10.4%	14.1%	14.9%	13.8%	calc from FMP NOPAT / invested capital

ROIC calculation definition: NOPAT equals FMP operating income multiplied by one minus the effective tax rate; effective tax rate equals FMP income tax expense divided by income before tax. Denominator is FMP key-metrics invested capital. Values are computed directly from the live annual FMP files.

- FY22: NOPAT $19.3B = operating income $25.9B x (1 - tax rate 25.4%); invested capital $135.3B; ROIC 14.3%.
- FY23: NOPAT $13.6B = operating income $20.4B x (1 - tax rate 33.6%); invested capital $130.9B; ROIC 10.4%.
- FY24: NOPAT $20.1B = operating income $27.0B x (1 - tax rate 25.5%); invested capital $142.9B; ROIC 14.1%.
- FY25: NOPAT $22.5B = operating income $29.3B x (1 - tax rate 23.4%); invested capital $151.4B; ROIC 14.9%.
- FY26: NOPAT $22.5B = operating income $29.8B x (1 - tax rate 24.4%); invested capital $163.1B; ROIC 13.8%.

FMP FY2026 total revenue is $713.163B, operating income is $29.825B, net income is $21.893B, and diluted shares are 8.022B. These tie to the FY2026 10-K values used by the quant foundation. Net sales of $706.413B are lower than total revenue because membership and other income add $6.750B.

3. Segment Historicals (5 Years per Segment, FMP + 10-K)

Segment net sales are from live FMP product segmentation and Walmart 10-K segment notes. Segment operating income is from Walmart FY2026 Form 10-K Note 11 for FY2024-FY2026 and FY2024 Form 10-K Note 11 for FY2022-FY2023. The FMP product endpoint is a segment net-sales endpoint; it is not a product SKU endpoint.

Walmart U.S.

Walmart U.S.	FY22	FY23	FY24	FY25	FY26	Source
Net sales / revenue ($B)	393.2	420.6	441.8	462.4	483.0	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
YoY %	n/a	6.9%	5.1%	4.7%	4.4%	calc
Operating income ($B)	21.6	20.6	22.2	23.9	25.2	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
Operating margin (%)	5.5%	4.9%	5.0%	5.2%	5.2%	calc on segment net sales

Walmart International

Walmart International	FY22	FY23	FY24	FY25	FY26	Source
Net sales / revenue ($B)	101.0	101.0	114.6	121.9	130.4	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
YoY %	n/a	0.0%	13.5%	6.3%	7.0%	calc
Operating income ($B)	3.8	3.0	4.9	5.5	5.1	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
Operating margin (%)	3.7%	2.9%	4.3%	4.5%	3.9%	calc on segment net sales

Sam's Club U.S.

Sam's Club U.S.	FY22	FY23	FY24	FY25	FY26	Source
Net sales / revenue ($B)	73.6	84.3	86.2	90.2	93.0	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
YoY %	n/a	14.7%	2.2%	4.7%	3.1%	calc
Operating income ($B)	2.3	2.0	2.2	2.4	2.4	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
Operating margin (%)	3.1%	2.3%	2.5%	2.7%	2.6%	calc on segment net sales

Corporate/support

Corporate/support	FY22	FY23	FY24	FY25	FY26	Source
Net sales / revenue ($B)	0.0	0.0	0.0	0.0	0.0	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
YoY %	n/a	n/a	n/a	n/a	n/a	calc
Operating income ($B)	-1.7	-5.1	-2.2	-2.4	-2.9	FY26 Form 10-K Note 11 for FY24-FY26; FY24 Form 10-K Note 11 for FY22-FY23
Operating margin (%)	n/a	n/a	n/a	n/a	n/a	calc on segment net sales

Segment tie-out: FY2026 segment net sales are $483.0B + $130.4B + $93.0B = $706.4B, matching consolidated net sales. Segment operating income including Corporate/support is $25.2B + $5.1B + $2.4B - $2.9B = $29.8B, matching consolidated operating income. Downstream models should keep Corporate/support separate; assigning that cost back into the segments would distort segment-level margin history.

4. Product / Sub-Segment Historicals (Most Granular Disclosed in Dollars)

Walmart does disclose several merchandise-category, market, and eCommerce revenue lines in dollars, but only for the last three fiscal years in the FY2026 Form 10-K. The company explicitly states that individual product and service revenue segregation is impractical, so finer product lines such as Walmart Connect, marketplace, fulfillment services, Walmart+, and Sam's Club advertising do not have full standalone revenue dollars in the 10-K. No back-solved product dollars are used in this package.

Segment	Product / sub-segment	What it is	Dollar disclosure?	Last 3 years revenue + source
Walmart U.S.	Grocery	dry grocery, fresh, beverages, consumables	Yes	FY26 / FY25 / FY24: $285.482 / 276.003 / 264.210B; FY2026 10-K Note 11
Walmart U.S.	General merchandise	entertainment, hardlines, fashion, home	Yes	FY26 / FY25 / FY24: $115.060 / 113.921 / 113.985B; FY2026 10-K Note 11
Walmart U.S.	Health and wellness	pharmacy, OTC, medical products, optical	Yes	FY26 / FY25 / FY24: $69.547 / 62.092 / 54.898B; FY2026 10-K Note 11
Walmart U.S.	Other	other Walmart U.S. categories	Yes	FY26 / FY25 / FY24: $12.886 / 10.399 / 8.724B; FY2026 10-K Note 11
Walmart U.S.	eCommerce	Walmart U.S. digital net sales across omnichannel	Yes	FY26 / FY25 / FY24: $99.6 / 79.3 / 65.4B; FY2026 10-K Note 11
Walmart International	Mexico and Central America	major International market grouping	Yes	FY26 / FY25 / FY24: $52.492 / 51.970 / 49.726B; FY2026 10-K Note 11
Walmart International	China	major International market	Yes	FY26 / FY25 / FY24: $24.623 / 19.975 / 17.011B; FY2026 10-K Note 11
Walmart International	Canada	major International market	Yes	FY26 / FY25 / FY24: $23.724 / 23.035 / 22.639B; FY2026 10-K Note 11
Walmart International	Other International	remaining International markets	Yes	FY26 / FY25 / FY24: $29.584 / 26.905 / 25.265B; FY2026 10-K Note 11
Walmart International	eCommerce	International digital net sales	Yes	FY26 / FY25 / FY24: $35.8 / 29.5 / 24.8B; FY2026 10-K Note 11
Sam's Club U.S.	Grocery	food and consumables	Yes	FY26 / FY25 / FY24: $64.706 / 61.253 / 57.565B; FY2026 10-K Note 11
Sam's Club U.S.	Fuel and other	fuel and other categories	Yes	FY26 / FY25 / FY24: $11.570 / 12.960 / 13.707B; FY2026 10-K Note 11
Sam's Club U.S.	General merchandise	home, hardlines, tech, entertainment	Yes	FY26 / FY25 / FY24: $11.549 / 11.215 / 10.947B; FY2026 10-K Note 11
Sam's Club U.S.	Health and wellness	pharmacy, optical, hearing, OTC	Yes	FY26 / FY25 / FY24: $5.190 / 4.810 / 3.960B; FY2026 10-K Note 11
Sam's Club U.S.	eCommerce	Sam's Club digital net sales	Yes	FY26 / FY25 / FY24: $15.0 / 12.1 / 9.9B; FY2026 10-K Note 11

Products and business lines where the company provides growth rates but not full standalone dollar historicals:

Segment	Product	Disclosure method	Last 4 quarters YoY growth	Source
Enterprise	Global eCommerce	Quarterly YoY growth; quarterly dollars not separately disclosed in release	Q1 +22%; Q2 +25%; Q3 +27%; Q4 +24%	Walmart IR FY26 quarterly releases
Enterprise	Global advertising incl. VIZIO	Quarterly YoY growth; FY26 dollar disclosed as nearly $6.4B	Q1 +50%; Q2 +46%; Q3 +53%; Q4 +37%; FY26 +46% to nearly $6.4B	Walmart IR FY26 quarterly releases
Walmart U.S.	Walmart Connect	Quarterly YoY growth; no standalone dollar revenue	Q1 +31%; Q2 +31%; Q3 +33%; Q4 +41%	Walmart IR FY26 quarterly releases
Enterprise	Membership income / fee revenue	Quarterly YoY growth; segment membership/other income disclosed at segment level	Q1 +14.8%; Q2 +15.3%; Q3 +16.7%; Q4 +15.1% globally	Walmart IR FY26 quarterly releases
Enterprise	Marketplace	Growth rates discussed; dollar revenue not separately disclosed	Q2 global marketplace +17%; Q3 Walmart U.S. marketplace +17%; Q4 presentation says marketplace sales up ~20%	FMP FY26 transcripts and Walmart IR Q4 presentation

Disclosure honesty note: eCommerce dollars are disclosed by segment for FY2024-FY2026 in the 10-K, but quarterly eCommerce dollars are not disclosed in the earnings-release segment tables; quarterly eCommerce is therefore shown only as a YoY growth rate. Advertising dollars are disclosed only at the global annual level as nearly $6.4B in FY2026 including VIZIO; Walmart Connect and Sam's Club advertising growth rates are not converted into dollars.

5. Most Recent Quarterly Trend (Last 4 Quarters)

Company FY ends January 31. Most recently completed fiscal quarter at time of writing: FY26 Q4, covering the quarter ended January 31, 2026, reported on February 19, 2026 via Walmart IR release page `https://stock.walmart.com/sec-filings/all-sec-filings/content/0000104169-26-000032/earningsreleasefy26q4.htm` and SEC 8-K accession `0000104169-26-000032`.

Walmart U.S.

Quarter	Revenue / net sales ($B)	YoY %	Operating margin	Source
Q1 FY26	112.2	3.2%	5.1%	Walmart IR earnings release dated 2025-05-15
Q2 FY26	120.9	4.8%	5.5%	Walmart IR earnings release dated 2025-08-21
Q3 FY26	120.7	5.1%	4.8%	Walmart IR earnings release dated 2025-11-20
Q4 FY26	129.2	4.6%	5.4%	Walmart IR earnings release dated 2026-02-19

Walmart International

Quarter	Revenue / net sales ($B)	YoY %	Operating margin	Source
Q1 FY26	29.8	-0.3%	4.4%	Walmart IR earnings release dated 2025-05-15
Q2 FY26	31.2	5.5%	3.8%	Walmart IR earnings release dated 2025-08-21
Q3 FY26	33.5	10.8%	2.1%	Walmart IR earnings release dated 2025-11-20
Q4 FY26	35.9	11.5%	5.3%	Walmart IR earnings release dated 2026-02-19

Sam's Club U.S.

Quarter	Revenue / net sales ($B)	YoY %	Operating margin	Source
Q1 FY26	22.1	2.9%	3.2%	Walmart IR earnings release dated 2025-05-15
Q2 FY26	23.6	3.4%	2.1%	Walmart IR earnings release dated 2025-08-21

Quarter	Revenue / net sales ($B)	YoY %	Operating margin	Source
Q3 FY26	23.6	3.1%	3.0%	Walmart IR earnings release dated 2025-11-20
Q4 FY26	23.8	2.9%	2.5%	Walmart IR earnings release dated 2026-02-19

Major product and business-line quarterly growth anchors: global eCommerce grew +22%, +25%, +27%, and +24% in Q1-Q4 FY26; global advertising grew +50%, +46%, +53%, and +37%; Walmart Connect U.S. grew +31%, +31%, +33%, and +41%; global membership income or fee revenue grew +14.8%, +15.3%, +16.7%, and +15.1%. These are sourced to the four live Walmart IR FY2026 earnings releases. Segment operating margins above use reported operating income divided by reported net sales for the same quarter.

6. Management Commentary on Forward Growth - Short Verbatim Anchors

Copyright control: this section uses short verbatim anchors only and summarizes the rest. Each entry is sourced to a live FMP transcript, live Walmart IR release page, or live SEC/IR investment-community page fetched in this run. Transcript dates from FMP: Q1 FY26 2025-05-15; Q2 FY26 2025-08-21; Q3 FY26 2025-11-20; Q4 FY26 2026-02-19.

Segment / topic	Source date	Speaker	Short verbatim anchor	Interpretation
Enterprise / omnichannel model	Q4 FY26 call, 2026-02-19	John Furner, CEO	"power of our omnichannel model" and "automation of our supply chain is on track"	Management frames growth as a store, club, marketplace, advertising, membership, and automated supply-chain system rather than only square footage.
Enterprise / FY27 guide	Q4 FY26 release, 2026-02-19	Company guidance	"net sales expected to grow 3.5% to 4.5%"	Use FY27 company net-sales guide as the near-term anchor before segment-specific extrapolation.
Enterprise / profit algorithm	Q4 FY26 release, 2026-02-19	Company guidance	"adjusted operating income to grow 6.0% to 8.0%"	Forward model should test whether higher-margin businesses can keep operating income ahead of sales.
Walmart U.S. / customer value	Q3 FY26 call, 2025-11-20	Doug McMillon, CEO	"EDLP" and "omnichannel advantages"	U.S. share gains are tied to value pricing plus faster digital fulfillment, not price alone.
Walmart U.S. / eCommerce contribution	Q4 FY26 release, 2026-02-19	Company release	"eCommerce contribution to comp ~520 bps"	Digital mix is now a material driver of Walmart U.S. comp sales.
Walmart International / growth engine	Q3 FY26 call, 2025-11-20	Doug McMillon, CEO	"continues to lift the growth rate"	International's mix of Walmex, China, Flipkart, and other markets is the fastest consolidated growth contributor.
Walmart International / profit quality	Q4 FY26 release, 2026-02-19	Company release	"Adjusted operating income (cc)" and "26.5%"	Q4 International margins benefited from mix and operating leverage; FY26 full-year reported OI still declined because of discrete and timing items.
Sam's Club U.S. / member economics	Q4 FY26 release, 2026-02-19	Company release	"Membership fee revenue grew 6.1%"	Club membership remains a recurring, high-margin support to Sam's operating income.
Sam's Club U.S. / Plus penetration	Q2 FY26 transcript, 2025-08-21	John David Rainey, CFO	"increased penetration of Plus members"	Model Sam's as transaction growth plus mix improvement in higher-value memberships.
Advertising / Walmart Connect	Q4 FY26 release, 2026-02-19	Company release	"Walmart Connect ... up 41%"	Walmart Connect is a disclosed growth vector but not separately disclosed in revenue dollars.
Capital intensity	Q4 FY26 release, 2026-02-19	Company guidance	"Capital expenditures Approximately 3.5% of net sales"	FY27 capex remains above historical low-retail levels as automation, stores, technology, and fulfillment absorb capital.

Segment / topic	Source date	Speaker	Short verbatim anchor	Interpretation
Investment community framework	Investment community release, 2025-04-09	Doug McMillon, CEO	"people-led, tech-powered omnichannel strategy"	Investor-day framing supports durable growth, margin, and returns but is not a replacement for reported segment history.

Segment commentary synthesis for downstream modelers: Walmart U.S. has the clearest evidence of digital contribution to store comps and margin support from advertising, membership, and improved eCommerce economics. Walmart International has the highest reported recent revenue growth, but FY2026 full-year operating income was affected by discrete and timing items including PhonePe share-based compensation and Flipkart event timing. Sam's Club U.S. combines grocery/member traffic, eCommerce contribution to comp, Plus-member penetration, and membership-fee income; fuel affects net-sales growth and should be separated when modeling underlying club momentum. Across the enterprise, management repeatedly points to automation, AI, marketplace, advertising, membership, and faster delivery as the forward growth and margin levers.

7. Capital Allocation History (5 Years)

Year	Capex ($B)	Capex / revenue	R&D ($B)	R&D / revenue	Buybacks ($B)	Dividends ($B)	M&A ($B)	Source
FY22	13.1	2.3%	not separately disclosed	n/a	9.8	6.2	7.6	FMP cash-flow + income statement annual
FY23	16.9	2.8%	not separately disclosed	n/a	9.9	6.1	0.7	FMP cash-flow + income statement annual
FY24	20.6	3.2%	not separately disclosed	n/a	2.8	6.1	0.1	FMP cash-flow + income statement annual
FY25	23.8	3.5%	not separately disclosed	n/a	4.5	6.7	1.9	FMP cash-flow + income statement annual
FY26	26.6	3.7%	not separately disclosed	n/a	8.1	7.5	0.1	FMP cash-flow + income statement annual

Capital allocation notes: FY2026 capex of $26.6B equals 3.7% of revenue and was materially above the FY2022-FY2024 run rate as Walmart invested in supply-chain automation, stores/clubs, technology, and delivery capacity. FMP records research and development as zero, but Walmart does not separately disclose R&D in the same way as a technology company; it should be treated as not separately disclosed, not as evidence that no technology investment exists. FY2026 share repurchases were $8.1B and dividends paid were $7.5B. FMP cash-flow M&A line is small in FY2026 because the larger VIZIO closing occurred in calendar 2024 / FY2025, outside the last-12-month corporate-action window from the 2026-04-28 run date.

8. Balance Sheet Snapshot (FY-1)

Item	$B	Source
Cash & equivalents	10.7	FMP balance-sheet-statement annual FY2026
Short-term investments	0.0	FMP balance-sheet-statement annual FY2026
Total debt (current + LT + leases)	67.1	FMP balance-sheet-statement annual FY2026; lease-inclusive
Net debt	56.4	FMP balance-sheet-statement annual FY2026
Net debt / EBITDA	1.21x	calc from FMP net debt and EBITDA
Goodwill + intangibles	28.7	FMP balance-sheet-statement annual FY2026
Tangible book value	77.4	FMP key-metrics annual FY2026

Balance-sheet source endpoint: `https://financialmodelingprep.com/stable/balance-sheet-statement?symbol=WMT&period=annual`, plus FMP key metrics for tangible book value. Net debt / EBITDA uses FMP net debt of $56.4B and FMP EBITDA of $46.5B for FY2026. Walmart's FMP balance-sheet total debt is lease-inclusive and includes both operating and finance lease obligations; Walmart's Q4 FY26 release total debt convention is $51.5B because it excludes operating leases. Downstream modelers who use a non-lease or finance-lease-only debt convention should reconcile explicitly rather than mixing definitions.

9. Recent Corporate Actions (Last 12 Months)

- 2026-02-19: Walmart announced a new $30B share repurchase authorization in the FY2026 Q4 earnings release. Source: Walmart IR Q4 FY26 release page and SEC 8-K accession `0000104169-26-000032`.
- 2026-02-19: Walmart increased the FY2027 annual dividend to $0.99 per share from $0.94 per share. Source: FY2026 Form 10-K Note 12 and Q4 FY26 earnings release.
- 2026-02-01 effective date: John Furner became President and CEO, succeeding Doug McMillon, who retired as CEO on January 31, 2026 and stayed on the board through the next annual meeting. Source: Walmart IR CEO-transition release dated 2025-11-14 and SEC 8-K accession `0000104169-25-000172`.
- 2025-11-14: Board elected John Furner to Walmart's Board effective immediately with the CEO transition announcement. Source: same Walmart IR release.
- 2025-04-28 expected settlement / 2025-04-23 pricing agreement: Walmart issued $4.0B aggregate principal amount of senior unsecured notes across floating-rate 2027, 4.100% 2027, 4.350% 2030, and 4.900% 2035 tranches, with aggregate net proceeds before expenses of approximately $3.985B. Source: SEC 8-K accession `0001193125-25-098253`.
- 2025-04-09: Walmart hosted its Investment Community Meeting and reaffirmed FY2026 guidance after April tariff announcements. Source: Walmart IR / SEC Exhibit 99.1 press release `pressrelease4925.htm`.
- 2025-04-09: Investment-community release noted PhonePe had begun preparatory steps for a potential IPO in India. Source: same release.
- VIZIO note: Walmart finalized the VIZIO acquisition in December 2024, outside the last-12-month window from 2026-04-28, but FY2026 advertising growth includes VIZIO and the Q4 release says VIZIO is now in the base after the December lap.

10. Open Data Gaps and Flags

- No local investing data warehouse files were used. This data package intentionally suspends the workspace Data Warehouse First rule per ER2 instructions.
- FMP FY2019 annual product-segmentation limitation remains out-of-scope: QF/QFR found a stale/mislabeled annual endpoint for FY2019. This package uses FY2022-FY2026 only for the segment model window; FY2020-FY2026 product segmentation tied between annual and quarterly FMP pulls.
- Segment revenue is net sales. Total consolidated revenue includes membership and other income. Do not compare FMP product-segmentation totals to total revenue without adding membership and other income.
- Corporate/support is an operating-income reconciliation bucket only. It has no revenue segment and should not be modeled as a business unit.
- Product-category dollar disclosure is three-year only in the FY2026 10-K. Walmart U.S. category revenue, International market revenue, Sam's category revenue, and segment eCommerce dollars are available for FY2024-FY2026; older category dollars were not used.
- Walmart Connect, marketplace, fulfillment services, Walmart+, Sam's Club advertising, and most membership economics are not separately dollar-disclosed with five-year history. This package records growth rates and avoids back-solving.
- R&D is not separately disclosed. FMP's R&D field is zero, but the correct interpretation is reporting classification, not absence of technology spend.
- Direct Walmart IR asset PDF URLs returned HTTP 403 once during this run; Walmart IR HTML release pages and SEC exhibit copies were successfully fetched live and used as controlling release sources.
- FMP transcripts use fiscal year and fiscal quarter. The FY2026 Q1-Q4 transcripts returned dates 2025-05-15, 2025-08-21, 2025-11-20, and 2026-02-19, matching the expected fiscal-quarter call dates.

Self-Verification Log

- Largest-segment latest-quarter growth: live Walmart IR Q4 FY26 release page confirms Walmart U.S. Q4 FY26 net sales of $129.2B, up 4.6%. URL: `https://stock.walmart.com/sec-filings/all-sec-filings/content/0000104169-26-000032/earningsreleasefy26q4.htm`.
- Transcript quote/date check: live FMP `earning-call-transcript?symbol=WMT&year=2026&quarter=4` returned date 2026-02-19, and the transcript contains the Q4 management anchor about supply-chain automation being on track.
- FY2026 full-year revenue: live FMP `income-statement?symbol=WMT&period=annual` returns FY2026 revenue of $713,163,000,000, tying within 1% to Walmart's FY2026 10-K total revenues of $713.163B.