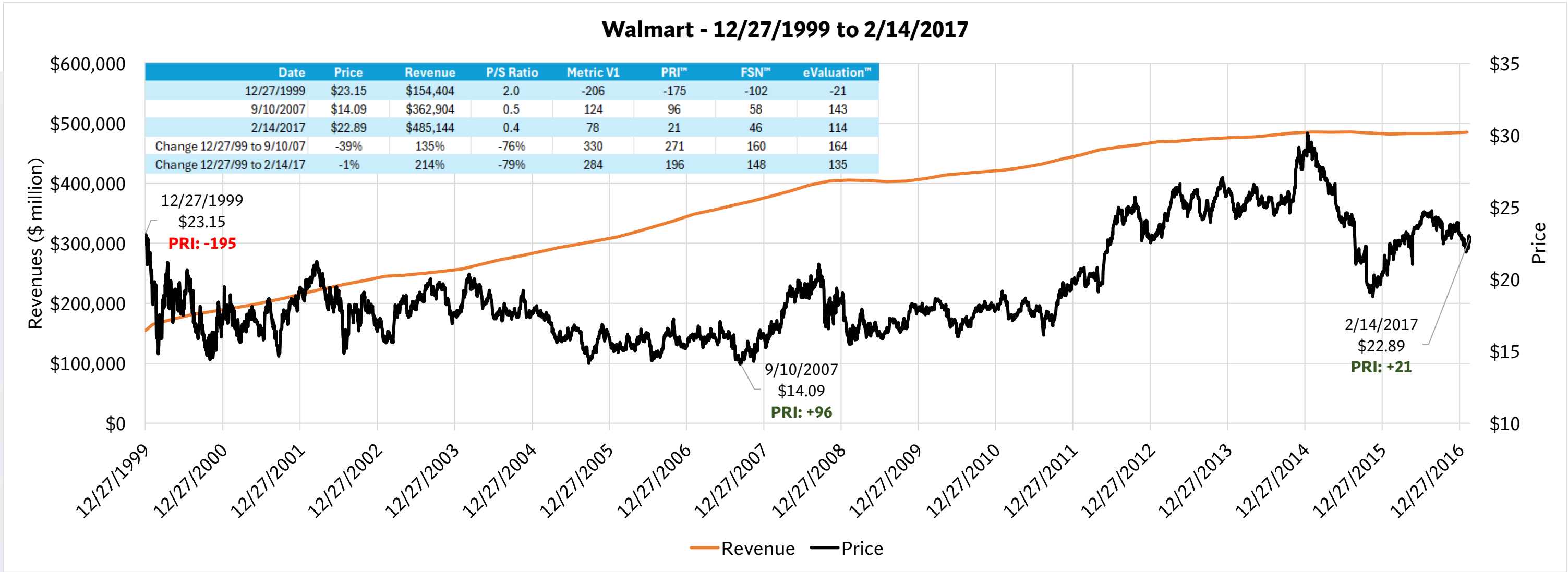


Walmart: When Great Companies Become High-Risk Investments

How 214% Revenue Growth Produced a –1% Return Over 17 Years

Walmart - 12/27/1999 to 2/14/2017



Stock performance follows mathematics, not opinion. Walmart’s history from 12/27/1999 to 2/14/2017 demonstrates a powerful and often misunderstood truth: even the strongest companies can deliver flat or negative long-term returns when their starting valuations are too high. Walmart’s business expanded dramatically during this period, yet shareholders saw no meaningful appreciation. The reason is simple—valuation compression.

On 12/27/1999, Walmart’s stock traded at **\$23.15** with revenues of **\$154 billion** and a Price-to-Sales (P/S) ratio of **2.0**. By 2/14/2017, revenues had surged to **\$485 billion**, a gain of **214%**, yet the stock sat at **\$22.89**, a slight **–1% decline** over nearly 17 years. During the same period, Walmart’s P/S ratio collapsed from **2.0** to **0.4**, a **79% contraction**. The company’s business grew exceptionally; the valuation multiple did not. As Walmart matured, the market reset the premium investors were willing to pay for each dollar of sales.

The most severe period of compression occurred between 1999 and 2007. On **9/10/2007**, Walmart’s stock traded at **\$14.09**, a **–39% decline**, even though revenues had climbed to **\$363 billion**—a **135% increase**. Revenue went up sharply; price went down substantially. Walmart did not become weaker; its valuation simply normalized. This decline in share price was not a reflection of deteriorating fundamentals but the inevitable mathematical adjustment as price converged with economic reality.

This is the type of risk that Equity Risk Sciences’ Profit Map™ is designed to identify. By quantifying the divergence between a company’s current market value and its statistically probable Net Present Value (NPV) range, ERS enables fiduciaries to see when a stock’s downside risk is high—even when the business appears exceptionally strong. Walmart’s 17-year stagnation was not unpredictable; it was a natural consequence of beginning at an inflated valuation and experiencing long-term P/S reversion.

With ERS’s tools, fiduciaries can move beyond narratives and measure valuation risk with precision—protecting their clients from decades of flat or negative performance, even in the world’s most dominant companies.