

Wal mart annual report analysis

[Business](#), [Accounting](#)



EXECUTIVE OFFICERS Eduardo Castro-Wright Vice Chairman, Wal-Mart Stores, Inc. M. Susan Chambers Executive Vice President, Global People Brian C. Cornell Executive Vice President, President and Chief Executive Officer, Sam's Club 2 010 Financial Report 15 Five-Year Financial Summary 16 Management's Discussion and Analysis of Financial Condition and Results of Operations 30 Consolidated Statements of Income 31 Consolidated Balance Sheets 32 Consolidated Statements of Shareholders' Equity 33 Consolidated Statements of Cash Flows 34 Notes to Consolidated Financial Statements 52 Report of Independent Registered Public Accounting Firm 3 Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting Thomas M. Schoewe Executive Vice President and Chief Financial Officer 54 Management's Report to Our Shareholders 55 Fiscal 2010 End-of-Year Store Count H. Lee Scott, Jr. Chairman of the Executive Committee of the Board of Directors 56 Corporate and Stock Information Leslie A. Dach Executive Vice President, Corporate Affairs and Government Relations Michael T. Duke President and Chief Executive Officer Rollin L. Ford Executive Vice President, Chief Information Officer Thomas D. Hyde Executive Vice President, Legal, Ethics, and Corporate Secretary C. Douglas McMillon Executive Vice President, President and Chief Executive Officer, Walmart International S. Robson Walton Chairman of the Board of Directors Steven P. Whaley Senior Vice President and Controller 14 Walmart 2010 Annual Report 107077_L01_FIN_02. indd 14 4/6/10 12: 10: 45 AM 2010 FINANCIAL REVIEW Five-Year Financial Summary (Amounts in millions except per share and unit count data) As of and for the Fiscal Years Ended January

31, 2010 2009 2008 2007 2006 (1) Operating Results Net sales Net sales increase Comparable store sales in the United States (2) Walmart U. S.

Sam’s Club Gross profit margin Operating, selling, general and administrative expenses, as a percentage of net sales Operating income Income from continuing operations attributable to Walmart Per share of common stock: Income from continuing operations attributable to Walmart, diluted Dividends \$405, 046 1. 0% -0. 8% -0. 7% -1. 4% 24. 8% \$401, 087 7. 3% 3. 5% 3. 2% 4. 9% 24. 2% \$373, 821 8. 4% 1. 6% 1. 0% 4. 9% 24. 0% \$344, 759 11. 6% 2. 0% 1. 9% 2. 5% 23. 4% \$308, 945 9. 8% 3. 4% 3. 0% 5. 0% 23. 1% 19. 7% \$ 23, 950 14, 414 19. 3% \$ 22, 798 13, 254 19. 0% \$ 21, 952 12, 863 18. 5% \$ 20, 497 12, 189 18. 0% \$ 18, 693 1, 386 3. 72 1. 09 \$3. 35 0. 95 \$3. 16 0. 88 \$2. 92 0. 67 \$2. 72 0. 60 \$ 33, 160 102, 307 170, 706 36, 401 70, 749 \$ 34, 511 95, 653 163, 429 34, 549 65, 285 \$ 35, 159 96, 867 163, 514 33, 402 64, 608 \$ 33, 667 88, 287 151, 587 30, 735 61, 573 \$ 31, 910 77, 863 138, 793 30, 096 53, 171 Unit Counts Walmart U. S. Segment International Segment Sam’s Club Segment 3, 708 4, 112 596 3, 656 3, 605 602 3, 550 3, 098 591 3, 443 2, 734 579 3, 289 2, 158 567 Total units 8, 416 7, 863 7, 239 6, 756 6, 014 Financial Position Inventories Property, equipment and capital lease assets, net Total assets Long-term debt, including obligations under capital leases

Total Walmart shareholders’ equity \$ (1) In connection with the company’s finance transformation project, we reviewed and adjusted the classification of certain revenue and expense items within our Consolidated Statements of Income for financial reporting purposes. Although the reclassifications impacted net sales, gross margin and operating, selling, general and

administrative expenses, they did not impact operating income or income from continuing operations attributable to Walmart. The changes were effective February 1, 2009 and have been reflected for fiscal years 2010, 2009 and 2008. 2) Comparable store and club sales include fuel. For fiscal 2006, we considered comparable sales to be sales at stores and clubs that were open as of February 1st of the prior fiscal year and which had not been converted, expanded or relocated since that date. Fiscal 2008 and fiscal 2007 comparable sales includes all stores and clubs that have been open for at least the previous 12 months. Additionally, for those fiscal years, stores and clubs that are relocated, expanded or converted are excluded from comparable sales for the first 12 months following the relocation, expansion or conversion.

Fiscal 2010 and 2009 comparable sales include sales from stores and clubs open for the previous 12 months, including remodels, relocations and expansions. Fiscal 2008 and prior fiscal years' comparable sales do not reflect reclassifications effective February 1, 2009, as noted above. Walmart 2010 Annual Report 15 107077_L01_FIN_02. indd 15 4/6/10 12: 10: 45 AM Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Wal-Mart Stores, Inc. ("Walmart," the "company" or "we") operates retail stores in various formats around the world and is committed to saving people money so they can live better.

We earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at every day low prices ("EDLP"), while fostering a culture that rewards and embraces mutual respect, integrity and diversity. EDLP is our pricing philosophy under which we price

items at a low price every day so that our customers trust that our prices will not change under frequent promotional activity. Our focus for Sam's Club is to provide exceptional value on brand name merchandise at "members only" prices for both business and personal use.

Internationally, we operate with similar philosophies. Our fiscal year ends on January 31 for our U. S. , Canada and Puerto Rico operations. Our fiscal year ends on December 31 for all other operations. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements.

We also discuss certain performance metrics that management uses to assess our performance. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the company as a whole. This discussion should be read in conjunction with our Consolidated Financial Statements as of January 31, 2010, and the year then ended, and accompanying notes. Our operations comprise three business segments: Walmart U.

S. , International and Sam's Club. The Walmart U. S. segment includes the company's mass merchant concept in the United States, operating under the "Walmart" or "Wal-Mart" brand, as well as walmart.com. The International segment consists of the company's operations outside of the 50 United States.
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States. The Sam's Club segment includes the warehouse membership clubs in the United States, as well as samsclub.com. Sales By Segment Net sales in fiscal 2010 were a record \$405.0 billion, up 1.0% from fiscal 2009. Sam's Club 11.5% International 24.7%

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss segment operating income and comparable store sales. The company measures the results of its segments using, among other measures, each segment's operating income which includes certain corporate overhead allocations. From time to time, we revise the measurement of each segment's operating income, including any corporate overhead allocations, as dictated by the information regularly reviewed by our chief operating decision maker.

When we do so, the segment operating income for each segment affected by the revisions is restated for all periods presented to maintain comparability. In connection with the company's finance transformation project, we reviewed and adjusted the classification of certain revenue and expense items within our Consolidated Statements of Income for financial reporting purposes. The reclassifications did not impact operating income or consolidated net income attributable to Walmart. The changes were effective February 1, 2009 and have been reflected in all periods presented.

Comparable store sales is a measure which indicates the performance of our existing U. S. stores and clubs by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. In fiscal 2008, our method of calculating comparable store sales included all stores and clubs that were open for at least the previous 12 months.

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Additionally, stores and clubs that were relocated, expanded or converted were excluded from comparable store sales for the first 12 months following the relocation, expansion or conversion. During fiscal year 2008, the company reviewed its definition of comparable store sales for consistency with other retailers. As a result of that review, since February 1, 2008, Walmart's definition of comparable store sales includes sales from stores and clubs open for the previous 12 months, including remodels, relocations and expansions. Changes in format continue to be excluded from comparable store sales when the conversion is accompanied by a relocation or expansion that results in a change in square footage of more than five percent. Since the impact of this revision is inconsequential, the company will not restate comparable store sales results for previously reported years.

Comparable store sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales is not necessarily comparable to similarly titled measures reported by other companies. In discussions of our consolidated results and the operating results of our International segment, we sometimes refer to the impact of changes in currency exchange rates. When we refer to changes in currency exchange rates or currency exchange rate fluctuations, we are referring to the differences between the currency exchange rates we use to convert the International segment's operating results from local currencies into U. S. dollars for reporting purposes. The impacts of currency exchange rate fluctuations are typically calculated as the difference between current period activity translated using the current period's

currency exchange rates and the comparable prior year period's currency exchange rates, respectively. We use this method for all countries where the functional currency is not U. S. denominated. Walmart U. S. 63. 8% 16 Walmart 2010 Annual Report 107077_L01_FIN. nnd 16 4/6/10 8: 25: 50 PM Management's Discussion and Analysis of Financial Condition and Results of Operations The Retail Industry We operate in the highly competitive retail industry in both the United States and the countries we serve internationally. We face strong sales competition from other discount, department, drug, variety and specialty stores, warehouse clubs, and supermarkets, many of which are national, regional or international chains, as well as internet-based retailers and catalog businesses. We compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees whom we call " associates"). We, along with other retail companies, are influenced by a number of factors including, but not limited to: general economic conditions, cost of goods, consumer disposable income, consumer debt levels and buying patterns, consumer credit availability, interest rates, customer preferences, unemployment, labor costs, inflation, deflation, currency exchange fluctuations, fuel and energy prices, weather patterns, climate change, catastrophic events, competitive pressures and insurance costs. Further information on risks to our company can be located in " Item 1A.

Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2010. Company Performance Metrics The company's performance metrics emphasize three priorities for improving shareholder value: growth, leverage and returns. The company's priority of growth

focuses on sales growth; the priority of leverage encompasses the company's metric to increase our operating income at a faster rate than the growth in net sales by growing our operating, selling, general and administrative expenses ("operating expenses") at a slower rate than the growth of our net sales; and the priority of returns focuses on how efficiently the company employs our assets through return on investment ("ROI") and how effectively the company manages working capital through free cash flow.

Growth Net Sales Fiscal Years Ended January 31, (Dollar amounts in millions)

	2009	2010	Percent increase Net sales	Percent of total 2008	Percent increase Net sales	Percent of total Net sales	Percent of total Walmart U. S. International Sam's Club
	\$258,229	100,107	46.7%	63.8%	24.7%	11.5%	
	1.1%	1.3%	-0.4%	\$255,348	98,840	46,899	63.7%
	24.6%	11.7%	6.9%	9.1%	5.8%	\$238,915	90,570
	44,336	63.9%	24.2%	11.9%	Net Sales	\$405,046	00.0%
	1.0%	\$401,087	100.0%	7.3%	\$373,821	100.0%	Our net sales increased by 1.0% and 7.3% in fiscal 2010 and 2009, respectively, when compared to the previous fiscal year. Net sales in fiscal 2010 increased due to increased customer traffic, continued global expansion activities and the acquisition of our Chilean subsidiary, Distribucion y Servicio ("D&S") in January 2009, offset primarily by a \$9.8 billion unfavorable currency exchange rate impact in our International segment and price deflation in certain merchandise categories in our Walmart U. S. segment. Net sales in fiscal 2009 increased due to our global expansion activities and comparable store sales increases, offset by a \$2.3 billion unfavorable currency exchange rate impact. Despite the unfavorable impact of currency exchanges rates, the International segment's net sales as

a percentage of total company net sales increased in ? scal 2010 and 2009, respectively. Volatility in currency exchange rates may continue to impact the International segment's net sales in the future. Comparable Store Sales

Comparable store sales is a measure which indicates the performance of our existing U. S. tores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. Comparable store sales in the United States decreased 0. 8% in ? scal 2010 and increased 3. 5% in ? scal 2009. Although customer traf? c increased in ? scal 2010, comparable store sales in the United States were lower than ? scal 2009 due to de? ation in certain merchandise categories and lower fuel prices. Comparable store sales in the United States in ? scal 2009 were higher than ? scal 2008 due to an increase in customer traf? c, as well as an increase in average transaction size per customer.

As we continue to add new stores in the United States, we do so with an understanding that additional stores may take sales away from existing units. We estimate the negative impact on comparable store sales as a result of opening new stores was approximately 0. 6% in ? scal 2010 and 1. 1% in ? scal 2009. With our planned slower new store growth, we expect the impact of new stores on comparable store sales to stabilize over time.

Fiscal Years Ended January 31,	2010	2009	2008	Walmart U. S.	Sam's Club (1)
	-0. 7%	-1. 4%	3. 2%	4. 9%	1. 0%
	4. 9%	1. 6%	(1) Sam's Club		
			comparable club sales include fuel.		

Fuel sales had a negative impact of 2. 1 percentage points in ? scal year 2010, and positive impact of 1. 2 and 0. 7 percentage points in ? scal years 2009 and 2008, respectively, on comparable club sales. Walmart 2010

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 Management's Discussion and Analysis of Financial Condition and Results of
 Operations Leverage Fiscal Years Ended January 31, (Dollar amounts in
 millions) 2009 2010 Operating income Percent of total Percent increase
 Operating income 2008 Percent of total Percent increase Operating income
 Percent of total Walmart U.

S. International Sam's Club Other \$19, 522 5, 033 1, 512 (2, 117) 81. 5% 21.
 0% 6. 3% -8. 8% 5. 2% 1. 9% -8. 1% -9. 9% \$18, 562 4, 940 1, 646 (2, 350)
 81. 4% 21. 7% 7. 2% -10. 3% 6. 8% 4. 6% -0. 1% 30. 3% \$17, 383 4, 725 1,
 648 (1, 804) 79. 2% 21. 5% 7. 5% -8. 2% Total operating income \$23, 950
 100. 0% 5. 1% \$22, 798 100. 0% 3. 9% \$21, 952 100. 0% We believe
 growing operating income at a faster rate than net sales growth is a
 meaningful measure because it indicates how effectively we manage costs
 and leverage operating expenses. Our objective is to grow operating
 expenses at a slower rate than net sales. nd ending total assets of continuing
 operations plus accumulated depreciation and amortization less accounts
 payable and accrued liabilities for that period, plus a rent factor equal to the
 rent for the ? scal year multiplied by a factor of eight. Operating Expenses
 In ? scal 2010, operating expenses increased 2. 7% when compared to ? scal
 2009, while net sales increased 1. 0% over the same period. Operating
 expenses grew at a faster rate than net sales due to higherhealthbene? t
 costs, restructuring charges and higher advertising expenses. In ? scal 2009,
 operating expenses increased 9. % compared to ? scal 2008 while net sales
 increased 7. 3% over the same period. Operating expenses grew at a faster
 rate than net sales in ? scal 2009 primarily due to higher utility costs, legal

matters, higher health benefit costs and increased corporate expenses. ROI is considered a non-GAAP financial measure under the SEC's rules. We consider return on assets ("ROA") to be the financial measure computed in accordance with GAAP that is the most directly comparable financial measure to ROI as we calculate that financial measure. ROI differs from ROA (which is income from continuing operations for the fiscal year divided by average total assets of continuing operations for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; adjusts total assets from continuing operations for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities; and incorporates a factor of rent to arrive at total invested capital.

Operating Income For fiscal 2010, we met our objective of growing operating income at a faster rate than net sales. Our operating income increased by 5.1% when compared to fiscal 2009, while net sales increased by 1.0% over the same period. Our Walmart U. S. and International segments met this objective. Our Sam's Club segment fell short of this objective primarily due to a \$174 million charge to restructure its operations, including the closure of 10 clubs. For fiscal 2009, we did not meet our objective because our operating income increased by 3.9% when compared to fiscal 2008, while net sales increased by 7.3% over the same period. The Walmart U. S. and Sam's Club segments fell short of this objective due to increases in operating expenses.

The International segment fell short of this objective due to accruals for certain legal matters and fluctuations in currency exchange rates. Although ROI is a standard financial metric, numerous methods exist for calculating a

company's ROI. As a result, the method used by management to calculate ROI may differ from the methods other companies use to calculate their ROI. We urge you to understand the methods used by another company to calculate its ROI before comparing our ROI to that of such other company.

Wal-Mart Stores, Inc. Operating Income (Amounts in millions) 24, 000

Returns Return on Investment Management believes return on investment is a meaningful metric to share with investors because it helps investors assess how effectively Walmart is employing its assets. Trends in ROI can fluctuate over time as management balances long-term potential strategic initiatives with any possible short-term impacts. ROI was 19.3 percent for both fiscal years ended January 31, 2010 and 2009. \$18, 000 Wal-Mart Stores, Inc. operating income increased 5.1% in fiscal 2010, driven by a 5.2% increase in Walmart U. S. \$12, 000 \$ 6, 000 We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization and rent expense) for the fiscal year divided by average invested capital during that period. We consider average invested capital to be the average of our beginning 08 09 10 Fiscal Years 18 Walmart 2010 Annual Report 107077_L01_FIN. indd 18 4/6/10 10: 19: 20 PM Management's Discussion and Analysis of Financial Condition and Results of Operations The calculation of ROI along with a reconciliation to the calculation of ROA, the most comparable GAAP financial measurement, is as follows: For the Years Ended January 31, Dollar amounts in millions) 2010 2009 Numerator Operating income (1) + Interest income (1) + Depreciation and amortization (1) + Rent (1) \$ 23, 950 181 7, 157 1, 808 \$ 22, 798 284 6, 739 1, 751 = Adjusted operating income \$ 33, 096 \$ 31, 572 Denominator Average total

assets of continuing operations (2) + Average accumulated depreciation and amortization (2) - Average accounts payable (2) - Average accrued liabilities (2) + Rent x 8 \$166, 900 38, 359 29, 650 18, 423 14, 464 \$162, 891 33, 317 29, 597 16, 919 14, 008 = Average invested capital \$171, 650 \$163, 700
 CALCULATION OF RETURN ON INVESTMENT Return on investment (ROI) 19.3% 19.3%

CALCULATION OF RETURN ON ASSETS Numerator Income from continuing operations (1) \$ 14, 927 \$ 13, 753 Denominator Average total assets of continuing operations (2) \$166, 900 \$162, 891 Return on assets (ROA) 8.9% 8.4% As of January 31, 2010 Certain Balance Sheet Data (1) Total assets of continuing operations Accumulated depreciation and amortization Accounts payable Accrued liabilities 2009 2008 \$170, 566 41, 210 30, 451 18, 734 \$163, 234 35, 508 28, 849 18, 112 \$162, 547 31, 125 30, 344 15, 725 (1) Based on continuing operations only and therefore excludes the impact of closing 23 stores and the divestiture of other properties of The Seiyu, Ltd. now Walmart Japan) pursuant to a restructuring program adopted during the third quarter of fiscal 2009. All of these activities have been disclosed as discontinued operations. Total assets as of January 31, 2010, 2009 and 2008 in the table above exclude assets of discontinued operations that are reflected in the Consolidated Balance Sheets of \$140 million, \$195 million and \$967 million, respectively. (2) The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2. Walmart 2010 Annual Report 19 107077_L01_FIN_02. indd 19 /6/10 12: 10: 47 AM Management's Discussion and Analysis of Financial Condition and Results of Operations Free

Cash Flow We define free cash flow as net cash provided by operating activities of continuing operations in a period minus payments for property and equipment made in that period. We generated positive free cash flow of \$14.1 billion, \$11.6 billion and \$5.7 billion for the years ended January 31, 2010, 2009 and 2008, respectively. The increase in our free cash flow is primarily the result of improved operating results and inventory management. The following table sets forth a reconciliation of free cash flow, a nonGAAP financial measure, to net cash provided by operating activities of continuing operations, a GAAP measure, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities. Fiscal Years Ended January 31, (Amounts in millions)

Free cash flow is considered a non-GAAP financial measure under the SEC's rules. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, income from continuing operations as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. Additionally, our definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions.

Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statement of cash flows. Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by our management to calculate free cash flow may differ from the methods other companies use to calculate their free cash flow. We urge you to understand the methods used by another company to calculate its free cash flow before comparing our free cash flow to that of such other company.

We generated positive free cash flow of \$14.1 billion, \$11.6 billion and \$5.7 billion for the years ended January 31, 2010, 2009 and 2008, respectively. The increase in our free cash flow is primarily the result of improved operating results and inventory management.

	2010	2009	2008
Net cash provided by operating activities	\$26,249	\$14,065	\$23,147
Payments for property and equipment	(12,184)	(14,937)	(11,499)
Free cash flow	\$14,065	\$11,648	\$5,705
Net cash used in investing activities	\$(11,620)	\$(10,742)	\$(15,670)
Net cash used in financing activities	\$(14,191)	\$(9,918)	\$(7,422)

Results of Operations The following discussion of our Results of Operations is based on our continuing operations and excludes any results or discussion of our discontinued operations. Unusual or infrequent items that impacted our income from continuing operations during the fiscal years ended 2010, 2009 and 2008 were as follows:

- In fiscal 2010, the company announced several organizational changes, including the closure of 10 Sam's Clubs, designed to strengthen and streamline our operations. As a result, we recorded \$260

million in pre-tax restructuring charges. • In ? cal 2010, we recorded \$372 million in net tax bene? ts primarily from the repatriation of certain non-U. S. earnings that increased U. S. foreign tax credits. • In ? scal 2009, the company settled 63 wage-and-hour class action lawsuits. As a result of the settlement, the company recorded a pre-tax charge of approximately \$382 million during the fourth quarter of ? scal 2009. • In ? scal 2008, we reduced our accrued liabilities for our general liability and worker’s compensation claims. As a result, operating expenses were reduced by a pre-tax amount of \$298 million.

20 Walmart 2010 Annual Report 07077_L01_FIN. indd 20 4/7/10 12: 14: 15 AM Management’s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Results of Operations Fiscal Year Net Sales (1) % Change from Prior Fiscal Year 2010 2009 2008 \$405, 046 401, 087 373, 821 1. 0% 7. 3% 8. 4% Operating Income (1) Operating Income as a Percentage of Net Sales Comp Sales Unit Counts Square Footage (2) \$23, 950 22, 798 21, 952 5. 9% 5. 7% 5. 9% -0. 8% 3. 5% 1. 6% 8, 416 7, 863 7, 239 952, 204 918, 008 867, 448 (1) Amounts in millions (2) Amounts in thousands Our consolidated net sales increased by 1. 0% and 7. 3% in ? cal 2010 and 2009, respectively, when compared to the previous ? scal year. Net sales in ? scal 2010 increased due to increased customer traf? c, continued global expansion activities and the acquisition of D&S in January 2009, offset primarily by a \$9. 8 billion unfavorable currency exchange rate impact in our International segment and price de? ation in certain merchandise categories in our Walmart U. S. segment. Net sales in ? scal 2009 increased due to our global store expansion activities, comparable

store sales increases, offset by a \$2.3 billion unfavorable currency exchange rate impact.

Volatility in currency exchange rates may continue to impact the International segment's net sales in the future. Our gross profit, as a percentage of net sales, (our "gross profit margin") was 24.8%, 24.2% and 24.0% in fiscal 2010, 2009 and 2008, respectively. Our Walmart U. S. and International segment sales yield higher gross profit margins than our Sam's Club segment. In fiscal 2010, gross profit margin increased primarily due to the continued focus on enhanced merchandising strategies and better inventory management in our Walmart U. S. and Sam's Club segments. The gross profit margin increase in fiscal 2009 compared to fiscal 2008 was primarily due to lower inventory shrinkage and less markdown activity as a result of more effective merchandising in the Walmart U. S. segment. Operating expenses, as a percentage of net sales, were 19.7%, 19.3% and 19.0% for fiscal 2010, 2009 and 2008, respectively. In fiscal 2010, operating expenses increased primarily due to higher health benefit costs, a pre-tax charge of \$260 million relating to the restructuring of U. S. operations and higher advertising expenses. In fiscal 2009, operating expenses increased primarily due to higher utility costs, a pre-tax charge of approximately \$382 million resulting from the settlement of 63 wage-and-hour class action lawsuits, higher health benefit costs and increased corporate expenses compared to fiscal 2008. Our effective income tax rate was 32.4% for fiscal year 2010 and 34.2% for fiscal years 2009 and 2008. The fiscal 2010 effective tax rate decreased compared to fiscal 2009 due to \$372 million in net tax benefits that primarily resulted from the repatriation

of certain non-U. S. earnings that increased our utilization of U. S. foreign tax credits.

As a result of the factors discussed above, we reported \$14.9 billion, \$13.8 billion and \$13.3 billion of income from continuing operations for the fiscal years ended January 31, 2010, 2009 and 2008, respectively. Walmart U. S.

Segment Fiscal Year Net Sales (1) % Change from Prior Fiscal Year 2010 2009 2008 \$258, 229 255, 348 238, 915 1. 1% 6. 9% 5. 6% Operating

Income (1) Operating Income as a Percentage of Net Sales Comp Sales Unit Counts Square Footage (2) \$19, 522 18, 562 17, 383 7. 6% 7. 3% 7. 3% -0.

7% 3. 2% 1. 0% 3, 708 3, 656 3, 550 602, 908 589, 299 566, 629 (1)

Amounts in millions (2) Amounts in thousands The segment net sales growth

in fiscal 2010 resulted from an increase in customer traffic and strength in our grocery and health and wellness categories, as well as our continued expansion activities. In fiscal 2009, the segment net sales growth resulted

from a comparable store sales increase of 3.2%, in addition to our expansion activities. Strength in the grocery, health and wellness and entertainment

categories, as well as strong seasonal sales throughout the year also contributed to the fiscal 2009 net sales increase. The segment net sales

growth in fiscal 2010 resulted from an increase in customer traffic and strength in our grocery and health and wellness categories, as well as our

continued expansion activities. Walmart 2010 Annual Report 21 107077_L01_FIN. indd 107077_L01_FIN. indd 21 4/6/10 8: 25: 51 PM

Management's Discussion and Analysis of Financial Condition and Results of Operations Comparable store sales were lower in fiscal 2010, despite

increased customer traffic, due to a decrease in average transaction size per

customer driven by price de? ation in certain merchandise categories. Comparable store sales were higher in ? scal 2009 due to an increase in customer traf? c, as well as an increase in average transaction size per customer. In ? scal 2010, gross pro? margin increased 0. 7 percentage points compared to the prior year due to more effective merchandising, better inventory management and lower inventory shrinkage. In ? scal 2009, gross pro? t margin increased 0. 4 percentage points compared to the prior year primarily due to decreased markdown activity and lower inventory shrinkage. The improvements in both years were attributable to merchandising initiatives that have improved space allocation, enhanced our priceleadershipand increased supply chain ef? ciencies. Segment operating expenses, as a percentage of segment net sales, increased by 0. 4 percentage points in ? cal 2010 compared to ? scal 2009 due to lower segment net sales increases compared to the prior year, higher health bene? t costs, higher advertising expenses and a pre-tax charge of \$73 million relating to the restructuring of Walmart U. S. operations. Segment operating expenses, as a percentage of segment net sales, increased 0. 4 percentage points in ? scal 2009 compared to the prior year due to hurricane-related expenses, higher bonus payments for store associates, higher utility costs and an increase in health bene? t costs.

	2010	2009	2008
Operating Income (1)			
Operating Income as a Percentage of Net Sales	17. 8%	17. 8%	17. 8%
Unit Counts	107, 98, 840	90, 570	84, 940
Square Footage (2)	\$100, 107	98, 840	90, 570
Fiscal Year % Change from Prior Fiscal Year	1. 3%	9. 1%	17. 8%
	\$5, 033	4, 940	4, 725
	5. 0%	5. 0%	5. 2%
	4, 112	3, 605	3, 098
	269, 894	248, 803	222, 583

(1) Amounts in millions (2) Amounts in thousands At January 31, 2010, our

International segment was comprised of our wholly-owned subsidiaries operating in Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, our majority-owned subsidiaries operating in 7 ve countries in Central America, and in Chile and Mexico, our joint ventures in India and China and our other controlled subsidiaries in China.

The fiscal 2010 increase in the International segment's net sales primarily resulted from our expansion activities and the inclusion of the results of D&S, acquired in January 2009, offset by the unfavorable impact of changes in currency exchange rates of \$9.8 billion. For additional information regarding our acquisitions, refer to Note 9 to the Consolidated Financial Statements.

The fiscal 2009 increase in the International segment's net sales was primarily due to net sales growth from existing units and our international expansion program, offset by the unfavorable impact of changes in currency exchange rates of \$2. billion. The fiscal 2010 increase in the International segment's net sales primarily resulted from our expansion activities and the inclusion of the results of D&S, acquired in January 2009, offset by the unfavorable impact of changes in currency exchange rates of \$9.8 billion.

In fiscal 2010, the International segment's gross profit margin increased 0.2 percentage points compared to the prior year. The increase was primarily driven by currency exchange rate fluctuations and the inclusion of D&S. In fiscal 2009, the International segment's gross profit margin decreased 0.1 percentage points compared to the prior year. The decrease was primarily driven by growth in lower margin fuel sales in the United Kingdom and the transition to EDLP as a strategy in Japan. Segment operating expenses, as a percentage of segment net sales, increased 0.3 percentage points in fiscal

2010 compared to the prior year primarily as a result of the inclusion of D&S, acquired in January 2009. Segment operating expenses, as a percentage of segment net sales, in ? scal 2009 were consistent with ? scal 2008. In ? scal 2010, currency exchange rate changes unfavorably impacted operating income by \$540 million.

In ? scal 2009, currency exchange rate changes unfavorably impacted operating income by \$266 million. Volatility in currency exchange rates may continue to impact the International segment's operating results in the future.

22 Walmart 2010 Annual Report 107077_L01_FIN. indd 107077_L01_FIN. indd 22 4/6/10 8: 25: 51 PM Management's Discussion and Analysis of Financial Condition and Results of Operations Sam's Club Segment Fiscal Year Net Sales (1) % Change from Prior Fiscal Year Operating Income (1) Operating Income as a Percentage of Net Sales Comp Sales Unit Counts Square Footage (2) \$46, 710 46, 899 44, 336 0. 4% 5. 8% 6. 6% \$1, 512 1, 646 1, 648 3. 2% 3. 5% 3. 7% -1. 4% 4. 9% 4. 9% 596 602 591 79, 401 79, 906 78, 236 2010 2009 2008 (1) Amounts in millions (2) Amounts in thousands The decrease in net sales for the Sam's Club segment in ? scal 2010 primarily resulted from lower fuel prices compared to the previous ? scal year. In ? scal 2009, the segment net sales growth resulted from a comparable club sales increase, including fuel, of 4. 9% and continued club expansion activities. Membership and other income, as a percentage of segment net sales, decreased slightly for ? scal 2010 when compared to ? scal 2009.

Membership and other income, as a percentage of segment net sales, decreased slightly for ? scal 2009 when compared to ? scal 2008. Liquidity

and Capital Resources Comparable club sales decreased during fiscal 2010 due to the negative impact of 2.1 percentage points from lower fuel prices when compared to the previous fiscal year, partially offset by sales increases in fresh food, consumables and certain health and wellness categories. In fiscal 2009, comparable club sales increased due to growth in food, pharmacy, electronics and certain consumables categories, as well as an increase in both member traffic and average transaction size per member. Fuel sales had a positive impact of 1.2 percentage points in fiscal 2009 on comparable club sales. Gross profit margin increased 0.6 percentage points during fiscal 2010 compared to the prior year due to continued strength in sales of consumable, fresh food and other food-related categories. Gross profit margin increased 0.1 percentage points during fiscal 2009 compared to the prior year due to strong sales in fresh food and other food-related categories, consumable categories and the positive impact of a higher fuel gross profit rate.

Segment operating expenses, as a percentage of segment net sales, increased 0.8 percentage points in fiscal 2010 compared to the prior year due primarily to a pre-tax charge of \$174 million related to the restructuring of Sam's Club operations, including the closure of 10 clubs. Segment operating expenses, as a percentage of segment net sales, increased 0.2 percentage points in fiscal 2009 compared to the prior year. In fiscal 2009, operating expense increases were impacted by higher utility and health benefit costs and hurricane-related expenses. Cash flows provided by operating activities supply us with a significant source of liquidity. We use these cash flows, supplemented with long-term debt and short-term

borrowings, to fund our operations and global expansion activities. Generally, some or all of the remaining free cash flow funds the dividends on our common stock and share repurchases. Cash flows provided by operating activities supply us with a significant source of liquidity. We use these cash flows, supplemented with long-term debt and short-term borrowings, to fund our operations and global expansion activities. Generally, some or all of the remaining free cash flow funds the dividends on our common stock and share repurchases.

Fiscal Years Ended January 31, (Amounts in millions)

	2010	2009	2008
Net cash provided by operating activities	\$ 26,249	\$ 23,147	\$ 20,642
Payments for property and equipment	(12,184)	(11,499)	(14,937)
Free cash flow	\$ 14,065	\$ 11,648	\$ 5,705
Net cash used in investing activities	\$(11,620)	\$(10,742)	\$(15,670)
Net cash used in financing activities	\$(14,191)	\$(9,918)	\$(7,422)

Cash flow provided by operating activities was \$26.2 billion, \$23.1 billion and \$20.6 billion for the years ended January 31, 2010, 2009 and 2008, respectively. The increases in cash flows provided by operating activities for each fiscal year were primarily attributable to an increase in income from continuing operations and improved working capital management. Working Capital Current liabilities exceeded current assets at January 31, 2010, by \$7.2 billion, an increase of \$789 million from January 31, 2009. Our ratio of current assets to current liabilities was 0.9 at January 31, 2010 and 2009. We generally have a working capital deficit due to our efficient use of cash in funding operations and in providing returns to shareholders in the form of stock repurchases and payment of dividends.

Walmart 2010 Annual Report 23 107077_L01_FIN. indd 107077_L01_FIN. indd 23 4/7/10 1: 06: 36 AM Management's Discussion and Analysis of

Financial Condition and Results of Operations Capital Resources During 2010, we issued \$5.5 billion of long-term debt. The net proceeds from the issuance of such long-term debt were used for general corporate purposes. During 2009, we issued \$6.6 billion of long-term debt. Those net proceeds were used to repay outstanding commercial paper indebtedness and for other general corporate purposes. Management believes that cash flows from continuing operations and proceeds from the issuance of short-term borrowings will be sufficient to finance seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate funding any shortfall in these expenditures with a combination of short-term borrowings and long-term debt. We plan to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other corporate purposes. We anticipate no difficulty in obtaining long-term financing in view of our credit ratings and favorable experiences in the debt market in the recent past. The following table details the ratings of the credit rating agencies that rated our outstanding indebtedness at January 31, 2010. The rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating.

Global Expansion Activities Cash paid for property and equipment was \$12.2 billion, \$11.5 billion and \$14. billion during the 2010, 2009 and 2008, respectively. These expenditures primarily relate to new store growth, as well as remodeling costs for existing stores. We

expect to incur capital expenditures of approximately \$13.0 billion to \$15.0 billion in fiscal 2011. We plan to finance this expansion and any acquisitions of other operations that we may make during fiscal 2011 primarily from cash flows from operations. Fiscal 2011 capital expenditures will include the addition of the following new, relocated and expanded units in the U. S. :

Fiscal Year 2011 Projected Unit Growth Walmart U.

S. Segment	Sam's Club Segment	145-160	5-10	150-170	Total U. S.
Additionally, the International segment expects to add more than 600 units during fiscal year 2011. The following represents an allocation of our capital expenditures: Rating Agency Commercial Paper Standard & Poor's Moody's Investors Service Fitch Ratings DBRS Limited Long-term Debt A-1+ P-1 F1+ R-1(middle) AA Aa2 AA AA To monitor our credit ratings and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our debt to our total capitalization as support for our long-term financing decisions.					

At January 31, 2010 and January 31, 2009, the ratio of our debt to total capitalization was 36.9% and 39.3%, respectively. For the purpose of this calculation, debt is defined as the sum of short-term borrowings, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases. Total capitalization is defined as debt plus total Walmart shareholders' equity. Our ratio of debt to our total capitalization decreased in fiscal 2010 primarily due to a decrease in short-term borrowings. We expect to incur capital expenditures of approximately \$13.0 billion to \$15.0 billion in fiscal 2011. We plan to finance this expansion and any acquisitions of other operations that

we may make during fiscal 2011 primarily from cash flows from operations.

Allocation of Capital Expenditures Projected Capital Expenditures New stores, including expansions and relocations Remodels Information systems, distribution and other Total U. S. International Total Capital Expenditures

Actual Fiscal Year	2011	Fiscal Year	Fiscal Year	2010	2009	31%	15%	29%
17%	34%	10%	21%	23%	20%	67%	69%	64%
33%	31%	36%	100%	100%				

100% Common Stock Dividends We paid dividends of \$1. 09 per share in ? scal 2010, representing a 15% increase over ? cal 2009. The ? scal 2009 dividend of \$0. 95 per share represented an 8% increase over ? scal 2008. We have increased our dividend every year since the ? rst dividend was declared in March 1974. On March 4, 2010, the company's Board of Directors approved an increase in the annual dividend for ? scal 2011 to \$1. 21 per share, an increase of 11% over the dividends paid in ? scal 2010. The annual dividend will be paid in four quarterly installments on April 5, 2010, June 1, 2010, September 7, 2010 and January 3, 2011 to holders of record on March 12, May 14, August 13 and December 10, 2010, respectively.

4 Walmart 2010 Annual Report 107077_L01_FIN. indd 107077_L01_FIN. indd 24 4/6/10 8: 25: 52 PM Management's Discussion and Analysis of Financial Condition and Results of Operations Company Share Repurchase Program From time to time, we have repurchased shares of our common stock under a \$15. 0 billion share repurchase program authorized by our Board of Directors on June 4, 2009 and announced on June 5, 2009, which replaced and terminated a \$15. 0 billion share repurchase program approved by our Board of Directors on May 31, 2007 and announced on June 1, 2007.

As was the case with the replaced share repurchase program, the new program has no expiration date or other restrictions limiting the period over which we can make our share repurchases, and will expire only when and if we have repurchased \$15.0 billion of our shares under the program or we terminate or replace the program. Any repurchased shares are constructively retired and returned to unissued status. We spent \$7.3 billion, \$3.5 billion and \$7.7 billion in share repurchases during fiscal year 2010, 2009 and 2008, respectively.

We consider several factors in determining when to execute the share repurchases, including among other things, our current cash needs, our capacity for leverage, our cost of borrowings and the market price of our common stock. As of January 31, 2010, the program had approximately \$9.2 billion remaining authorization for share repurchases. Contractual Obligations and Other Commercial Commitments The following table sets forth certain information concerning our obligations and commitments to make contractual future payments, such as debt and lease agreements, and contingent commitments:

Payments Due During Fiscal Years Ending January 31, (Amounts in millions)

	Recorded contractual obligations:	Long-term debt	Short-term borrowings	Capital lease obligations
Unrecorded contractual obligations:	Non-cancelable operating leases	Interest on long-term debt	Trade letters of credit	Purchase obligations
Total commercial commitments	Additionally, the company has approximately \$11.2 billion in undrawn lines of credit and standby letters of credit which, if drawn upon, would be included in the liabilities section of the Consolidated Balance Sheets.			

Purchase obligations include legally binding contracts such as term commitments for inventory and utility purchases, as well as commitments to make capital expenditures, software acquisition/license commitments and legally binding service contracts. Purchase orders for the purchase of inventory and other services are not included in the table above. Purchase orders represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty. Total 2011 2012-2013 2014-2015 Thereafter \$37, 281 523 5, 584 \$ 4, 050