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Wal-Mart Profit Rises 10% on International Growth

By Chris Burritt

Wal-Mart Stores Inc., the world's largest retailer, said first-quarter profit increased 10 percent as growth in Mexico, Canada and China helped make up for sales declines at U.S. stores.

International sales jumped 8.9 percent on a constant currency basis as the retailer expanded abroad to counter the 1.4 percent sales drop at U.S. Wal-Mart stores open at least a year. Chief Executive Officer Mike Duke said in a statement that customers, especially in the U.S., are still concerned about personal finances, unemployment and gas prices.

“They’re mainly focused in the U.K. and parts of Asia and South America where they still are catering to that lower-income customer, and there’s a great value that they are offering,” Joe Feldman, an analyst at Telsey Advisory Group in New York, said in a Bloomberg Television interview. In the U.S., he said, “they are seeing lighter traffic in the stores.”

Net income rose to \$3.32 billion, or 88 cents a share, from \$3.02 billion, or 77 cents, a year earlier, Wal-Mart said in the statement today. Analysts projected earnings of 85 cents, the average of 21 analysts' estimates compiled by Bloomberg.

Wal-Mart, based in Bentonville, Arkansas, gained 98 cents, or 1.9 percent, to \$53.71 at 4 p.m. in New York Stock Exchange composite trading. The shares have gained less than 1 percent this year.

Retailers Beat Estimates

Wal-Mart joined retailers Home Depot Inc. and Saks Inc. in reporting earnings that topped analysts' estimates today. Saks, the New York-based luxury retail chain, reported a profit after marking down less merchandise. Home Depot, the biggest U.S. home-improvement retailer, said it is reducing promotional activity and raised its annual profit forecast.

China, Brazil and other emerging markets generated the most international sales growth for Wal-Mart, while its U.K. supermarket chain Asda reported a decline in same-store sales, Chief Financial Officer Tom Schoewe told reporters on a call.

Wal-Mart, which operates in 15 countries, has “a tremendous opportunity to expand the footprint of where we are today” with acquisitions, Schoewe said. He declined to provide specifics.

Price cuts through the recession helped Wal-Mart boost sales last year while competitors reported declines. This year, the retailer has lowered prices on gas grills, lawn mowers and Procter & Gamble Co.'s Crest toothpaste and Bounty paper towels in so-called rollbacks aimed at driving sales growth.

More Reductions

Wal-Mart said today it plans additional U.S. price reductions on items including cereal, ice cream and laundry detergent during the summer months.

The retailer had projected sales at established U.S. Wal-Mart stores would fall no more than 1 percent in the first quarter ended April 30. For the second quarter, same-store sales for U.S. locations will range from negative 2 percent to positive 1 percent, Wal-Mart forecast today.

Wal-Mart also offset the U.S. sales decline by managing costs. Operating, selling, general and administrative expenses rose 3.9 percent, slower than revenue growth of 5.9 percent to \$99.8 billion in the quarter.