

16-May-2024

Walmart, Inc. (WMT)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Walmart's First Quarter Fiscal Year 2025 Earnings Call. At this time all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to Steph Wissink, Senior Vice President, Investor Relations. Steph, you may now begin.

Stephanie Schiller Wissink

Senior Vice President & Head-Investor Relations, Walmart, Inc.

Welcome, everyone. We appreciate you joining us today and your interest in Walmart. Joining me today from our home office in Bentonville are Walmart CEO, Doug McMillon; and CFO, John David Rainey. Doug and John David will first share their views on the quarter and then we'll open the line to your questions. During the Q&A portion we will be joined by our segment CEOs, John Furner, from Walmart US; Kath McLay, from Walmart International; and Chris Nicholas from Sam's Club. For additional detail on our results, including highlights by segment, please see our earnings release and accompanying presentation on our website.

We will make every effort to answer as many questions as we can in the hour we have scheduled for this call. As a courtesy, please limit yourself to one question.

Today's call is being recorded and 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 our 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.

Doug, that wraps my intro. We're ready to begin.

C. Douglas McMillon

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

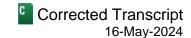
Good morning, and thanks for joining us. Our team delivered a great quarter to start the year. Our results were stronger than we anticipated with sales growth of 5.7% and adjusted operating profit up 12.9% in constant currency. All three operating segments performed well. The momentum we see across the business is driven by growth in units sold and transaction counts as well as market share gains including general merchandise. These are not inflation-driven results.

In the US like-for-like sales inflation was about 40 basis points for the quarter including mid-single-digit deflation in general merchandise and low single-digit inflation in food and consumables. Together with our suppliers we're making progress lowering prices.

Our rollback count is up and customers are responding to our price leadership. The first highlight I'd like to call out is the improvement in customer experience scores. That has a lot to do with our associates.

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I get to visit with a lot of them as I travel. This guarter I've been in stores and clubs in Johannesburg, Cape Town, Toronto, Nashville, Los Angeles, Austin, Oklahoma City and Dallas. And before we get too far into the conversation about our performance, I want to thank all our associates everywhere. They deserve all the credit. They're managing the things we've always managed while simultaneously building new capabilities and driving change.

Here's what they're doing to drive our business. First, we're providing value. Low prices on quality merchandise are always important to our customers and members. Our combination of everyday low prices plus a large number of rollbacks is resonating. During the holiday we offered a basket of Easter items with a lower price than a year ago in the US and Canada. Customers responded and we saw strong sell-throughs. Our merchants are doing a great job, including managing inventory where we finished down 2.7% globally.

Second, we have the selection people are looking for. In the US, the number of marketplace sellers grew by 36% for the quarter with a SKU count now sitting at more than 420 million. In Mexico the number of marketplace sellers grew by more than 50% with SKU count up nearly 80%. More often, our customers are finding what they're looking for when they shop our app or site. eCommerce penetration is up in all our markets.

Third, we're improving the experience of shopping with us. Our store remodels look good and are performing well plus our curbside pickup and delivery capabilities are improving as indicated by our customer experience metrics. Globally we completed nearly 70 remodels during the quarter and we're on track to do more than 900 this year. We're making it more convenient to shop with us, and our customers and members are rewarding us with growth as we save them time.

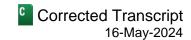
We expect to continue to earn healthy levels of sales growth and simultaneously grow profit faster than sales this year while managing our price gaps and investing in our associates at the same time. This quarter's results were driven by a combination of strong core performance and the growth of our newer businesses. As it relates to the core, strong same-store sales growth combined with good inventory management resulted in strong profit flow through.

In our newer businesses, advertising and membership were both up 24%. Today, we announced that we're expanding our data analytics and insights product, Walmart Luminate into Mexico and Canada. Our technology team continues to deliver the innovation that helps us drive our business. We're bringing new experiences to life like Generative AI driven product search that helps our customers shop more intuitively.

The team continues to build and improve the platforms for marketplace and data that we're using across countries and they're building and improving the operating system that enables us to create a more intelligent, flexible and automated supply chain. The implementation of our automated storage and retrieval systems in our DCs and FCs is on track and we're as enthusiastic of the impact of that work as we've ever been.

Turning to our segments. In Walmart US we recently announced a new private brand in food called bettergoods. It's our largest food private brand release in 20 years. The brand focuses on today's trends, and premium quality, but at the same time, 70% of bettergoods items are priced under \$5. This is the type of quality and value that will resonate with customers across income spectrums.

We also introduced on-demand early morning delivery to customer doorsteps as early as 7:00 a.m. and as quickly as 30 minutes. Globally, same-day delivery is available for more than 6,500 locations. In Walmart US, over the last 12 months, 4.4 billion items were delivered same or next day, with about 20% of those delivered in under three hours. Delivery times are getting faster and the cost to delivery is coming down at the same time.



During the quarter, we made the necessary but difficult decision to close our US healthcare clinics. There were a number of aspects that were going well and we really want to be part of the solution to improving healthcare in this country. But the reality is that given reimbursement rates and cost to serve, we could no longer see a path to achieving an acceptable level of profitability and we're committed to being disciplined with our investments. We're grateful to our associates that worked in this area. They did their part.

We'll continue to build our pharmacy and optical businesses and we'll find ways for our pharmacists to help as they've done with immunizations and vaccinations. Earlier this week we also shared decisions to eliminate some home office roles and reduce the amount of remote work. The vast majority of our home office associates have been back together in offices since we came back from the pandemic and we want to see even more of that. Being in person is important.

Our culture is stronger when we're together. We make decisions faster, we're more creative and we help develop the next generation of talent. We'll continue to make changes to ensure we're best positioned to serve customers and support our store club and supply chain associates.

Moving to Walmart International. We continue to deliver strong results with double-digit growth in sales and profit, lifting our company growth rates. Strength was broad based led by Walmex, China and Flipkart.

Results for quarter included strong growth in eCommerce, led by store-fulfilled orders and marketplace. We saw improved sales growth in general merchandise categories as we focused on celebrations across the world like Chinese New Year, Easter and Walmart Canada's 30th Anniversary.

Like the US, the International team is improving speed of delivery across markets. Same-day delivery orders in India grew by over 150% in the quarter and is now available across 20 major cities. One-hour delivery in China grew to 55 million orders as customers sought convenience during Chinese New Year. And in Chile, 60% of eCommerce orders are delivered same-day.

With Sam's Club US, it's exciting to see how the team is using computer vision to make it faster for members using Scan & Go to leave the building once they're done shopping. I'm referring to the computer vision in Alpowered exit technology that allows members to leave the club without having to stand in line to get their receipt checked that we announced at the consumer electronics show in January. Since then, we deployed it in about 20% of our clubs and we're on track to have it in all US clubs by year-end.

In addition to this being better for members, the technology identifies more items than we could with our previous process. This is a great example of people-led tech-powered solving for technology that benefits the member experience. It was a strong start to the year. We'll remain focused on improving customer and member experiences, being great merchants, building our newer businesses and improving returns.

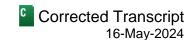
With that, I'll hand it to John David to share more about the quarter and our outlook for the rest of the year.

John David Rainey

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

Thanks, Doug. Our strong results this quarter clearly demonstrate our ability to deliver on our financial framework of growing operating income faster than sales. This quarter's results reflect strong execution from the team, across virtually every aspect of our business, share gains and improving NPS scores from our members and





customers that are increasingly looking for value and convenience, and the power of our omni retail model. I'll discuss our quarterly results using our framework of growth, margins and returns.

We experienced ongoing sales strength with all three operating segments outperforming our expectations. We're growing traffic and units, and our inventories are in excellent shape. We're on a multiyear journey to reshape our profit profile and operating income growth trajectory and this quarter reflects the benefits of improved margins in our core retail operations as well as contributions from business mix.

We're investing in areas that have strong capital returns like automation, store remodels and digital tools and technologies. Combined these investments are widening our competitive advantages, providing us levers to also invest in people and price, while achieving our sales and margin objectives.

Before I provide more color behind the strength of our financial results, I want to remind you that there is a supplemental presentation on our IR website with additional information beyond my remarks.

First quarter total net sales grew 5.7% on a constant currency basis, ahead of our guidance of 4% to 5% growth. As a reminder, the leap year this year contributes approximately 1 point to our year-over-year sales growth. International led the enterprise with constant currency sales growth of 10.7% reflecting strength in Walmex, China and Flipkart. Across markets, seasonal events were strong and we're encouraged by early improvements in general merchandise sales.

International eCommerce sales were up 19% as we continue to expand our capabilities. In Canada, the majority of our marketplace growth came from items serviced by Walmart fulfillment services. In India, Flipkart same-day delivery became available to millions more customers as they expanded the offering to 20 cities.

Walmart US also delivered better-than-expected growth with comp sales up 3.8% including strong eCommerce growth of 22% led by store-fulfilled pickup and delivery marketplace and advertising. Traffic and sales growth were strong across both stores and digital channels, and we're pleased with the unit growth. We're seeing higher engagement across income cohorts with upper-income households continuing to account for the majority of the share gains.

Sam's US comp sales, ex-fuel, were also strong at 4.4%. The Sam's team continues to make progress on quality in-value with Member's Mark our private brand. The team is doing a great job of being on top of product trends with the brand. Member's Mark drove high single-digit growth in Q1 and is a growing reason why members join and renew alongside digitally enabled solutions such as Scan & Go and curbside pickup.

Next is sales. Gross profit growth was the key driver of upside in Q1. Consolidated gross margin expanded 42 basis points led by Walmart US. Across segments, we benefited from lower markdowns as a result of disciplined inventory management and favorable business mix enabling strong margin flow through from sales.

Consolidated adjusted operating income grew 12.9% in constant currency, more than 700 basis points higher than our sales growth. This reflects better-than-expected sales growth and higher gross margins and membership income. This was partially offset by expense deleverage in our US segments related to higher variable pay expenses from our outperformance. Walmart US was the primary driver of outperformance, but all segments contributed to operating income growing faster than sales.

Taking a closer look at margins. As we continue to work closely with our suppliers to lower cost, we're managing our Walmart US pricing aligned to competitive price gaps and customers are responding favorably, resulting in



sustained sales growth and higher gross margins. Our price gaps to the retail market remain strong. Improved inventory management and favorable business mix allowed us to optimize our pricing on everyday essentials, and we're investing further in value within our private brands.

Our rollback program is driving customer engagement and supporting our volume growth with grocery rollback counts up 45% year-over-year in April. Carrying forward the success we saw last year in our seasonal programs, we're using celebrations and festive events to reinforce our value proposition and customers are responding. Chinese New Year, Valentine's Day and Easter drove stronger sales across categories including general merchandise.

We're also working with suppliers to bring innovation to US customers while leaning into our own private brands as sources of value, quality and newness. As a result, we've continued to see strong momentum in private brand sales with grocery penetration up 30 basis points in Q1. While private brand penetration is in the low-20s as a percent of sales, more than half of all customer grocery baskets over the last year have had a private brand in them.

Our inventory levels continue to come down with Walmart US declining about 4% and Sam's down nearly 5% at quarter-end, while we sustained strong sales and healthy in-stock rates. Having the right inventory in the right categories in the right places has allowed us to not only minimize markdown activity, but also support higher instock levels with goods flowing more smoothly through distribution centers and to stores. Importantly, the business is realizing efficiencies while both customer and associate NPS scores are rising.

Global eCommerce growth was 21% in Q1 and eCommerce losses continue to narrow, most notably in the US net delivery cost per-order, improving nearly 40%. More customers are shopping with us more often, across more categories, moving us along the pathway of delivery density and transaction margins that give us clear visibility into profitability in this channel over time.

Many consumer pocketbooks are still stretched, and we see the effect of that in our business mix as they're spending more of their paychecks on non-discretionary categories and less on general merchandise. This merchandise mix remains a headwind to margins, but it's consistent with our expectations.

Our Walmart US team is executing strategies to improve general merchandise sales and to increase the visibility of our growing eCommerce brand assortments in fashion, home and electronics. We have the opportunity to grow general merchandise sales in stores with our first party eCommerce assortment and especially with our marketplace. We were encouraged to see share gains in fashion, home and hardlines in Q1. In addition, marketplace sales in categories such as furniture, sporting goods, kids apparel and home grew more than 20%.

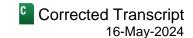
In addition to sales growth and gross margin improvement, the reshaping of our profit composition is an exciting part of our strategy. We're enhancing capabilities in higher-margin growth drivers such as advertising, membership, marketplace and fulfillment, and data analytics and insights, and seeing corresponding improvement in our business mix.

Global advertising grew 24% led by 26% growth from Walmart Connect in the US and Internationals 27% growth. Walmart's US ad sales reflected more than 50% growth from marketplace sellers while overall active advertiser counts increased nearly 19%. Sam's ad business now has 30% more active advertisers versus last year.

We're pleased with the trends in our membership programs around the world. Sam's Club US reached another record high level for member counts and Plus Member penetration resulting in membership income growth over

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13%. Sam's China member count grew 25% with increasing active and renewal rates. In addition, Walmart+ continued to grow double-digits as members engage with us more frequently and spend more than other customers.

For marketplace, within International, all markets grew double-digits led by Flipkart and Walmex, reflecting the strength we're experiencing across markets. In the US, Walmart's marketplace delivered strong results, aided by 36% more sellers on our platform, with 28% of sellers using our marketplace fulfillment services.

To give you an example of the benefit of our omni model, in April we launched a new service enabling customers to order from an extended assortment of nearly 40,000 tires on our marketplace and have them installed at one of our 2,300 auto care centers and stores in the US. It's a great example of how we're leveraging our unique, omni capabilities to remove friction for customers.

Within data analytics and insights, Walmart data ventures continues to see strong demand from clients for their insights on consumer behavior and trends and our omni-channel operations. In Q1, this business doubled versus last year. In April, we announced a new self-serve integration to make it easier for supplier advertisers to combine Walmart Luminate's insights with Walmart Connect's closed looped omni-channel retail media solutions to help drive product, brand, and category sales. This is the first time we're bringing these two solutions together, creating greater cohesion between both offerings and helping suppliers deliver more relevant shopping experiences for our customers.

Beyond executing on our operating strategies, you're also seeing a discipline from us to address areas of our business that have not performed as well. You should expect this discipline to continue. Concentrating our efforts in capital on clear drivers of incremental value. This requires us to be bold enough to step back from areas that at one time, were clear opportunities or were strategically or financially accretive but now have diminishing value.

It was through this lens that we made the decision to close all 51 Walmart Health centers as Doug mentioned. Total business reorganization cost resulted in a charge of \$0.02 per share in the first quarter.

Wrapping up Q1 results. Below the line items reflected slightly higher interest expense on relatively flat net debt balances and a lower tax rate year-over-year based on changes in the fair value of our equity investments. Adjusted EPS of \$0.60 per share compared favorably to our guidance of \$0.49 to \$0.52.

Turning to guidance. Our team is executing at a very high level. Q1 results exceeded our expectations for both sales and operating income growth. And while it might be a little much to expect every quarter to be this good, we feel really good about the performance and it demonstrates how this business can perform when we're firing on all cylinders.

Consumer economic conditions have been relatively consistent since the start of the year. Many of the valueseeking behaviors we witnessed last year have continued, particularly around seasonal events. Our focus on providing customers with value and convenience is resonating and we're gaining share. That said, we're one quarter into a year that still has some degree of uncertainty and we don't want to get ahead of ourselves.

We currently expect Q2 sales to increase between 3.5% and 4.5% and for operating income growth in line with that at roughly 3% to 4.5%. EPS is expected to be between \$0.62 and \$0.65 per share.

In Q2, we expect operating income growth to be impacted by timing of tech and wage investments. Combining Q1 results, with the midpoint of our Q2 guidance, would suggest first half sales would grow nearly 5% and operating



income would grow about 8%. We feel really good about our start to the year and our outlook for the second half is consistent with 90 days ago. Our Q1 results and the midpoint of our Q2 guidance suggest that we should be at the high end or even slightly above our sales and operating income guidance for the year.

We'll revisit our full year guidance as we exit Q2. This is more aligned with our historic cadence of updates and consistent with the philosophy we have as a management team to recognize early momentum but to also maintain prudence early in the year given the macro uncertainty and so much of the year is still ahead of us.

In closing, I'm extremely pleased with our results this quarter. They demonstrate what our team is capable of when we're laser focused on the member and customer, disciplined on cost and leveraging the technology investments we've made. Profits are growing, customer NPS scores are increasing and we're running a great operation. We like our position. We like who we are and we like where we're going.

We appreciate your interest in Walmart and are now ready to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Kate McShane with Goldman Sachs. Please proceed with your question.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Good morning, everyone. Thanks so much for taking our question. We wondered if you could talk a little bit more about what you saw with the lower-end consumer throughout the quarter and how you think about their contribution to comp for the rest of the year, especially when it comes to general merchandise.

John R. Furner

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

Hi, Kate. It's John Furner. Good morning, I'll start. First, I'd like to say thanks to the entire team for what they did in the quarter and the execution. It's great to see so many of our associates making such a difference and it's also encouraging to see our store managers really focus on in-store merchandising in the quarter. We saw big improvements all across the US and that was really exciting.

In terms of the consumer, it's been pretty consistent I think is the best word we would use. Consistent spending across income groups. We've had more growth as we mentioned in the earlier remarks and the high end consumer that remains true. We're very focused on value, flexibility and convenience and that's working across income segments. It's great to be in a position where we have store conditions that we're proud of with growth. It's great to be in a position where our pickup business is growing and then as we mentioned our delivery business has now exceeded our pickup business in size and the run rate remains strong.

So I think what we can say at this point is things have been consistent. What is also helping us is in our food categories, broadly across the store we have almost 7,000 rollbacks that's really helping in our food categories. We see an even larger spread between eating at home, preparing meals at home and eating out which we think can help Walmart over the remainder of the year.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Thank you.

Operator: Thank you. Our next question is from the line of Simeon Gutman with Morgan Stanley. Please proceed with your question.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Good morning, everyone. I have one question I'll make it in two parts. First, to diagnose the consumer not raising yet, it sounds like you sort of want to but there is something holding you back besides it is early in the year but curious if there's anything on the consumer side?

And then the second part of this is, how Doug has talked about doing both investing and then driving value today. And curious in this environment if you have the flexibility and even the desire to lean in even more, it looks like it could be a choppy year, so ability to continue to drive, to do both, driving these impressive share gains, profit margin expansion, while continuing to invest in the value proposition? Thanks.

John David Rainey

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

I'll start with the first part of the question, Simeon, and then hand it over to Doug for the second piece. On guidance, there's nothing to read into that. First, like we feel really good about the performance in the first quarter. These are strong results across the board. We think it's prudent to be patient on this performance and as we noted we'd update at the end of the second quarter. I think we'd all agree that we're in far from a certain environment around the consumer. It's the health of the consumer is something we read about every single day, and given that we're one quarter into the year, we just want to be patient on this but that should not take away from our conviction and the results in our team's ability to continue to execute and in our strategy that's continuing to drive results here.

C. Douglas McMillon

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

Simeon, I think I'll be a bit repetitive with our previous conversations. But if you look back over the last few years, you'll remember that we made price investments, we made wage investments, and for a while we've been telling you that we think we're in pretty good shape as it relates to that. We use the term managing our price gaps deliberately because that's how we think about it. And if we do need to make further price investments to drive growth or to ensure those baskets are in good shape we can do that, investing in our associates is always part of our plan so I think you guys can expect that we'll continue to do it.

What's happening with business mix in this quarter in particular with inventory management puts us in a position where we do have even more flexibility to make a variety of choices. And so, we're doing that every week and every month as we manage our business through the quarter and through the year.

Operator: Our next question comes from the line of Robbie Ohmes with Bank of America. Please proceed with your question.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Hey. Good morning and thanks for taking my one question. My question is that during the commentary, Doug and John David, you guys talked about deflation in both general merchandise, and in food and consumables, and then

you talked about rollbacks in April being up 45%. And then you also talked about gross margin strength in the Walmart US business. Can you help us think about that going forward should we - are you - and how are you doing that? Is it really just the advertising, digital advertising and marketplace fulfillment and all those things are helping the gross margin so much, that it's more than offsetting core gross margin weakness. Maybe help us think about how to think about that going forward?

C. Douglas McMillon

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

Robbie, this is Doug. I'll go first. As it relates to gross margin, we're having a conversation inside the company about the fact that the composition of it's changing, and we don't want to confuse people about what's happening. We are built, our purpose is to help people save money and live better. And we'll manage our merchandise margins like we always have and make sure that we're providing value. But as we report gross margin it does reflect newer businesses that are helping us mix things up and so we're using terms inside the company like our merchandise or product margins as distinguished from gross margins.

So maybe, John David, as we think about our future reporting, we should help kind of clarify that a bit so that people don't have the wrong perception that gross margins are going up as a result of price. They're not. If you look at rollbacks for example, as John mentioned in the US, as we mentioned earlier this morning, we're seeing a lot of rollbacks. And suppliers participate in a majority of those but not all of them. We're going to lead on price and we're going to manage our margins and we're going to be the Walmart that we've always been, but it is also great news that the business mix is changing, which does change gross margin performance.

John David Rainey

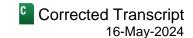
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Robbie, there's maybe three points that I'd make in response to your question. The first is that overall inflation level for the business was up about 40 basis points for the quarter. That's half the rate of increase that we saw last year, so we're driving this revenue growth through more units, more foot traffic in-stores and feel really good about that and it shows that we're just becoming more relevant with consumers, so that's the first point.

Second point around gross margins is we've mentioned several times that inventory is in a much better place. One of the consequences or results of that is we see a lot less markdowns in our business and so that drove some of the improvement in the first quarter.

The third point and the one I'd want to emphasize the most here. If you look at the composition of our operating income improvement year-over-year, roughly \$900 million, about one-third of that came from our newer businesses like advertising, membership, data ventures, and we're quite excited about that, but combined with that we're seeing improved eCommerce losses, and one of the things that I focus a lot on in our business is, what is the incremental profit from that additional revenue that we have each year. So incremental margins, and if you just focused on our eCommerce business, in this last quarter the incremental margins around that business were 12.5%, so think about that. Roughly 3 times our overall margin.

There's not, to me, a more compelling data point that supports the strategy that we have and our execution around that and importantly, how that's changing the margin profile of our business going forward.



Robert F. Ohmes

Analyst, BofA Securities, Inc.

That sounds great. Thank you.

Operator: Our next question is from the line of Michael Lasser with UBS. Please proceed with your question.

Michael Lasser

Analyst, UBS Securities LLC

Good morning. Thank you so much for taking my question. As hard as it is to mention, how would you break down the factors that are driving Walmart's business that are related to its actions and strategies versus those factors that are more of a function of the environment, such as high inflation and the moderating labor market. What two or three metrics is Walmart monitoring to internally gauge this?

Obviously, the point of the question is trying to understand not only the sustainability of the performance if the macro does get better but also the prospect that the outperformance could expand if the environment weakens. Thank you so much.

C. Douglas McMillon

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

Michael, I'd probably ignore the external environment more than you do. I mean, we are focused on what we're doing and how we earn business with customers and members, and if you look at what's happened, we've been known for price forever but we're increasingly known for convenience, so whether the environment is inflationary or deflationary, whether customers have more money or less money, if we're doing a good job on the items and prices and the service we provide, saving them money with pickup and delivery for example, we can continue to grow share.

So we're merchants at the core and we've added through the technological changes that we've made and the service changes that we've made, the dimension to the business that's driving that growth. I don't know what the future looks like in terms of what pricing is going to look like a year out, two years out and I don't really worry about that very much. I worry about our own execution.

John David Rainey

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

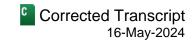
Not much to add there, but I think the results this quarter are really a reflection of execution across the team. We're laser focused on the things that matter most to our customers and one data point that I'd share just in the US business and John might want to chime in on this, but you know, Michael, that we grade ourselves by a perfect order and what a perfect order is for us is when you come to our virtual store online, do you find the things that you want? Do we have to replace those? Is it delivered when we say it will be delivered?

Year-over-year in the first quarter, we saw an almost 900-basis-point improvement in our perfect order scores. To me that's a great example of how the team is continuing to execute and this is resonating with customers.

John R. Furner

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

Hey, Michael. Good morning. It's John. I'd say something similar to what Doug said. We're always focused on value and over the last few years we've been talking about flexibility and the ability to be convenient whether a



customer wants to shop at the counter, at the curb, or delivery and it's been exciting to see just these last few months that delivery is now exceeding other channels, which is great, which gives the customer a lot of optionality and then the number that Doug mentioned earlier, 4.4 billion units delivered same day, next day, is exciting and it's growing quickly, and as he also mentioned, about 20% of that is sub-three hours and we've expanded that service earlier in the morning, later at night, so we're becoming even more convenient for individuals, for shoppers and families in terms of being able to serve all of their needs.

C. Douglas McMillon

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

Those underlying input metrics we're focused on around the world in our Sam's US business and international and the commonality between the strategies first party eCommerce, marketplace, advertising, membership, causes us to increasingly be thinking about the same thing as we build these new businesses.

Kathryn J. McLay

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

Yeah, I mean, I would just add in, Mike. You look in Chile, it's probably a market that's had the least amount of growth, the economy has been tough there, as we focused on input metrics like NPS, in-stock, our price perception, price gap, market share, if you focus on those things, when the economy starts to recover, the business lifts with it.

While we're doing that you're also getting in and making sure that you're building out more sustainable businesses around eCommerce, so over 60% of our eCommerce orders are same day in Chile now, so I think we have shown that we can prosper and thrive in kind of multiple different versions of how the economy plays out across the world, and I think during this time, as we're focused on building out our eCommerce omni business we're being more and more relevant to consumers in different markets.

Chris Nicholas

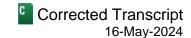
President & Chief Executive Officer, Sam's Club, Walmart, Inc.

I think for Sam's Club, it's very similar. We have a really balanced results in Sam's Club and as John mentioned, it's all in the hands of the associates and the hard work that they did, but the value proposition is really resonating with the club model. It's great items at great value and we'll just never relent on that and members are thanking us for it.

So, Plus membership – membership is an all-time high, Plus membership is at 54% of our member base right now and is up 330 basis points in the year. Why? Because we're focusing on the things that really matter. Deepening digital engagement with our members, 18% eCommerce growth and a third of our members are using Scan & Go now which is really exciting.

We're enhancing our member value proposition constantly. Price is part of it, but value is an important component too. I think you've all heard that we've got 120 of our stores of our clubs today that have got the new exit technology that's powered by AI and computer vision that's really exciting. And then Member's Mark which is our own brand is really setting the bar for quality as well as value. It's now over a third of our sales and we are seeing really strong participation in the quarter, so people just want really great items at really great value and we just continue to give them that.

Operator: Thank you. Our next question is from the line of Krisztina Katai with Deutsche Bank. Please proceed with your question.



Krisztina Katai

Analyst, Deutsche Bank Securities, Inc.

Hi. Good morning, and congrats on a great quarter. So, Kath, I wanted to ask you on international opportunities in particular. The performance is really strong. I think you put up your best operating margin in over six years. So can you talk about sort of the main drivers behind the improvement? Just how you're thinking about international EBIT structure on a go forward basis as you have, alternative value streams that are ramping, eCommerce contribution is improving, all regions are posting very strong topline growth.

And I just wanted to ask if there's anything you can share regarding Flipkart's contribution. How has that changed relative to the acquisition as we've been reading reports that at one point you're ramping up for an IPO? Thank you.

Kathryn J. McLay

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

Yeah, thanks for the question and there's quite a few components to that. I'll try and take them in chunks. First of all, I want to recognize all of our associates in international for the extraordinary strong result that we've been able to deliver over the last period. You're right. It is a really strong result. Top line was up 10.7%. Bottom line for op inc was up 27%. Now I would like to call out that that's not – that's kind of extraordinary. There was some one-offs that went into Q1 op inc which aren't repeatable, but we are holding to the ratio of bottom line growing faster than top line.

So we see strength in international, particularly in the way that we are turning up as kind of more of an ecosystem. So if you look in Walmex, while we have grown the traditional business, we've been looking at how we make sure we're relevant to consumers in areas like where we had consumers that couldn't engage with us online, we've been able to provide a service that enables them to get digital connectivity. And what that means is that, we now have different revenue streams coming in. I think we have over 13 million customers have engaged with us on [ph] Byte (00:39:48) which is our digital connectivity. We've sold a number of health memberships, so the composition of that business as well as having our [ph] cashy (00:39:58) financial services looks different and that's helping drive the different kind of economics and more richer op inc.

As we look at then at eCom across the globe, I'll probably call out China. I know I've called out the China market before, but really strong growth in Sam's Club and that business is almost 50-50 offline and online, and while we're doing that, I think this quarter, our bottom line grew faster than our top line in Sam's Club, so really good strength because they worked at a model of dark stores that give them access to a larger addressable area of the market, and allow them to deliver really, really efficiently. So our eCom omni business is growing in a sustainable way.

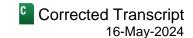
And then as you talk about Flipkart, I think the things that we've seen with Flipkart that we really like is as their business has grown, we've seen Myntra get to EBITDA positive for the last two quarters. We've seen a growth in some premiumization and all of that is lifting kind of the profile of the Flipkart business. And so they're on track to the growth trajectory that we had them on and we are looking and exploring when will be the right time to IPO that business, but now there's the strong growth in Flipkart and in PhonePe and we're excited about the India market.

Krisztina Katai

Analyst, Deutsche Bank Securities, Inc.

Thank you.





Operator: Our next question is from the line of Oliver Chen with TD Cowen. Please proceed with your question.

Oliver Chen

Analyst, TD Cowen

Q

Hi. Thank you. Within general merchandise, what categories are you most excited about? What do you see happening with innovation opportunities and/or opportunities for improvement? And as we think about general merchandise as well, the intersection of artificial intelligence, large language models and also really changing the way consumers think about shopping, just what's on your mind for enhancing that, and embracing the marketplace as you've been doing to continue to elevate the brand? Thank you.

Chris Nicholas

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

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General merchandise is a really core part of all of our businesses and it's something in Sam's Club that we're really excited about. We have brands that are extreme value and we feel really good about that, and we've got Member's Mark where we have incredible value and quality. And what we're seeing is the members are opting into those as a brand and renewing membership with us because we offer such high-quality at such high-value. So what we're seeing is that people are continuing to opt into us. Our units are running ahead of our sales on general merchandise because of the value, so we feel really bullish. You think about apparel, jewelry, home, hardlines, auto, consumer electronics. We're seeing really strong unit growth in there, and it's just been [indiscernible] (00:43:07) because of value and it's because of innovation, so we remain really bullish in that space.

John R. Furner

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



Hey, Oliver, it's John. Good morning. I'd like to talk about a couple of things in GM, and I think I'd first start with eCommerce, the strong performance at 22% growth is very helpful. We've picked up momentum in the marketplace, really, really pleased to see a number – a really large number of new sellers come on board and assortments well north of 400 million.

We spend a lot of time talking about our customer experience score which starts with the top of the funnel and then we work our way all the way down to conversion and as John David mentioned earlier, one of the components is perfect order. And as you look through results, it's exciting to see more customers shopping more often, particularly in the marketplace and then the categories that are really strong that are standing out is apparel and fashion online.

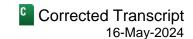
I'm really excited about what's happening in men's and women's and kid's apparel. We've seen growth there and then our hardlines business has been strong over the quarter. It was helpful in the quarter to have Easter early and strong weather in March that gave us a strong early start, and these businesses we call omni services like tire installation as we mentioned earlier, having your prescription ready via ordering online or cake decorating, these are all great services that are relatively unique to Walmart to be able to enable those from a digital standpoint all the way through the store, and then delivered to people's homes. So I really am excited about the convenience and the expansion and assortment that we're offering.

C. Douglas McMillon

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



Oliver, we punch below our weight on general merchandise specifically in apparel and home for really a long time, maybe forever, and I think the progress that we're seeing now is driven by the in-store remodels and eCommerce.



The marketplace is a great opportunity but 1P will be important too, so we've now got tools that we can use to grow the general merchandise business that didn't have before.

As it relates to the other part of your question, I think the thing worth mentioning is the progress we're seeing on search. I'm really excited about a solution-oriented search and this migration that many of us are on trying to create a personal assistant, so we can be more anticipatory, save people more time and help them with solutions more than what our previous search capability could do. So, I think that's going to be on a maturity curve from now until the end of time. And generative AI has helped us step-change that and I expect that that improvement will continue.

will continue.	
Oliver Chen Analyst, TD Cowen	Q
Thank you. Best regards.	
Operator: Our next question is from the line of Seth Sigman with Barclays. Please pro	oceed with your question.
Seth Sigman Analyst, Barclays Capital, Inc.	Q
Hey. Good morning, everyone. I wanted to focus on operating expenses and thinking a planned for this year. If I recall there was a first half weighting in the guidance originally a year-over-year dynamic. Any update on how to think about that and more specific to like you setup guidance very similar to how you setup Q1. I'm just curious, is there anytopportunity in Q2? In other words could there be a bigger step-up in spending or anyth flow through that we were able to see here? Thanks.	y. I know some of that was the second quarter. It looks thing different about the
John David Rainey Chief Financial Officer & Executive Vice President, Walmart, Inc.	A
Sure, Seth. Happy to take the question. This is John David. So, when we gave guidance year in last quarter's call, we talked about the first half of the year. We'd likely see that soperating income. Maybe that's unlikely now with these results in the first quarter, but we investment in the second quarter related to some technology investments. We've also get depreciation year-over-year.	sales would outpace we did have some planned
In terms of the opportunity in the second quarter relative to the first quarter, there are a out in the first quarter that likely would not repeat themselves, but I don't want to take a performance. The first of those is just strong seasonal events in international that helpe a LIFO charge last year at Sam's, which contributed to some of the operating income g to repeat themselves, so the possibility for outperformance in 2Q may be less than what	away from the team's strong ed us. And we also lapped prowth. Those are likely not

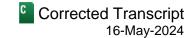
That said, I don't want to take away the headline here and we feel really good about how the team's operating. Feel really good about what the year holds for us and the opportunity to outperform the guidance that we've given.

Seth Sigman
Analyst, Barclays Capital, Inc.

Okay. Thanks very much.

Walmart, Inc. (WMT)

Q1 2025 Earnings Call



Operator: Our next question is from the line of Kelly Bania with BMO Capital Markets. Please proceed with your question.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Hi. Good morning. Thanks for taking our questions. Wanted to just go back to business mix, I guess, with the continued strong growth in marketplace. I guess when you look at the performance of general merchandise in Walmart US, that marketplace sales would obviously skew higher towards those discretionary categories, you noted the 420 million SKUs there. So, I guess the question is, is the impact of 3P marketplace growth at all starting to cannibalize maybe in a good way the general merchandise comps that you provide, or would the performance of general merchandise be stronger if you looked at it more holistically from a total GMB standpoint?

John David Rainey

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

Let me start on this and others may want to jump in. So first of all, as you think about the mix of our business, we've continued to have a headwind as consumer wallets have been stretched. And for us, that's resulted in about 100-basis point shift away from general merchandise to other categories of our business in the first quarter. We expect that to continue or some magnitude of that for the balance of the year.

But to me, the real story here around general merchandise is the progress that we're making in our marketplace. And so while general merchandise is call it roughly flat, there are categories like pets and beauty, where the growth in the marketplace is in excess of 30%. There are other categories like furniture, sporting goods, that are in excess of 20%. And I think this shows that consumers or customers are coming to us thinking of us very differently than what they have in the past. And it's also an indication of how and where we're gaining share in our business. So general merchandise being able to offer third-party assortment is giving our customers a lot more options than what they've had in the past.

C. Douglas McMillon

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

I think general merchandise mix was impacted by food inflation to a degree. When food shot up to mid-double-digits, there were a lot of customers that had their paycheck allocated that direction. And now that food pricing has calmed down some and we've got rollbacks happening in food and you've got a deflationary situation with GM, you've got the opportunity given elasticity to grow more units which we're doing. And the fact that we're growing share feels good. So, I don't get too caught up, Kelly, on whether the sales come through stores, clubs, first party, or marketplace. We just want to have what people are looking for. And we'll manage the mix on the other end of it in a way that generates more profitability, which is what you're seeing in this quarter.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Thank you.

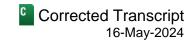
Operator: Our next question is from the line of Paul Lejuez with Citi. Please proceed with your question.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Walmart, Inc. (WMT)

Q1 2025 Earnings Call



Hey. Thank you, guys. You mentioned that within Walmart US, your share gains were led by the higher-income households I believe. Curious how you define that? What percent of your customer base the higher-income households comprise and how are you targeting that consumer? And also curious, how that consumers' engagement with Walmart changed? Thanks.

John David Rainey

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

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Yeah, this is John David. I'll start. So we define where we stratify the income groups roughly as \$50,000 and below, \$50,000 to \$100,000, and then \$100,000 and above. And as a general rule, our customer base breaks down about one-third in each group. And so in terms of what we're doing to be more attractive to that higher-income household, I think this is really the story or the word we've been using here is convenience.

We are not just a play for value anymore. We talked about the number of units that we've shipped in the last 12 month which is on par with any eCommerce player in the world. That shows that customers are coming to us and we're a consideration where we haven't been before. And convenience matters to someone irrespective of what your paycheck is, irrespective of what your income level is and we expect that to be durable. We don't expect that to change.

John R. Furner

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

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Yeah, John David, I'd just add to that. It's also been encouraging to see the improvements in fresh food. We've definitely experienced benefit from improvements in quality, the supply chain has gotten tighter, many of you have seen the work we're doing in supply chain, but produce has been really exciting to see the progress over the last couple years. The same sort of quality improvements are coming through in the meat department. And you can see that in the types of items and categories that we're selling in-store and those in pickup & delivery. And in the delivery business, where we're stronger with higher-income consumer, that's where we've seen a lot of growth.

I'm really excited, Doug, what you mentioned earlier is better goods as being a way to sell better quality, better taste profiles and at values that really matter. 70% of the items under \$5 is exciting and that appeals to all income groups. And so if you're trying to feed a family of four or five or six and prices in restaurants have gone up in Walmart and it's beginning to come down. And we're really proud of the rollbacks. I think our value message is strong and having the ability to deliver flexibly is going to work out really well for us.

C. Douglas McMillon

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

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We're not trying to chase higher-income cohort sales. We just offer value. If you look at what's happened historically, people with higher incomes have shopped Walmart. They've just been selective in the categories that they buy and the items that they buy. So, if we offer them the right items at the right prices whether that's in-store, first party or marketplace, they'll respond to that. And so as we've been able to expand our assortment online, we can appeal to more people and then you layer on the convenience dimension and you get a good outcome.

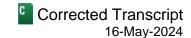
Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

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Thank you, guys. Good luck.

Operator: Our next question is from the line of Chuck Grom with Gordon Haskett. Please proceed with your question.



Chuck Grom

Analyst, Gordon Haskett Research Advisors

Yeah, thanks. Good morning. Congrats on a really great quarter. Just wondering if you can discuss trends you're seeing within general merchandise between smaller ticket, shorter replacement items versus higher ticket longer replacement items. And if any shifts in spending within the categories reflect anything about whether the consumer is making any incremental changes in their discretionary spending? And then just as a quick follow up, just curious if there's any deviation or big change in trend throughout the quarter by month. Thank you.

John R. Furner

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

Yeah, Chuck, good morning. It's John. I'll take it. I think the best way to describe the consumer is, it has been remarkably consistent over the last couple years. Mix has changed but it hasn't changed that much. We've seen growth in both brands and private brands. We have seen a wide range of price point selling in the quarter. March was a strong month, given Easter was in the month. We had leap year in February that was also helped to make it stronger. So the phasing of the quarter wasn't all that surprising. It was strong in February, strong again in March, weather was favorable in March, a little bit colder and then April was softer without Easter in it. But we walked out of the quarter into the month of May with similar trends that we've been seeing. So, the phasing of the quarter wasn't all that different than we expected.

I think you should look forward, the consumer is consistent, our inventory is in good shape, our merchants, we said this a few minutes ago, they have the ability to mix out, they're managing their price gaps and value, they're managing additional margins, their markdowns have been lower due to stronger inventory management, a little bit of improvement this year in shrinkage from the previous years. We've been going up for the last three years and it's good to see that's starting to come down in some places in the country, but we'll mix this out. Our merchant team, they've done this for a while and in any situation with a consumer we want to focus on value and be there for them and we'll manage the mix on the back side.

Chuck Grom

Analyst, Gordon Haskett Research Advisors

Thanks, John.

Operator: Thank you. Our next question is from the line of Rupesh Parikh with Oppenheimer. Please proceed with your question.

Rupesh Parikh

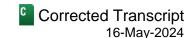
Analyst, Oppenheimer & Co., Inc.

Good morning and thanks for taking my question. Also, congrats on a nice quarter. So just going back to the commentary on Walmart+. It sounds like it's growing double digits. As we look at the backdrop out there for membership and subscriptions, you're clearly seeing a more crowded landscape. So, just want to get a sense of how you guys feel about the value proposition today and then further opportunities to differentiate Walmart+ going forward.

John R. Furner

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

Hi, Rupesh. It's John. Pleased with the progress in Walmart+. It is an important part of what we do. And it is a great way for customers to save time and save money by joining Walmart+. You get access to unlimited deliveries



which is great and I talked to a lot of people over the country that use it all the time. It's also been important for us to improve the perfect order as we mentioned earlier. We launched Walmart+ in 2020 at a time when the supply chain was difficult. And so the continued momentum in improvements and being able to fulfill customer's orders with what they ordered when they ordered has been important. But again it's an important part of what we do. We think it's a great solution for customers and it's been exciting to see the progress.

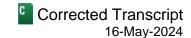
Rupesh Parikh Inalyst, Oppenheimer & Co., Inc.
Great. Thank you.
Operator : Our next question is from the line of Greg Melich with Evercore ISI. Please proceed with your question.
Gregory Scott Melich Inalyst, Evercore Group LLC
Thanks. I'd like to pivot a bit back to the top line. And I think you said inflation was 40 bps in the quarter. If you book at your guidance for the rest of the year, do you expect it to settle at that kind of low level or even fall further?
ohn David Rainey Chief Financial Officer & Executive Vice President, Walmart, Inc.
Greg, we expect it to be relatively close to what we saw in the current quarter. It's a mix across the baskets. We've seen general merchandise be more deflationary, but consumables and food are hovering slightly above lat-to-up 1, so we generally expect it to be in this level.
Gregory Scott Melich Inalyst, Evercore Group LLC
Fhank you.
Operator : Thank you. At this time, we've reached the end of the question-and-answer session. And I'll turn the call over to Doug McMillon for closing remarks.

C. Douglas McMillon

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

Thank you all for joining the call. Again, thanks for our associates for a really strong quarter. When I think about the headlines for the quarter what goes through my mind is first the eCommerce growth. I think the progress we're making on convenience for customers is a big deal. And that's happening through our store fulfillment as well as through fulfillment centers, the marketplace is growing and that brings along with it growth and advertising and membership. It was great to see both of those up 24%. Second headline is related really good inventory management and the third headlines related to pricing. I think the number of rollbacks that we have and the value that we're offering to customers and members is resonating and those really set this quarter apart.

Big picture, our thought is the same as it has been. We're going to be able to grow sales because we're positioned to serve people how they want to be served. We're going to grow profit faster than sales because of business mix and we're going to be able to grow returns as we make the right capital investments. So, we'll be really consistent as it relates to that through the year, and we appreciate your time and attention.



Operator: Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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