Walmart's diverse portfolio allows it to maintain steady growth

Article



The news: Walmart Inc. reported quarterly earnings and growth above analysts' expectations as it managed to withstand inflationary pressures and higher costs, per a company release.

Earnings highlights:





- Walmart gained market share in grocery, reporting 5.6% growth in comparable store sales (excluding fuel) for its fiscal Q4 2022 (ended January 31, 2022).
- Traffic to the retailer's stores and websites grew 3.1% in the quarter.
- Inventory levels were up 26% globally and 28% in the US as Walmart prioritized keeping items in stock.
- Same-store sales at Sam's Club rose 10.4% year over year, while membership income grew
 9.1%.

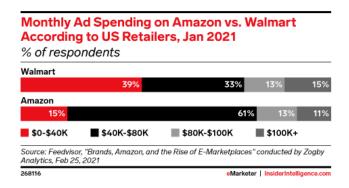
Breaking it down:

- In an interview with CNBC, Walmart's CFO **Brett Biggs** reiterated the retailer's commitment to keeping prices competitive, even amid higher inflation and rising costs. "We know that consumers are focused on inflation, and we're continuing to watch key item pricing to ensure that we help them through this," he said. "This type of environment plays to our strengths."
- By insulating consumers from some of the shocks of inflationary pricing, Walmart was in a prime position to win market share from retailers that were unwilling or unable to swallow higher costs.
- Sam's Club's strong performance shows shoppers' attention to value. Walmart Inc.'s decision to pony up for a Sam's Club Super Bowl ad and drop subscription prices for a limited time suggests that growing the chain's membership will be a key goal going forward.

Other factors to keep in mind:

- Walmart Inc. added about 20,000 new sellers to its marketplace in 2021, part of the company's push to compete with Amazon on its own turf.
- While the earnings release primarily focused on the company's retail business, its advertising arm, Walmart Connect, grew to \$2.1 billion as marketers continued to flock to retail media networks. Walmart reported that the number of active advertisers using its platform increased by 136% in 2021.





Analyst take: "Walmart is set to continue to grow and minimize all the risk that comes with the current uncertain economic (and health) landscape because it has worked so hard to integrate different business units to make shopping easier for consumers and selling easier for brands," said Suzy Davidkhanian, eMarketer principal analyst at Insider Intelligence. "The company is also rounding out different parts of its ecosystem—health and wellness, banking, fulfillment—to diversify revenues and increase stickiness."

The big takeaway: With costs ballooning due to supply chain and labor issues, the retailer may not be able to keep prices down much longer.

- Walmart Inc. spent \$300 million more than expected on COVID-19 paid leave thanks to omicron spikes, according to The Wall Street Journal. The company now says it will no longer offer employees paid time off for coronavirus-related absences.
- As labor shortages persist, the retail giant will have to reinvest in its workforce to improve recruitment and retention.