

Walmart's E-commerce Efforts Are Still on Track, Analyst Says

By [Teresa Rivas](#) June 10, 2019 1:25 pm ET

[Walmart stock](#) (ticker: WMT) is having a good year so far, edging ahead of the broader market and its fellow retailers. The company's recent shareholder meeting adds to this upbeat narrative, although the stock's multiple already reflects plenty of optimism, **Stifel** argues.

The back story. Walmart is up more than 15% year to date after rising 27.5% in the past 12 months. The [SPDR S&P Retail ETF \(XRT\)](#), in comparison, has gained less than 2% in 2019 and is down over the past year. Walmart isn't immune to issues hitting the sector, such as the [continuing threat of tariffs](#). But its most recent [quarterly earnings were upbeat](#), and the company is [playing hardball with Amazon.com \(AMZN\)](#) and other rivals.

What's new. Last week, Walmart held its annual shareholder meeting, offering more details about the company's efforts in areas like e-commerce and grocery. Stifel analyst **Mark Astrachan** attended the meeting, and believes the company's online efforts are on the right track.

Yes, the segment remains unprofitable, and that will remain the case into next year because of increased investment. Yet Astrachan notes that the "shift to higher margin categories apparel and home, particularly with the addition of exclusive brands, [is] favorable."

It isn't just digital revenue that looks promising, however. Overall the analyst thinks sales growth "will remain solid," and strong management execution should keep costs under control and allow for stable operating margins through fiscal 2020. He also thinks the company's omnichannel fresh food options will resonate with consumers.

Looking ahead. In general, Astrachan believes the annual meeting was more of the same.

"Walmart's investment in price and associates is working, resulting in improved traffic trends and store productivity," he writes. "Continued comparable sales growth and strong e-commerce results better position it to compete against online competitors compared to retailer peers."

Nonetheless, Astrachan reiterated a Hold rating and \$105 price target on Walmart. He is concerned that the stock's valuation limits the upside from here, especially considering the shares' year-to-date gains and Walmart's need to make further investments in the business.

Walmart stock was up 1.1% to \$107.25 in recent trading.

Write to Teresa Rivas at teresa.rivas@barrons.com

MORE FROM NEWS CORP

Bauhaus Influence Runs Deep in Modern Luxury Home Design, 100 Years Later PENTA

Good Company: Saola Shoes' Plan to Revolutionize Footwear Manufacturing PENTA

5 Common House-Flipping Myths You Should Never Believe REALTOR.COM

Deutsche Bank to quit equities trading and cut 18,000 jobs in major overhaul FINANCIAL NEWS LONDON

A Cold War With China Has Already Started and Could Last a Long Time, Investment Chief Says BARRON'S