EXECUTIVE SUMMARY

Week in Review - Stocks Head South
Global Econ Perspective - OPEC's 3.5% 2019 Projection Hardly Cause for Alarm
U.S. Econ News - Mixed Picture for the U.S.; Powell Upbeat
AAII Sentiment - The Only Problem with Market Timing...
Private Bear Markets - Amazon, Netflix and Nvidia Have Joined the Heavily Populated Pity Party
Volatility Review - Lots of Fits and Starts Since the March 2009 Low-Water Mark
Target Prices - Updated Listing Coming to theprudentspeculator.com
Company News - Updates on CSCO, WSM, TSN & WMT

Market Review

While the seasonally favorable six months of the year (Halloween through May Day) had been off to a nice start, the first three-plus days of the latest trading week provided another reminder that downside volatility is a normal part of the investment process.

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Volatility Picks Up

There were plenty of wild swings in the week ending 11.16.18, as the Dow Jones Industrial Average plunged more than 600 points on Monday, and then another 600 or so points from that day's close to the Thursday low-water mark, only to see a rebound ensue that essentially cut the losses for the full five days in half by Friday's close.

When all was said and done, the price-weighted Dow Jones Industrial Average suffered a loss of more than 2% for the five days just ended, though the capitalization-weighted S&P 500 and

Russell 3000 indexes dropped by “only” 1.54% and 1.49%, respectively. The primary catalyst for the downturn was renewed concern about global economic growth, given that output contracted in Germany and Japan in Q3, while OPEC lowered its outlook for world-wide GDP growth in 2019 to 3.5% from 3.6%.

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OPEC Projects 3.5% Global Growth in ‘19

World Economy

The global economic growth forecast for 2018 remains unchanged at 3.7%, while the 2019 forecast was revised down slightly by 0.1 percentage point (pp) to now stand at 3.5%, on the back of a slowing dynamic amid rising trade tensions, monetary tightening, particularly in the US, and mounting challenges in emerging markets and developing economies. In the OECD, growth in the US is assessed to be unchanged at 2.9% in 2018, but was revised slightly upward to 2.6% in 2019. Euro-zone growth was revised down to 1.9% for 2018 and to 1.7% for 2019. GDP growth in Japan remains at 1.1% in both 2018 and 2019 each. In the non-OECD countries, both India’s and China’s growth forecasts were revised slightly downward to 7.5% and 6.5% for 2018, respectively, and lowered to 7.2% and 6.1%, respectively, for 2019. Growth in Brazil remains unchanged at 1.1% in 2018 and at 1.8% in 2019. Russia’s GDP growth forecast is also unchanged at 1.6% in 2018 and 1.7% in 2019.

Table 3 - 1: Economic growth rate and revision, 2018-2019*, %

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2018	**3.7**	**2.4**	**2.9**	**1.1**	**1.9**	**1.3**	**6.5**	**7.5**	**1.1**	**1.6**
Change from previous month	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.0
2019	**3.5**	**2.0**	**2.6**	**1.1**	**1.7**	**1.4**	**6.1**	**7.2**	**1.8**	**1.7**
Change from previous month	-0.1	-0.1	0.1	0.0	-0.2	0.0	-0.1	-0.2	0.0	0.0

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

OPEC Monthly Oil Market Report – November 2018

Of course, we hardly think that 3.5% growth should be cause for alarm,…

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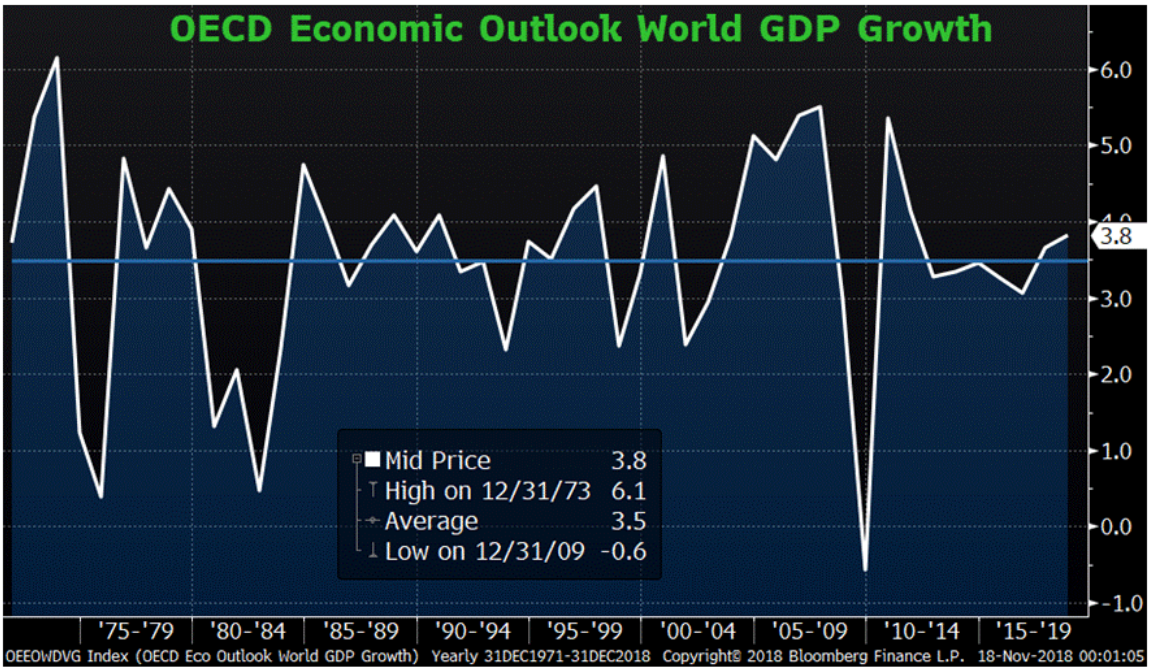
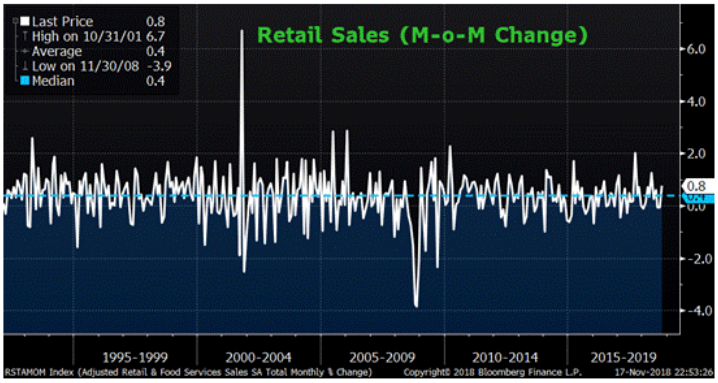
Historical Global GDP Growth

Though many seem disappointed by recent estimates of 3.5% GDP growth in 2019, such a figure simply would be average since 1971.



…even as we realize that U.S. economic numbers are not exactly stellar,…

Mixed Econ Numbers



While investors generally were unimpressed, retail sales for October topped expectations with a 0.8% growth rate, though when gasoline and autos were stripped out, the growth number was a pedestrian 0.3%. Also, the important Philly Fed Business Outlook Survey dipped to 12.9, well below expectations but still above average for the gauge of manufacturing activity in the mid-Atlantic region.

…though Federal Reserve Chair Jerome Powell struck an optimistic tone last week, “I’m very happy about the state of the economy now. There’s pretty good reason to think we’re going to continue in a positive vein like that.”

Interestingly, the selloff reversed course on Thursday, just as the good folks at the American Association of Individual Investors (AAII) lost a chunk of their optimism,…

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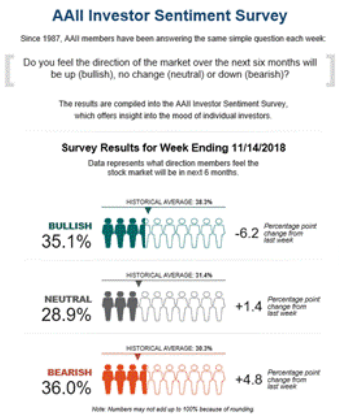
AAII Sentiment – Contrarian Indicator

Warren Buffett states, "Be greedy when others are fearful and fearful when others are greedy," and the weekly AAII Bull-Bear Spread and subsequent performance supports the Oracle of Omaha's assertion…at least on the "others are fearful" argument. As often seems to occur, the latest -11.0 point drop in the Bull-Bear Spread preceded a favorable couple of days on Nov. 15 and Nov. 16 in the U.S. equity markets.



AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
Below & Above Median Bull Bear Spread = 8.5											
BELOW	-54.00	8.48	815	0.24%	0.20%	1.17%	1.05%	3.27%	2.89%	6.62%	5.88%
ABOVE	8.49	62.86	790	0.17%	0.15%	0.49%	0.41%	2.04%	1.81%	4.71%	4.23%
Ten Groupings of 1605 Data Points											
1	-54.0	-14.0	164	0.36%	0.30%	1.36%	1.12%	4.16%	3.54%	8.21%	6.83%
2	-14.0	-6.8	160	0.39%	0.36%	1.20%	1.08%	3.93%	3.59%	7.40%	6.79%
3	-6.8	-0.9	160	0.28%	0.25%	1.64%	1.56%	3.28%	2.88%	6.76%	6.06%
4	-0.7	3.5	159	0.15%	0.12%	1.07%	0.99%	2.61%	2.30%	5.95%	5.53%
5	3.6	8.0	161	0.01%	-0.02%	0.62%	0.53%	2.66%	2.41%	5.11%	4.57%
6	8.1	12.5	155	0.12%	0.11%	0.42%	0.33%	1.65%	1.43%	4.69%	4.17%
7	12.7	17.0	168	0.16%	0.14%	0.88%	0.80%	2.88%	2.68%	6.19%	5.79%
8	17.0	22.7	152	0.27%	0.25%	0.69%	0.61%	2.15%	1.87%	5.64%	5.16%
9	22.7	30.5	162	0.11%	0.09%	0.27%	0.18%	2.11%	1.85%	4.61%	4.02%
10	30.5	62.9	164	0.20%	0.18%	0.18%	0.11%	1.20%	0.97%	2.23%	1.79%

From 07.31.87 through 11.15.18. Unannualized. SOURCE: Al Frank using data from American Association of Individual Investors and Bloomberg

…while Value continued its recent renaissance, thanks to sizable pullbacks in more than a few tech stocks, with four of the most popular names now in their own private Bear Market.

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FAANNGM Price and Financial Metrics

		FB US Equity	AAPL US Equity	AMZN US Equity	NFLX US Equity	NVDA US Equity	GOOG US Equity	MSFT US Equity
Company Name:		FACEBOOK INC-A	APPLE INC	AMAZON.COM INC	NETFLIX INC	NVIDIA CORP	ALPHABET INC-C	MICROSOFT CORP
52-Week High		218.62	233.47	2,050.50	423.21	292.76	1,273.89	116.18
52-Week High Date		7/25/2018	10/3/2018	9/4/2018	6/21/2018	10/2/2018	7/27/2018	10/3/2018
52-Week Low		137.77	150.24	1,122.55	178.38	161.61	980.64	80.70
52-Week Low Date		11/16/2018	2/9/2018	11/20/2017	12/4/2017	11/16/2018	3/28/2018	12/4/2017
Daily Volume		37,250,560	36,928,253	6,066,080	9,099,485	49,087,977	1,658,116	33,502,121
Current Price:		***139.53***	***193.53***	***1,593.41***	***286.21***	***164.43***	***1,061.49***	***108.29***
52-Week High % Change		-36.2%	-17.1%	-22.3%	-32.4%	-43.8%	-16.7%	-6.8%
52-Week Low % Change		1.3%	28.8%	41.9%	60.4%	1.7%	8.2%	34.2%
Total Common Shares (M)		2,873	4,755	489	436	610	696	7,680
Market Capitalization		***401,568***	***918,377***	***779,128***	***124,812***	***100,302***	***740,416***	***836,964***
Total Debt		-	114,483.00	43,910.00	8,336.59	1,990.00	3,986.00	81,882.00
- Cash and Equivalents		41,206.00	237,100.00	29,765.00	3,067.53	7,591.00	106,416.00	135,880.00
Current Enterprise Value		***360,362.08***	***795,759.87***	***793,272.50***	***130,080.94***	***94,701.30***	***637,986.15***	***782,966.17***
Dividend Yield		-	***1.5%***	-	-	-	-	***1.7%***
Valuation								
Total Revenue	CY17	40,653	239,176	177,866	11,693	9,468	89,183	101,713
	CY18	55,292	269,058	232,436	15,815	12,749	109,510	118,463
	CY19	68,538	281,379	280,055	19,849	13,076	130,383	129,997
	CY20	82,992	292,920	333,984	24,289	14,770	152,840	141,587
EV/EBITDA	CY17	13.3x	10.4x	38.5x	117.7x	32.0x	16.2x	20.3x
	CY18	10.9x	9.5x	24.2x	65.9x	19.5x	12.8x	15.7x
	CY19	9.6x	9.8x	18.4x	44.7x	18.2x	10.3x	14.0x
	CY20	7.7x	9.4x	13.9x	30.4x	14.5x	8.2x	11.4x
EPS	CY17	6.97	9.72	10.11	1.61	4.71	43.00	3.28
	CY18	8.39	12.65	26.51	2.98	7.38	54.71	4.31
	CY19	8.65	13.79	35.01	4.50	7.18	56.87	4.63
	CY20	9.87	15.47	47.14	7.33	8.18	69.58	5.25
P/E	CY17	20.0x	19.9x	157.6x	178.3x	34.9x	24.7x	33.0x
	CY18	16.6x	15.3x	60.1x	96.1x	22.3x	19.4x	25.1x
	CY19	16.1x	14.0x	45.5x	63.6x	22.9x	18.7x	23.4x
	CY20	14.1x	12.5x	33.8x	39.0x	20.1x	15.3x	20.6x

Source: Bloomberg. As of 11.16.18

We own Apple and Microsoft (though not at R3K/ S&P 500 weight), having bought the pair long ago, and we recently added Alphabet, but we don't currently see value in Amazon, Netflix or Nvidia, despite their Bear Market price tags, though Facebook is worth watching.

To be sure, high-flyers like Amazon, Netflix and Nvidia have merely joined the club of stocks that are now trading more than 20% below their 52-week high prices, throwing more cold water on the seemingly universal belief that equities have been in an uninterrupted nine-plus-year Bull Market.

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Bear Markets Aplenty

While the financial press and most supposed investment experts continue to proclaim that equities have been in a nine-plus-year Bull Market, when one understands that it is a market of stocks, and not simply a stock market, it is a very different story.

S&P 500 Members Below 52-Week High

	-40%	-35%	-30%	-25%	-20%	-15%	-10%	-5%
# Below	24	54	78	119	189	265	333	405
Total	507	507	507	507	507	507	507	507
% Below	4.7%	10.7%	15.4%	23.5%	37.3%	52.3%	65.7%	79.9%

Source: Bloomberg. As of 11.16.18

Russell 3000 Members Below 52-Week High

	-40%	-35%	-30%	-25%	-20%	-15%	-10%	-5%
# Below	598	790	1030	1324	1678	2076	2432	2731
Total	3027	3027	3027	3027	3027	3027	3027	3027
% Below	19.8%	26.1%	34.0%	43.7%	55.4%	68.6%	80.3%	90.2%

Source: Bloomberg. As of 11.16.18

Indeed, there have been numerous downturns since the March 9, 2009 market low,…

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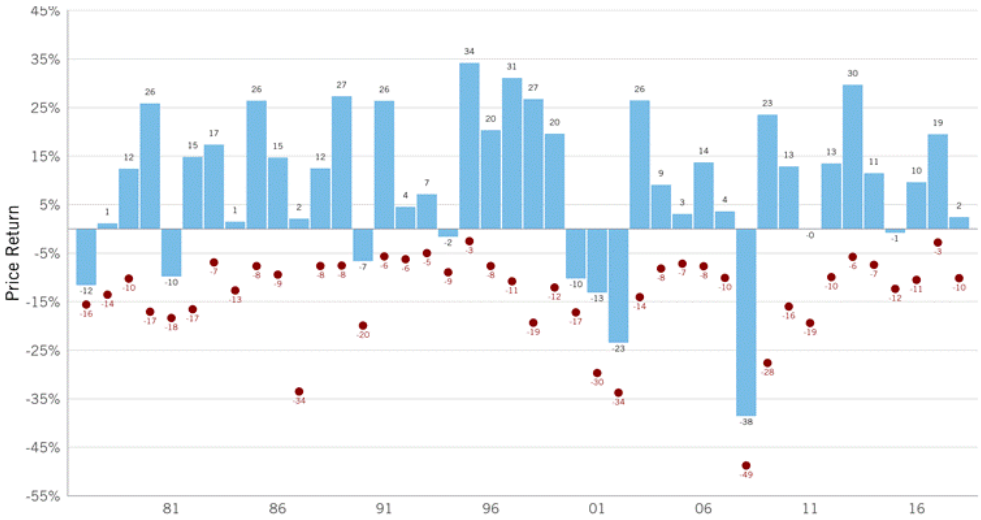
A Big Selloff Happens Almost Every Year

While the S&P 500 has enjoyed excellent long-term returns and endured a relatively small number of negative full years since the founding of *The Prudent Speculator* in 1977, there have been corrections of 10% or more in 25 of the 41 years, including the current one.



From 12.31.76 through 11.17.18. Price returns do not include dividends. Intra-year drops refer to the largest drops between high and low close prices during a calendar year. 2016 return is year to date. SOURCE: AFAM Capital using data from Bloomberg Finance L.P.

…even as overall returns since then have been spectacular.

Clearly, the overall trend has been up since the March 2009 major equity market low, but the ride since has been anything but smooth.

Certainly, we do not think that the big gyrations are over, but with interest rates remaining low, the U.S. and global economies still in OK shape and equity valuations much more reasonable, we remain enthusiastic about the long-term prospects of our broadly diversified portfolios of what we believe are undervalued stocks.

Stock Updates

Keeping in mind that all stocks are rated as "Buy" until such time as they are a "Sell," a listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/.

Third quarter earnings season is winding down, but a few more reports flowed in last week, with Jason Clark and Chris Quigley offering updates on stocks that had news that was of sufficient importance to trigger a review of their respective Target Prices (note that updated Target Prices are posted to theprudentspeculator.com twice a month)…

Networking communications equipment firm **Cisco Systems** (CSCO - $46.35) earned $0.75 per share in fiscal Q1 2019 (vs. $0.72 est.). CSCO had total revenue of $13.1 billion, versus the $12.9 billion estimate. Shares traded higher by 5.5% following the announcement, spurred by CSCO's report of increased spending on applications and strong cyber security demand.

CEO Chuck Robbins said, “We delivered another great quarter. It is absolutely clear that the strategy and transformation that we laid out three years ago is working. We accelerated revenue growth, expanded margins, and generated strong operating cash flow and double-digit earnings per share growth. We saw broad-based growth across all of our geographies, product categories, and customer segments. This was driven by strong execution, differentiated innovation, and our transition to more software and subscription offerings. We are well-positioned to capture significant growth opportunities while creating long-term value for our shareholders. In today's environment, there is an ever-increasing number of connected devices with users expecting an always-on experience with access to any application. The Enterprise has expanded to now include multiple clouds, and applications are evolving at an unprecedented rate. Customers, facing a new level of complexity, are increasingly seeing value of our integrated platforms over standalone products.”

Mr. Robbins concluded, “We had a great quarter, and our opportunity has never been greater. Our growth continued to accelerate as we executed well against our strategy, continued to drive innovation across our portfolio, and delivered more software and cloud-based offerings. It is clear our customers are looking to Cisco as a trusted partner to help them operate in a multi-cloud world and to transform their businesses. We are well-positioned with our growing portfolio across multiple. As we continue to innovate to bring our customers a more secure, automated, and simple IT infrastructure. We believe the strength and differentiation of our portfolio, combined with the power of our business model provides us with a strong foundation for fiscal year 2019 to create long-term growth and shareholder value.”

CFO Kelly Kramer offered the guidance for fiscal Q2 2019, “We expect revenue growth in the range of 5% to 7% year-over-year. We anticipate the non-GAAP gross margin rate to be in the range of 63.5% to 64.5%. The non-GAAP operating margin rate is expected to be in the range of 30.5% to 31.5%, and the non-GAAP tax provision rate is expected to be 19%. Non-GAAP earnings per share is expected to range from $0.71 to $0.73.”

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CSCO – Shareholder Rewards

Capital Allocation

$M	Q1 FY 2018	Q2 FY 2018	Q3 FY 2018	Q4 FY 2018	Q1 FY 2019
Share Repurchases	$1,620	$4,011	$6,015	$6,015	$5,026
Dividends Paid	1,436	1,425	1,572	1,535	1,500
Total	$3,056	$5,436	$7,587	$7,550	$6,526

	Q1 FY 2018	Q2 FY 2018	Q3 FY 2018	Q4 FY 2018	Q1 FY 2019
Dividends Per Share	$0.29	$0.29	$0.33	$0.33	$0.33

Share Repurchase Program[1]	Amount Purchased ($M)	Number of Shares (M)	Avg. Price Per Share
Q1 FY 2019 Purchases	$5,026	109	$46.01

[1]Approximately $14.0B remaining authorized funds in repurchase program as of the end of Q1 FY 2019

Cisco has had a solid year thus far, weathering some interim volatility, and the company continues to build its cloud presence, both in hardware and software. Cisco repurchased $5 billion of shares and paid $1.5 billion out via dividends to shareholders in Q1. We think the company's challenging transformation has put it on a path to long-term success, and shareholders are beginning to see the benefits of those efforts. We continue to like the strong balance sheet with about $3.60 per share in net cash and believe that the stock still trades at a sizable discount with a forward 12-month P/E ratio of 15 and a 2.9% dividend yield. Our Target Price has been hiked to $55.

Luxury home goods retailer **Williams-Sonoma** (WSM - $53.76) posted earnings per share of $0.95, versus the $0.94 estimate, in fiscal Q3 2019. WSM had sales of $1.4 billion, matching the consensus estimate. While WSM posted a solid Q3, guidance for the upcoming holiday quarter came in slightly short of estimates, sending the shares plummeting 11.2%.

Hard to believe that the punishment fit the crime, given that WSM expects to earn $1.89 to $1.99 per share in Q4, with full-year EPS between $4.26 to $4.36 (consensus estimate was $4.35). Q4 revenue is expected to be between $1.73 billion and $1.83 billion, with full-year revenue $5.57 billion to $5.67 billion (consensus estimate was $5.65 billion).

CEO Laura Alber commented, “We delivered third quarter with EPS at the high end of guidance and continued strength in demand and customer growth. This performance demonstrates our team's strong execution, the ongoing benefits of our strategic initiatives and the power of our multi-channel, multi-brand model. Given the substantial progress we've made in our business this year and our compelling pipeline of innovative product and inspiring content, we believe we are well prepared to deliver this holiday season and remain on track to meet or beat our full year guidance. Regarding our transition to one inventory, we are executing ahead of plan, crossing the threshold of $1 billion in annualized sales volume through the one inventory program in September. Our multiyear transition to one inventory will allow us to completely reengineer inventory flow processes, better allocating inventory cross-channel, optimizing inventory levels, improving DC efficiency and significantly bringing down costs in the supply chain. Despite tightness in the labor market, we are ahead in our seasonal hiring versus last year, helped by the recent increase in hourly wage and incentive pay in our DCs.”

On the topic of the China tariffs, Ms. Alber said, “While the situation remains volatile, our teams are aggressively resourcing and renegotiating cost with our vendor partners. And given our vertically integrated multi-country supply chain and our trusted longstanding relationships with our vendors, we're making good progress. We are also looking to mitigate the impact due to the tariffs to cross-reductions in other parts of the business. For example, we've recently undergone an exhaustive exercise on non-merchandise vendor expense, where we have identified sizable opportunities to consolidate work with our vendors and reduce costs in areas such as janitorial, data processing, contingent labor and utilities, to name a few.”

Ms. Alber concluded, “As we look forward to the fourth quarter, we are in a strong position, with our compelling pipeline of exclusive innovative products, engaging content and commitment to customer service. Our high-touch, multichannel, multi-brand platform, differentiated product offer and lifestyle merchandising are what truly sets us apart. Our team has worked all year to strengthen our business with a goal of creating a better experience for the customer, and now with the most exciting time of year just ahead of us, we are prepared and ready to pursue every opportunity to serve our customers, gain market share and drive accelerated profitable growth.”

Not surprisingly, we think the big pullback creates a great opportunity to pick up a well-run company on the cheap. After all, full-year guidance was no different than it was last quarter (which resulted in the share price swelling more than 16%), yet it’s puzzling that the same information is somehow a disappointment this time around. While we are certain that more EPS is better than less, WSM’s guidance still gives the company a highly attractive 12.1 times NTM earnings multiple and 3.2% dividend yield. True, strong competition from Amazon, Wayfair and **Target** (TGT - $79.68) has the potential to put pressure on margins, but they aren’t new risks to WSM’s business model, and we think that exceptional customer service is a substantial differentiator. We continue to smile upon the investments in technology, collaborations with other brands and the sizable online presence. Our Target Price for WSM is now $84.

Shares of **Tyson Foods** (TSN – $60.22) fell last week after the protein producer reported fiscal Q4 financial results, but they recovered a bit on Friday when U.S. equity markets reacted to comments by President Trump that gave a slight glimmer of hope that trade negotiations with China may begin to gain a little traction. Tyson has been hit hard this year as concerns have

mounted over its products being targeted in global trade disputes, a strong U.S. dollar and mounting inventory of meats in the U.S.

While TSN reported better than expected bottom-line results for Q4, revenue came in light. Management announced adjusted EPS of $1.58, 17% above consensus forecasts of $1.35. That said, revenue of almost $10 billion fell short of expectations by more than $280 million. Looking ahead, the company predicted that its fiscal 2019 adjusted EPS would come in between $5.75 and $6.10, which is comparable to fiscal 2018 results. The impact of trade disputes (hurting pork), heavy supplies of beef as cattle herd sizes normalize (driving prices down) and near-term headwinds on chicken as competing meat prices like beef remain meaningfully cheaper than normal should continue to impact TSN.

TSN CEO Noel White commented, "Tyson Foods produced solid earnings in fiscal 2018, demonstrating the strength of our differentiated portfolio and diversified business model. We exceeded our revised guidance due to a strong finish in the fourth quarter in the Beef and Pork segments. Prepared Foods drove margin expansion, while the Chicken segment closed the gap from earlier in the year with increased promotional activity."

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TSN – Terrific 2018

FY18 Highlights

- Record adjusted EPS[1,2] of $6.16, up 16% from last year
- Record adjusted operating income[1] of $3.291B
- Adjusted operating margin[1] of 8.2%
- Record operating cash flow of ~$3B, up 14% from last year
- Record Beef and Prepared Foods operating income

[1] Represents a non-GAAP financial measure. Adjusted EPS, adjusted operating income and adjusted operating margin are explained and reconciled to comparable GAAP measures in the Appendix.
[2] Includes incremental earnings per share of $0.20 and $0.78 due to tax reform for Q418 and FY18, respectively

($ in millions, except per share data)	Q418	FY18
Sales	$9,999	$40,052
Adjusted Operating Income[1]	$831	$3,291
Adjusted Operating Margin[1]	8.3%	8.2%
Adjusted EPS[1]	$1.58	$6.16

Adjusted Operating Income[1]
($ in millions)

	Q418		FY18	
	Dollars	ROS%	Dollars	ROS%
Beef	$348	8.9%	$1,044	6.7%
Pork	76	6.7%	374	7.7%
Chicken	182	5.8%	947	7.9%
Prepared Foods	235	11.2%	979	11.3%
Other	(10)	n/a	(53)	n/a
Total	**$831**	**8.3%**	**$3,291**	**8.2%**

9 Tyson Foods, Inc. November 13, 2018

Mr. White continued, "We expect continued strong cash flow generation as we grow sales and volume, particularly in value-added and branded products…I am confident in our team members

and their ability to execute our strategy to sustainably feed the world with the fastest growing protein brands. Our strategy is working, and it has allowed us to produce good returns this year and will enable continued long-term growth."

We think Tyson's near-term challenges will be concentrated in the chicken and pork segments. Longer term, however, we believe that chicken can take share from other protein sources as it offers a relatively better cost and health profile to consumers. We also think that prepared foods and increasing protein consumption around the globe, especially in emerging economies, provide a solid long-term footing for top-line growth. TSN currently trades at a miniscule 10.3 times NTM adjusted EPS expectations and carries a 2.5% dividend yield. All things considered, we have adjusted our Target Price down to $85.

Shares of **Walmart** (WMT – $97.69) fell 7.5% last week after the company announced fiscal Q3 2019 financial results and that the co-founder of its recent acquisition of India's powerhouse Flipkart was leaving the company. We thought the quarter was solid, but investors seemed frustrated by a light revenue number and concerns about margins, as the discount retailing giant continues to spend to compete against Amazon. Revenue for the period was $124.9 billion, versus forecasts of $125.4 billion. Adjusted EPS came in at $1.08, compared to consensus estimates of $1.01.

The company raised its expectations for Walmart U.S. comp sales, excluding fuel, for the 52-week period ending Jan. 25, 2019, to at least 3%, versus previous forecasts of "about 3%." Additionally, WMT updated its fiscal year 2019 adjusted EPS guidance to a range of $4.75 to $4.85, versus previous guidance of $4.65 to $4.80

For Q3, Walmart's U.S. same store sales increased 3.4%, with what the company called broad-based strength and market-share gains in key categories. Walmart U.S. omni-channel saw significant progress with an expanded online assortment and eCommerce sales growth of 32%. WMT also said that grocery pickup is now in more than 2,100 locations and is showing good traction. Net sales at Walmart International were $28.8 billion, a year-over-year decrease of 2.6%, as currency headwinds negatively impacted results. Excluding currency, net sales were $30 billion, an increase of 1.6%. Comp sales were positive in nine of its ten international markets.

"We have momentum in the business as we execute our plan and benefit from a favorable economic environment in the U.S. We're accelerating innovation and utilizing technology to shape the future of retail. We're making shopping at Walmart faster and easier. Our associates are equipped with the tools to serve customers better than ever before, and they're doing a great job. With the holidays approaching, customers can count on Walmart to save them money, and we'll also provide busy families with another important gift--time back in their day," commented CEO Doug McMillon.

The Flipkart news drew a lot of attention and concern as co-founder Binny Bansal stepped aside. As the story goes, WMT was probing details of serious personal misconduct, including an affair. In the end, Walmart announced that it didn't uncover evidence to support claims made against him, but "it did reveal other lapses in judgment, particularly a lack of transparency, related to

how Binny responded to the situation. Because of this, we have accepted his decision to resign." Given the hefty price that Walmart paid for Flipkart and the reported popularity of Bansal in India, we believe there must be more to the story, as it is being reported that a number of executives and important employees at Flipkart were stunned and angry about what transpired. We will closely monitor the situation, as missteps could become a very expensive issue.

Overall, we believe the quarter was good, and we were pleased to hear management's upbeat stance on the coming holiday shopping season. We know that WMT's competitive landscape will only get more intense versus rivals Amazon, Target and the numerous other players that are out there. Still, we continue to think that the steps the company has taken over the last few years to transform itself has it on the right track for long-term success. And while there is near-term negative buzz around the FlipKart situation, especially given the price paid and now both co-founders no longer with the company, the potential of the market in India may have us viewing the purchase as a value in the not-so-distant future.

We continue to like that WMT generates strong free cash flow and remains committed to returning capital to shareholders via buybacks and dividends (the stock yields 2.1%). Our Target Price now stands at $111, a slight reduction as we note the added news that the company is now also in the cross-hairs of Bernie Sanders who has introduced the "Stop Walmart Act," a piece of legislation (unlikely to pass) that would prohibit large companies from buying back stock unless all their employees are compensated a minimum wage of $15 an hour and allowed to accrue up to seven days of paid sick leave.