WALMART · Q2 FISCAL 2027

# Walmart's business strengthened, but a $2.9 billion tariff refund made the profit surge look larger

*Operating profit surged even as net income fell. Digital commerce, advertising and membership income show genuine progress, but the headline result contains a benefit that will not become a recurring sales engine.*

Analysis based on the Earnings Release, Q2 FY2027 Earnings Presentation, Form 10-Q and SEC XBRL company facts · Notes at the end

Walmart's quarter sends two apparently conflicting messages. Customers kept spending and the company earned substantially more from its operations: total revenue reached $187.9 billion, up 5.9%, while operating profit rose 28.8%.[1] Yet net income fell. The explanation lies outside the checkout line. A large tariff refund lifted merchandise economics, while changing values on Walmart's investments pulled the final result in the other direction. The quarter was stronger than net income suggests, but less spectacular than operating profit makes it look.

### THE BASICS

Walmart sells groceries, general merchandise and health products through Walmart stores, websites and apps. Sam's Club adds a membership model, while the international business includes markets such as Mexico, China and Canada. The group increasingly earns money around the transaction as well as from the merchandise itself, through advertising, marketplace services, delivery and membership fees.

## THE PROFIT JUMP CAME WITH A $2.9 BILLION ASTERISK

The headline profit surge was partly created by an unusual refund, not by customers suddenly buying far more merchandise. Walmart received about $2.9 billion back from U.S. customs authorities and recorded it as a reduction in the cost of what it sold. That helped lift the share of revenue left after merchandise costs to 25.4%, an increase of almost one percentage point.[2]

Walmart did not simply pocket the entire refund. Management says a significant portion went into lower prices and other customer initiatives, with more price investment planned for the second half. At the same time, higher insurance claims, depreciation and employee healthcare costs weighed on expenses. The refund therefore mattered greatly, but its full amount was not added to profit.[2]

Even Walmart's adjusted result retains this complication. Reported operating profit grew 28.8%. After removing currency effects and prior-year legal and reorganization charges, growth was 17.4%. That is a better comparison between periods, but it still includes the tariff refund. Management says growth without the refund's net effect was at the top of its guidance, without publishing a figure.[1]

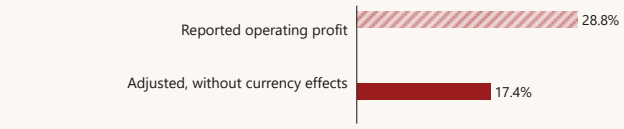
## WHY DID NET PROFIT MOVE THE OTHER WAY?

The decline in net profit does not signal a deterioration in Walmart's stores and websites. Net income fell to $6.4 billion from $7.0 billion even though operating profit rose strongly. The difference came largely from items below the operating line rather than from weaker retailing.[3]

Changes in the value of investments reversed direction. Walmart recorded $1.2 billion of net losses in other gains and losses this quarter, after recognizing $2.7 billion of net gains a year earlier. That swing overwhelmed part of the improvement generated by the business itself. The quarter was therefore better operationally than the final profit number implies.[3]

### Was the operating-profit surge as large as it looked?

Year-over-year growth in Q2 fiscal 2027, percent




Reported  Adjusted comparison

The adjusted comparison removes currency effects and prior-year legal and reorganization charges. It does not remove the current-quarter tariff refund. Source: Earnings Release; Form 10-Q; SEC XBRL company facts

## THE DEEPER CHANGE IS DIGITAL, NOT SIMPLY MORE STORE SALES

Walmart is getting more growth from the digital layer built on top of its physical network. Revenue increased 5.1% without the effect of exchange rates, while global e-commerce sales grew 23%. Online activity now represents 24% of net sales. Store- and club-fulfilled pickup and delivery were the main drivers, turning existing locations into local distribution points.[4]

Businesses surrounding the sale are expanding even faster. Global advertising revenue grew 38%, and membership fee revenue rose 17%. These activities let Walmart earn from suppliers seeking visibility, third-party sellers seeking customers and shoppers paying for access or benefits. They make the relationship with the customer broader than a conventional store visit.[4]

Digital growth was not merely an extra contribution to the U.S. result; it more than accounted for it. E-commerce added about 5.1 percentage points to Walmart U.S. comparable sales, while the total increase was 2.6%. Store-fulfilled delivery grew about 43%. The store network still matters, but increasingly as infrastructure for an online order rather than only as a destination.[4]

## THE U.S. CORE IS GROWING, BUT WITH LESS MOMENTUM

The stores and channels Walmart already had continued to sell more, although growth slowed. Walmart U.S. comparable sales excluding fuel rose 2.6%, against 4.6% a year earlier. That is still expansion, but it makes the rapid growth in e-commerce and advertising more important to the overall story.[5]

## MORE CASH CAME IN, BUT EVEN MORE WENT BACK INTO THE BUSINESS

Walmart generated more cash from its operations during the first half. The total rose to $19.7 billion from $18.4 billion. That supports the view that the business itself improved despite the decline in reported net profit.[6]

Investment rose faster than operating cash. Walmart spent $14.2 billion on stores, technology, supply-chain capacity and other long-term assets. That left $5.5 billion after investing, $1.4 billion less than a year earlier. The lower amount is principally the consequence of building and remodeling more, not of the business generating less cash.[6]

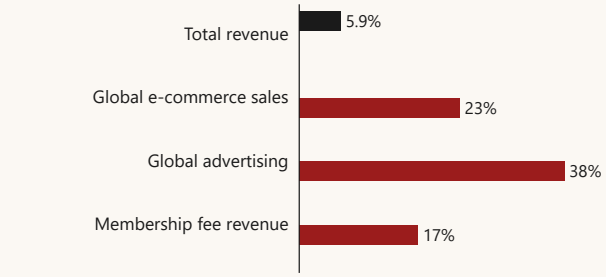
The heavier investment is deliberate and likely to remain visible. Walmart lifted its full-year capital spending plan to about 4% of net sales from approximately 3.5%. The bill arrives now through cash spending and higher depreciation. The test is whether faster delivery, automation and improved stores eventually produce enough extra business to justify it.[6]

Customer activity remained positive rather than relying only on higher prices. Transactions increased 1.5%, while average spending per purchase rose 1.1%. Comparable inflation was 1.4%. Walmart attracted more visits, but the amount spent on each one grew modestly.[5]

Part of the slowdown reflects lower regulated drug prices rather than weaker demand across the whole business. Excluding Health & Wellness, U.S. comparable sales grew 3.4%. Walmart estimates that price deflation reduced comparable growth in the Health & Wellness category by about nine percentage points. Lower pharmacy revenue depressed the headline even as grocery and general merchandise kept growing.[5]

### Which parts of Walmart are outrunning the group?

Year-over-year growth in Q2 fiscal 2027, percent




Total revenue growth is reported; the operating indicators measure their respective activities and are not additive. Source: Earnings Release; Q2 FY2027 Earnings Presentation

## THE NEXT QUARTER SHOULD LOOK LESS SPECTACULAR

Management's near-term outlook points to a normalization after the second-quarter profit surge. Adjusted operating profit grew 17.4% this quarter, including the refund benefit. For the third quarter, Walmart expects growth of only 2% to 4% on an adjusted basis without currency effects. The gap is a clear signal that the second-quarter pace is not expected to carry straight through.[7]

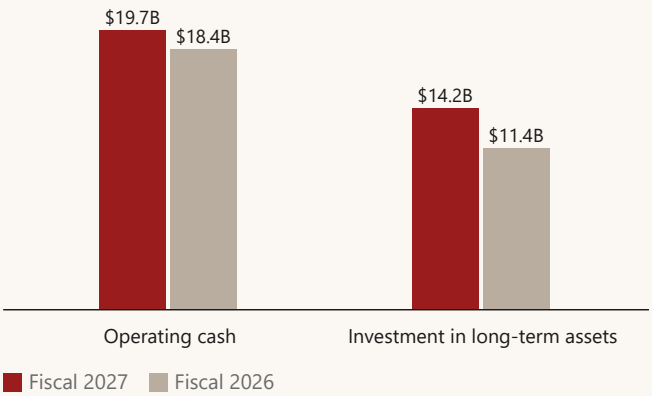
Sales will also face a calendar distortion rather than a straightforward demand change. Walmart expects third-quarter revenue growth of 3% to 3.75%, with the movement of Flipkart's Big Billion Days into the fourth quarter reducing growth by more than one percentage point. Next quarter may look softer partly because revenue has moved, not disappeared.[7]

*"Our operating income outlook reflects the continued prioritization of tariff refunds received in Q2 into customer experience and price investments in the second half."*

John David Rainey, executive vice president and chief financial officer · Earnings Release

## Why is less cash left after investing?

First six months of each fiscal year, billions of dollars




These are six-month figures, not quarterly figures. Source: Form 10-Q; SEC XBRL company facts

WHAT IT ALL MEANS · EARNINGS EXPLAINED INTERPRETATION

The quarter was better than net profit suggests, but less spectacular than the jump in operating profit makes it look.

### THE OPERATING BUSINESS IMPROVED

Customer spending grew, traffic remained positive and Walmart generated more operating cash.

### THE BUSINESS IS BECOMING MORE DIGITAL

E-commerce, advertising and membership income are growing far faster than the group and changing how Walmart uses its stores.

### THE HEADLINE PROFIT NEEDS AN ASTERISK

A large tariff refund lifted merchandise economics, and the adjusted profit measure still includes it.

### GROWTH IS CONSUMING CASH

Investment in delivery, technology, supply chains and stores is rising faster than the cash generated by operations.

## Three questions for next quarter

**1** Can operating profit keep growing after the tariff benefit fades?

Walmart plans to keep directing the refund into prices and customer experience, while its third-quarter outlook implies much slower profit growth.

**2** Can the U.S. core regain momentum without relying so heavily on e-commerce?

Comparable sales slowed, and digital activity contributed more than the total increase.

**3** Will heavier investment begin to produce more cash after spending?

Operating cash improved, but capital investment rose faster and reduced the amount left over.

**1** The Earnings Release and Q2 FY2027 Earnings Presentation report total revenue of $187.9 billion and adjusted operating-profit growth of 17.4% without currency effects. Reported operating profit comes from SEC XBRL company facts. Total-revenue growth and reported operating-profit growth are calculations C-1 and C-2.

**2** Form 10-Q reports approximately $2.9 billion of tariff refunds, recorded as a reduction in cost of sales, and says a significant portion was invested in prices and other customer initiatives. The Earnings Release and presentation provide the gross-profit rate and management's explanation of higher operating expenses.

**3** SEC XBRL company facts provide reported net income. Form 10-Q reports the swing from $2.7 billion of other gains in the prior-year quarter to $1.2 billion of other losses in the current quarter.

**4** The Earnings Release and Q2 FY2027 Earnings Presentation provide e-commerce, advertising, membership and U.S. comparable-sales indicators. Form 10-Q says global e-commerce sales increased by $8.2 billion, primarily through store- and club-fulfilled delivery.

**5** The Q2 FY2027 Earnings Presentation reports the effect of regulated price deflation in Health & Wellness and comparable U.S. sales excluding that category.

**6** Cash generation and investment figures cover the six months ended July 31, 2026, and the comparable prior-year period. Free cash flow is Walmart's non-GAAP measure of operating cash less investment in property and equipment.

**7** Third-quarter guidance comes from the Earnings Release issued August 20, 2026. The Flipkart calendar shift is expected to move Big Billion Days from the third quarter to the fourth quarter.