

WAL MART STORES INC

Form 10-Q

August 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended July 31, 2016.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____.

Commission file number 1-6991

WAL-MART STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware 71-0415188

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

702 S.W. 8th Street 72716

Bentonville, Arkansas

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (479) 273-4000

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 3,093,257,531 shares of common stock outstanding as of August 29, 2016.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Wal-Mart Stores, Inc.

Condensed Consolidated Statements of Income
(Unaudited)

(Amounts in millions, except per share data)	Three Months Ended		Six Months Ended	
	July 31, 2016	2015	July 31, 2016	2015
Revenues:				
Net sales	\$119,405	\$119,330	\$234,391	\$233,332
Membership and other income	1,449	899	2,367	1,723
Total revenues	120,854	120,229	236,758	235,055
Costs and expenses:				
Cost of sales	89,485	90,056	176,029	176,539
Operating, selling, general and administrative expenses	25,204	24,104	49,289	46,767
Operating income	6,165	6,069	11,440	11,749
Interest:				
Debt	509	523	1,008	1,046
Capital lease and financing obligations	79	44	165	364
Interest income	(22)	(24)	(46)	(43)
Interest, net	566	543	1,127	1,367
Income before income taxes	5,599	5,526	10,313	10,382
Provision for income taxes	1,710	1,891	3,208	3,464
Consolidated net income	3,889	3,635	7,105	6,918
Consolidated net income attributable to noncontrolling interest	(116)	(160)	(253)	(102)
Consolidated net income attributable to Walmart	\$3,773	\$3,475	\$6,852	\$6,816
Net income per common share:				
Basic net income per common share attributable to Walmart	\$1.21	\$1.08	\$2.19	\$2.11
Diluted net income per common share attributable to Walmart	1.21	1.08	2.18	2.11
Weighted-average common shares outstanding:				
Basic	3,109	3,221	3,126	3,226
Diluted	3,119	3,231	3,136	3,237
Dividends declared per common share	\$—	\$—	\$2.00	\$1.96
See accompanying notes.				

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Wal-Mart Stores, Inc.

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(Amounts in millions)	Three Months		Six Months	
	Ended July 31, 2016	2015	Ended July 31, 2016	2015
Consolidated net income	\$3,889	\$3,635	\$7,105	\$6,918
Less consolidated net income attributable to nonredeemable noncontrolling interest	(116)	(160)	(253)	(102)
Consolidated net income attributable to Walmart	3,773	3,475	6,852	6,816
Other comprehensive income (loss), net of income taxes				
Currency translation and other	(950)	437	(329)	(1,247)
Net investment hedges	288	(17)	210	(81)
Cash flow hedges	(87)	(139)	56	(19)
Minimum pension liability	(7)	4	(106)	74
Other comprehensive income (loss), net of income taxes	(756)	285	(169)	(1,273)
Less other comprehensive income (loss) attributable to nonredeemable noncontrolling interest	79	(78)	94	53
Other comprehensive income (loss) attributable to Walmart	(677)	207	(75)	(1,220)
Comprehensive income, net of income taxes	3,133	3,920	6,936	5,645
Less comprehensive income (loss) attributable to nonredeemable noncontrolling interest	(37)	(238)	(159)	(49)
Comprehensive income attributable to Walmart	\$3,096	\$3,682	\$6,777	\$5,596
See accompanying notes.				

Table of ContentsWal-Mart Stores, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(Amounts in millions)	July 31, 2016	January 31, 2016	July 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	\$7,676	\$8,705	\$5,751
Receivables, net	5,275	5,624	5,275
Inventories	43,453	44,469	45,007
Prepaid expenses and other	1,828	1,441	2,099
Total current assets	58,232	60,239	58,132
Property and equipment:			
Property and equipment	178,596	176,958	178,899
Less accumulated depreciation	(69,729)	(66,787)	(66,075)
Property and equipment, net	108,867	110,171	112,824
Property under capital lease and financing obligations:			
Property under capital lease and financing obligations	11,544	11,096	7,194
Less accumulated amortization	(5,001)	(4,751)	(3,507)
Property under capital lease and financing obligations, net	6,543	6,345	3,687
Goodwill	16,339	16,695	17,799
Other assets and deferred charges	7,905	6,131	6,178
Total assets	\$197,886	\$199,581	\$198,620
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	\$1,932	\$2,708	\$1,725
Accounts payable	39,902	38,487	37,225
Dividends payable	3,101	—	3,162
Accrued liabilities	19,651	19,607	18,290
Accrued income taxes	720	521	373
Long-term debt due within one year	2,265	2,745	4,024
Capital lease and financing obligations due within one year	551	551	463
Total current liabilities	68,122	64,619	65,262
Long-term debt	36,673	38,214	38,581
Long-term capital lease and financing obligations	6,070	5,816	4,262
Deferred income taxes and other	7,877	7,321	8,391
Commitments and contingencies	—	—	—
Equity:			
Common stock	310	317	321
Capital in excess of par value	1,915	1,805	1,979
Retained earnings	85,972	90,021	84,959
Accumulated other comprehensive loss	(11,672)	(11,597)	(8,388)
Total Walmart shareholders' equity	76,525	80,546	78,871

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Nonredeemable noncontrolling interest	2,619	3,065	3,253
Total equity	79,144	83,611	82,124
Total liabilities and equity	\$197,886	\$199,581	\$198,620
See accompanying notes.			

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Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)

(Amounts in millions)	Accumulated Total							
	Common Stock Shares	Capital in Excess of Par Value	Retained Earnings	Other Comprehensive Loss	Walmart Shareholders' Equity	Nonredeemable Noncontrolling Interest	Total Equity	
Balances as of February 1, 2016	3,162	\$ 317	\$ 1,805	\$ 90,021	\$ (11,597)	\$ 80,546	\$ 3,065	\$ 83,611
Consolidated net income	—	—	—	6,852	—	6,852	253	7,105
Other comprehensive income (loss), net of income taxes	—	—	—	—	(75)	(75)	(94)	(169)
Cash dividends declared (\$2.00 per share)	—	—	—	(6,231)	—	(6,231)	—	(6,231)
Purchase of Company stock	(70)	(7)	(94)	(4,665)	—	(4,766)	—	(4,766)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(508)	(508)
Other	5	—	204	(5)	—	199	(97)	102
Balances as of July 31, 2016	3,097	\$ 310	\$ 1,915	\$ 85,972	\$ (11,672)	\$ 76,525	\$ 2,619	\$ 79,144

See accompanying notes.

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Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended July 31,	
	2016	2015
(Amounts in millions)		
Cash flows from operating activities:		
Consolidated net income	\$7,105	\$6,918
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	4,905	4,658
Deferred income taxes	33	(396)
Other operating activities	(361)	532
Changes in certain assets and liabilities, net of effects of acquisitions:		
Receivables, net	443	683
Inventories	1,055	(227)
Accounts payable	1,864	(562)
Accrued liabilities	(387)	(860)
Accrued income taxes	274	(644)
Net cash provided by operating activities	14,931	10,102
Cash flows from investing activities:		
Payments for property and equipment	(4,619)	(5,044)
Proceeds from the disposal of property and equipment	260	287
Proceeds from the disposal of certain operations	—	246
Other investing activities	(57)	(91)
Net cash used in investing activities	(4,416)	(4,602)
Cash flows from financing activities:		
Net change in short-term borrowings	(857)	274
Proceeds from issuance of long-term debt	130	42
Payments of long-term debt	(2,026)	(3,159)
Dividends paid	(3,133)	(3,157)
Purchase of Company stock	(4,852)	(1,283)
Dividends paid to noncontrolling interest	(270)	(434)
Purchase of noncontrolling interest	(103)	(847)
Other financing activities	(103)	(210)