Walmart expects full-year sales to slow as U.S. COVID lockdowns end

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Walmart made a hefty profit of $560 billon last year as Americans stocked their pantries during the height of the coronavirus pandemic

New York, February 18 (RHC)-- Walmart Inc expects full-year sales and profit growth to slow as it reinvests in its business and lockdowns end after revenue soared to $560 billion last year as people stocked up on groceries during the coronavirus pandemic.

Shares in Walmart, which is based in Bentonville, Arkansas in the United States, were down 4.7 percent in early trading on Thursday. The company has invested heavily in online, advertising and healthcare businesses over the past year, using pandemic-led sales momentum to diversify beyond brick-and-mortar retail.

“Guidance was muted, locking in gains from last year but stalling profit expansion in favour of critical investments in people and platform,” Jefferies analyst Stephanie Wissink said.

Walmart forecast adjusted net sales to grow in the low single digits in the fiscal year 2022, which ends January 31. That growth is much lower than the 8.5 percent growth seen in the preceding year. It also expects earnings per share to be flat to slightly up, below the 2.2 percent growth analysts had been expecting, according to Refinitiv.

“We’re going to invest more aggressively in capacity and automation to position ourselves to earn the primary destination with customers; we are absolutely playing offence here,” Chief Executive Doug McMillon said at Walmart’s investor day conference.

Walmart expects capital expenditure to increase 27 percent to about $14bn this year, focusing on key areas like supply chain and automation. The world’s biggest retailer missed expectations for fourth-quarter profit as it took on about $1.1bn in pandemic-related costs during the quarter, including higher wages for warehouse workers, bonuses for store employees and costs related to keeping its stores clean.

The company, which employs 1.5 million people in the US, also said it was raising wages to more than $15 per hour on average. An early start to the holiday season and a boost from stimulus money late in the fourth quarter drove demand for electronics, toys and groceries.

Sales at U.S. stores open at least a year surged 8.6 percent, excluding fuel, in the three months ended January 31 – well above analysts’ expectations for a 5.6 percent rise, according to IBES data from Refinitiv. “The guidance that we’re going to give this morning really doesn’t include any material stimulus because we just don’t know what will happen. If we get more stimulus certainly that’s a tailwind for us,” Chief Financial Officer Brett Biggs told Reuters in an interview.

Online sales rose 69 percent in the quarter, blowing past a 35 percent increase in the year-earlier period, but slower than a 79 percent surge in the third quarter. The retailer has relied on its scale and strengthening online presence during the pandemic to attract new customers looking for a one-stop shop for their daily needs.

Operating income rose 3.1 percent to $5.49 billion in the quarter, while adjusted earnings were $1.39 per share. Analysts on average were expecting the company to earn $1.51 per share.

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