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Walmart, Inc. (WMT)

Investment Community Meeting

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John David Rainey

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John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

Judith McKenna

President & Chief Executive Officer-Walmart International, Walmart, Inc.

David Guggina

Executive Vice President-Supply Chain Operations, Walmart US, Walmart, Inc.

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MANAGEMENT DISCUSSION SECTION

Stephanie Wissink

Senior Vice President, Investor Relations, Walmart, Inc.

Welcome, everyone, to our 2023 Associates and Shareholders Celebration and to our Executive Q&A Panel. Thank you for joining us in Razorback Stadium. We are webcasting this, so I'm going to read our Safe Harbor as a matter of procedure. Today's webcast is being broadcast and recorded and, during this session, management may make forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements.

These risks and uncertainties include, but are not limited to, the factors identified in our filings with the SEC. please review our press release and accompanying slide presentation for a cautionary statement regarding forward-looking statements, as well as our entire Safe Harbor statement and non-GAAP reconciliations on our website at stock.walmart.com. Thank you for your interest in Walmart. And thank you to our executive team for joining us today.

Doug, I'm going to turn it over to you, and we're going to start with our positioning statement as well.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

I'd just briefly say thank you for being here. Thanks for coming this week. Thanks for staying. I hope you enjoyed this morning's session if you're able to attend that, and you enjoyed the store visit and hopefully you got to see the MFC as well and you'll ask us some questions about that.

We feel pretty good about our position. We feel like we're positioned to grow. We've got opportunities with our stores to improve. We've got opportunities with pickup. We've got opportunities with delivery. That's around the world. So, when I think about growth, we certainly think about inflation and pricing and what's going on with customers; but kind of, to a degree, regardless of the circumstance, we feel like we're well-positioned because we offer a good value to customers and members, and we can serve them how they want to be served. And that's only increasing as it relates to our capabilities.

Secondly, we still, as we mentioned in our investor conference, are excited about our opportunity to grow profitability greater than sales, through a combination of productivity improvements and business mix. And then lastly, return on investment, we expect to go up over time as we improve that profitability and also continue to be disciplined with capital. We have that in our plan.

We are excited about these capital investments that are in front of us. And as we get data, we'll make real-time decisions based on our ability to execute as relates to the pacing of that. But we're every bit as committed as we were when we had you in Florida a few months ago as it relates to the automation opportunities in front of us, including the one that you saw an example of this week.

With that, I'll open it up for questions.

QUESTION AND ANSWER SECTION

Michael Lasser

Analyst, UBS Securities LLC

Q

It's Michael Lasser from UBS. And, Doug, I don't think anyone in this room has ever seen a CEO run as fast as you did on stage. So, it's great to see your many talents. The question I have is, for those of us who've watched Walmart for a long time, generating growth in top line and profits has proven to be challenging as there's been a lot of investment cycles. Why is now the time when Walmart can pivot to generating both growth in sales and profit in excess of sales, especially at a time where we're seeing all these pressures across retail? And a lot of the strategies that are intended to drive this outcome are arguably going to be replicated by others? Thank you.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. When you think about the four big areas of investment and John David highlighted them when we were in Florida, and he and others can add to my comments here. Let's break them apart. As you may remember, I'm sure you do, we made significant price investments over a period of years. And what we're saying about that is, we like the range that we're in and we monitor competitive gaps, but we like the range that we're in. As it relates to wages, kind of a similar answer. We made a lot of investments, and we feel like we've gotten ourselves into a good range. There'll continue to be increases in wages and that's factored into our plan, but not as dramatic as what we might have seen in previous years.

The third are is eCommerce, and we had a lot of investments to make to scale the business. And the pandemic created some behaviors that created an acceleration of what we expected to happen. And as those things happened faster than expected, that puts us in a different position as it relates to eCommerce and omni-channel.

And then the fourth one was technology. And Suresh and the team have done a fantastic job of making a lot of improvements happen top to bottom as it relates to our tech stack and capabilities. And so, we're more in a run rate status with relates to that. So those were the four big areas and we just find ourselves in a different position right now as it relates to those.

And as we talked about in Florida and maybe on the earnings call, those were income statement investments. And this pivot that's happening is towards more of a CapEx and balance sheet set of investments that have attractive returns. So, we think we're in a different phase. The external environment is the external environment, and it will continue to be fluid; but as I mentioned a minute ago, we think we're well-positioned to deal with that as things play out.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I would add, too, Michael, that if you think about these areas where our initiatives are, where we're growing, setting supply chain aside for a second, they're largely digital, right. And if you think about a startup or a company that is trying to launch some digital effort, one of your challenges is scaling that. And if you think about our set of assets, we actually have that. Like, this is an advantage that we have. And so, as we layer on these initiatives, these digital initiatives, we've got this backdrop of our reach around the country and around the world, frankly. And so, I think that's why we feel we're at this inflection point where we can begin to see the bottom line begin to outpace the top line.

Scott Mushkin

Analyst, R5 Capital LLC



Perfect, because it goes right after what Mike was talking about. Scott Mushkin, R5 Capital. So, to dovetail off of that, I mean, both of us have covered Walmart a real long time at this stage. I think a fear that we have is the plan you guys have put forward, particularly in the US but also internationally, is incredibly strong. We're seeing things in the apparel business that I don't think anyone would ever dreamed of five years ago.

So, if the economy really turns down in the back half of the year into next year, how committed are you to kind of, hey, this is the right direction and we're going to make these investments because the long-term ROIC is there, versus some real potentially significant pressures macro?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.



Let's take automation first and then you guys comment on the other components that you want. The pieces of automation, specifically these automated storage and retrieval systems that Dave Guggina and Chris Nicholas and Prathibha – is Prathibha here? We're just going to recognize her for her award this morning.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.



You might call her by her other name.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.



We are very confident in those. And we need to finish them off and they've started. And you want to finish them off because the benefits that flow through from the complete system are greater than the individual parts. So, a high level of commitment as it relates to that. Can we talk about apparel a little bit.

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.



Sure. I'd love to talk about that and just merchandising in general. As you've seen, Scott, we're really happy with the new brands and the assortment, the way the team is managing it. So I think that's exciting, and the great new lines in home as well. The eCommerce team, just a few months back time relaunched the website with a much more, I would describe, as attractive merchandise-first, customer-first view [indiscernible] (00:08:03) and we're happy with the results there.

I think the other thing that is important is this is a team, back here to our left, that are really well qualified to manage just about any environment based on what they can control. And our inventory is positioned well. We like the value, as Doug said, that we have in front of customers. And then the initiatives we've been sharing between automation and technology that's in the supply chain, handheld devices with associates, I feel like we're really making a lot of progress in making jobs more effective, more efficient, and getting people what they need to be able to do, complete the task they're working on where they are. So we're meeting our associates in front of – customers in a good way.

So I'm excited about it. I love when we had some merchandise featured this morning in the meeting, and it's just the first thing we think about we wake up every day is top line and merchandising.

Judith McKenna

President & Chief Executive Officer-Walmart International, Walmart, Inc.

A

Yeah, I think it's – I would echo that. Each individual market is thinking that way. In addition, for us, the reshaping of the portfolio has really helped us. So, we've got a much more focused portfolio with a broader diversity of markets all at different stages and impacted in different ways. So, in some ways, that gives us a natural hedge across the international group as well. And because we're more focused, we've been able to make the investments where it matters. And for us, one of the big growth areas is eCommerce, but we're actually seeing that becoming improving from a profitability perspective as well. So, it's both the portfolio and the businesses that we're in are helping us in that respect.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Maybe lastly, remodels, we like what we see as it relates to the customer response to the remodels, not just apparel, but the broader set of changes. And we'll continue those. The stores need to be remodeled. We've got an aggressive plan as it relates to store count, and I expect we'll see that through.

Karen Short

Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Thanks for today. By the way, that was quite spectacular. Not like any analyst or shareholder meeting I've been to. And it's Karen Short from Credit Suisse. I wanted to just ask a couple of questions on vendors. So, obviously, it has come up in terms of vendors seeing weak volumes, but that happens to also coincide with your very, very strong growth in private label. So, I kind of want to find out what is the tipping point in terms of when the vendors have to realize that they can't pass on inflation, just given how much more ammunition you have in private label?

And then I had a second question. During the tour, I guess there was a comment that you had doubled the rollbacks in food specifically. So, I'm wondering where you kind of stand on rollbacks and philosophy on food specifically.

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Let me start by saying – we'll just go back to value. We're happy, pleased with the value that we're managing for customers. And we start there every week. We start with NPS scores, customer satisfaction scores, what we're seeing in pricing. And customers have been switching. We've been probably talking about that two to three quarters now that we've seen a shift to private brand. Our strategy is to offer a wide assortment to customers, and we don't have any metrics or goals or saying we're trying to get private brand to a certain point. We have an assortment that we're proud of that offers value.

Inflation has been really stubborn, particularly in dry grocery. And that is the place where we have seen the most switching to private brand over the last two or three quarters. And that continues as we sit here today. Rollbacks are a great way for us to be able to work with suppliers. Sometimes they're large suppliers, sometimes they're medium suppliers. But the situations where we can increase value for customers, tell them what the value is, and we're seeing a lot of response to that. And you'll continue to see that on our home page, in our pick-up and delivery business that primarily comes out of stores but across eCommerce.

So, there's still a lot of inflation that we think is extremely stubborn and customers need value. So, our team is going to continue to work on doing everything we can to create efficiencies. Supply chain has been a tailwind in

terms of mix. Grocery has been a higher percentage of our volume, which has some mix implications. Although switching with private brands also has its own set of implications on mix.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

It's encouraging that general merchandise pricing has been coming down and there may be an opportunity there for us to show a value. And we'll use rollbacks as a tactic most of the time to drive more demand than we might be thinking we could drive in the third and fourth quarter this year. So I expect the whole store, not just the food area, to have a strong representation of rollbacks.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Simeon Gutman, Morgan Stanley. Short-term and then a little long-term. The short-term is if we can talk about the tempo of the consumer. I know we spoke only three weeks ago but it seems like it's rapidly changing or evolving. Disinflation, the speed of which it looks like it surprised retailers in the first quarter, the last three weeks, if you can give a gauge. And then the second question or the follow-up is profit growth faster than sales growth. There were some parameters on longer-term on timing a couple of years. Curious, what is acceptable in terms of when we see that spread really widen out, whether it's this year or we start in 2024 and beyond. Thanks.

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Sure. I'll start, Simeon, with consumer. No real update since the last time we spoke. We know customers, they want value, that's clear. They're celebrating seasons and holidays, and we were pleased with the performance of the site with categories like Floral for Mother's Day, but they're still shifting exactly like we talked about in Q1 and Q4 of last year. So, that continues. Inflation is starting to lap. So you'll see the absolute numbers this year in inflation look as though they're lower, but when you look back at a two-year stack, dry grocery for example is in the 20s and it remains high and isn't really coming back that quickly. And that's led to indeed the actions that the team have taken to try to get prices down where we can. And where we see value of rollbacks that are great versus where we've been or versus the market, we see the consumers moving right away.

I think the last thing I would add that I haven't said, and maybe you can take the second part of the question we have talked about, is the flexibility that the team Walmart is offering consumers is seeming to land really well. And there have been a lot of expansions with the number of slots available for pickup. The app integration that we did about a year-and-a-half ago is really coming to life. That feels much better.

And so regardless of the economy, environment we're in, I think we are much better positioned. We're really well-positioned to be able to deliver customers flexibly the way they want to be served at the time they want to be served. And I think that's helping us as well.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

On the second part of your question in terms of the timing of profit growth outpacing sales, our guidance this year implies it's happening this year. I know we're one quarter into the year, but it happens on a marginal basis this year. The first quarter, we doubled our sales growth in terms of profit growth, and that was better than what any of us had anticipated when we set our plan as, well as when we set our guidance for the first quarter. So we're pleased with that. I think the first quarter came in pretty strong.

We should be able to continue to maintain sort of what we've talked about in our guidance. It's next year we see a bigger inflection. And, again, when we talked about this at ICM, at our Investor Day, we framed this in a range of opportunities, right. And a lot of this depends upon how quickly we're able to invest in some of the supply chain automation, a lot of other things. And all of this assumes a macro environment which your guess is as good as mine.

But we think that we are positioned when you look at the structure of our P&L going forward and where we're growing, that we should be able to outpace sales growth, and we hope by a sizable amount over the next several years. But it begins to inflect more next year.

Bobby Griffin

Analyst, Raymond James & Associates, Inc.

Q

Bobby Griffin from Raymond James. Thank you, guys, for the event and the time. It was a lot of fun. Pretty star-studded as well. So thank you. Doug, you mentioned – first question, kind of mentioned you're happy with the early signs from the remodels. I believe in one of the videos there in Teterboro that you had mentioned a 20% comp post remodel or a 20% growth. So, maybe can we talk a little bit about that and clarify that for us? And the second question is for Judith. Some pretty big goals to go from \$100 billion to \$200 billion in revenue in five years. So maybe just can you unpack that for us, some of the key drivers you see in getting into that target.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Judith, why don't you go first.

Judith McKenna

President & Chief Executive Officer-Walmart International, Walmart, Inc.

A

Yeah. So, it is a pretty ambitious target that we put out there. The markets that we have today have plans to be able to get there. Three main areas of focus for us. The first is scaled and leading omni-channel businesses around the world. It's a natural advantage that we have from a leverage perspective and the businesses that we have.

The second is scaling our global marketplaces. We're right in the middle of developing, with Suresh's teams help, a global platform. We already have marketplaces in Mexico and Canada, as well as the US, of course. And we have our Flipkart business as well, which is a really significant marketplace. So, that gives us our second engine of growth. And then the third area is the ecosystems that we're building around the different businesses. Mexico is probably one of the best examples of this. Because in addition to having payments, we're also into telecoms and we've just recently launched into health as well.

So three very clear areas where we can see growth coming for the future. But as I say, the real trick of all of those is very few of those are we doing on our own. The real secret is the Powered by Walmart piece, which gives us the confidence that the technology is there, the knowledge is there, and the capabilities are there to be able to deliver against it.

From a market perspective, a couple of our markets really help that engine. Mexico being one of those. I think many of you know what a scaled business that is already, but also Flipkart as it develops further will be another one of those key drivers of growth. But every single one of the markets contributes to it.

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

And on the remodels, we're really pleased with the product that you see in Teterboro. That prototype was iterated over about a year, a year-and-a-half in Elm Springs, which you got to go to yesterday. It's a combination of a lot of exciting things; new merchandising, the layout of the store has some improvements, The sightlines are better, the signing is more clear. What's not in the Teterboro store but you saw yesterday are digital shelf tags, which also help associates and will eventually help customers be able to find items and price more effectively and quickly.

The manager there, wanted to highlight her. Her story is amazing, fantastic. I met her a couple of times over the last year, and her inspiration was I think came through the video, which we wanted you to know the type of people that we have all over the country. And the number is the growth rate in her store that is this year over last year. And of course, stores vary as these come out depending on the market, where they are, but that was the number that reflects the growth in Teterboro.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Did you approve the video beforehand? Were you aware that she was going to share the number?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Mostly.

Bradley Thomas

Analyst, KeyBanc Capital Markets, Inc.

Q

Good afternoon. Brad Thomas with KeyBanc. Thank you again for having us. I want to ask a follow-up on automation. Clearly, very exciting things happening there. Can you talk a little bit more about some of the gating factors to rolling it out, and potentially the ability in the years ahead to accelerate and pull forward some of that rollout?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Yeah, yeah. It's really exciting. Great progress. We've been working with some of these providers for years to get this point. Dave Guggina in the back. Dave, why don't you grab a mic and just talk about the plan from here? Dave, introduce yourself again, if you would.

David Guggina

Executive Vice President-Supply Chain Operations, Walmart US, Walmart, Inc.

A

Dave Guggina, I lead Walmart US Supply Chain. Don't want to get too close to the mic. So – absolutely. Some of these technologies, as you know, we've been working on for years. We start with proof of technology. We move to proof of concept. Then we pilot our technology. And then we scale the tech. Many of you were in Brooksville recently. That's a technology that we've communicated that we're scaling across the entirety of our ambient network. So, all 42 of our regional distribution centers will have that technology. And it allows us to take a 1.2-million-square-foot facility and shrink it down to 800,000 square feet and double the throughput of the facility itself.

And it's incredible how it reshapes work for our associates as well. It takes some of the most physically demanding jobs that we have in our supply chain, and allows our associates to use their creativity, their empathy

for one another, and their problem solving skills as cell operators. So, we couldn't be more excited to continue to roll it out.

Michael Baker

Analyst, D.A. Davidson & Co.

Q

Hey. Thanks. Mike Baker from D.A. Davidson. I'm wondering, is a recession good for you guys? I think we've always thought of maybe you outperform and comparatively you're better in a recession, but your business this year seems stronger than normal, while it seems like the economy is slowing. So, is there something different now that's making you pick up even more share now than in the past? And I guess the second part of that question is, how do you hold on to that success if and when the economy hopefully eventually gets better?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

None of us are cheering for a recession in any country where we operate. We want our customers, families, members to have more money, not less money, and have growth. That's what we want. We'd rather have that environment to operate in than the other. But value does matter in an environment where people are more price conscious. So, we certainly care a lot about that. Anything else to add?

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, I would just – to build on that, Doug, one of the things that we talked about at ICM was this concept of liking our position. And to unpack that a little bit, like, to your point, Mike, like, we're known as a company that when times get tough and customers look for value, we're going to gain share. But we also think that we're positioned to succeed if things get better. And so, we like our position almost irrespective of what happens in the economy. It doesn't mean that we're immune to some of the economic winds and what can happen to us, but we like our position better than anyone else's. We would take our hand and play it versus anything else.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Having an opportunity to serve all kinds of people, which is maybe even more true right now, does give us the opportunity to potentially hold on to them and I think pickup, delivery, Walmart+, the store environment, get a bunch of these remodels done and let them see those changes, all of those things give us a better chance of having them come back in a year, two years and three years than maybe they would have in the past.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Q

Thank you. Kelly Bania, BMO Capital. And thanks also for letting us in on this incredible event. So, two questions. One is shrink. You've got solid competitors left and right getting hit pretty hard with shrink. Maybe you can just help us understand what is Walmart doing different or what maybe you've done different in past years to set yourself up just to reassure investors that you're not going to have a shrink moment and that it's under control at Walmart?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Well, first, shrink is part of the overall mix we think about in terms of merchandising, and mix has been affected by a number of things. First, I would like to give credit to the supply chain team because the improvements in supply

chain this year versus last year giving the inventory increases we had a year ago has really helped us. Now, those increases have been offset partially by the change in merchandise mix, more food, less general merchandise as percentages of total.

Third, there is some shrinking there. That's up a bit this year. It was up a bit last year. It's not all over the country either, markets where we see it more than other places. And then there is another possible benefit of mix that's coming from the new businesses we've been building like our data business and advertising business. So I think it's important just to think about, like previous questions, there is a portfolio of businesses withinside the US business that we can use to be able to manage value for customers really well.

One big aid this year is inventory is down. Anytime inventory goes up, the chances of shrinkage tend to go up with it. Last year was an obviously an acute event when the supply chain was backed up in Q4 of 2021 and then Q1 of 2022. So, having that behind us has gotten us into a much better position. I get into stores almost every week, I'm not every week – sometimes I can't get out, I wish I could get out every week. It's great to see what our teams are doing.

But I'm seeing much better inventory control inbound in back rooms and distribution centers and what is on the top shelves. So I think the overall process for the team is doing to manage the inventory well to know what we have and where it is and keep control of it is a good thing to have in terms of positioning for the long-term.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Q

Okay. Another question on eCommerce. So if I look back over the years, the discussion on eCommerce was always, we've got to get to the right mix, right. And whether it was general merchandise or 3P versus 1P. And you gave some interesting stats I think a couple of weeks ago on the number of SKUs you have on 3P. But can you just give us any sort of KPIs on where you are in that journey of getting the eCommerce mix to where you would like it to be?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

It's a huge opportunity for us. The market continues to change, as you know. The last quarter, Tom and the team should be proud of the results that they delivered. A lot of strength, the 27% growth. A significant portion was driven from pickup and delivery from stores. But there are other business that are growing digitally, like the pharmacy, delivery to home. There's a nice growth momentum, I'd say, is a better way to describe it with marketplace. We talked about 400 million items at the end of the quarter and we're there or thereabouts.

So, we continue to find quality sellers who are able to deliver broader assortments for customers. Customers have a lot of choices and we want to be there whenever they want to make those choices. The other good thing I would add is we've seen nice uptick with the sellers who are using services like fulfillment services. The best part of that is we can give the customer a shorter guarantee in terms of the time it takes to deliver when the inventory is in one of the Walmart facilities. And then that leads to better connection with Walmart Connect to cohorts of customers that are relevant.

So all these things really work together. But if you really dial back to what's in the middle of it, it's understanding what customers want, when they want it. And I just feel like the opportunity to continue to serve customers better is right in front of us and we can keep improving.

Judith McKenna

President & Chief Executive Officer-Walmart International, Walmart, Inc.

A

Yeah. Just from an international perspective, many of the things again are very similar. For us, the development of the marketplaces, particularly in Mexico and Canada, is a huge driver that enables us to really start to shift what the mix looks like within that as well. We're still standing up stores from an omni perspective as well. And one of the thing for us is we can get much as the same as John and the team have done, is the entire store already online so that people can shop the GM and apparel side of it as well as the food side. That's a big win for us, both in our sort of Supercenter formats, but also in our Bodega formats right across Mexico. So, that is part of the way that we're thinking about it.

In a similar way, things like Walmart fulfillment services, the work that we're doing on having a single seller experience. So, if you're a seller and you want to list on Walmart, you'll be able to ultimately choose which markets you want to be able to sell to. That's a big deal and a big unlock, especially for us in international, because many of the great sellers that the US have got it means that we can switch them on from a global perspective as well.

Kathryn McLay

President and Chief Executive Officer-Sam's Club, Walmart, Inc.

A

I think when we think about it, too, we're thinking more each versus baskets. So it's much healthier for us to sell a basket through a digitally-enabled sale. So, curbside and delivery to home encourage baskets, and that's obviously a lot better economics for us. So, we are seeing our growth coming through curbside and delivery from the Club, which frees up the FCs to be a little bit more selective about what we ship out of those.

The other side of it, we think about, too, is then how many of those transactions – how many of our transactions start with a digital engagement. So, Scan & Go, we talked about 1 in 4, or 25% of – over 25% of our transactions in the Club start on Scan & Go. And then about 11% to 12% of our sales are like ship to home eCommerce.

And so when you kind of put that together, you have this really great platform to be able to engage with our members differently because the transaction's happening on their phone versus them walking offline through the Club. And so, just playing as we're getting more of the transactions being done on a person's phone or device, you have a very different way of being able to engage.

As you add the Scan & Go as well as the eCommerce traditional type of baskets or shopping occasions, you're getting a lot more of our transactions are happening in that way, which gives us a much different way of being able to engage with them now than we have in the past.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I'd like to call out how our people have changed and grown. We were store experts and we recruited eCommerce expertise and technology expertise in a variety of ways, including acquisition. And if you fast forward to today, and you hear how people think and what they know, including the people that are here in our broader group of merchants and operators, they are omni now. There's a digital language. There's a different mindset as it relates to how we build technology.

It is truly omni and you're seeing that pay off in the way we think about 1P, 3P, pickup, delivery. There's like real-time problem solving. We had a board meeting this week, and Tom came and gave an update and Seth as well.

And when you hear folks talk about the progress that we're making, we were growing top line, the pandemic accelerated some things.

And while all that was happening, people were unpacking all these different choices about app design, how you get a product to a person, what's the tradeoff between speed and getting two orders if one came from a store and it was fast, and another one came from the FC. What's the customer think about that?

All those tradeoffs as you make them on behalf of the customer member first, but then optimize to improve profitability underneath that as best you can, given our assets, you get a different and better outcome. So, it's just so encouraging to me to know how much progress our leadership team has made. We don't get any questions any more about do you have or need eCommerce expertise because it's now just become omni expertise across the board.

Rupesh Parikh

Analyst, Oppenheimer & Co., Inc.

Q

Rupesh Parikh, Oppenheimer. Thanks for taking my question. So, just on Health & Wellness, going back to your last report, tremendous momentum on that segment and we've been getting many questions there. How do you think about the sustainability of the momentum? And if you look at what Walmart is doing, is there anything that you guys are doing specifically that's driving even stronger momentum than others?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Yeah. Let me take that. First, a few things. There has been consistent momentum the last three or four years. We've opened a few more clinics. There were some acceleration during the pandemic with vaccines, which helped us with the number of capabilities that has led other business in terms of like immunizations and other services we could offer, including some states or more services you can now do. Some acceleration obviously with GLP-1 drugs and those are drugs used to treat diabetes. There's been quite a bit of uptake there.

As far as sustained momentum, we don't know yet. It's growing at this point but a bit of a detriment in terms of mix because it's a lower margin class of drugs. But overall, the team has I think done a great job engaging patients, new patients and then they're – the pharmacist is a person that most customers, they'll see their pharmacists more than any other healthcare professional in their lives. And Brian and Kevin Host and the team who run the pharmacy have done a really nice job with NPS scores. They're amongst the highest we've ever seen. So, the personal contact I think is really helpful for a business that sells food and sells apparel over the counter and the entire assortment that we sell.

Scott Mushkin

Analyst, R5 Capital LLC

Q

Thanks, guys. It's Scott Mushkin again from R5. So, just a follow-up on a couple of things. General merchandise categories, obviously a lot of emphasis on apparel, but it would seem that you have probably other areas in general merch that you have opportunities. I was wondering if you want to scale those and where you think those are? The second thing, we could all – or at least I can see the – probably a lot of people can see what you're doing with those 42 DCs and how much of an advantage it is. What are your other big opportunities and kind of scale those for us as we run through that? And then finally, flagships like Springdale, how many can you have?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Sure. Let me take the first two and Latriece Watkins is going to walk up and talk about merchandising here in just a second. We're committed to the remodel program. We are committed to the changes, Scott, that we've made with the flagship stores that you saw. In some stores will get elements of that depending on configuration, size, shape, but we like what we've done in apparel. We like the layouts. We like the signing package. We like the navigation. We really like the areas that we've invested in for customers and associates like breakrooms and restrooms. I think those are all great. So, those will continue to move forward.

The common thread that is really important with automation is the data and the software. The automation itself, the installations in the 42 centers, that's just the ambient network. We have another set of technologies we'd love to show you at some point that are on our perishable network, similar to what I showed this morning. You got to see the MFC this week. But really what ties it together and makes it all efficient are the people that are leading and the tech that's powering it. And we talked about it being people-led and tech-powered. That's a really important layer.

So the team has done a nice job with control systems and data layers, and I think that progress will just continue and we'll see more and more productivity come out of all the investments as time goes on. As far as general merchandise, Latriece Watkins has been our Chief Merchandise for a few weeks. So, Latriece, would love for you to give us your early thoughts.

Latriece Watkins

Executive Vice President & Chief Merchandising Officer-Walmart US, Walmart, Inc.

A

Good afternoon. I think what you've heard us say is general merchandise is important to the mix of the basket for our portfolio, for everything that we've said we wanted to deliver. And we know it's important to our customers. In discretionary categories, we've obviously seen more pressure there than we have on the food and consumables side at the core. But what we also know is we are famous for things like seasons, and you can see as we bring things to life in store during key seasons, general merchandise is an important part of those seasons.

I think the second thing that's important about general merchandise is it is core to how we think about driving the business forward. You would have seen, yes, apparel, but also home and the investments we've made in home and bringing that to life in our new stores. I think in total, we want to be a place that provides value to our customers across all the categories that they shop. And while they know us for some of the key categories like food and consumables, we know that general merchandise helps us round out that basket in a meaningful way. And it's an important part of getting – while inflation is coming down, getting it in front of customers so we can get it back in their baskets.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Marketplace plays a role, too, [indiscernible] (00:36:52) a lot of progress has been made there that can expand brands and GM presence beyond just home.

Arian Razai

Analyst, Guggenheim Securities LLC

Q

Hi. Good afternoon. Arian Razai with Guggenheim. I wanted to ask about advertising and maybe your aspirations of becoming a top 10 in the US. And maybe what are you seeing with recessionary concerns? Like, is there, like, [indiscernible] (00:37:19) sellers pulling back on investments? Then the second question I have about Flipkart. Can you talk about more about the market share? I know the growth in India is projected at a very high rate. And

are you holding the market share? Like what's happening there? Or anything additional in Flipkart would be super helpful. Thank you.

Judith McKenna

President & Chief Executive Officer-Walmart International, Walmart, Inc.

A

I'll start with Flipkart. So, it continues to be the market-leading eCommerce platform across India. Since we made the acquisition, they have continued to meet our expectations at every step of the way. What I'm really interested and excited about is the way they're developing their merchandise capabilities, starting – when they originally founded, they started as a mobile phone business. They expanded that, they're actually books. Then they went into mobile phones and then they expanded that out.

And today, they have real strength, not only across like we call GM categories that they're originally famous for, but they – very much like Latriece was talking about – are building out home business, which is very much in tune with the Indian consumer, particularly in Tier 2 and Tier 3 cities as they come online to shop for the first time, but equally have a very strong apparel business as well, in addition to the new business areas that they're building out.

Where we're now seeing some inflection point for them is their contribution margin positive. You've heard me say that previously. And they continue to improve on that position. So, I'm really excited about the business because not only are the strength of engineering talent we have there and the infrastructure with the Ekart distribution platform that they have right across India, but also the market opportunity continues to look really impressive to us as well.

We recently made the move to split Flipkart and PhonePe into two separate businesses. There's a number of reasons for doing that. Not only does it help us set up for long-term for a path to IPO for each of them, but it also redomiciles our Flipkart business into India as well. It's a heavily financially regulated business.

You may be aware that we just did a fundraise on that business, which just got a \$12 billion valuation. So, in India, we've got these two great businesses. We've got the Flipkart eCommerce platform, which is expanding; and then we've got a payments business as well, which is equally really thinking about how it now changes from being a pure payments platform into insurance and into other areas beyond that.

So, every time everybody hears me talk about India, and we were just there a couple of weeks ago, we're doing a lot more things in India as well, such as sourcing from there. You heard me talk about some of the development we're doing as well. It continues to be a very positive story for us.

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

And Seth Dallaire is our Chief Revenue Officer. Seth, do you want to take the question in advertising?

Seth Dallaire

Executive Vice President & Chief Revenue Officer-Walmart U.S., Walmart, Inc.

A

Sure. In terms of demand, we're actually seeing demand quite strong in a couple different fronts and for a couple of different reasons. So 1P brands, as we see more consumers mix into some of the private label products, they step in and want to defend their category share and they're oftentimes spending in that respect in advertising. And the technology investments that we've been making and improvements in the retail media products in ways that

we allow brands to speak to customers while they're shopping, they're not as developed yet. And when we flipped our auction to a second price auction from a first price auction, essentially things reset at a lower price.

So now, if we have more advertisers coming in, there's actually quite a bit of value for advertisers in our sponsored products listings which is where they can really perform, and they speak with customers and drive sales. On the 3P side of the business as well in the marketplace which we talked about earlier, as we load more assortment into the eCom side and into the marketplace and more sellers participate with us, they want to bring their brands in front of customers as they're building baskets, particularly if they're new brands or brands that Walmart customers haven't seen before, which is also bringing in quite a bit of demand on the advertising side.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Can I just – oh, go ahead, Kathryn.

Kathryn McLay

President and Chief Executive Officer-Sam's Club, Walmart, Inc.

A

I was going to say from a Sam's perspective, we've seen double-digit growth in our ads business and we call it MAP. I think two things that are worth calling out. One, as we stitch together online and offline transactions, advertisers are able to see if they present a digital ad to a member, if they put it into their basket online, that's what they've traditionally seen, but now they can see the next time that person shops in Club, did they also purchase it. That's giving a much more attractive return on advertising spend to our suppliers. So, that's helping fuel the growth.

I think the other part is as we build out kind of cohorts in our membership, we can be very targeted around personalizing those offers. So, instead of a digital ad going to everyone, it's very specific in who it goes to. And I'd say we're just in the beginning of that journey. So, there's still a lot of upside in that area for us lending into the future.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I was going to build on that. Advertising dollars tend to follow where the eyeballs are going. And if you look at our digital business, our eCommerce business, that was up 26% or 27% in the first quarter. You contrast that to others that are actually seeing declines there. So, to build on Seth's point, like, we're seeing strength in advertising because we're gaining share in a lot of these areas.

Judith McKenna

President & Chief Executive Officer-Walmart International, Walmart, Inc.

A

And I'd just add from a global perspective, it's the same piece; where we've got the strongest digital offerings, we're seeing really strong growth coming through from advertising as well. And in fact, we're just about to put some of the Flipkart advertising platforms into some of our other markets as well to enable that growth as our global platform continues to get built out.

Michael Lasser

Analyst, UBS Securities LLC

Q

Michael Lasser from UBS. One of the outcomes of this very cogent plan that you're in the process of executing could be that you're going to put a lot of pressure on the others in retail. And we've seen as others in retail experience their own pressures and challenges, they tend to invest in price. We saw that with Dollar General, we

saw that with Family Dollar, we saw that with Target. So, how do you think about the possibility that you are so successful that it puts pressure on others, they invest in price and you have to use some of this outsized profitability improvement to reinvest back in price and it stifles the plans that you have?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. The investments in productivity, automation to drive productivity, and the business mix changes, give us flexibility. That's the way that we think about it. So we just want to keep serving customers and members, keep the top line going, be good merchants in general merchandise discretionary categories, manage that gross margin mix, and then we'll see how things play out. And we'll react as we need to react. We're going to be a price leader. We're based on value, but our newer business model gives us even more flexibility to make those kinds of choices if we need to.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Our long-term plan contemplates some amount of price investment. What we're trying to clarify is it's not that step-change that we had a few years back. We feel like we're much better positioned going forward to react to sort of business as usual with respect to that.

Karen Short

Analyst, Credit Suisse Securities (USA) LLC

Q

Hi. Karen Short from Credit Suisse. I just want to ask a question on, one, the MFCs; and, two, the remodels. So, I guess, the first question is, obviously the MFC is still very early stage. How quickly could you roll those out to a much greater percent of the store base? And then as it relates to the remodels, obviously, that 20% number is outstanding, but could you accelerate, like, annual remodel, I guess, cadence?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Yeah. I'll take those in order. Excited about the MFC that you saw this week. It's the second location with that type of technology. We acquired the company that produced it and created it. So, we've spent the last, call it, six months or so working through software data efficiency and I think over time we'll continue to optimize it. While there are many things we love about the site you saw, some of the areas need to be bigger, some need to be smaller. So, we've learned a lot from that first unit and, over the next year, or the next few dozen that we'll probably do in the next year or so, we'll make some improvements that will make it even better for our associates and for customers.

Ultimately though, it does have a significant impact on the capacity and accuracy of what can be picked at a store. What we said back at the ICM when we met a couple of months ago is we're trying to make sure that we have the most efficient last mile that we can. And a shorter last mile is a much better experience for the customer and for the cost of business than a long last mile. So, having stores in 4,000-plus locations, 4,700 locations, enables us to consolidate [ph] really late (00:46:34), shorten the last mile, and what the MFCs are doing is showing us is we can have a lot more productivity and a lot more accuracy.

Early days, as we said, in the flagship stores. Really pleased with the look, the merchandising, the aisles, the items as it all comes together. We're really pleased with that. And we'll do more remodels this year than we've done in the last couple of years. We're on track to having a good year, probably around 700 remodels in total. A

significant number of those, we're still working through how many, will be like the flagship, but probably close to 40% to 50% of those this year will have that look and feel. Does that sound right, Chris?

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

I want to ask about AI. Curious, I know there's some application across the company. Curious if the path over the next, call it, 5 or even 10 is saving money on the cost side, being more productive? And then if there's any applications that are already in your forecast, how AI is changing the business?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

s Suresh.

Suresh Kumar

Executive Vice President, Global Chief Technology Officer & Chief Development Officer, Walmart, Inc.

A

[indiscernible] (00:47:34) right. So a few things. The recent advances in generative AI, this is what – it's very, very significant, but it's only the latest of a long series of advancements that will happen when you look at the general field of machine learning and artificial intelligence. And we have been using ML and AI through order systems for a very long time. When you place an order online and if we want to do a smart substitution for you because – in your order that actually comes – the recommendation actually comes from ML. We use natural language in a lot of our internal applications, as well as with customer-facing applications as well. A large fraction of the customer contacts are now automatically answered by natural language processing systems. Even internationally, Chile actually is one of the leaders [indiscernible] (00:47:37) there.

So, AI is deeply integrated into a lot of systems that we do. When we take a look at the latest, the generative AI capabilities, we are very excited about that, by the way. You can think of it in sort of two large categories. One is around customer experience. So, we think that these capabilities are going to really accelerate the customer experience in a very meaningful way. It will help our customers be able to navigate our selection better. It'll be able to help our customers go through their shopping mission, if you would. We have given some examples before of, hey, I'm looking for a cell phone for my daughter, what is the best cell phone that I want to find. These kinds of shopping journeys, I think, generative AI can have a really positive impact.

The other major area is internally around how our associates work, how we run our business, how we get insights from data. All of these are areas where, I think, as generative AI becomes more and more mature, we will start seeing the impact of that. And we have already started a number of initiatives where we are pulling in the latest developments that are happening outside, both for our internal tools and to drive customer experience.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Will we partner with other technology companies to leverage generative AI, or will we build our own large language models or both?

Suresh Kumar

Executive Vice President, Global Chief Technology Officer & Chief Development Officer, Walmart, Inc.

A

Yeah, both. There are a lot of foundational breakthroughs that have already happened whether it's [indiscernible] (00:50:30) AI, whether it is on Google site, or even open source. We want to take advantage of all of the breakthroughs that are happening. But we want to do that in such a way that we take that and we make it

uniquely Walmart, so that it works on Walmart data, speaks retail. And so, those kinds of things, we will take the developments outside and we will make it work within the Walmart environment in a way that is going to be beneficial for our associates and for our customers [indiscernible] (00:50:01).

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

So when you think about increasingly intelligent software, others will build it, Some of it will be open source, some of it won't. We'll build our own. And then the question is, who's got the data? We have data, a lot of it. So we can apply our own expertise. We have a great tech team these days, and we can partner with others where we should to try and put that to work in a way that we haven't before. And we use data today much more than we have in the past. But what's happened in recent months – we were on a trajectory before, but the breakthroughs of the recent months have created new opportunities for us to do some things in terms of personalization for customers and associates, and find efficiencies in the business that we couldn't have done before.

So one of the questions for business leaders is what's your mind-set, your posture as it relates to it? And ours is to be aggressive. There are risks, and we are learning about those risks and thinking about those risks, protecting PII, managing data-sets that include HIPAA information. There are places to be slow and thoughtful. There are other places where we can be faster and more aggressive, and I'm excited about the potential that our team has to take full advantage of this.

And as we sit today, I think Walmart is different than it was before. There's an aspect of being tech-powered that is more real, and that's been true in different periods of our history but it certainly feels very real today.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

The one follow-up is, it's open-ended and theoretical. But if you have \$1, what's more transformative, automation or AI over the next 5 to 10 years?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Well, We don't have to choose, I mean, to a degree. We've got this capital investment plan related to automation and that's in our plan and we can see it through. And some of this work can pay for itself fairly quickly and we've got room in the plan to be able to be aggressive. I mean that's...

Donna C. Morris

Chief People Officer & Executive Vice President, Walmart, Inc.

A

Doug, if I could...

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Donna Morris leads our people team.

Donna C. Morris

Chief People Officer & Executive Vice President, Walmart, Inc.

A

I think the exciting thing is a lot of our investments in technology have been focused on our customer and, frankly, the ability to serve our customers. And for the most part, a lot of our technology was aimed at our very large

frontline associate base, which it should be. But when we think of the early opportunities with gen AI, it actually will change and shape the ways of working for those that are, frankly, our campus office associates, and optimize their performance just like we've been leaning in to optimize and make our frontline more effective and efficient.

So, the way we would like to think about it is people-led and we can actually make our people better by augmenting their work through gen AI. I think there's incredible opportunities across each of the functions to actually leverage. And from a people space in general, I think there's a disruption because we've long talked about the need for self-service. Most individuals just want to find things on their own. They don't want to call someone. They want to find it.

And so, in a world of gen AI, I think it's opening up the opportunity for individuals to self-serve. So, we're really excited. We're partnering with Suresh and his team. He's got a whole council set up. And I think you're going to see some pretty exciting things that we can do to support our campus office associates being as effective, just like we're making the jobs in the frontline better because of technology.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Donna led the people team for a software company before she joined us in 2020, just in time for the pandemic. And those skills are showing up in the work that she's leading today.

Scott Mushkin

Analyst, R5 Capital LLC

Q

Yeah. Hey. It's Scott Mushkin again at R5. So I'm going to try to ask Michael's question again on you guys are incredibly disruptive at this point in retail, particularly consumables, but it's spreading. A number of your competitors, you've been taking a lot of share out of. Inflation is kind of [indiscernible] (00:55:04) over a little bit. We've seen a lot of people on the ropes who get into recession, they get desperate. So I'm a big believer in Andy Grove, Only the Paranoid Survive. How paranoid were you and are you that some of these guys will come a little unglued as inflation cools down and the volume losses are more exposed?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Paranoia and humility are still at a high level here, but as John David mentioned, we've got some things built into our plan and we have a business model transformation underway that gives us more flexibility. I don't have anything more to say about that right now. John David, do you?

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, just maybe to go kind of tie this back to the question that was raised earlier around how this relates to profit growth relative to sales. We're not going to do that every single quarter, meaning outgrow sales with our profit. There's going to be quarters where that's just not the case for certain reasons. But what we've talked about is over a multi-year period, we believe that can happen. And we think that we're set up very well for that to happen. We operate in a very competitive environment. But given sort of the structural nature of what we're doing, we think that, that's the outcome.

Michael Baker

Analyst, D.A. Davidson & Co.

Q

Hi. Mike Baker from D.A. Davidson again with a couple of follow-ups. One is sort of what Scott just asked, but just more specifically on the promotional environment, like, a lot of retails missed in the last couple of weeks. Are you seeing any more promotional now than maybe you thought it would be three months ago? And then another follow-up, just on remodels, remind us what the incremental lift you're seeing; and if you want to talk about the costs, the return on capital, any of those things yet, or is it too early to discuss those? And actually, one more there. You just said 700 stores. Prior, it was like 300. So, I assume the 700 is over time, But did I hear that right, and what's the timeframe [indiscernible] (00:56:46).

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Yeah. Let me clarify. The total number of locations, about 700 remodels across the United States, about half those, slightly less are going to look like the flagship stores that you've seen. That's the plan. The first stores had to be assembled, constructed onsite. And what the team does that they're great at is engineer, where we can move things at pace and at scale so that they can happen faster with less cost.

So, I think we'll see the cost of those remodels continue to come down. But what we're going to be really careful to do is make sure that we maintain the same customer experience in those stores as what you saw yesterday and what you've seen in the Northeast. So, the fixturing is important, the look and feel, the merchandise look and feel is important. And we know it's more attractive for more suppliers to sell into an environment that comes together the way that, that did.

On product, I think I would just reiterate, we're focused on trying to keep prices as low as possible. You heard the theme all throughout the morning. This stubborn inflation, particularly in dry grocery, is something that we want to continue to work on. I think I said it earlier, but we start every week with customer satisfaction, Net Promoter Scores, and where we see our pricing how it mixes out versus the market. And that's a really important thing for us to always maintain in this new business model, if you will, that has a lot more options for our customers is important. And I think the question about is it automation or software, It will always be both because the consumer environment that we operate in, the consumers we serve they're dynamic.

So, we can't just stop to automate the same process over and over and over because of customer changes. And the software, looking ahead at things like content and measuring demand all across the market, help us determine where the customer is going and be able to use the more fluid aspects of our supply chain dynamically to get ahead of where the customers are going.

Michael Baker

Analyst, D.A. Davidson & Co.

Q

One more [indiscernible] (00:58:48), you said. So, what are the other half of the 700 going to look like? If half [indiscernible] (00:58:52) flagship, what's the other half?

John R. Furner

President & Chief Executive Officer-Walmart US, Walmart, Inc.

A

Yeah. They'll be similar nature. They'll have a lot of same colors. The same signing program. Clear tile – thick tile off the floor. Great facilities for associates in the front. They won't have all the assortment that you would see in the flagship stores. And it's really a matter of pace on how fast we can bring all these things to life. It's a large footprint and for suppliers and that would include merchants suppliers and fixture equipment suppliers, it does take some time to change the program as we go.

John David Rainey

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

And, Mike, none of us are assuming that we see 20% lift in sales in perpetuity, just to be clear. But we do like what we see. And you would expect an uplift when you do a remodel like that. And to be clear, we've only done a few, but given the improvements that we've seen in the customer experience and shopping experience, it gives us conviction around doing this at scale in our network.

Stephanie Wissink

Senior Vice President, Investor Relations, Walmart, Inc.

We're going to leave it there for questions. Doug, I'll turn it over to you for closing remarks.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Thanks again for coming. Hopefully, with the time we spent together this year, you're starting to get a sense for how the company has changed and is changing. Sometimes people call us a big box retailer, and I think that's really not the right definition at this point, it's inadequate; and even brick-and-mortar is inadequate. We're a different company than we were. We have a different set of capabilities. We can serve people in different way. And the flow-through as it relates to the income statement and return on investment is different as a result.

And really excited about our opportunity. We don't control everything happening in the external environment, but we're built to adapt and have been adapting, and we'll continue to do that based on what the short-term circumstances are. The story we've been telling you this year is about not just this year, but beyond this year; and we've got that kind of long-term view.

So, thanks again for coming. Good to see you, all.

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