

PressRelease

For Immediate Release

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Looking Ahead: Walmart's Q4 Results

Will Walmart reverse six consecutive quarters of negative comp growth? The retail giant will report its fourth quarter and full-year results on 22 February.

"Walmart has taken its eye off the ball. We expect them to go back to basics this year and focus on what they do best which is offering extreme value on well-known brands.

Let's not forget that Walmart has become the world's largest grocery retailer in the space of just a couple of decades. They have made some key executive changes, and we expect them to come back with a vengeance in 2011." – **Natalie Berg, Global Research Director, Planet Retail**

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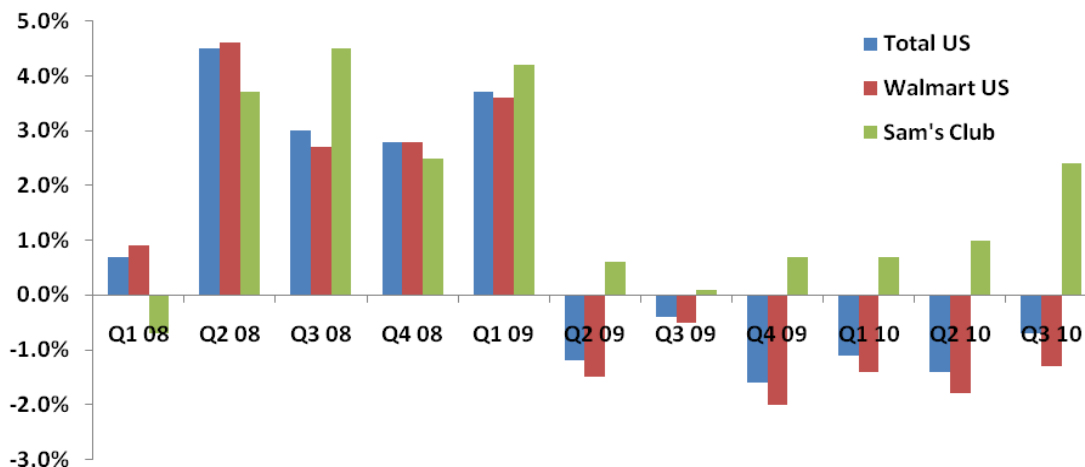
- In its domestic market, a shift away from the core has resulted in six consecutive quarters of negative comparable store sales growth. Despite a 1.6% decline in Q4 2009, Walmart is not expected to make a significant comp improvement in Q4 2010.
- Still the largest retailer in the world - we expect Walmart to add \$176.4 billion in sales globally in the next five years (taking into account the pending acquisition in South Africa). This will make Walmart a \$600+ billion retailer by 2016. Based on the growth potential of its existing business, Planet Retail expects Walmart to break the trillion dollar mark by 2020.*
- Despite a major slowdown in domestic store expansion, more than half (56%) of the 2011-2016 sales growth is expected to take place in North America. The discount superstore model is no longer worth pursuing. Instead, we will see Walmart grow domestic sales through continued supercenter conversions, e-commerce and small formats. We see a major opportunity for Walmart to penetrate underserved urban markets; however, leveraging learnings from International will be key.

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- Initiatives such as private label expansion and SKU rationalisation are vital for long-term growth. The aim of both initiatives is to cost-effectively drive shopper loyalty, but as we have seen, Walmart hasn't perfected this. In the process, they lost shoppers to the dollar stores for price and other supermarkets for assortment. We are already seeing signs of Walmart aiming to rectify this and go back to its core offering.
- After opening its first international store in Mexico City in 1991, Walmart is celebrating 20 years as a global retailer this year. With sales in excess of \$100 billion, Walmart's international division on its own is the fourth largest retailer in the world. Planet Retail sees a major opportunity for Walmart to build scale in Asia - primarily in China where we expect the grocery retail market to grow 81% to \$2.06 trillion by 2016. India is also poised for growth despite current FDI limitations as well as Latin America - primarily Brazil, Mexico and Argentina. By 2016, we expect International to account for one-third of group sales, compared to the current 25%.
- E-commerce is to play a growing role internationally in both developed markets such as Japan and the UK, as well as emerging economies such as Mexico.
- In the longer term, Peru, Colombia and Turkey are logical markets for acquisitive entry. However, Walmart is likely to focus its efforts on the pending South African acquisition before pursuing further new market entries.

**Based on global sales CAGR of 6.3%; excludes impact of potential acquisitions and currency fluctuations.*

Walmart: Quarterly US Comparable Store Sales Growth, 2008-2010 (%)



Source: Company Reports, Planet Retail

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About Planet Retail:

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