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Walmart, Inc. (WMT)

Investment Community Meeting

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MANAGEMENT DISCUSSION SECTION

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

Good morning, and welcome to Walmart's 2020 Investment Community Meeting. Thank you, all, for being here and thanks to those joining us on the webcast. We appreciate your interest in Walmart. I know the executive team looks forward to sharing their strategies with you and answering your questions. Now, let me get a few of our usual statements out of the way.

The information presented at today's meeting should be viewed in conjunction with our press release and earnings materials that can be found on our website, stock.walmart.com. The presentations will also be posted on our website as they are completed.

Today's presentations include forward-looking statements that are subject to future events and uncertainties which could cause actual results to differ materially from these statements. Please reference our entire Safe Harbor statement and non-GAAP reconciliations on our website, stock.walmart.com.

Hopefully, you've had a chance to review our earnings materials issued this morning, which we'll discuss in more detail during today's presentations. You can see today's agenda on the screens besides me. We'll kick things off in a minute with Doug McMillon, Walmart's President and CEO. Then, you'll hear from our CFO, Brett Biggs, and at that point, we'll have a 30-minute Q&A session to discuss Q4 results and guidance.

Following that, we will have a brief break and then continue with the rest of our program. After the segment presentations, we'll be doing something new this year. We will have an innovation panel discussion to highlight some of the many innovations across the business. We'll then wrap up with an hour Q&A session, and at the end of that session, our formal meeting will conclude. We invite you to join us upstairs for lunch where you will have an opportunity to spend time with our executive team.

With that, let's get things started. Doug?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

Good morning. Thanks for coming. You're going to hear about our future plans from several of our leaders today. Let's begin by talking about Q4. I'll give you a summary and then Brett will come up and share more detail about the quarter, the year and our guidance going forward.

We feel pretty good about the year, even though the fourth quarter was not our best. Our momentum in food and consumables within Walmart U.S. has continued. That's been our priority, and it's good to have that strength to build on. Our volume in stores as well as through pickup and delivery remains strong. And it was good to see our US e-commerce growth of 35% for the quarter and 37% for the year.

Our sales missed a plane in the US was in our stores and related to a few general merchandise categories. Sales in November and January were what we expected, but the weeks just before Christmas fell short. We performed well in electronics, Christmas seasonal, the home categories and health and wellness, but were short of plan in toys, media and gaming and apparel. The sales miss to plan and less favorable mix of sales impacted operating income and a change to our attendance policy contributed to wages being higher than they would have otherwise been.

So a few things came together that affected our results. We know what happened and we're already taking steps to address them. You'll hear more details from John and Marc in a bit, but those steps include adjusting our apparel assortment and presentation in stores. We were too opening price point dominant this year and we had too much of an investment in Christmas, Christmas seasonal apparel. Also, we'll adjust some of the toy decisions we've made which John will say more about, and we'll change our approach to Layaway which missed sales plan by quite a bit this year.

In addition to adjustments to our plan for stores, it's obviously important to accelerate progress in eCommerce given the ongoing channel shift. We'll continue to build our eCommerce assortment by adding items and brands in key general merchandize categories, we'll improve our ability to ship eCommerce orders during peak and make sure that customers know we can do it. We exited the quarter in good shape in terms of the amount and content of our inventory. January sales were on plan and February sales have started off well too.

Sam's Club's fourth quarter sales were a little better than plan, with membership and eCommerce performing well. Walmex India and China were highlights in Q4. Walmex is a real gem and we are really proud of that team. With respect to India, we remain excited about the opportunity we have there. The way Flipkart and PhonePe are scaling is impressive. In China, we drove improved momentum in the back half of the year as Sam's Club and eCommerce experienced strong results. We're managing the issues related to the coronavirus daily. Our primary focus is, of course, on our associates and our customers. Judith and Brett will share more about our thoughts and actions a little bit later.

Now, Brett will give you the detail on the quarter, the year and our guidance for this year, then I'll come back up and tell you more about our plan going forward. Brett?

Brett M. Biggs

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

Thanks, Doug. Good morning. Great to be with you here in New York City and thanks for everybody joining us on the webcast. So, as always, there are a lot of exciting things going on at Walmart. This is my 20th year with the company and I've seen it evolve and I've seen it adapt and I've seen it grow in remarkable ways.

And even as I start my fifth year in this role, I'm still amazed at the number of things we've accomplished over the past few years. Walmart remains nimble. We're focused on building the world's greatest omnichannel platform and we continue to position this business for long-term success.

There are several things I hope you'll take away from this morning. We achieved most of our full year financial goals. And while we didn't hit on all cylinders for some of the fourth quarter, we had a good year. Our ability to operate with lower costs provides competitive advantages and assures we continue to gain market share. We're leveraging expenses at levels not seen in a while and it's sustainable. Our investments are paying off, and you can see this in reduced associate turnover, store innovation, high eCommerce growth rates, strong private brand growth and I can name many more.

The productivity loop is alive and well. So in recent years, we've widened price gaps. We've increased sales. We've leveraged expenses. And we've grown operating profit in Walmart U.S., Sam's Club, Walmex and other markets. We're leveraging our scale, our unique assets and financial strength to ensure structural competitive advantages. Our company's foundation is extremely strong.

So, let's discuss the fourth quarter. As Doug mentioned, sales were good through Cyber Monday as well as in January and February has started off well. But the few weeks leading up to Christmas weren't as strong. Doug mentioned a few reasons, but we believe also the compressed holiday season impacted stores more than eCommerce.

Adjusted EPS was within our guidance, but operating income was lower than plan due to sales misses in a few GM categories and soft sales in a couple of key international markets. We still leveraged expenses by 25 basis points, but we could have been sharper in some places.

We also invested more heavily in technology during the quarter, which we expect to continue this year. The technologies we've talked about is a key part of our strategy and we'll continue to accelerate progress on back-end activities on associated tools and key customer-facing initiatives. And I have great confidence in our technology teams to invest aggressively, but also intelligently.

Adjusted EPS for the quarter was $1.38. However, adjusted EPS would have been about $0.05 higher except for two items. First, as mentioned when we gave guidance at the end of Q3, the unrest in Chile had an estimated negative impact on operating income of about $110 million. We weren't able to quantify this when we gave guidance at the end of Q3, so nothing was included. We experienced significant disruptions in nearly three-quarters of the stores at one point with some of them completely destroyed. Now, given the extent of the disruption, we don't expect the business to fully recover this year, which has been considered in our guidance today.

In addition, we also recorded an unexpected legal accrual in the US of approximately $75 million. And as Doug mentioned earlier, we understand the factors that impacted results for a few weeks in the quarter and we're addressing them. The core business remains very, very healthy. And in particular, the food consumables business around the world is strong. And in fact, in Q4, Walmart U.S. grocery comps on a two-year stacked basis were among the best in the past 10 years, and we continue to take market share according to Nielsen.

So let's turn to sales for the quarter and the full year, and you'll be glad I'm not going to go through all the various numbers live. So, please reference the press release and the presentation this morning and I'll give you some highlights here.

Total net sales in constant currency increased to over $140 billion for the quarter and reached $524 billion for the year, which is growth of nearly $14 billion. Walmart U.S. comp sales, excluding fuel, grew 1.9% in the quarter, with roughly balanced contributions from comp transactions and ticket. As a reminder, these results include a 50 basis point headwind from lapping last year's SNAP benefit adjusted for the 53rd week this year.

On a two-year stacked basis, comp sales increased 6%, putting two-year stacked at 6% or more for six of the last seven quarters. For the year, Walmart U.S. achieved a 2.8% comp and a 6.4% comp on a two-year stacked basis. So Walmart U.S. sales grew by more than $9 billion in FY 2020.

eCommerce sales were also strong, up 35% for the quarter. Grocery remained strong, but we also had sales – good sales in several online GM categories. For the year, growth was 37%, which is slightly higher than we had guided.

International sales increased 2.2% for the quarter with strength in Mexico and China and India, and it was offset by the unrest in Chile and some continuing challenges in the UK and Canada. For the year, international sales increased a solid 2.8% in constant currency. At Sam's Club, solid comp sales continued this quarter, increasing 3.8% excluding fuel and tobacco. eCommerce sales grew 33% on top of 24% last year – in Q4 last year.

So, let's turn now to operating income and EPS. For the quarter, adjusted operating income declined by 3.7% on a constant currency basis. For the year, adjusted operating income decreased by 1.9%, but excluding Flipkart, adjusted operating income would have increased for the year.

Consolidated gross profit margin declined 40 basis points for the year and that primarily reflects the merchandise channel mix shifts, price investments in various markets including the US, so the things we've been talking about this year, and also the inclusion of a full year of Flipkart versus a partial year the previous year.

The Walmart U.S. gross margin rate was only down 14 points for the year. And even with lower than anticipated sales, we leveraged expenses as a company by 25 basis points excluding adjusted items in the quarter and 24 basis points for the year. Walmart U.S. operating income declined 3.8% in the quarter, but stores – US stores operating income growth would have been slightly positive if not for the legal expense I mentioned earlier.

The eCommerce gross margin rate increased and they leveraged expenses. However, as eCommerce grows, it changes the mix of expense and margin rates for this segment. For the year, Walmart U.S. increased operating income by 2.6%.

International adjusted operating income increased slightly for the quarter in constant currency, but excluding the unrest in Chile, adjusted operating income would have grown by nearly 10%. The International team delivered really solid expense leverage on an adjusted basis in the fourth quarter.

The dilution from Flipkart was as expected. In fact, I had a great visit to Flipkart and to PhonePe a few weeks ago and I always come back impressed with the energy, the management depth, the financial discipline and the entrepreneurial spirit that I see here – see there and Judith will talk more about that later on. And Sam's Club's solid membership trends contributed to an operating income growth of 8% for the year, so solid performance there.

Now, FY 2020 adjusted EPS excludes a few larger items that are noted on our release this morning. Adjusted EPS [ph] slipped (00:12:21) slightly versus last year, which is within our guidance. We finished the year in good inventory position with Walmart U.S. and total company roughly flat year-on-year.

Operating cash flow for the year continue to be strong, over $25 billion, and the company returned $11.8 billion to shareholders through dividends and share repurchase. Now, operating cash flow was down about $2 billion year-on-year. About half of that difference is due to the Asda pension contribution that we made during the year.

So, here's a scorecard for the year compared to our guidance at the start of the year. Now, despite not finishing as strongly as we would've liked from a sales standpoint at the end of the year, I'm really pleased with what we accomplished for the full year. Now, over the past several years, we've made great progress transforming to win with customers and with shareholders, and we've made strategic choices. And the payback on those decisions is becoming more evident and we're glad that investors have been rewarded over the past several years.

You can see how the company has evolved by looking at the composition of sales and CapEx versus just a few years ago. We used to open hundreds of stores each year in the US, but we struggled to gain traction on comp sales. Today, we're opening very few new stores in the US and we're driving more efficient growth with solid Walmart U.S. and Sam's comps.

We used to have a global eCommerce business with just over $8 billion in sales. This year, we estimate global eCommerce sales will approach $50 billion and that's doubling just over two years. Now, while some of that's come from acquisitions, we're changing the nature of how we interact with customers. $50 billion in revenue would put this well within the Fortune 100, even just on its own.

Just a few years ago, we had no stores, no US stores with online grocery pickup and we didn't deliver groceries. Now, we have about 3,200 stores with pickup and 1,600 stores with delivery. We've added a great deal of new technology such as Ask Sam, Scan & Go, automated shelf-scanning robots and a whole host of tools that help customers and associates. So a lot has changed in a short period of time while we've been delivering solid financial results.

This is such an exceptionally strong company and I don't want that to get lost. There just aren't many companies in the world like Walmart. Total revenue approaching $525 billion and incredibly strong balance sheet with a AA credit rating, a diversified asset base, physical, digital assets in the most important markets around the world, more than 265 million customer transactions a week, a 2.2 million strong associate base and a strong stable cash flow, and this financial strength gives us the ability to win now and in the future. Most companies have to decide between protecting its core business or growing new businesses, but we can do both.

We continue to be guided by a consistent financial framework which you've seen. And if we execute in these areas, we're going to win with customers and with investors. In the year ahead, we'll continue to focus on the most productive growth opportunities. We'll prioritize comp sales and eCommerce growth. Walmart U.S. has had more than five consecutive years of positive comp sales and transactions. And in addition, eCommerce growth continues to be strong and we expect that to continue. We expect total sales growth on a constant currency basis to be around 3%. That represents over $16 billion in growth. We expect the momentum to continue this year, with Walmart U.S. segment comps of at least 2.5% and that growth fairly consistent across quarters, with each quarter expected to be at least 2%. Now, this growth would imply two-year stacks of well over 5%.

We expect US eCommerce sales growth to be around 30%, with quarterly growth ranging from the mid-20s to the mid-30s. And as you can see here, we expect eCommerce sales to represent more than half of our total global sales growth.

In International, we expect to see solid sales growth of around 4%, with strength in Mexico and India, and we'll have some continued softness we believe in the UK and Canada. Our China business also continues to operate well, and in particular Sam's Club. Now, certainly the coronavirus tempers our expectations some, and I'll discuss that more shortly. We expect Sam's Club to continue to have good sales momentum, with comp sales excluding fuel and tobacco of at least 3%.

One of the areas I'm most proud of is the team's work around operating discipline and expense leverage. And last year, we challenged the team with an enterprise-level goal of 20 basis points of leverage, and we exceeded that, excluding adjusted items. The Walmart U.S. stores team has leveraged expenses for 12 consecutive quarters. The investments in training and technology are helping sales and they're helping efficiency. And I'm very passionate about getting our expense rate down even further in a smart and sustainable way. If this business achieves SG&A levels of 20% or hopefully even lower, we will continue to have options other competitors don't. And as you can see, we are bending the curve on expenses.

Over the past couple of years, we've implemented Smart Spend initiatives across most of the organization, and you can take a lot of small projects, you can scale them across the business and they can lead to impressive savings. We have hundreds of opportunities underway and in the pipeline, but let me give you a few examples.

One example of combining a new technology with a new process is the type of store automation called the FAST Unloader, some of you have seen it. Two years ago, we didn't have any of these. Today, we have them in more than 1,700 stores. And if you haven't seen it before, the FAST Unloader automatically scans, it sorts items coming off a truck and it takes about a third of the time out off the truck unload. It makes the job easier, requires less time, it automatically prioritizes product to fill gaps in the floor.

Now, since inception, these FAST Unloaders have prioritized more than 25 million cases of merchandise that would have otherwise resulted in out of stocks. So you can tell when we find technology and process that makes us better, we are moving quickly to scale it.

We can also improve the business and the environment at the same time. We're investing in new technology that gives us enhanced visibility to the energy usage of store equipment. So think Internet of Things. By centralizing the monitoring and the maintenance of equipment, we expect to save around $100 million annually over time, improve the customer experience and help the environment. So this kind of initiative really demonstrates our save money, live better purpose.

We're also seeing cost savings in goods not for resale, or GNFR. We were doing okay in this area before, but we weren't leveraging our scale as much as we should have. For instance, just by changing our buying process and better utilizing our scale for shopping bags, we anticipate saving more than $60 million annually.

Another example is we're going to save 15% on the cost of [indiscernible] (00:19:27). They're made with recyclable material which is more comfortable and it's more sustainable. In Mexico, we're increasing the use of e-auctions in areas like transportation and supplies, and last year, we saved about 15% on a spend of nearly $300 million. So, these are just a few of many examples of how we're doing business differently than we've done in the past, and small changes can have a really big impact in this company. We've made good progress on expenses and we expect to achieve around 20 basis points of SG&A leverage again this year and over the next few years, assuming consistent levels of comp sales.

As I mentioned earlier, the nature of our CapEx spend has changed dramatically over the past several years. This year, we'll continue to invest the vast majority of capital in store remodels, eCommerce, technology and supply chain to ensure we give customers the convenient shopping experience that they expect. We'll also invest more this year in technology to upgrade legacy systems and lean into customer-facing technology and technology of the future. However, a quite a bit of this spend will have OpEx versus CapEx. For the year, we expect CapEx to be similar to last year at around $11 billion, with slightly more going toward the US versus last year.

I'm really proud that over the past 10 years, we've returned close to $130 billion to shareholders through dividends and share repurchases. In fact, over the past 10 years, we've bought back roughly 30% of the outstanding shares at average prices well below the current stock price. This has been a good investment. That's in addition to investing nearly $120 billion in CapEx over the past decade to grow the business. And the ability to do all of this makes Walmart a truly unique story. With our announcement this morning, we've increased our dividend for 47 consecutive years and we also remain committed to our share repurchase program. We have approximately $5.7 billion remaining on our buyback program and we intend to complete that this year.

So, here's how all this comes together, and you can find a complete listing of guidance metrics in this morning's press release, you've probably already seen it. I've mentioned our sales and capital guidance, I was focused a little more [ph] on profit (00:21:39) guidance. Now, as always, we have several assumptions in our guidance, including general consistency in economic conditions, currency rates and tax and the regulatory landscape.

The consumer environment is pretty healthy in the US and our competitive position is strong. We're also performing well on a number of key international markets like Mexico, China and India, while the UK and Canada remain challenging in some respects. Based on currency rates today, FX would have limited impacts on sales and operating income for the full year, but some slight negative impacts earlier in the year. Of course, rates can change. So, I encourage you to update your models as we go through the year.

Also, we have not included any potential future change in the value of our investment in JD.com. We're continuing to monitor the ongoing tariff discussions and we'll continue to actively manage pricing and margins with customers and shareholders in mind. We're also monitoring conditions in Chile and our guidance assumes a relatively stable environment there.

We're also continuing to monitor the coronavirus situation. Our first priority, as you heard Doug say, is ensuring the safety and well-being of our associates and our customers, and we're taking actions in that regard. Currently, we do anticipate some financial impact to the China business in Q1 and potentially into Q2. Due to the current sales mix slanted heavily toward food and consumables, as well as some increased expenses related to the outbreak, we could see a couple of cents negative impact in Q1.

We also continue to monitor how this might impact our sourcing operations. As of now, we aren't seeing major impacts. But if there are any longer-term shipping issues, it would likely impact our business. Because the situation is still so fluid, we haven't included any specific impacts related to the coronavirus in our guidance, which I'm going to discuss next.

We expect FY 2021 EPS to be in a range of $5 to $5.15, which implies a growth rate about 1.5% to 4.5% versus this past year's adjusted EPS. And this growth is expected despite the increased tax spend which I mentioned previously. We expect operating income dollars to increase by similar growth rate as EPS and we expect Walmart U.S. operating income to increase by an amount at the upper end of that range. We also anticipate Flipkart's dilution to be relatively consistent with FY 2020's adjusted results.

Now, with regards to Walmart U.S. eCommerce profitability, we expect losses this year to be flat to slightly lower versus last year. We've seen improvement in contribution margins as well as variable fulfillment costs and we expect that to continue this year. We'll also benefit some from the recent reorganization and consolidation activities.

Now, on a consolidated basis, we expect the quarterly cadence of EPS growth to be in the low single-digits in Q1 and Q3, and in or near mid-single-digits in Q2 and Q4. Now, this cadence is primarily due to the impacts of the Chile unrest, comping some expense timing in the US segment last year, and the timing of increased tax spending which actually accelerated in this past quarter.

As a reminder, fairly small shifts in the timing of expenses and other factors can change this quarterly cadence. And again, to be clear, none of the guidance I just mentioned includes any potential coronavirus impacts, including the couple of cents potential impact from the China business that I mentioned earlier.

Now, typically EPS growth is higher than operating income growth due to share repurchase. In FY 2021, we expect the growth rates to be similar which you've seen due to lapping some tax rate benefits from last year, leading to a slightly higher effective tax rate this year, as well as increased costs related to the Asda pension plan which hits below operating income. We don't currently expect these headwinds to continue past this year.

So, as I close, I hope you have a sense of why we're so excited about the future. Our core business is really strong and we're performing well. We're rock solid financially. We're leveraging our scale. We're leveraging our unique assets and paybacks from recent investments are helping fund future innovations. Expense leverage is sustainable and the cost culture is strong again. And our guidance reflects continued progress and solid performance.

It's a really special company, 20 years here, and I'm so proud to be a part of this team and this company's transformation. I'm confident in our strategy and our financial strength are going to make us a winner in retail for many years to come.

And with that, I'm going to ask Doug to come back up and we thought we would go ahead and just take some questions on guidance and year. And Dan, you want to start us out?

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

Yeah. So, we are going to have, as I mentioned earlier, a separate Q&A session at the end of today's program. So this Q&A session is really designed for Q4 and guidance. We'll stick hopefully to that and get through the next 30 minutes if we have that many questions. If not, we'll continue the program sooner. We have our mics. Karen, right up here.

QUESTION AND ANSWER SECTION

Karen Short
Analyst, Barclays Capital, Inc.

Q

Hi. Karen Short, Barclays. Thanks. Thanks for this. So just want to talk a little bit about eCommerce growth. I think there is a view that or there has been a view that the growth rate needs to slow much more meaningfully because you've been much more reliant on the grocery aspect and then you're lapping the growth in terms of units and also the overall growth rate for click-and-collect. So can you talk a little bit about the growth rate and if you could parse out a little bit the grocery component and the discretionary component of the eComm growth?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, sure. I'll start and, Brett, you can add in if you want to. I think we've got room to run on both. If you look at the grocery side of things, the first thing that goes through my mind is product quality and what we're doing in the supply chain to make sure the stores look great, not only is that product what we put in front of customers every day in the stores, but it's what we pick and it's what we deliver.

And our pickup business, as we've lapped anniversaried stores that we've rolled out, has continued to show strong comps, and we have the opportunity to add more stores, and then we're layering delivery on top of that. And while we're up to 1,600 stores with delivery, we still got a run rate to go there to add stores and we've got comp numbers that we can drive just on delivery from store to store. So there is so many dimensions that we can build on to grow there.

And the stores increasingly can start to pick general merchandise. So you'll start to see a basket that looks like it's broader than just food and consumables, big GM assortment in stores, a lot of items that are of tremendous values to customers and we'll layer that on.

At the same time, we've got the Walmart.com opportunity. And with the action that Marc and the team took earlier this year to expand the number of NextDay items that we have, we've got that growth opportunity, that number SKU count wise will continue to go up and you'll hear more in a little bit about what we're doing with marketplace and fulfilled by as a service. So there's a breadth of opportunities to drive growth there. And we think the number that we guided towards today is a number that we can deliver and it'll be a combination of both.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Hi, Simeon Gutman, Morgan Stanley. In fiscal 2020, you return to profitable growth. The beginning of the year, you did it with a little better sales and margin, and then we ended a little soft. Going forward, we have NextDay, food seems to be outpacing the mix of other categories. How do you maintain this balance going forward? And given that the stake seem to be rising, was there any debate whether to lean back into investments?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, we'll continue and we'll talk about this in a little bit as well, we'll continue some level of price investments, staying on the offense and driving a productivity loop is our mindset around those things. I'm not forgetting the fact that we make money in food and consumables, and you know that with the mix of fresh, there's profitability there and we're starting to do some membership sales which are interesting.

But there is a particular focus in the company, especially after the fourth quarter, on general merchandise. As we walk our stores, we think we've got room to improve in several different general merchandise departments as well as just adding brands and SKUs like we've been doing so feverishly on Walmart.com. So we've got to execute the GMs out of the box in addition to the food side, but we're very focused on it.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

And Simeon, as I went through the presentation this morning, the thing that's so great about this business we have so many different pieces of the business and so many different levers to pull that as we make these decisions, it just gives us a chance to prioritize in a way that's just always in line with the customer and still get profitability where we need it to be over a longer period of time.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Bob, next?

Robert Drbul
Analyst, Guggenheim Securities LLC

Q

Yeah. Bob Drbul, Guggenheim Securities. Brett, you talked about just in the overall guide increased tech spending. Just wondering if you could just give us couple, the projects, the focus areas, exactly where that money is going and [indiscernible] (00:30:51)?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. If you'll wait just a little bit longer, Suresh is going to come up later and talk a little bit about it. But there's a number of things, Bob, and some of it's backend, those would be things that you would have never seen. We've talked about them before. As a company, you're always going to have some tech debt and we want to accelerate some progress around that, several initiatives underway and with things that help our associates be more efficient. John will talk a little bit about that later on. And then what's the customer going to look like in the future. How do they want to shop in the future? And Suresh and his team along with Marc and others are really focused on that. And again, we will talk about that a little bit more later on [indiscernible] (00:31:24).

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll [ph] just stick with Peter in here (00:31:25).

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

Q

Thanks, Dan. Peter Benedict at Baird. Just back to the online grocery discussion, can you give us a little more detail maybe how many more stores you think you'll be able to add this year and is this the last year of rollout from that initiative? And then, Doug, you mentioned that you're seeing strong growth, I mean, the comps in this business as you get in years two and three. Can you maybe frame it? Is it – how strong is strong, is it double-digits, just how it seems to be scaling at this point?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. I don't think we've quantified the number on comps for grocery pickup and delivery, but they are really strong. And now we're – to the point, Peter, where we can see some stores that are in their second and third years. So, that's also really encouraging to see. In a little bit, we'll talk about the expansion of store numbers with the specific numbers for pickup and delivery, but it's a combination of adding some stores and driving that comp growth and then putting everything together with the membership fee that's on our mind.

Kate McShane
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Kate McShane, Goldman Sachs. I just wondered if you could talk a little bit about apparel, how much of the gross margin pressure during the quarter was due to some of the weakness in that category and how we should think about apparel's contribution to both comp and gross margin in 2021?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, it was, as we mentioned earlier, one of the areas where we fell short. And what we think happened is we got really focused maybe even more so on opening price points inside the stores and also very focused on Christmas seasonal apparel. We looked like red and green and could have been more basic and could have had some kind of middle price points as opposed to opening price points, and so we're focused on that.

There's a ton of work on SKU count, presentation that's been underway for a while now and we're optimistic that we'll be able to improve the in-store assortment of apparel, and in parallel grow our apparel business online. We have a really big opportunity to sell a lot more apparel online and we're adding brands. We've had some success this last year with some of the brands that we've launched, including Scoop, but there's a lot of upside for apparel online as well, we need them both. It's really an important category not only from a customer experience, but from a margin mix point of view.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

And Kate, I mentioned about contribution margin increasing in eCommerce, some of that is because of increased apparel sales and we're doing better in apparel online.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, we should say, for just Walmart.com, apparel is growing faster than the total. Apparel and home are both performing well. We just need even more from them.

Q

Oh, thanks. You guys mentioned a $50 billion eCommerce number, that's for – that's what you think for fiscal 2021?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Global.

Q

Global eCommerce, is that a GMV number, or does that includes...

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Net sales.

Q

...that's just own sales?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Net sales.

Q

So, Doug, I think in your comments in the third quarter, you mentioned doing more with the Marketplace or 3P business. Can you – how is that in the fourth quarter and what are you guys seeing in 3P?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, it was good. But we don't think that we've done everything we must do and should do to support marketplace sellers in terms of the tools and services that we have available. I mean, we've grown a Marketplace business over the last few years to a pretty good size, and it's helped us a lot with the assortment and being top of mind for customers as they're looking for items. There's a lot of upside for us and Marc's going to talk a little bit more about that later. So let me let him elaborate on it.

Q

[indiscernible] (00:34:44)?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Not big enough.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Go to Greg Melich – we'll go to Greg Melich upfront, [ph] Carey (00:34:52).

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

He's right here, [ph] Carey (00:34:54).

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

And then we'll go to the side of the room there.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

Hi, Greg.

Gregory Scott Melich
Analyst, Evercore ISI
Q

Hi. Greg Melich with Evercore ISI. Brett, just to make sure I got the numbers right. Given the EBIT dollar growth in the US, should we assume that gross margin rate is down 15 bps, 25 bps that would be the corollary?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Yeah. I think the way we've guided, you can see that we expect operating margins to be fairly flat with what we've had here. And so when you look at the expense leverage of around [ph] 20 basis points (00:35:19), that's a pretty good algorithm.

Gregory Scott Melich
Analyst, Evercore ISI
Q

And where is that gross margin pressure, if you were to put into either price investment or eCommerce investment or mix, like, what's your strength – well, where is that coming from? And then Doug, I had a follow-up.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Yeah, it's a little bit of both. So, we'll continue to invest in price globally. We've made – John again will talk about this little more in the US. We've invested quite a bit in food and consumables, you'll see a little more price investment coming in general merchandise over time. And then, globally, we're making price investments. So while I think – I like how we're doing, I think we're smart about it, we're strategic about it, so I feel good about the pace of price investments. But there is a mix shift, as eCommerce becomes bigger, you do see some mix shift. You saw some in the fourth quarter.

Gregory Scott Melich
Analyst, Evercore ISI
Q

And then Doug, I think it was five years ago we had an Analyst Day here where you talked about the imperative of investing in margin to get traffic growing again. And clearly that's worked, right. So traffic is consistently positive, et cetera. As we take away from today, where do you think we'll be three, four, or five years from now? Is this the trend we should learn to expect that hopefully EBIT margins stay flattish and the goal is keep driving traffic up 1% or 2%? How do you think about that balance as you think about the business out a few years?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

Yeah. I think growing traffic in that range would be a good accomplishment, but I'd like to see more than that especially when you think about it in an omnichannel fashion. And the combination of choices that we make, we'll manage from quarter-to-quarter and year-to-year, we can make investments at store level and price to help drive the productivity loop. We can make investments in eCommerce to help drive eCommerce. And as we see eCommerce losses improve, it gives us some room to make choices to do things like this year the choice that we're making to accelerate our modernization of technology which we'll talk more about in a moment.

So the team works together in a really fluid way to set these priorities to make sure we're balancing all these things, including driving traffic growth. But overall I would expect that we can transform the company while maintaining a level of profitability that is in the range of what we're talking about for this year. But we only set guidance one year at a time.

Gregory Scott Melich
Analyst, Evercore ISI
Q

I understand.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

Sure. We're going to go to Michael.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

[ph] Going to do okay (00:37:30).

A

I was going to do – I was going to end with that. Yeah.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

[ph] Well coached (00:37:32).

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

If you could state your name and firm.

Michael Baker
Analyst, Nomura/Instinet
Q

Hi. Sure. It's Mike Baker from Nomura. Hi. How are you?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

Hi, Mike.

Michael Baker
Analyst, Nomura/Instinet
Q

One bigger picture question, then a couple of quick hit ones if I could. But – so it seems like eCommerce was a little bit better in the fourth quarter; stores, not quite as good. Is that a function of the shorter selling period you think or is there something bigger going on to think about into next year? And then I'll just [ph] start off (00:37:54) the quick ones, if I could, real quick. How much is Chile going to cost you next year in the guidance? Layaway, what happened there? And then finally, I'll give this excuse, even though you didn't use it. Did the weather hurt your apparel at all in the fourth quarter?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

This reminds me of Dan Binder's old questions, that were four-parters.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

You may go first.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Let me start with Chile. So what we've assumed for Chile is clearly we had a big impact to the business last year. And certainly, our associates and our customers have gone through a lot in that market. We're assuming in our guidance that the market remains relatively stable. We don't expect the business to come back in full because of the unrest and the damage that we had. But we assume basically how we came out of the year is how we're going to go into next year.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

So, yeah, eCommerce was ahead of plan and stores were behind plan, and some combination of six fewer days, channel shift to eCommerce, maybe even that weather word you mentioned, all those things factored into what happened, and we wish we could tell you precisely how it weighted out.

I don't think we're going to be able to tell you exactly what happened, but we do know that we've got room to improve in terms of store merchandising and assortment, not to say that there aren't a lot of strengths there. I mean, we've called out the specific categories. I can't remember a year where there wasn't a hot toy. The hottest toy this year was under $5. Many brands, these miniature mayonnaise jars and ketchup bottles, which I still don't completely understand, but it didn't really drive a lot of volume. There's not really another hot item, that's unusual, the calendars, every few years, this happens and I didn't feel very good the last time this happened. And I'm getting old enough to remember several cycles now. So I am not sure how to weigh it all that out for you. But we do know we've got to keep getting better at eCommerce and we got to run great stores, and that's where our focus is on tactically.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll go to Michael Lasser and then [ph] Oliver (00:39:47) after that.

Michael Lasser
Analyst, UBS Securities LLC

Q

Mike Lasser from UBS. Thank you for having this day. I mean, we should get together for all your earnings releases, we appreciate it. Formulating guidance for this year is probably particularly tricky of election, coronavirus, all these uncertainties, and you just came off a period where sales didn't necessarily meet your expectations. So, how did you factor all that in as you were coming up with your Walmart U.S. sales plan for the year? And as part of that, did you assume that you're going to have to invest more in price in order to drive the traffic, recognizing that you already said that more of the price investments will go to general merchandise versus consumables this year?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. So, we put a lot of thought into it, as you can imagine, and it's really the result of a lot of work that goes on with this team over here and how we think about tradeoffs around the company. When you look at – we talked about sales through Cyber Monday were good. Sales in January were good. We started off the year well.

The food business around the world continues to be strong. Traffic was up nearly 1% in the US. So the underlying part of the business is in good shape. And I think that gave us confidence to give what I think is really healthy guidance for next year. There's a lot of pieces to the guidance. There are lot of things that go into that [indiscernible] (00:41:07) every piece work exactly like we think it will, we know it won't, but within all those moving pieces, we felt good about the guidance that we are giving.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Low unemployment, relatively low fuel prices, really no inflation in the business, which is interesting, the comps that we're driving result in a lot of tonnage. And so that's great. I think there is room to make the pricing investments that we need to make across the box, not just in general merchandising, the plan to drive this kind of comp, but we assume the customers going to be somewhat in the same place that they're in right now.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Go to [ph] Oliver (00:41:43) next and then we'll come up to Scott after that.

Q

Longer term eCommerce profitability and main drivers as you think about mix and shipping, as well as the consumer pressures around shipping speed and the need for speed. Second question is on robotics and automation. You've been really a pioneer in this space and rethinking the store. What are some of the priorities in terms of automation and how you balance CapEx both labor savings as well as labor savings opportunities?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

We'll wrap up this morning talking about technology and give you some examples of things that we're thinking about as it relates to automation, but we do have an opportunity inside the box, grocery picking on the side of the box as well as back in our distribution centers to add even more types of software and hardware to make ourselves more productive and excited about that.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

On the eCommerce losses, we're giving this guidance for this year, but we're encouraged as I said by what we're seeing in variable fulfillment cost, we're encouraged by what we're seeing in contribution margin as we see the mix change a little bit in that business. We're going to continue to invest in eCommerce. And again, it's up to us as a management team to make sure all the pieces put together in a way that makes sense for investors.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Those pieces include first party, third party, services that support marketplace sellers, the way we manage stores and some of the other areas that we'll mention today. We're thinking about the whole system. Do we think that eCommerce losses will subside in time incrementally as we drive CP improvement and learn how to run an eCommerce business better? Yes, but it will be a mix of things that will drive the profitability of the company.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

And you've heard me say this before, I'll say it again which is it gets more and more challenging to try to break these businesses apart and report it that way. The business is just becoming more and more omni as the customer becomes more and more omni.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll hit Scott and Chuck next, and if you could just keep the questions to the quarter and guidance that'd be great.

Scott Mushkin
Analyst, R5 Capital

Q

Scott Mushkin at R5 Capital. So I wanted to poke a little bit more at the US grocery business in particular, it looks like store sales. Well, I'll just say this. It looks like almost all the growth is being driven by omnichannel which puts some pressure on your business. So how do you resist the temptation to let prices creep up a little bit, maybe take some store-specific labor out, just things that got you guys in trouble a little bit before, kind of the reset five years when Doug you took over?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

We just won't let it happen. I mean, we've lived through what that looks like and we're in the stores all the time and paying attention to what [ph] ours and structure (00:44:13) look like. I think that we would say that over the last year or so our focus on grocery shifted the store managers' focus and others focus to really executing in stock and grocery pick and deliver on the food and consumables side. And it may have contributed some to apparel presentation and general merchandise.

So in this business, you got to run the whole box, and we're focused on that and thinking about our staffing that way as we head into next year. As we build new products, I think this is kind of embedded in your question, Scott, launch grocery delivery, charge of membership for it and do other things, we've got to keep an eye on a pure store P&L and make sure that it's not inappropriately subsidizing new businesses. And we do think about that and keep an eye on it as we manage all these variables. Hope that answers your question, yeah, it doesn't follow-up.

Scott Mushkin
Analyst, R5 Capital

Q

Yeah. Just quickly, and you guys were really committed to certain price gaps in the consumables business, which have been strong and we've seen continued investment on that side of the business. Is that still to be expected or not?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

We've made a lot of progress on those things, but maintaining gaps and staying aggressive is in our plan, just not exclusively.

Charles Grom
Analyst, Gordon Haskett Research Advisors

Q

All right. Chuck Grom from Gordon Haskett. Good morning, guys. On the coronavirus, we're getting a lot of questions from investors, what's going on over there and I know a lot of the factors are just starting to reopen. Just how are you – what are you seeing over there? How big of an impact do you think it could be to your business in the back half of the year, [ph] if there aren't (00:45:41) backlogs? And I guess, Brett, just on the $0.02 of potential hit in the first quarter, I guess just to clarify, that's not in your guidance and I guess where would that be within the P&L in the top line or in the margin front?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Let me start there. Why don't you start?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, let's start with store operations. I mean, when Judith and her team wake up and maybe you are getting some sleep, they are thinking first and foremost about what's happening with our associates, what do they need, are the stores being run well, are we taking care of customers to the extent that we can? And we do currently have a majority of our stores with reduced hours.

Looking back over the last few weeks, there have been a few times when we've closed a store for a little while, but we like to keep stores open. Customers need us. We do it with hurricanes in the US. We're doing in this situation in China. There's collaboration going on with the appropriate government officials to make sure that we're doing all the things that they would expect us to do. And our team on the ground is doing a great job managing that.

The mix shift happens. So if you can imagine yourself in that situation, you're focused on fresh food, you're focused on the staples that you need to have in your apartment or your home all the time. You're not thinking about toys or apparel. So that's occurred.

And then, another dimension that's changed is delivery has gone up even higher, as you would guess. And so this relationship that we've got with Dada for the last-mile delivery or last few steps delivery from the store up to the apartment, those kinds of things, that's enabled us to pick from our stores and do delivery and fuel some of that growth, but it will create a mix change to the P&L.

And we don't know what's going to happen next. I mean, one of the reasons why we [ph] couldn't (00:47:14) put it in our guidance is because there's so many moving parts right now, including sourcing coming out of China, not only into the US, but into other markets as well. It's important for everybody to remember, in the US, we do about two-thirds of our volume with goods made in the United States. That other third comes from a combination of countries, especially China, Canada, Mexico, a little bit from India, Southeast Asia.

So how long will those shipments be delayed? What can we do to buy goods that are already in the US or made in the US to supplement some of that so we don't feel as much of it? All of that work is happening, which makes it really difficult to call how it's going to play out in the quarter. We're not even through the first month yet. So that's why we've made the decision we've made.

Brett M. Biggs A

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

We tried to make guidance as simple as we could. And so, we got into discussions about do we include this, do we not include that. And so where we had a little more visibility was on the store side. Sales – I'm pleased that we can keep stores open to the extent that we have and be able to serve those citizens, those customers. Sales have been okay in the market, and this really is so far a mix issue and it's an expense issue as we look at just how to deal with associates and wages and other things. We've got to make sure that we're taking care of people and so those led to increased expenses. So we wanted to give you the visibility we had right now, but keeping it out of guidance we felt was cleaner.

Daniel Binder A

Vice President-Investor Relations, Walmart, Inc.

We'll go to Chris.

Christopher Horvers Q

Analyst, JPMorgan Securities LLC

Thanks. Good morning. Chris Horvers from JPMorgan. First, sort of a year question and a longer term question. So first on the year, you talked about mid-20s and mid-30s on eCommerce growth rate [indiscernible] (00:48:50) pretty consistent over the year. What drives the variability around the eCommerce growth rate over the quarters? And then I have a follow-up on gen merch.

Brett M. Biggs A

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

Yeah. Sometimes – any time we have variability for – in eCommerce or anything we have, it can be something that happened this year more times than not where we had, it can be weather, it can be a week or two that we're better than some. And so [indiscernible] (00:49:14) little bit of timing difference and it doesn't take much of a change to move something from 25% to 30%, so we want to give you as much guidance as we can along that, but it just doesn't take much impact to make a change. It's not as variable as it seems when you just look at it mid-20s to mid-30s.

Christopher Horvers Q

Analyst, JPMorgan Securities LLC

And then does the sort of overall US comp therefore sort of follow that same flow, how we think about the overall eCommerce growth rate cadence wise?

Brett M. Biggs A

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

It would be some, but eCommerce is still a fairly small part of that total segment comp number.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Okay. And then just longer-term, as you think about new Head of US, new Head of Merchandising, the push to grow general merchandise, I remember meeting with you, Doug, one time you talked about, hey, how can we grow our gross margin rate when we put general merchandise on sale and reinvest in price. How long does it take to turn the gen merch business to something more significant, do you expect the gross margin benefit to sort of, ex 4Q compare aside, to increase throughout the year, or is that more of a 2021 opportunity?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, I think it's more incremental. And we wouldn't put it on sale, we'd roll it back for at least 90 days, like it wouldn't be too temporary. I think the way we're coming across is probably being too dismissive of the strength of the general merchandise business in the stores. We have a lot of great merchandise and our teams do a great job across the board in hardlines and in some departments in particular. So there's a strength there to build on.

Do I think that GM needs to grow faster than the total in-stores and online? Yes. Do I think we've got room to make that happen in terms of the product we select and how we present it in-store and online? I do. So, I would just expect over time these things to get stronger as the team gets really focused on apparel and home and some hardlines categories. And I think the opportunity both in-stores and online is clear and exciting, but it won't be a one quarter switch, and it's not that easy. If it was that easy, we would have already done it.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll go next to Kelly.

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

Hi. Kelly Bania, BMO Capital. Brett, I think you said US EBIT at the higher end of your range. So I think almost mid-single digit. Can you just help us think about how eCommerce losses do impact that for the year and maybe just how the FCs versus grocery and the rollout of delivery impact that? And if you can or maybe if you will today, just over the next couple of years really think about just a candid discussion of how we should think about that?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, there's a lot of things in that US segment P&L. It's a really big business. And so, as you look – one of the things that's really important and underlies a lot of how we get that profit growth is what we've done on expenses. The business has been very disciplined about how they think about expenses, but doing in a way sustainable and doing in a way that helps customers and helps associates, so that's different than how we would have managed expenses I think in the past.

Price goes into that. Certainly from a gross margin perspective, transportation goes into that. Having eCommerce losses that are flat to potentially a little bit lower helps as we think about profitability growth in the US business, but it's really the combination of a lot of different things inside that business that allows us to grow profit at those levels. But you get a 2.5% comp in Walmart U.S. on that scale, the amount of leverage you can get from that business is pretty amazing.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Okay. I think we have two questions over here and then we're going to probably wrap it up.

Scot Ciccarelli
Analyst, RBC Capital Markets LLC

Q

Scot Ciccarelli, RBC. Can you guys provide a little more detail on the associate disruption that you talked about this morning in today's release and how much of the EBIT shortfall was due to that headwind?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

I don't know that we've quantified it, but we changed our attendance policy and tied it to our incentive plans and people really showed up to work. And we, of course, anticipated that we would see that, but not to the extent that it happened.

Scot Ciccarelli
Analyst, RBC Capital Markets LLC

Q

But I guess the bigger question has to do with kind of like today's employment environment and is this something that could wind up kind of rolling into calendar 2020, 2021 et cetera based on where you're?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

No. Yeah, I think those are two separate conversations. In a little while, we'll talk about all the things we're doing with associates to attract and retain talent. So let's cover it when we look forward. But that fourth quarter issue was just as I described. It's kind of that simple.

Scot Ciccarelli
Analyst, RBC Capital Markets LLC

Q

Yeah. Thank you.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

One more over here.

Craig Johnson
President, Customer Growth Partners LLC

Q

Craig Johnson, Customer Growth Partners. Could you speak – I'd like to drill down on the traffic issue a little bit. And you showed 265 million customers a week, which I'm assuming transactions a week. Question is do you understand your customers well enough to know whether you're getting same raw traffic, lower conversion, what you getting few – more – less frequency of existing customers. And if you're losing [ph] share of missions (00:54:10) do you know whether you're losing it to Aldi's, and Costco's and Trader Joe's of the world?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah. Good question. We have a lot of data and have good visibility into where people are shopping, what's happening with us. And I would say and I'll say it again in a few minutes the fact that customers that shop us both in-stores and online are so much more connected to our brand spending 2x and spending more in-store is the thing that we're really focused on. So we have a lot of data and we can gather even more data. But I think I know what's going to tell us at the end, if you win their most frequently purchased items, you get the opportunity to serve impulse items online and in-store, and our focus is in driving that sweet spot.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

Great. That wraps up our Q&A session, our first Q&A session, and we'll have a little transition here [indiscernible] (00:55:04).

C. Douglas McMillon

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

Thank you. Appreciate it.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

Thank you. We actually have 15-mintue break scheduled for this session. So come back in about 15.

[Break] (00:55:26-01:18:01)

C. Douglas McMillon

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

Well, as the video reminds us, we're driving a lot of change across this business, and I'm as excited as I've ever been about this company. The combination of our unique strengths and assets, the new ways we can serve customers and the capabilities we're building cause me to feel that way. From our frontline associates to our store managers, tech team and leadership, we have the mindset and culture to adapt. Innovation is happening across the company. We're pleased to see our people solving problems in new ways and with increasing speed.

In addition to our strategy to serve customers, I'll share some thoughts on how we're creating opportunities for our associates, our thoughts on technology and the opportunity and responsibility we have to serve multiple stakeholders at Walmart serve, shapes or influences. I'll start today by focusing on the US given how important it is, but you'll see that these strategic themes have implications for our markets outside the US. Our list of advantages starts with our Supercenters. We have a strong assortment of the best-selling items priced at tremendous values. We're strengthening our fresh food offer and delivering strong pricing and in-stock across all of our food and consumables categories. We have a large and growing pharmacy, optical and OTC business. We're strong in seasonal and hardlines. Our home business is performing well, but we have room to improve with apparel. We prefer to sell brands for less, but we're also improving our private brands and they're growing faster than our overall sales. 18 of them do more than $1 billion in sales and our largest private brand Great Value does more than $27 billion a year globally.

Just as with merchandising, we have foundational strength and room to improve in-store operations. Our team is focused on our people, our processes and our technology to improve the customer experience and increased productivity. We've improved associate education through our academies and we're seeing retention increase because our associates are better equipped and more confident to do their jobs. We're empowering them with apps on their mobile devices that help streamline their work and put information at their fingertips. We're putting automation in place to help us improve side counter modular accuracy and in-stock. We're testing new technologies that will change how our frontends work and how our distribution centers flow merchandise to stores.

We have the best store format in the right locations and we'll keep making them better. We'll keep improving our pick up experience and we'll build on that capability to further scale delivery. For customers who want it, delivery will extend all the way into their kitchen or garage as we learn how to keep them in stock on the items they buy all the time.

The customer retention rate of our InHome pilot in Kansas City, Pittsburgh and Vero Beach is encouraging and the membership is $19.95 a month. Our EDLP assortment with its strong opening price and private brand components, underpins a strong customer proposition. And when it's purchased as part of a big basket which helps with pick and delivery economics, it's compelling for customers, whether it's purchased in store, picked up or delivered. No one else has that assortment so close to so many customers and having profitable stores that function as pick centers is an advantage.

The capital is already placed and well positioned. There's a Walmart within 10 miles of 90% of Americans, within 5 miles of 70% of Americans and fully half the US population is within just 3 miles of a Walmart. That's a unique position and we're taking advantage of it. We didn't have a Grocery Pickup business a few years ago and now it's huge. We started providing same-day delivery for our customers two years ago and now it's available for more than 1,600 stores covering more than 50% of the US population. We've been learning to sell memberships for grocery delivery and that looks promising. We've even built our own delivery platform for independent contractors to complement other delivery providers, it's called Spark. It's now available in 31 states and doing more than 13,000 deliveries a week. Over time and as volumes grow, we'll learn how to pick and deliver locally with more automation. As you know, we've already started with our test of Alphabot and self-driving vehicles.

As we're making the most of our stores, we're strengthening Walmart.com. While our customer scores reflect the progress we've made on assortment delivery, we're far from satisfied. It's not only important because customers want access to a broad assortment delivered accurately and quickly, but we need the margin profitability of a large eCommerce general merchandise business, and that includes a well-run marketplace supported by fulfillment services. Our interests are aligned with our customers and marketplace sellers. The losses we're experiencing today are necessary to build a business model that can compete and avoid being out mixed.

Our data shows that a customer who shops in both stores and through our app or website spends twice as much as a customer who shops in stores only and they spend more in stores. It's obvious to us that people want to shop a brand in a seamless omni-channel way that has little to no friction. So, we'll keep adding assortment and new brands online. We'll keep growing to leverage our fixed costs and look for ways to intelligently speed up the process. Our assortment acquisitions such as Shoes.com and Art.com and Hayneedle which came along with Jet for the home categories have added category volume and expertise to the company as they've improved customer choice.

Jet has enabled us to attract new brands. As we described, when we bought it, it's positioned as urban, younger and more affluent than Walmart. We haven't invested in it, because the traction we're gaining with Walmart.com and the efficiency of the investment in the Walmart brand versus Jet.com. Because we made that pivot, combined it with strong eCommerce grocery growth in the US and other markets, and made the investment in Flipkart, we now have a global eCommerce business that should achieve nearly $50 billion in sales in the year we've just begun. We've invested a lot to do it, but we're now in a position to play offense to win an omni-channel game. Our opportunity is to weave all this together in a way that grows sales more profitably. We've got a strong set of chess pieces to work with.

Last year, I showed you this image of our portfolio. We're turning it into a set of mutually reinforcing businesses that create a stronger flywheel. We see the opportunity to build a next-gen Walmart productivity loop that serves the customer more holistically. The biggest customer funnel end of the flywheel will be through those items they buy all the time. But regardless of how they initiate their interaction with our brand, we'll make it easier to experience all of Walmart. As they do, it will enable us to continue growing advertising and financial services. We think we can learn how to drive alternative revenue and profit streams by building on our core businesses. Learning how to build and launch digital products will be key.

Beyond advertising and financial services, healthcare looks like a big opportunity. Given our large pharmacy and optical businesses and our experience with flu shots and other in-store health events, we have something to build on. It's another omni-channel opportunity that takes advantage of big boxes and big parking lots close to people. The early results from our two Walmart Health clinics in Georgia have shown us that customers welcome us to participate in healthcare services. I don't want to get too far over my skis here, because we're just getting started and we have a lot to learn and do, but after spending time in both of these health clinics, I think there's something here.

Our doctors and healthcare professionals like the incentive structure. They're not being rewarded for sending people to a specialty that they may not need. They're being rewarded for caring for patients and it shows. It's a small sample size, but our NPS score related to felt cared for is in the mid-90s. We're learning how to equip these clinics with the right people. We'll learn how to support them with the right technology. We'll try various pricing structures. We'll be experimenting with the size and layout, and we'll be exploring opportunities to add digital capabilities that extend outside of the clinics and eCommerce to round out the experience. Our opportunities with healthcare, financial services and advertising will take time to sort out and scale, but it's clear to us that in an omni-channel world where people can complement, our people-centric physical businesses with new digital businesses, our opportunity to serve customers holistically and profitably expand beyond what we've done before.

Now, let me take a minute to look further into the future. I think we're headed towards a time when customers won't really think about buying their routine items very often. They'll tell us once or less frequently anyway and we'll take care of it. As a teenager, I remember my mom leaving our house asking, is there anything you need from Walmart. It's apparent to me now she didn't say, I'm going shopping, what do you need. She wasn't shopping around. Walmart was the default. And as so many of our customers do today, she bought her big basket from Walmart and filled in from elsewhere.

Well, the next generation of that is Walmart InHome. Customers will start to think of us like a membership service where we make sure the items they use all the time are available in their homes whether it's that service, the way we design our store offer or the growth of our pickup business, we're out to win the big basket stock up trip that's delivered on time at an Every Day Low Price. When it's our job to forecast their demand and keep them in stock, it's not as important to deliver in a day or an hour. It's just required that their items be there when they need them. Price will matter. Our supply chain will support that strategy. We'll have a human relationship with customers as they interact with our associates, but we'll have a stronger digital relationship that saves them time and makes their experience with Walmart more enjoyable.

To create these digital experiences that marry our people, our stores and clubs with our site and app, we're changing how we work inside the company. We're adopting agile, working in small teams to design experiences and solve problems. This change is an unlock to deliver seamless omni, to drive innovation, become more productive and pick up speed. Working this way won't only help us improve our core offer, but it will also help us build and launch digital businesses that eventually form a new business model.

Sam's Club provides an early and good example of the benefits of working this way. It's become an innovation hub within the company. The Sam's team has created timesaving innovations like Membership Express which enables us to sign up new members in less than a minute. New apps like Sam's Garage allow members to buy tires in a fraction of the time it used to take and the Ask Sam voice app gets our associates needed answers fast. The technologies we're using to assist our associates and members at Sam's are getting results. We've seen 16 consecutive quarters of comp sales growth in Sam's, excluding fuel, and we have more members now than we had before we closed clubs two years ago. Our overall membership count and renewal rates are up year-over-year.

As I mentioned previously, a lot of what I've described for the US is relevant across the world. We all want to save time and money. We all want to be pleasantly surprised by finding an exciting new item. Outside the US, Judith and team are working together to drive innovation. We offer Grocery Pickup, Delivery or both in nearly a dozen countries. We've got some strong well-positioned businesses in Walmex and in Canada. Flipkart and PhonePe are scaling quickly with a ton of runway ahead of them as we work to build platforms that support kiranas and small businesses. It's helpful to have built expertise with our cash-and-carry business in India, too. We have strong leaders in place. They and their teams are being aggressive. We're learning from them as they build out our ecosystem in this important market.

In Mexico, we offer same-day delivery of grocery consumables and thousands of general merchandise items [indiscernible] (01:29:35) and the team are building eCommerce capabilities and becoming a digital enterprise. We opened 134 new stores in Mexico last year bringing our total for Walmex to more than 3,400. We're set up for omni in Mexico. Our business in China, particularly in Sam's Club, has been strong. With respect to Walmart in China, we drove eCommerce growth of 95% as we continue to expand Walmart Daojia and JD Daojia. Daojia by the way means to the home and that's where we're going, with an average delivery time of 40 minutes. We own about 10% of JD.com and have an investment in Dada which provides delivery from our Supercenters.

Along with US, Walmex, Canada, India and China are our priorities. Beyond those markets, we'll be working to set up other businesses for success. We've shown we're open to alternative ownership structures. You've seen us take action in Brazil and attempt to merge our business in the UK. We'll be thoughtful about the portfolio, make the right decisions for our associates, our customers and our business. We'll be disciplined about positioning and where we invest in not just geographically, we're making choices as we transform the company.

One choice we've made is to get more aggressive with regard to legacy technology. We've been operating and innovating on top of a complex set of global systems. We've decided to speed up the modernization process and do it in fewer years than we had planned even a year ago. Doing so will enable us to drive more innovation, speed and productivity. We'll wrap up our session today talking in more detail about those plans, the implications of which are in the guidance that Brett shared earlier.

Now, we aren't a tech company, we're a people-led tech-empowered company, but we're out to put tech and data to work. As we do, we'll keep people first. It's our humanity that differentiates us. Our associate's success is the company's success, and we have an opportunity and a responsibility to prepare them for the future work. The impact of technology on the workplace is amongst the most pressing issues of our time. We design and manage a holistic set of benefits that support our associates, including a fully loaded hourly wage that's now over $18 an hour including part-time associates, quarterly bonuses that totaled $730 million last year and were earned by a majority of our US associates, a 401(k) match where we invested more than $1 billion last year for 650,000 associates, and enhanced parental leave policy that can provide up to 16 weeks of paid time off for a birth mom, a $5,000 adoption benefit and flexible healthcare plans that start as low as $29 per pay period.

Working with partners like the Mayo Clinic and Johns Hopkins, we've created centers of excellence for serious health procedures to ensure the best care. We developed educational opportunities, enabling our associates to be prepared for their current role and prepare them for promotions. We will be a springboard for them. More than 12,000 associates are enrolled in Live Better U, and as of last year, they've completed more than 88,000 course credits which have a total worth of more than $42 million and it costs our associates about $1 a day.

Over the past five years, we've made incremental investments of more than $5 billion in training, education and higher pay for store and club associates in the US alone. Without question, investing in our associates is the right thing to do and we continue to see how our education offerings are paying off. Our commitment to supporting and developing associates isn't limited to the US. In fact, the academies we launched in the US were copied from the UK. In China, we have a program called Retail University that helps associates build new skills. In Canada, we offer tuition reimbursement for associates and their families at accredited colleges and universities. We're bringing our workforce into the future with us.

And we're not just focused on customers and associates, we take a multi-stakeholder view. For many years now, we've taken action to benefit the breadth of stakeholders that we serve. Of course, our shareholders are our priority and we know they benefit over the long-term as we serve customers well and create opportunities for our associates. As we find win-win opportunities with our suppliers and marketplace sellers, invest to strengthen communities and take action to protect our planet. Without a healthy planet and strong communities, there is no business. If associates aren't happy, our customers won't be.

When the Business Roundtable updated our statement on the purpose of a corporation in August of last year, I was surprised by the reaction from some. I'm so accustomed to how Walmart practices stakeholder capitalism that it didn't feel like news that companies balance the interests of all of our stakeholders. We believe in creating shared value. We're certainly not perfect and there is more we can do as a business community, but there are plenty of companies taking action with tangible plans to do more, and it's the same for us at Walmart. We've accomplished a lot, we've set big goals, and there is still more that we can do.

We're leading one of the largest private sector consortiums in the world, taking action on climate change. The goal of Project Gigaton is to avoid 1 billion metric tons of emissions from our supply chain. To date, more than 2,300 suppliers are participating and they report having avoided more than 200 million metric tons of greenhouse gas emissions. Within our own operations, we're on track to meet our commitment of an 18% reduction of emissions by 2025 and 28% of our current energy needs are being provided by renewables. In the US, we're diverting more than 80% of our waste from landfills and incineration, and we recycled more than 215 million pounds of plastics last year.

Our work isn't just environmental, it's broader. Our purchase orders provide inclusive economic growth opportunities. We foster community resilience through disaster recovery. We were included in the Bloomberg 2020 Gender-Equality Index for the second year, which is a recognition that we're helping to set an example through measurement and transparency of women advancing in the workplace. In short, stakeholder capitalism is good business.

Behind me, you can see the talented leadership team that I get to work with every day. Let me wrap up by saying a little bit about those who are in new roles or new to the company, and I'll start with Walmart U.S. Greg Foran did a great job and we're grateful. During Greg's leadership, we strengthened our foundation, delivered strong results and built momentum. Air New Zealand is going to be happy to have him. And if you want to have a little bit of fun, follow him on social media, he's upfront with the pilot, he's serving drinks down the aisle to the customers, and he's been washing airplanes and moving luggage, classic Walmart applied to Air New Zealand.

Now, John Furner is going to take that foundation and build on it. He has a depth of experience from his 26 years with the company that includes [ph] Tom (01:36:16) as a Walmart U.S. store manager, market manager and buyer. He's worked in all three operating segments of the company. He led merchandising and marketing in China and he led Sam's Club here in the US. He knows the details of our business and yet he's a forward-looking innovator. I've enjoyed watching him embrace new ways of thinking about our business and I'm excited about the innovation and speed he'll bring to Walmart U.S.

Succeeding John at Sam's is Kathryn McLay. Most recently, Kath has been leading our Neighborhood Markets business in the U.S. which is performing really well. She's from Australia where she worked for Woolworths with Greg Foran and Roger Corbett, our former Board Member, before joining us in 2015. Kath has supply chain, internal audit and operational experience. She's a strong leader and she will do a great job at Sam's Club.

Suresh Kumar joined us from Google in July as our Global Chief Technology and Development Officer. He has 25 years of technology leadership experience that includes 15 years at Amazon, plus time at Microsoft before Google. We're excited to have someone of his caliber in this role and you'll hear more from him a little later. Our newest addition is Donna Morris. She joins us from Adobe where she had a 22-year career. She'll increase our digital acumen and help us accelerate our transformation. We have a deep bench, but we also understand the benefit of bringing in talented people from outside the company for their expertise and new ideas.

As I said before, I'm as excited about this company as I've ever been. There's more opportunity ahead of us than anything we've experienced in the past. We have a meaningful purpose, a set of timeless values and a special culture. We inherit a DNA from Sam Walton and embraces change. We're adapting and we're doing it from a position of strength with great people and great assets. Our core is strong. We're increasing innovation and speed while demonstrating the ability to execute and deliver results as we transform. We're ready and able to take this company into the next-generation of retail and we thank you for being part of it.

Now, it's time to hear from our other leaders and we're going to start with John Furner.

[Video Presentation] (01:38:23-01:39:19)

John Furner

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

Good morning. Look, I'm happy I'm going to talk to you this morning about the U.S. business, it's an exciting business, an exciting time and I've been learning a lot in the past 100 days to say the least. But it's been great just to see, firsthand, all across the country how far the business has come in just the last few years. And it's been a while since I've been in the business, but it's exciting to be back and see the momentum that's going on.

So, you saw our results and we had a good year. We grew sales, we leveraged expenses, we grew transactions, we grew ticket, we added same-day grocery pickup to more stores and we're going to continue to do that this year. Overall, we had a strong year with significant momentum in both food and consumables, and we've got an opportunity to expand that momentum all across the rest of the store.

Now, last quarter, as an example, we talked about some of the misses we had in general merchandise and those were in toys, apparel, media and gaming. You heard about that earlier and I'll come back to that again in just a few minutes. But I first want to say this is a really, really healthy business. We've got momentum to build on and we've got a lot to do that we can – a lot we can do to enhance the customer experience and the way customers use our brand all across the business. And as I look ahead, I'm mindful that we've got to do three things: first is we've got to build on our strengths; second, we've got to manage our results; and third, we're going to innovate for the future. So, I'm going to talk about all three of these.

So, let me take our strengths first. And as I said earlier, I'm really, really appreciative of what so many great associates that have been on a stage like this before me built, all across the country and throughout the business. And I grew up learning about Walmart and our core values at home. My dad worked for the company. So, I heard about those values at the dinner table. And those values, things like serving customers, respecting individuals, striving for excellence and then always acting with integrity, I learned about those at home and it's been great to see those in associate and how they play out throughout the business.

But as I said, I'm appreciative of what's happened in the business the last five years. A lot has been done to help us get back to the fundamentals of retail, things like cleaner stores, fresher produce, we've got great quality private brands and we've got more efficient processes that are helping us with in-stock and inventory flow. And I'm thankful for the investments that were made in the last five years, things like lower prices, eCommerce capabilities. I'm thankful for the investments we made in wages, scheduling, training and the other things for our associates, like benefits. Now, these are big investments and the associate investments in particular, they put a lot of pressure on our financials, but I want to tell you that those investments, they're paying off.

Now, first, turnover is down 15% over the last five years. Associates are more productive, they're engaged and we've leveraged expenses each of the last 12 quarters. And we've also seen 22 quarters of straight positive sales comps and that's getting our productivity loop turning again. And this is the model that the U.S. business has always been based on, growing sales which allows us to leverage expenses, and then we can invest back in the business, grow more sales and then it helps us keep growing our profit. And then, throughout Walmart's history, we've seen that when we get this productivity turning in the right way, that's how we get results.

Now, regarding the Every Day Low Price component of the model, as a former merchant, I know the value of getting this thing right. So, we're going to be really disciplined about EDLP. We've got more price investments planned for this year and we're going to deliver EDLP in a very sustainable way focusing on Every Day Low Cost. And as you heard earlier, there's been a lot of progress in the last few years to help us become more efficient in leverage expenses, but I still see plenty of opportunities ahead. We're looking into areas like signing outside services and we've done some tests where we've reduced the amount of signing in stores to give the customers a more clean view of the store, and associates, a more clean view of the backroom. And you can see by this photo of what we're calling the war room, we're taking a look at everything, we're putting everything in one spot, we're testing things in front of customers and making changes like this while it enhances the customer experience on our scale saves tens of millions of dollars.

Another strength that I want to talk about is the Walmart Supercenter and the Supercenter is a really, really important part of our future. And as I step back and look at the Supercenter, I see arguably the greatest format in the history of retail and it's a competitive advantage. We've got the most productive 100,000 items ever aggregated into one location and we're now working to deliver the entire store same day into customers' homes. The Supercenter, it's a place that in many communities at central of the community like the heartbeat of the community.

It's often one of the largest employers in town. It's one of the largest grocers in town. And it's a shopping format that's powered by one of the most extensive supply chains in the world and that includes both fresh and general merchandise. Just last year alone we shipped 8.3 billion cases of inventory and we did that while being named the safest large fleet in America for the sixth consecutive year. And then, when you add in our Neighborhood Markets and our Discount Stores, that's over 4,700 locations putting us within 10 miles of 90% of the US population.

So, that leads to how we're managing results. I know we can take this format to the next level. And to me, the next level is finding ways to serve all of Americans a truly comprehensive end-to-end shopping experience, and that's an experience where they can come into a store, they can stop in a parking lot, pick up a pickup order. They can have anything that they want delivered to the doorsteps or they can even have their refrigerator stocked. And for many customers, we know it's going to be a combination of all these things. So, at scale, that gives us a unique advantage.

We serve all of America, including people who are looking for new services that can help them save not only money, but save time, and we've got an opportunity to get customers to do even more shopping with us. So, while I'm committed, of course, to making our stores better, I want you to know I'm just as focused on improving our digital relationship with customers, getting the different shopping options we have to complement each other and work seamlessly, and with something like same-day pickup, I see areas we can get better and make the experience much more seamless for our customer.

Just the other day, my team and I, we decided we'd try to put an order in that would reflect the way many customers shop in the Supercenter. So, we tried to order something from sporting goods, apparel and the meat department, and what we found is we had a lot of friction. We've got multiple laps and it's hard to do, and it's hard to understand how you pick those things up and we're going to solve those problems and we're going to make shopping in the Supercenter across the box very seamless for the customer. But all that begins, we know, with the relationship we have with people when it comes to grocery. Grocery is essential to the customer relationship.

We're delivering strong sales in grocery and we're gaining market share, but to make it an even more quality experience, we're going to continue to focus on even lower prices, fresh innovation, private brands and then convenience. I love what I'm seeing in produce. We talked about the improvements over the last few years, and it's several times in last quarter, it's exciting to hear [ph] Martin (01:47:20), who leads the produce department, talk about another record sales day. They've got momentum and you can feel the energy when you talk to the team when it comes to items and the way they're taking days out of the supply chain.

In the deli and we've got a new deli concept out in the street where we pull the [ph] Hormel Solutions (01:47:33) up to the front of the store that makes it easy for customers to come in and get dinner for the family. The meat department, another area where we've really invested in quality and we've seen the comps accelerate; private brands like Doug mentioned, we've got many brands over $1 billion and the brands are improving. A couple other things we've done in food in the last couple years, we've opened a plant in the milk area and dairy, we also opened a meat plant, and these are helping us think through ways that we can provide even more quality to our stores and to our ultimate consumer.

Now, when I look at general merchandise, I see enhanced quality and value in several places around the store. We've got new private brands like HART in nonelectronics and their quality level is typically you only find in a specialty channel. And we also heard we've got a lot of strength in home. It's been exciting to see how our store team and our e-Com team in home in particular have really worked together to bring customers the best experience, the best items, the best prices and its paying off. I'm particularly excited about the investments we made in our electronics department. We've been successful with televisions and other big consumer electronics categories. But we also mentioned as the fourth quarter showed, we've got some categories where we've got to do better and I'll just talk about those for a second.

In toys, we started the season with features that we decided were too high on price points. And then our layaway business was soft and we're thinking – rethinking about the way we go to market with layaway all across the country. And then, in apparel, as Doug mentioned earlier, our floors reflected too much holiday. We've got work to do with our brands and fashion basics. And when I think about brands like Time and Tru that's on the floor today, we've got to make sure that as we've narrowed our brands that every one of our brands has a proper place for the consumer. So, we've done a lot of great work over the last couple years narrowing the brands, but we've ended up pushing into these brands a really wide range of quality levels, price levels and sizing, and we're going to rethink the way we go back to market to make sure our brands are really clear to the consumer and we've got great gift items that people can buy and give as best gifts as season coming up, which leads me to our new Chief Merchant, Scott McCall.

Scott, some of you probably know, Scott has been with the company for 25 years and his entire career has been in the merchandising area, and Scott has led areas like consumables, health and wellness, home, lawn and garden, entertainment, and Scott just lives and breathes items. Scott was telling me the other day, he can't walk through an airport without noticing the color of people's luggage or the accessories that they're wearing and he's always thinking about what else we should be doing to drive sales. But the other thing [indiscernible] (01:50:14) about Scott is, Scott has been a really big driver of the omni-channel experience and he believes in the digital relationship with customers, and Scott is going to help us accelerate that.

As I mentioned earlier, when we talked about price, we're going to continue to invest in food and consumables, but we're also going to consider places to add price investment in general merchandise categories. Now, with both grocery and GM, we want to prioritize pricing, but we also want to make sure that we're sourcing in the right way. We know that our customers expect us to make a difference on key global issues and they increasingly care about how items are produced.

As I look outside the store, I'm just going to start with curbside. The U.S. team has built an impressive business with the same-day pickup operation. They've got high NPS scores, we're now in about 3,200 locations and we'll be expanding to about another 500 locations this year. And we'll continue to see healthy comp growth, not only from the new stores we're adding, but we're seeing healthy comp growth from the stores have been opened for more than one year. And the work that's been done in this business is what's made same-day delivery a reality.

It's essentially the same process for delivery as it is for a pickup order, it's just the associate is putting the order in a delivery driver's truck instead of the customer's truck, and we're now offering same-day delivery in 1,600 stores and we expect that to be in about half the fleet by the end of the year. In same-day delivery, that's what a lot of customers want and we love our position there. We already have over 100,000 items forward deployed within just a few miles of millions and millions of customers' homes. And we've got different options to delivery, things like third-parties, associate delivery and we've also launched our own Spark Delivery network and you're going to hear more about that from Dacona Smith just later today.

When we started our pickup business, we made a really deliberate decision to only pick food and consumables, most general merchandise items had to be ordered on a separate app. They have to be picked up in a tower or they have to be shipped to home and we're now already at the point where we can start to combine these experiences and pick the rest of the store and add more general merchandise selection to the pickup for curbside and same-day delivery, and we know our customers are asking for that as well.

So, as we pick more and more of the GM in the Supercenter for same-day, that's going to help us do things like expand the size of the basket, it will help us with margin mix in the basket and it just be great for a customer to be able to order their groceries and also pick up an HDMI cable or a sweater or something that can top off the entire basket, we're going to make that happen. But we think this also help our perception as a destination for general merchandise which leads to the longer tail in the eCommerce business that Marc will talk about in a few minutes. So, we know we can increase our market share, our wallet share on the head of the assortment, and then we can walk all the way through the assortment as we get into eCommerce.

Now, as I look ahead, I want to prepare a business for the future. And a lot of time in the team we say that loyalty in retail is the absence of something better. So, we're in a race with everyone else out there who wants to provide something better for consumer and we want to be best positioned from now and into the future to win with the customer. And as you've heard, the US team, they've built a lot of tools that have helped us reach new customers. They've helped us become more efficient. And they move quickly to scale a lot of these new technologies. At the last Analyst Day for example, you heard about some of the concepts around just a few stores, things like shelf-scanning robots, autonomous floor scrubbers, and you heard about the FAST Unloaders earlier this year.

By the end of this year, we'll have the self-scanning robots in over 1,000 stores and the FAST Unloaders will be in more than 2,000 stores. And I'm also excited about something you've heard mentioned, that's the Alphabot technology. We're testing this in Salem, New Hampshire, and this technology eliminates the need to handpick individual items from store aisles. It's made our associates in Salem more productive, it's greatly increased the number of same-day orders can be processed at a certain time, and this year, we're going to expand that to couple more sites.

In the last few years, at Sam's Club, I learned the power of new technology tools and a good example that you heard about is Ask Sam. An Ask Sam let's an associate open a single app, speak questions into their phone, things like what aisle [indiscernible] (01:54:52) or who's working in the bakery today to get answers. It runs on voice and voice is a big idea not only for associates, but also for customers. So, associates in our stores today, they're working across a site that's over 4 acres in size. So, there's a lot of time spent going back and forth getting answers or getting something that you need to complete a task, and by using voice and mobile, we're able to get the associates the information they need, just save a lot of the time that's been walking back and forth. And this is going to help them free up more time that they can serve our customers.

But I don't want to miss the idea of voice, because voice is a big idea that can help customers and associates for everything from maps, finding item, shopping list, all across commerce, it's a really big idea for us. And the reason that I think Ask Sam was so successful is it was designed from the very start to serve the end customer. In serving the end customer, that's something we want to refer – that we refer to as having a product mindset. And when I say the product mindset, I don't mean products like an item, like a soccer ball or a pair of socks, I mean product like a technology product that helps us identify points in the experience where there's friction, friction for customers, friction for associates. And then, we go back and work on processes and technology and then we iterate on that, so that we can ensure that we're eliminating the friction and making our experiences for both of those key end users very, very seamless, and this is a big opportunity for the Walmart U.S. business.

So, whether you're in our stores, the distribution centers, the corporate offices, we need to be even more customer driven. We need to think in ways that make the end user have a better experience. So, we can look at the things we're prioritizing, how we're working, and even some of the cultural behaviors we have inside the business. We're going to run one great store at a time. That won't change. But it's clear that great stores are an important part of the solution and we've got to expand our thinking to think about the entire solution in all the different ways that a customer wishes to be served in today's market and we're going to keep the customer at the center.

So, we'll also be looking at new profit streams. Ideas like services and things that help leverage the popularity and the power of the Walmart Supercenter. We're testing partnerships with FedEx, Budget Rent a Car, Build-A-Bear, veterinary clinics, eSports gaming areas, and you've seen our experiments with health and wellness, you've seen the things we've done in pharmacy, we're working on our optical business to modernize the look and feel of optical, and then the full-service healthcare clinics in Dallas and Calhoun, Georgia. We want to be able to learn quickly how we can deliver quality medical, dental, optical and even mental health services at an affordable price. And we think this is especially great idea in communities where healthcare is lacking and out of reach for many.

And finally, we can't run a great business without our people. Our associates are the key to our future and our associates are our competitive advantage. And I see that every time I'm in stores, distribution centers, corporate offices, fulfillment centers, all around the country I see what an advantage our associates are for Walmart. And we want our associates to have a great experience while they work, the ability to learn and grow a career, opportunities in getting education, things like Live Better U and academies. And in past positions I've learned the value of investing in key positions, things like senior merchants, technologists, store leadership teams, department managers, those investments are important, and we're going to be targeting specific about the way we invest in our people, because we've got to not only attract but retain the very best talent for our customers.

So that's what I'm seeing in the first 100 days. And as I take on this responsibility with over 1.3 million associates, 4,700 locations, I couldn't be more excited about what lies ahead. But we've got opportunities where we can do more. We've got opportunities to serve more customers in the way they wish to be served. We've got opportunities to bring more momentum to the entire store, including delivering general merchandise same day. We've got opportunities to build technology and keep the end user in mind as we design solutions that solve their problems. So I think there's a ton of upside. I'm really excited about the customer experience we intend to build and the results in the next few years and months. Thank you for your time.

[Video Presentation] (01:59:38-02:00:29)

Marc Lore

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

Good morning. Thanks for being here. Here's what I'd like to cover this morning. First, I want to recap FY 2020, and show what we expect for this year. Next, I'll share an update on our strategy, especially how we're leveraging our unique assets to play offence. And finally, I'll walk you through a couple of projects we're excited about the opportunity to shape the future of retail.

So let's take a look at how we did last year. We said we grow our sales about 35%, and we exceeded that by growing 37%, nearly tripling the size of the business over the last three years. We also improved contribution profit margins by about a 150 basis points year-over-year, a shift in product mix toward categories like home and apparel, lower variable cost per unit, and fewer packages per order, all helping us make progress here. We're at 35% growth, we're strong in Q4. We know we need to do more with delivery speed and merchandising.

Our top line growth was better than expected, and that put pressure on fulfillment and ship speed, which led us to back off our shipping promises which left the sales on the table. This year we'll be laser focused on delivering faster and longer into the holiday season, and we'll continue to improve our merchandising. We added lot of brands and we continue to grow our assortment in gifting categories in addition to more home and apparel. And looking ahead, we expect to grow eCommerce sales by about 30% this year. Quarterly growth is expected to range, as Brett said, between the mid-20%s and mid-30%s.

So now let's take a look at our eCommerce strategy. At a high level, we'll continue to focus on three areas; nailing the fundamentals, leveraging unique assets to play offence, and innovating for the future. Over the last few years you've seen how the pieces of this puzzle fit together, and it's still how we think about the business today. We look at nailing the fundamentals in terms of how we perform across the five bellwether metrics of the CVI. We've made good progress across all five metrics, but are most proud what we've done to improve delivery speed. Three years ago, the average walmart.com package took five days to arrive. Today, it's two days. We've done a lot to make this happen.

We started a few years ago by offering free two-day shipping, and most recently we launched next day delivery. We're able to offer next day in a cost efficient way by mirroring inventory in our warehouses. Our cost to deliver next day is lower because the inventory is shipped in one box and is close to the customer. And we can reach 75% of the US in one day with a broad and growing assortment. At the same time both on time delivery and in-stock rates have increased dramatically over the last three years. We've achieved all this by overhauling our supply chain and building out a new team. This is why the CVI score keeps going up. We increased that score by more than 20 points since FY 2017, which in turn has improved each element of the customer value prop, and to keep improving this score, we'll have to continue the progress we're making on other fronts like expanding our first party offering. That's really our havoc metric and we're doing a lot here.

Over the last three years we added 7,500 new brands, acquired companies like Shoes.com, [indiscernible] (02:03:45) and Art.com to quickly help expand our assortment of walmart.com and we're adding more all the time. We now offer about three quarters of the top 500,000 items in the overall retail market. In addition of first party, we're also expected to improve CVI by expanding our Marketplace. The assortment on walmart.com has grown to about 80 million SKUs including marketplace has remained focused on keeping the quality of items high. And as a result, the Marketplace business has grown by 2.5 times since FY 2017. However, this is an area, as Doug mentioned, where we still have a lot more work to do. While customer and seller MPS scores are improving, we also want to make selling easier.

Sellers are telling us they want more options. But not all sellers have the same capabilities, especially when it comes to fulfillment. So that's why we're introducing Walmart Fulfillment Services. We shipped our first WFS order in August last year. The tech on the backend works well. Our merchants are excited and we like what we see so far. Sellers want as many channels to sell as possible, and WFS gives them another option, and it gives customers faster delivery, more assortment and better pricing. We're really proud of the experience we've built and something we plan to scale over time. The fundamentals of our eCommerce business are improving, but as you heard today it's not enough to do the basics right. We need to leverage our unique assets and start playing offense.

Take our 4,700 stores. As John said, this gives us a huge edge in being able to do delivery in efficient way. Our existing footprint is already within 10 miles of 90% of the population, and we have forward deployed inventory which is the really expensive part. In this case stores are already operating as warehouses. They're profitable and there's a low marginal cost for someone to pick the items. As our existing assets like our stores, it allow us to offer a service like same day delivery to customers it's such an incredible value. Customer can pay $98 a year and get unlimited fresh, frozen, bakery, pantry staples, consumables and select general merchandise delivered to their door for free. Our 1,600 stores that are doing delivery already reached half the US population. And what we're finding is that delivery customers spend more overall with Walmart just like our pickup customers.

So now in terms of long-term growth, we see an opportunity to hook customers on the convenience of services like same day delivery as they come to rely on them. We can expect to see them by more general merchandise, health and wellness services and more. At the same time we're making shopping with us even easier. For example, we're combining the walmart.com and the grocery app into one. Today we have what's called the blue app and the orange app. The blue app is the traditional walmart.com direct-to-home eCommerce app, while the orange app is for online grocery. With two apps we're able to leverage the traffic from the head of the assortment, the relationship we've built with the customer through grocery to sell more long tail items, plus we're spending marketing dollars to send customers to two different places. So later this year we'll bring these two apps together so the customer sees and interacts with one Walmart.

Walmart is playing offense. We're leading with grocery and same day delivery to become the primary destination for all weekly shopping. We see this as a critical step to win a greater share of wallet. So what's next? The third piece of our eCommerce strategy is about innovating for the future. We're exploring opportunities around conversational commerce, augmented reality, virtual reality, delivery into the refrigerator and incubating digitally native brands. As you heard we're innovating to define the retail experience of the future, to anticipate it, to shape it, taking home delivery, it's our latest innovation aimed at giving time back to busy families, but delivering fresh groceries and everyday essentials directly into their kitchen or garage.

After initial testing that proved the concept, we've rolled out a larger pilot in Kansas City, Pittsburgh and Vero Beach in October. We're on the leading edge of something really big here. InHome is a powerful and effortless experience and we want to grow it. We're exploring enhancements like delivering items automatically before you even realize you're running low. Our customers who spend an hour a week shopping for food, this could save a ton of time. And we're looking at ways to leverage this new InHome relationship with customers like no box delivery and returns. We're all accustomed to having to cut open a box and we have something delivered, and then you have to discard it or recycle it. But instead of getting a product in a cardboard box, imagine Walmart leaving the item on your kitchen table, or you can leave a item you want on your island and we'll pick it up when we bring in your groceries. No need to print a return label or put the package in a box.

Needless to say, we're just starting to unlock the possibilities of what the service could be. Customers who've tried it already love it. InHome graduated from our innovation incubator story is now part of the customer organization led by Janey Whiteside, our Chief Customer Officer. An innovation mindset has taken hold at Walmart, and we're dreaming of concepts, we're testing them, we're piloting them and iterating. We're speeding up the time between concept and delivery. Not all these things are going to work, and that's okay, we're going to learn, we'll pivot. Another area we're investing is conversational commerce. What didn't surprise me in 20 years is the majority of shopping that's done by text and voice, but the machine needs to know the right questions to ask so you can get the right answers.

When you ask your voice assistant or send a text to order diapers, it needs to know that your preferred brand is Hello Bello and that it's size two. We began building this engine with Jet black, and tested it here in the New York City. We learned that customers really responded and loved the ability to text. In fact, members used this service nearly 10 times a week. It allowed us to understand what types of items people want to purchase by text, groceries, birthday gifts, things like that. We're building machine learning capabilities that can help understand the message you send and make recommendations in one, two or three best answers. As we build capabilities like we have in Jet black we're presented with strategic options. We did consider spinning it out and there was great interest from the investor community. We also thought about investing more in New York offering. But the real opportunity for customers and shareholders is when we can scale these innovations with the mothership Walmart and walmart.com.

So what's next? Well, we're going to take those insights and leverage them against the store base in a way that's scalable and sustainable. We've infused our learnings from Jet black into our custom or within Walmart U.S. and we'll be taking these learnings to Bentonville, Pittsburgh and Kansas City in the coming months. Think same day shipping from a Supercenter or next day from walmart.com. We all text at shopping in a way that's completely natural to customers, and it's an exciting opportunity for us. We also have a startup called Insperience, dreaming up ways to integrate virtual reality into retail. VR has the potential to transform the shopping experience. Imagine shopping without space constraints and being able to experience products before you buy them. That's what we call V-Commerce. All it takes is a headset to instantly transport a customer to a world where they interact with merchandise in a natural environment, like being in your living room while you design it. Let's take a look.

[Video Presentation] (02:11:59-02:12:38)

Possibility is very exciting. We're moving quickly, and you could expect to see experiences like this in a few of our stores really soon. As retails improve speed, assortment and price, believe the game will need to shift to original proprietary content as being one of the main differentiators between retailers. Customers want amazing products and those products will influence their choice of retailer. Earlier I mentioned how we acquired a number of brands to quickly grow our assortment like Shoes.com, [indiscernible] (02:13:07) and Art.com. Those helped us add assortment on walmart.com. But beyond growing our assortment, we also acquired a few digitally native brands like [indiscernible] (02:13:15) and Bonobos that help us differentiate our assortment.

These aren't just private label brands. They have a soul, a social media following. They give us the DNA to create these digital native brands in-house. You've seen us do it with the launch of Scoop in fashion and with Allswell. Allswell is a mattress brand that offers products at a price point that allows us to put them on walmart.com and in stores. We started off with just a little bit of capital, and we think it will approach a $100 million brand this year. Allswell was the AAHA for us. We realized that we can create these brands and incubate them in a way that make them successful across stores and online. We're integrating our digitally native brands like Allswell into the company, and we're going to keep moving in that direction.

As I wrap up today, there are lots of reasons to be excited about eCommerce at Walmart. Our team is aligned on a winning strategy and the response from customers shows that we're making great progress. We're working hard to monetize our relations with customers through a better mix and by selling more long-tail categories. Building on the momentum of FY 2020 we expect to grow about 30% this year and continue to improve CP margins, as well as Brett mentioned, losses for this year will be flat to slightly lower. We're delivering growth and building a healthier business overall. I talked about a lot of initiatives today, some are tests, some are pilots, some are scaling. Walmart is an innovation engine, and all the things I've talked about today are included in guidance. As I said, we're moving faster, gaining leverage, getting the fundamentals right, and playing offerings to win primary destination. And while we're doing all this, we're working hard to shape the future of retail. I'm really excited about the year ahead.

Thank you.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

Great. Thanks Marc. So that will conclude the morning session or the early morning session. We're going to take a 15-minute break, and we'll be back with the rest of the program. Thanks.

[Break] (02:15:26-02:34:03)

Judith McKenna

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

Good morning, everybody. I'm really pleased to have a few minutes to talk to you today about Walmart International. I'm going to briefly cover last year's results, a brief look at our outlook for FY 2021, but I want to spend most of my time talking about bringing to life strong local businesses that are powered by Walmart, by talking about four examples of just that. Walmart International is a $124 billion business. It makes us a top-five global retailer in our own right. We operate more than 6,000 stores across 26 different countries; and those stores are at the absolute heart of our business. But just like the US, omni-channel and e-commerce are becoming an increasingly important part of our growth. In fact last year, e-commerce sales for the total of International was 10% and are expected to reach 12% of our total sales this year.

Now across our markets, we operate a variety of businesses, banners, channels and formats. And what I can tell you is that one size does not fit all. We will not be successful by thinking like a multinational business, but will continue to be successful by thinking like a multi-local business, executing our strategy one country and one business at a time.

So, let me reflect briefly on FY 2020. Our sales grew at 2.8% on a constant currency basis, which was another solid year of growth underpinned by strong performances from Walmex where the top-line grew at 5.2% and China, where we grew sales by 4.3%. Now Brett's already talked about some of the factors in our results for last year and he mentioned specifically Chile and that impact. All I want to add to that is my huge appreciation for our teams there, who have done and continue to do some incredible things and an incredible job under some very challenging circumstances.

I was personally pleased to see around the world that all of our businesses displayed strong cost control last year, and we leveraged 35 basis points of SG&A through innovation and through operational focus, and our Japan and China markets led the way. Now, I'm sure that you'll all be pleased to know, as you heard from Brett, that Flipkart performed in line with our expectations and was within the guidance that we gave to you. And just as a reminder, International has a December year-end and the ownership of Flipkart only annualized last year in August. And that fact alone accounted for the majority of our year-on-year decline in segment profit.

Let me turn now to FY 2021. There is no doubt that the levels of volatility around the world are higher than they've been for some time. We faced some tough environments – some tough trading environments, but our retail preposition, our low-cost base and our ability to leverage innovation and best practice position us really well. As a result, this year Walmart International expects to grow top-line by 4% with profit broadly flat year-on-year. And those numbers do include the continued cost of rebuilding and reopening stores across our Chilean business.

Now Brett and Doug have also mentioned – and we talked about the coronavirus. In addition to the comments that you've already heard, let me tell you this that Yuen Tan, our CEO there and his team are working extraordinarily hard to serve our customers with their daily needs, while at the same time taking every precaution for our customers and for our associates. Today all of our stores remain open, albeit the vast majority of them with restricted hours and some have got restricted operations.

The spirit and determination of our teams across our stores, our supply chain and in our home office is remarkable. And at times like these, our people really do make the difference. But in uncertain times, being a trusted retailer has never been more important. And you earn trust – you earn trust by standing tall in difficult circumstances, but you also earn it every day by providing customers access to what they want, when they want it and however they want it, and by innovating to make their lives easier.

For me this really comes to life at a local level. And let me give you four examples of strong local businesses who are doing just that. I want to start with Walmex. It's one of our longest standing International businesses and probably one of the best examples of what a strong local business looks like. Walmex operates around 4,000 – 3,400 stores across Mexico and five Central American countries. Last year its sales were $33 billion and it has an operating margin of over 8%. Listed on the Mexican Bolsa, it has a capitalization of just under $55 billion. And to put that in context, it's just slightly less than Target's market cap; or if you want to think of it in terms of international retailers, it's more than the cap – market caps of Tesco and Carrefour combined. In Mexico itself, our Supercenters and Sam's Clubs adapted for the local customer, as well as locally developed discount formats provide inclusion and an access for all demographics. And in fact, the data formats have reached the remarkable milestone of 2,000 units this year. The proximity and breadth of our formats give us unmatched access. And for example, across Mexico's big cities, 85% of the population live within 10 minutes of a store. And that's just one of the factors that's enabled us to deliver comp sales growth faster than the market there for 20 quarters straight.

But [ph] Gill Ryrob (02:40:16) and his team are continuing to find ways to grow the business by leveraging our store network to increase access and reach with a growing omni-channel offer. And I want to share two examples of this that I really like; the first is in our Bodega stores. We are installing digital kiosks to serve customers who are looking for value that may not have easy access to the Internet or the ability to pay in-store. A customer can shop the full range of Walmart online general merchandise from the kiosk in the store, pay in the store, and pick-up from there later. And the average kiosk purchase is 15 times the average ticket in-store. It's simple, it's effective, and it's truly inclusive.

The second example of expanding reach is in our Supercenters, where we've expanded pickup and same-day delivery options for online grocery. Last year the team trialed 12,000 general merchant items picked in-store, available for same-day delivery in addition to the 33,000 grocery items that are already available. That expanded range is now live in 167 of our Supercenters and we have plans to add more by the end of the year.

Moving forward, Walmex will build on its foundations, developing its ecosystem for example through its [ph] cashy (02:41:43) payments app to expand customer access and loyalty.

But let me turn next to China. Similar to Walmex, Walmart China's foundations are built on a successful local adaptation of the Walmart and Sam's Club formats. Today, Walmart China is a $10 billion business with a quarter of those sales – over a quarter of those sales coming from Sam's Clubs. We're fortunate enough to have a well-established brand with 26 clubs with strong brand equity. We opened three clubs there last year and we plan to open five more clubs annually going forward.

Now in FY 2020, Sam's Club China delivered its second consecutive year of double-digit comp growth. And a little known fact is that our highest sales, club or store anywhere in the Walmart world is actually our Shenzhen Club, which is located close to our home office. Now although we're really pleased with that level of growth, we recognize there is a need for continuous innovation to accelerate accessibility. Land is at a premium, but we are finding asset-light ways to supplement our bricks-and-mortar with new infrastructure that improves our ability to engage with members digitally. The heart of the omni-channel expansion has been Sam's mini-fulfillment centers which we are calling cloud depos. Think of these as low-cost mini distribution nodes in high density urban areas which extend online access to our members for about a 1,000 of their most frequently purchased products. They are setup with our crowd-sourced delivery last mile partner, Dada, and it allows customers and members to receive their orders in less than one hour. But the good news is that members still love visiting our clubs, but the clouds enable a more frequent [ph] shopping mission (02:43:41). And today, we've got about 60 of them with plans for many more in the future.

Let me show you briefly how they work.

[Video Presentation] (02:43:51-02:44:29)

So omni-channel is critical for Sam's in China. And today, around 30% of our membership shops both online and offline, and encouragingly for us, their renewal rates for those members are higher than the average. Sam's Club China is a great example of taking one of our formats and building a strong local business through strong roots tailored to the local customer.

So I've covered now two of our longest standing International markets. Let me move to perhaps our two most recently added, Flipkart and PhonePe. We made our investment there 18 months ago and we continue to be impressed by the business, both with the teams, their strong culture and the way that they operate. I've been to India five times last year and I never cease to be amazed by the energy, the spirit and the entrepreneurialship (sic) [entrepreneurship] (02:45:26) of the folks in our businesses.

Now, just as a reminder, the group consists of the Flipkart e-commerce business, which includes Myntra – it's a separate fashion platform – and PhonePe, a digital platform anchored in payments. At the last Investor Day I talked to you about Flipkart. And I'm going to give you a brief update on that today, but also talk to you a little bit more about PhonePe as well.

We've been really pleased with Flipkart's performance. And Brett has even given me permission to share a few numbers with you at today's event. I can tell you that the health of the platform is strong. Engagement with Flipkart is continuing to grow, as Indian customers become more and more comfortable with e-commerce and the access and affordability that it's providing. Flipkart is now tracking to over 1 billion visits per month. And last year, monthly active customers grew by around 45% and transactions per customer increased by 30%.

What I really love is that Flipkart's heritage puts the Indian customer right at the very heart of the business. Their strategy is simple; it's to democratize shopping by offering affordability and access. And they are using technology and data to solve everyday customer problems in ways that are tailored specifically for the Indian market. They are launching things like innovations such as voice-assisted transactions and vernacular capabilities in Hindi. That helps drive further adoption in Tier-2 cities, which are at the very heart of middle India.

They are also offering trade-in programs in which we buy back customers' old devices and appliances when they purchase new ones. We also then refurbish those devices and offer them for resale, creating real value throughout the supply chain. They also look to offer value-added services, including demonstration and installation for large appliances. Only 10% of families in India own a smart TV or washing machine or an air conditioner. And when they are sold in our platform, we use delivery as a moment to help teach customers and give them confidence in how to use those new products. That in turn, drives confidence in Flipkart. And to help affordability for customers, Flipkart provides access to credit, including buy now, pay later, low-cost installment credit, and this year launched a co-branded credit card with Axis Bank.

Now, in addition to those customer-facing innovations, Flipkart's continuing to use data and insights to find new revenue streams such as through digital advertising, which grew strongly year on year. There, a combination of high quality data, unique customer behavioral insights and a powerful tech platform mean that ad placement is specific and accurate; and that in itself creates value for advertisers, but very importantly, it protects the customer experience. Flipkart's ambition is to serve the next 100 million customers. And I love the fact that Kalyan, our CEO and the team continue to put the building blocks in place to do just that.

But now let me talk about PhonePe. PhonePe's ambition is to be India's largest transaction platform anchored in payments. They build scale by offering person-to-person money transfer and remittances, expanding use cases with merchants, and then adding services for customers to grow their money all in a single app. PhonePe's DNA is to build open and intelligent platforms. It's an open ecosystem for customers, merchants, and banks with the tech capabilities to automate and scale efficiency. That DNA is actually what's key to PhonePe's remarkable journey. This business is just three years old; and in that time it's grown to almost 200,000 registered users. 20 million of them are using the app on a daily basis, and in total those users are making more than 500 million monthly transactions. Today, that's generating about $180 billion in annualized TPV or Total Payments Value.

But PhonePe has also expanded to merchants. Eighteen months ago when I first went to PhonePe, they were accepted by about 30,000 merchants in India. Today, they're accepted by 10 million. From kirana mom-and-pop stores to fast food chains and to ride shares, people like using PhonePe. Well over 90% of daily customers repeat within 30 days. The customer is using that increased scale combined with data science to reduce costs. One example is their more than 90% reduction in cost per transaction and person-to-person and recharge categories. But PhonePe is not stopping there. The team is relentlessly innovative. In January alone, they had four new project releases. And one of those I really like is PhonePe ATM product. It's a revolutionary solution. It's got the potential to transform access to cash in India. A customer can now request a cash withdrawal directly from their bank on their PhonePe app. Go to a merchant that's local to them, that merchant will then verify the transaction on their app and give them the cash that they've requested. The service is available today in over a million stores across the PhonePe network. And when you think about it, there are only 200,000 ATMs today in the whole of India. So this product just scaled the capability to withdraw cash for customers by 5 times. It's a win for customers, the merchants, and the banks.

Sameer and Rahul, the CEO and CTO and the founders of PhonePe are building a business that continues to learn as it grows. And you're going to hear more about PhonePe and the creation of its powerful Super App from Karthik on the panel later. But I'm going to leave you with this that at its core, PhonePe is a massive open transactions platform. It took the business its first two years of life to reach the 1 billion transactions mark. But last year, it crossed 5 billion transactions. We're really excited about its future.

So not only do those four business that I've talked about continue to grow, but we continue to learn from them as well and to share best practice across our markets. They are great examples, all of them as strong local businesses which earn trust by consistently delivering value by providing customers access to what they want, tailored to how they want it. And they remain at the forefront of innovations that make customers' lives easier.

Our businesses make up a strong global portfolio, and we continue to be thoughtful about how to position each to be as successful as possible. Now that means we avoid a rigid approach to ownership. And we leverage strategic partnerships wherever they can make our business stronger. In some cases, we're a majority owner; in others we're a minority partner. Our businesses can be private or public, apart for the strategic cooperation with strong partners such as Rakuten, Advent, JD, or Dada. Before you ask, I have nothing new on this to tell you today.

Success in this environment for us depends on having a multilocal approach. And I hope you've seen, our businesses everywhere look very different in different markets. What's really exciting in a way that we move forward is, being powered by Walmart becomes a reality from adapting formats and sharing best practices and developing talent to sharing and building an innovation of culture. What I can tell you is that our business is changing along with the expectations of our customers everywhere that we operate. This year, $1 out of every $8 of International revenue will come from e-commerce. In every market, our customers are pivoting to the future faster than ever before and we are well positioned to make the most of that shift. We are building strong local businesses and we're increasingly unlocking the power of Walmart. Thank you.

[Video Presentation] (02:54:36-02:55:34)

Kath McLay

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

Good morning, and I appreciate the opportunity to be here today to talk to you about Sam's Club and why we remain excited about the direction of our business. So I've been involved for just under a 100 days and I've spent dozens of hours talking to our associates and our members to find out what's working in Sam's Club and what's not. And a few things came through loud and clear. First of all, our associates love working for Sam's Club; and secondly, our members are passionate about their Club, and we have real momentum in the business.

But what I also learned is that our people are ready to do more. Our associates want to get behind great items; they want to leverage even more technology; and they want to create the best member experience in the warehouse channel. And our members' passion for Sam's Club means their expectations are higher than ever. They've paid to shop with us; so they do truly expect something special. So while there's work to do, I'm encouraged by where we are today. We have a strong business and we are well-positioned to win. But more on that in a bit.

First, let me briefly touch on our results. You heard us talk earlier today about our fourth quarter and full year results. So for the full year, our comp sales excluding fuel and tobacco increased by 3.8% and our e-commerce sales grew by 32%. I'm really proud of the team for delivering comps of 9.5% on a two-year stack basis. We continue to be encouraged by our membership trends. Plus Renewals and sing-ups drove membership income to grow at 2.5%. So, overall strength on the top-line combined with an increase in membership income resulted in operating income growth for the full year of 8% including fuel. So what that means is, we achieved a really healthy operating income growth, while at the same time strategically investing into people, price, and technology. So today, the business is positioned financially to continue to provide strong value and convenience while transforming the shopping experience for our members, both in-club and online. And there is a good reason for that strength. The Sam's Club model is pretty simple, and that's why it works. We offer great items at disruptive prices and a seamless shopping experience. That's what drives membership, and membership is what drives Sam's Club.

This basic formula is powered by a strategic focus on people, product, and digital as well as an obsession with serving our target member, a family with an income of around $100,000 and two and three kids. So that strategy won't change, because it's working. Both member counts and renewal rates are improving, but you'll see us take it up a notch and focus on how people, product, and digital come together to drive a great member experience both in-club and online. We've told our members to expect something special, and we will continue to deliver on that promise.

With our people we fundamentally changed the way work gets done in our clubs to provide a better member experience as well as opportunities for our associates. Last year, we organized our associates into four working groups; member, merchandising, fresh, and specialty to move towards a more team-based approach. We've consolidated our job codes, we've simplified the work and we've cross-trained to ensure every associate can complete the basic task of each team. So for example, on the member team we no longer have associates who purely run the cash register. Instead, we have a front-line member associate who knows how to sell membership and [ph] also (02:59:20) how to work the exit and help in Club Pickup.

We've also moved all of our overnight associates to work during the days, when our members are actually shopping with us. And we've raised our hourly wages in more than a dozen key areas like team leads, meat cutters and cake decorators. And we're seeing improvement in our results with reduced turnover and increased employee satisfaction. And we are giving associates tools to make their jobs easier.

I was in North Carolina recently and I spoke to a bunch of associates in a club and I said to them, what's working in clubs? And their answer was in unison, technology. Associates now have more information on their mobile device at their fingertips than ever before. Meaning, they can spend more time on the sales floor with our members serving them.

Let's move to product. Sam's Club is an autumn business. We have limited SKUs, so it's critical that every single item fill hand-selected to delight our members while delivering value and quality. Before I talk about some of our specific products, I want to briefly touch on our efforts to reduce our SKUs and to further invest into price. As club merchants, it's our job to find the best items and make the right choices for our members. Members don't come into Sam's Club expecting to find everything; they expect to find value, quality, or something that they just can't find somewhere else. And our members are busier than ever and they are telling us they have more choices than ever. So, we consider curation a member of – a benefit of membership.

In the past year we've reduced SKUs in about half of our clubs. And it might seem kind of counterintuitive, but actually our members give us better marks on breadth of assortment when we have less SKUs in the club. Members actually perceive we have more items when we present them with less. It's good for business too. Our sales are up and as we've – our labor hours are down.

So looking ahead, our plan is to continue to refine our SKU count across the business. The other component of membership value is of course price. We've invested in price in a significant number of our clubs. Traffic in those clubs is growing, and our members are responding. We are going to continue to assess price investment and target it over the next year.

Moving to items, we have this great opportunity to make Member's Mark special; and we are. But before I talk about that, I want to talk about some work we've been doing with our private brands. And I want to share with you two examples of how we partnered with national brands to create unique items. Our Item obsession has led to a increased innovation with our suppliers to bring new products to market; and suppliers are excited to partner because they are sharing in the growth with us.

Let's take a look at our recent collaboration with Kellogg's that brought Baby Shark Cereal to homes across the country.

[Video Presentation] (03:02:19-03:03:25)

Good luck getting that song out of your head. We brought another example with this, our delicious popcorn partnership with leading candy brands. So one of our merchants first discovered candy popcorn in an airport. It had no presence in grocery or mass retail and we worked with a supplier to improve the formula and bring the first flavour, Butterfinger to the Club. Our members loved it. And we've continued to innovate every quarter by working with the supplier to bring tweaks with it in our latest Oreo to market. Sam's Club has exclusivity on this series for the first 13 weeks and we have more amazing flavors planned. I hope you enjoy this. There is some on your table. I hope you enjoy it as much as our members have actually enjoyed it.

Our Member's Mark brand continues to produce innovative items at amazing quality and prices while strengthening our overall assortment. We know that Member's Mark – sorry, members who purchase Member's Mark are more likely to renew with us; so we'll continue to invest in the brand across the box. Last year alone we improved 383 items and launched 334 new products. Take our updated patio sets for example. [ph] John Dale (03:04:39) is a senior merchant who worked with Member's Mark team to completely reinvent our product line to appeal more to our target member. [ph] John (03:04:48) has deep experience in the outdoor category, and he knew our members wanted high-quality construction in fabrics at a warehouse club price. All sets are hand-woven by master weavers. You must apprentice for years to earn that title. And the weaver can take up to 15 hours to complete a single chair to ensure consistency and durability of craftsmanship. We also upgraded to some Burlap fabrics, which are much more resilient and resistant to water and fading. Plus, each set comes with a cover that would easily retail for hundreds of dollars alone. The quality rivals an upscale home furnishing store, where similar sets would retail for about $10,000 or more. At Sam's Club, our members pay less than $2,000.

We've also made significant improvements in fresh, which is a key driver for repeat traffic across the club. People are surprised to learn that you can find prime Angus beef and fresh Alaskan salmon in our clubs. This year we expanded prime Angus beef to all clubs and we're now one of the top retailers in the Prime category. And we've been deepening our relationship with our suppliers to find unique items that can't be found anywhere else. Our Grape Soda Grape is a great example.

Before I tell you about the product, I want to share a little bit about the buyer. [ph] Phil Macey (03:06:14) is one of our senior merchants and he's been with Sam's Club for 27 years, always in our fresh business. For the last several years he's been focused on buying grapes and stone fruits. [ph] Phil's (03:06:27) truly an expert in his field, and he travels to Spain, Chile, Israel, as well as working domestically through nurseries to identify the next best thing for our members. And you know what, this is no quick process; it can take up to 12 years to develop a new variety and a lot of taste-testing. [ph] Phil (03:06:47) estimates he probably tastes about 500 grapes a year. That's a lot of grapes. [ph] Phil (03:06:53) was behind the creation of the Cotton Candy Grape in 2017 and he worked with the same nursery in California to perfect the taste and texture of the Grape Soda variety. Sam's Club has a trademark on the name and exclusivity with the grower. We sold the Grape Soda grapes in select clubs last summer for two weeks and we are planning to expand to more clubs this year. So while we are becoming known for the quirky and unexpected, our members are also talking about the quality too. Our fresh Net Promoter Score has improved every quarter this year with a 230 basis point increase overall.

Now, let's our focus to digital. Technology gives us the opportunity to empower our associates and our members. It simplifies work for the associate and removes friction for members and enhances the overall experience of membership. You probably – I hope you are familiar with Scan & Go; I believe it is one of the most delightful experiences we offer our members at Sam's Club. It's a great example of how we value members' time and put control in their hands. Think of a typical shopping experience. As a member moves through the Club, he is mentally purchasing each item he puts into the cart. In fact, he probably feels like they were already his own. But then we ask him to stand in line to ring up those items. Scan & Go flips the scenario. It removes the friction and empowers our members to own their shopping experience from beginning to end. With Scan & Go, members can scan an item's barcode with their phones and they shop and then skip the checkout line and pay through the app. And members' value the experience. We're seeing a repeat usage rate of about 85%. We're going to continue to innovate with Scan & Go – and you're going to learn a little bit more about that during the tech panel.

New implementations of technology are great for associates too. You'll hear more later during the tech panel about Ask Sam. But I want to talk to you now about Sam's Garage. You heard Doug mention Sam's Garage before, but I want to talk about how it's driving sales. So, Sam's Garage is a new application that's driving our tire and battery business. Associates who work in tire and battery centers in the past had to navigate bulky product books, a mess of paper work, and five systems to simply sell products and schedule installation for members. Sam's Garage streamlines all of that into one single app. An average transaction time has dropped from about 20 minutes to less than five minutes, and it's improving sales.

So, when we combine the convenience of Sam's Garage with disruptive pricing during a recent one-day event, we saw a 55% increase in transactions. Sam's Club continues to focus on emerging tech and pilot new ways to simplify the business. We are testing the use of computer vision to curb out-of-stocks and exit technology that can help reduce theft. We even have drones flying around in some of our clubs to help better manage inventory, especially items housed up high in the steel. And at Sam's Club now in Dallas, we're testing an enhancement to Scan & Go called [ph] Item Vision (03:10:07). Members can point their camera at a product to add it to their digital shopping cart; no searching for barcodes; the image of the item is all a member needs to make the shopping experience even faster than ever.

So, these innovations aren't in all clubs yet, but we think all of them have the potential to impact Sam's Club and enhance the overall experience for members and associates. Shopping with Sam's Club should be seamless, and we have to be relentless about removing friction and providing an omni-channel experience. We give our members choice and convenience, no matter how they want to shop with us. Options like Scan & Go, same-day Club Pickup, grocery delivery and direct-to-home shipping. And remember, direct-to-home shipping is offered free with our Plus membership with no minimums for most items.

Part of our membership story is a huge growth we're seeing online. Our members love samsclub.com. Online sales at Sam's grew by 32% last year, which includes both Club Pickup and direct-to-home sales. We've successfully converted several former clubs to fulfillment centers to make our direct-to-home offering faster and more effective, while also reducing the cost to ship. We're also – we've also recently started testing ship-from-club for e-commerce orders. This test is in about 22 clubs and we're really happy with the early results.

We are adding membership value through our website too, with features like travel and entertainment, and home improvement services that have saved our members millions since launching earlier this year. And we've just added this personalized perks portal, so members can see their individualized savings piling up.

Our focus on the target member and the value of the Sam's Club membership is working. We're seeing growth in total member counts and renewal rates. Plus Member penetration rates continue to see positive results, hitting an all-time high during FY 2020 and improving 170 basis points over the last year. We expect more positive membership trends as we continue to improve the in-club and online experience for our members, while enhancing the value of their membership.

I want to wrap up by highlighting a few key things I hope you all took away from today. First, the changes we've made to simplify the business have made us stronger. Our total member count, renewal rates and Plus Member penetration rates are growing. And our traffic numbers and comp sales, excluding fuel and tobacco, remain healthy.

Secondly, we're an item business and we will continue to focus on bringing innovative products at amazing quality and value to our clubs. Thirdly, Sam's Club remains an innovation hub driven by associates and technology. We're developing tools to make shopping and working at Sam's easier and more delightful than ever. And finally, the focus on the target member is working, and we will continue to push toward a more omni-channel experience that empowers our member.

Today, Sam's Club is a great business, and we are tremendously pleased with the progress we've made. But I know we're even more excited about where we're headed and the opportunities we see in the future. We tell our members to expect something special, and that's a promise I know we can keep. Thank you.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

Great. Thank you, Kath. So we have a 15-minute break as we transition to our innovation panel. Then that will be followed by our Q&A session. So, thanks.

[Break] (03:13:46-03:27:22)

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

So as I mentioned earlier, we have a innovation panel that we're introducing to the program this year, and we'll kick it off with Doug and Suresh and I'll let you take the lead on it.

C. Douglas McMillon

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

Yeah. We're going to take a few minutes and try to give you some examples of innovation that's happening – that are happening across the company and we'll try to do that with some speed and maybe talk a little bit about how it's happening as well. I mentioned earlier that we've been innovating and operating on top of a legacy tech stack that as you would imagine through our acquisitions as we've grown internationally and built the business historically ends up being a series of systems; and it needs to be simplified and modernized. As we do that, we'll find our way towards more speed, more innovation and more productivity. And Suresh Kumar, who I briefly introduced earlier, joined us in July, came from Google, is the type of leader who can lead that type of investment and lead it well and we're really excited to have you.

Suresh, if you would start off kind of with – kind of that big picture question. Let's talk a little bit about what it means to modernize the technology that we have at Walmart today.

Suresh Kumar

Chief Technology & Development Officer, Walmart, Inc.

Absolutely. So few pieces, having the right talent, creating the right structures and then creating the right architecture that will allow us to incorporate new technologies, whether it's Vision or Voice. These are the things that will allow us to develop innovative solutions on behalf of our customers or for our associates. Now we have great engineers, we have great data scientists and other technologists. We are creating structures to make them even more effective so that they can drive leverage and reuse. We are creating deeper expertise in areas like Machine Learning and the cloud. And in terms of architecture, the cloud is at the center of everything that we are doing. But we are not just taking our old legacy complex applications and simply just moving them to the cloud. We are rebuilding them, so that they can take advantage of what the cloud really has to offer. So for example in the store associates, like building applications to be cloud native, we can incorporate things like voice assistance into them. And this is something that the legacy architecture would never allow us to be able to do. And so these are some of the ways in which we can go faster and be a lot more innovative.

C. Douglas McMillon

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

I'm excited about the plan and I'm excited about doing it faster. Let's go deeper into the architecture and talk a bit more about what a hybrid cloud actually means; what it means at Walmart.

Suresh Kumar

Chief Technology & Development Officer, Walmart, Inc.

Absolutely. So we have built out a large and sophisticated cloud on which we are building all the modern stack and the modern applications. So, we have got a private cloud that we have installed inside our data centers. We are partnering with public cloud providers and we are building out edge computing in our stores. So this combination is a hybrid cloud architecture that is uniquely suited for what we want. So we can take workloads and we can move them seamlessly from the private cloud to public cloud to make use the flex capacity when we need it; this is something that we did very effectively last holiday season. We can make use of the specialized compute capabilities that the public cloud offers so that we can run our complex workloads, whether it is training Machine Learning models, big data, these things run very effectively on the public cloud. And then finally, we can take our applications and use the edge that we are building out to move them closer to where our associates and our customers are inside the store so that we can improve the customer experience. So it is these three pieces that are coming together that form the underpinning of the modern stack that we are building out.

C. Douglas McMillon

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

I hope this is starting to connect some dots for you. We want to get faster, we want to get more innovative, we know we can use technology to be more productive; and in today's accounting world, a lot of the tech that we build is more on the OpEx side than the CapEx side. So, we mentioned earlier in our guidance, we've got this increased investment in technology that in a period of years we can position ourselves to be even stronger and better. It's one of the governors that we can use as we manage earnings. How fast do we go? Does this happen in two years, three years, four years? It's not a lot more than that, but it's also not in a year. So, it's one of the variables that you might keep in mind as you think about the guidance that we gave you earlier. So now imagine the tech stack's been modernized and all these emerging technologies are now available to us to serve customers in different ways. And you hear about all these various things – Marc mentioned some of them earlier today. Which ones do you think are most relevant and practical to move the needle for Walmart?

Suresh Kumar

Chief Technology & Development Officer, Walmart, Inc.

Absolutely. So we are already incorporating a lot of the many emerging technologies and new technologies, whether it is IoT, Internet of Things, Blockchain, Voice, Vision, Robotics, and so on. There is one technology that I'm particularly excited about because it has relevance in pretty much every single thing that we do, and that's Machine Learning or ML. So with ML, we can improve our customer experience, we can make our associates' life a lot easier, and we can reduce cost by driving more efficiency. So let me give one example. This is a project that we call [ph] Smart Substitutions (03:33:02). So imagine that you are an associate and you're picking items on behalf of our customers inside the store. And as you are picking items, you find that one of the items that the customer wants just went out of stock – and that happens occasionally. So at this time you want to go find an alternate product, a substitute if you would to offer to our customer so that they don't get disappointed.

This used to be very error-prone manual to – a very difficult task. In fact, our associates used to have a piece of printed paper with a bunch of rules written on them so that they could go find out what is the best substitute for that particular product. Well, this is where we leverage ML to come and help. We trained the model that extracted information from – about the products that we sell, inferred relationships between them, combined that with customer preferences. Now the result is that we automatically figure out the best substitute and we direct our associates to go pick that. Associates are very happy. They don't need to stop what they are doing and go on trying to hunt for their product. But equally important, our customers are very happy, because the product the

Machine Learning algorithm picks up is unique, personalized for what the customer wants in that particular instance. And so this is the power of ML that we want to leverage everywhere in what we do.

C. Douglas McMillon

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

We have a lot of focus on the accuracy of first-time pick rate, but when we have to do a substitution, it needs to be as seamless as possible. So, we'll try to eliminate them. And then the ones that we have, we'll make better.

Let's wrap up with data. Walmart's used information for a long time to help us with in-stock replenishment. Our suppliers have been very helpful in helping us manage the information that we've had. But we've never really focused on customer data to the maximum of our capability, and there are other places where we can monetize and use data more effectively, personalize the experience for customers, et cetera. How do you view the opportunity in front of us as it relates to data?

Suresh Kumar

Chief Technology & Development Officer, Walmart, Inc.

Absolutely. So, Walmart is unique. Like you said, we have over 260 million people walking into our stores every week around the world. That gives us a huge set of information from which we can draw insights to help serve our customers even better. And that's something that we want to do – that we are committed to doing, but we want to do that in a way that is extremely mindful of the trust that they place in us. I talked about personalization, I talked about Machine Learning. Let me give you another example, which is online grocery pickup. This is something that our customers love to – love as a feature, because they can book a slot, drive up, and we have the product loaded into their vehicle. But nobody wants to wait for too long; they don't want to wait for the slot, and they don't want to wait inside their cars. So this is where data helps, right. So we looked at the data around how the slots are getting booked and we started predicting which lots are going to get filled up soon; we put that in front of the customer so that they could select which slot it is that would work best for them. Similarly, we started looking at not just customer information, but we also started getting data around how our stores are actually functioning, what the parking lot looks like. And we combined that with information and data surrounding the stores; traffic patterns, construction and so on. The result is that we can predict very, very accurately when a particular customer is actually going to show up for their pickup order, meaning that now we can serve them just in time. If times go down, customers are happy, but it also ends up creating a flywheel effect, where the better we serve our customers, the more deeply engaged they are with us, and that gives us more opportunity to serve them even better.

C. Douglas McMillon

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

Got it. Suresh, really excited about your leadership. Glad you're here at Walmart. We're not going to wait to keep driving innovation until all of this work is done; these things will be happening in parallel, and we're going to give you some more examples of what's already underway. Suresh, thanks for coming up.

Suresh Kumar

Chief Technology & Development Officer, Walmart, Inc.

Thank you.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

I now want to ask Dacona Smith and Jamie Iannone to come up for a few minutes. Welcome, Dacona.

Dacona Smith
Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Sure.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

Jamie, we'll start with you.

Jamie Iannone
Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

Yeah.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

Jamie leads Membership Marketing, SamsClub.com. At Sam's he drives the product mindset, he works closely with the technology team. He's been with us for six years now?

Jamie Iannone
Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

Yeah, six years.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

And before that was with Barnes & Noble leading digital products and then at eBay for seven years leading search and some other areas there before making his way to join us, which we're really glad that you did. Lots of cool stuff happening at Sam's. I mean, for us to be able to stand up today and say that Sam's Club has become tech incubator is really cool.

Jamie Iannone
Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

It's exciting.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. So thank you for your leadership as it relates to making that happen. Kath talked about Scan & Go. Let's lean into kind of the product itself, what the future looks like for it first if you would?

Jamie Iannone

Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

Yeah. Scan & Go really started from two associates – entrepreneurs really, who said, what if we could take one of the pain points or friction points in shopping, the checkout lines and avoid it altogether by giving people a point-of-sale right on the mobile phone they are already carrying. So, they worked on this in late 2016, launched it, and members fell in love with the product; instantly ahead, very highly rated, high repeat rate. So, we rolled it out to the whole fleet pretty quickly. And since then, nothing but really good feedback from our members about using Scan & Go.

We want to continue to innovate and push the envelope. So, one of our big requests was, we'd like to be able to purchase adult beverages with Scan & Go as well. So, we added that over the course of this year.

C. Douglas McMillon

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

Did that idea come up at about 5:00 PM on a – one day or...

Jamie Iannone

Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

All the time. Sundays, before football. So, that's been a big success. And then they also wanted to integrate it into the core experience. So, we integrated it into one app, the Sam's Club app. If you went to the iOS store today, it's 4.9 stars; members just have the best things to say about it. So, they continue to push the envelope on innovation.

What they're working on now is how do we eliminate the need to even scan the actual barcode. So, we've talked about Sam's Club now, which is our tech innovation club in Dallas. And there, we're doing a test where you just point the camera at the item and it recognizes. You just hold it over the avocados, and it says...

C. Douglas McMillon

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

[indiscernible] (03:39:42) scan a barcode or anything?

Jamie Iannone

Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

No. And it says, would you like to add the avocados? They go right to the bag. And people look at that and they think, wow, that's like magic. That's really cool. And that's what our product and tech teams kind of live for is for a customer to say, wow, that was like magic. That's a homerun.

C. Douglas McMillon

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

Love that. We've talked a lot about Ask Sam today. But I'd appreciate if you'd go deeper into how that product was built. And when we – we get excited because we think about all these footsteps. Associates all over our clubs and stores running all over the place to get information and how efficient it is. It's been fun to see how Ask Sam has taken hold at Sam's. How did that story come about? How do you build something like that?

Jamie Iannone

Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

Yeah. You know, it's interesting; Dacona and John always talked about, how do we make sure that our associates can be on the floor helping our members all the time [ph] when you all (03:40:26) want them to have go get data in the back room et cetera. And how do we make it really easy? So if you come to work at Sam's Club, it's very intuitive how to work there. So we thought, well, if we could just take a voice assistant and have you talk to the phone and let – answer common questions, like how do I cut a Ribeye Steak or how many Plus Members have we signed up today, that would make it really easy. So, that's what we did. Take a look at this video of our associates using Ask Sam's.

[Video Presentation] (03:40:50-03:41:30)

Yeah. So, we're excited about this. We often talk about small empowered teams; so engineers, product managers and designers designing a great product. This was 11 engineers over five months that built this product. And what's great is it's a self-learning product. So we tell our associates, the more questions you ask it, the smarter it's going to get. So they started asking it questions like, can you print the sign for broccoli. And it didn't have that capability, but it quickly learned how to do it and we included it, and now they are using it for things like printing signs when they are out there on the floor. So it's really...

C. Douglas McMillon

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

We need to ask it how to forecast sales in December. You apparently could work on that. It can tell you anything?

Jamie Iannone

Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

Yeah. Suresh talked about AI and Machine Learning. So, put it all in there.

C. Douglas McMillon

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

Kath and I were in a Sam's Club in Florida a few weeks ago and there is this one section that looked it had too many SKUs for a warehouse club, and so we were wondering if the club had it set wrong. And we asked the club manager, can you show us the layout for this particular section? He pulled his phone out, asked the Sam's Club app and its pulls up the exact layout. And sure enough he's got it set just right. It was out problem, not his problem and he was very pleased to point that out to us. I [ph] got through (03:42:41) showing it to him. Thanks, Jamie.

So, you worked at Walmart for a long time. How many years with the company, Dacona?

Dacona Smith

Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Almost 30 years.

C. Douglas McMillon

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

What was your first job?

Dacona Smith
Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Cart pusher.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

You've come a long way.

Dacona Smith
Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

[indiscernible] (03:42:52) saying cart pusher.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

And now when you shop at a store to go visit, what's the first thing you do? Probably grab a shopping cart...

Dacona Smith
Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Push it inside [indiscernible] (03:43:00)

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

So you leave Walmart, you go Sam's Club and you spend about a year over there and you see how the team's working as it relates to products like this. And now you move back over to Walmart U.S. to run all of operations. Congratulations.

Dacona Smith
Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Thank you.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

Are you going to the steal the Ask Sam?

Dacona Smith
Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

We're already doing it. Jamie Iannone, I'm meeting with his team regularly. Move it – all of his stake over to Walmart. No, but Ask Sam is just good example of many tech products that Jamie delivered to the clubs at Sam's. Ask Sam puts all of that technology right in the associate's hand. So, you can only imagine all the modules that we set, all the planograms, asking for prices, locations, all of that now can be done by Voice. So, thank you Jamie. You helped the whole company, Jamie. Quite a deal.

Jamie Iannone

Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology, Walmart, Inc.

Love it. Love to see the impact.

C. Douglas McMillon

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

I mentioned Spark earlier, the independent contractor platform. Would you tell everybody a little bit more about it? What's the future look like for Spark?

Dacona Smith

Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Yeah. Spark is our in-house delivery platform and basically it uses crowd-sourced drivers. Basically what you do is you go to drive4spark.com. You can sign up to make deliveries. You have to pass a few checks, of course so – to pass couple of checks and you can download the app. And the app will tell you everything you need to do to complete a successful delivery. So, if you are in, I don't know, New Orleans or Nashville on vacation and you need to make a little extra money, we could help you out. You can go to drive4spark and we can put you to work. But it is – it gives us a lot of flexibility. It's going to give us some flexibility to understand the end-to-end use of delivery, more often to serve our customers. And as you know, Doug, over the last couple years we've been expanding, we've launched and really scaled our same-day grocery delivery. And we've used last mile delivery partners to help us with that. So, if you think about Spark, it can help us provide flexibility and some learning. So, that's – it'll be really positive for us.

C. Douglas McMillon

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

Just one of the ways we'll solve last mile is we're working on autonomous vehicles, we are working with partners. In the case of in-home, we wanted to be our own associates. There is a menu of ways for us to solve last mile for customers and we're working on that. Thank you both very much.

Dacona Smith

Executive Vice President and Chief Operating Officer - Walmart U.S., Walmart, Inc.

Thanks, Doug.

C. Douglas McMillon

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

Appreciate you coming out. Thanks. I want to invite a couple more folks to come up. Karthik Raghupathy leads Strategic Development and Business Development for PhonePe. Karthik – and Kathleen McLaughlin is our Chief Sustainability Officer. Karthik, I'll start with you.

We've covered PhonePe to some extent, but you've been there from the beginning and you understand this better than anybody else. In your own words, how would you describe PhonePe to this group?

Karthik Raghupathy

Vice President, Strategy and Business Development, PhonePe

Sure. So, Doug, we are a technology company and we are on a mission to unlock the flow of money and access to services. So, in Hindi, PhonePe quite literally means, on the phone. And we used the English connotation of the word, pay, to create that connection with everything to do with money on the phone.

C. Douglas McMillon

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

Got it. So, there is use case that starts with payment in India and then it expands from there. Now, we've all seen what happened with WeChat and how Tencent led that – these use cases as they grow. Do they result in what some people call a Super App?

Karthik Raghupathy

Vice President, Strategy and Business Development, PhonePe

Yeah, let me start answering that question with a short video.

C. Douglas McMillon

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

Okay. Anticipated that one [indiscernible] (03:46:33).

[Video Presentation] (03:46:33-03:47:36)

Karthik Raghupathy

Vice President, Strategy and Business Development, PhonePe

So the short answer to your question, Doug, is yes, but in a much more broad and powerful sense than the traditional notion of a Super App. So at PhonePe, we are driven by technology to offer everyone an equal opportunity to access money and services. And specifically, we think this manifests in three dimensions of what we would call a Super App; consumers, merchants, and banks. So firstly on the consumers' side, we believe in enabling equal access regardless of location or socioeconomic status. And we take great pride in the fact that more than 65% of our nearly 200 million users are from small towns and villages all over India. I think this is a testament to the power of technology to really democratize access.

So secondly on the merchant side, we work with about 10 million merchants, the majority of whom are small and medium enterprises, and we're actively working on driving their growth by connecting them to our consumer network. So for example, as Judith mentioned earlier, we recently launched the PhonePe ATM, which is a revolutionary first-in market innovation that has totally transformed the ATM landscape in India. It simultaneously solves for a consumer pain point to have access to ATMs, while also driving more foot fall to our merchant partners and thereby drives their growth.

And then thirdly, on the banking side, when you connect consumers and merchants together, money lies at the heart of this intersection, and all our use cases are aimed at unlocking the flow of money. So PhonePe's users can use us to transfer money to each other, to pay their bills, to spend money both at online and offline merchants, and manage and grow their money using financial products like gold, insurance and mutual funds. So yes, we are a Super App.

C. Douglas McMillon

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

Got it. So some people might be a little confused about the ATM reference. Actually what's happening is India's generations skipping ATMs.

Karthik Raghupathy

Vice President, Strategy and Business Development, PhonePe

That's right.

C. Douglas McMillon

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

It's digital money disbursed frequently at kiranas.

Karthik Raghupathy

Vice President, Strategy and Business Development, PhonePe

That's right.

C. Douglas McMillon

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

That's another example of how innovation is occurring in India and innovations occurring within Walmart. We're really excited about PhonePe; that's why we've talked about it so much today, but we're just as excited about Flipkart and Myntra and the way this – as I've mentioned to you in our last meeting, the way these pieces fit together to create a mutually reinforcing ecosystem that's super interesting to us. Business models are changing. The retail business model has changed and is changing and we're learning a lot from what's happening in India and applying that across the company in an increasing way. And really appreciate...

Karthik Raghupathy

Vice President, Strategy and Business Development, PhonePe

Thank you.

C. Douglas McMillon

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

...you and the team. Please thank everybody for us.

It might surprise you to know that in my job sometimes things get announced at Walmart that I've never heard of until I've read about them in the news. Well, I know that's not supposed to be case; I'm supposed to hear about everything internally, but actually today there is so much happening across the company that it's true that we're solving problems and innovating in ways that I haven't heard about sometimes until I read about it. And I actually love that. Now, I try to be careful not to ask too many questions when that's the case, because it will slow people down and they'll want to clear everything with leadership, and we don't want them to do that. We have common values, we have a culture. You know what problems you need to go solve, and go solve problems; that's an important ingredient as it relates to speed.

So when we were talking about telling you some innovation stories and tech stories, it was exciting for me to hear Kathleen McLaughlin – her story and what her team has been doing to take technology and put it to work to tackle some of the biggest problems we face as humans. Kathleen is a global-shaper as it relates to thought leadership and policy and we're really thankful that she's part of Walmart helping us all become Chief Sustainability Officers. And if you would, Kathleen, tell them about how we're deploying tech to help with things like climate change?

Kathleen McLaughlin

Executive Vice President and Chief Sustainability Officer, Walmart, Inc.

Yeah. Well, climate is one of the biggest issues that we face in the whole environmental and social landscape. And what we're trying to do at Walmart is take issues that are relevant for our business, for our customers, our associates, communities, and address them through our business assets in a way that not only helps the world move quicker to transform – to address these issues, but it's also good for business. And climate is a great example. You know we've been working, Doug, as you well know since 2005 in earnest on our own emissions from operations. We've doubled fleet efficiency. We're on our way to 50% renewable energy, powering all of our stores. We're working on energy efficiency on refrigerants, all of these things.

But of course for a retailer and in the consumer goods industry in general, 90% of the emissions are not in retail operations; they are in the supply chain. And it's things like agriculture, waste, food waste, packaging waste, the design of consumer products and sells, deforestation, things like this. So, a couple of years back, we set a science-based target for emissions reduction. We were, I think the first retailer to do so. And we said, okay, scope one, scope two, we've got it. Question is, how do we tackle all of those emissions in the supply chain?

So we launched an effort called Project Gigaton, which is powered by a digital platform to help our suppliers engage and work with us to accelerate emissions reduction all across supply chains. And there is three things that are pretty exciting about it. One is, it's science-based, but it's very practical. So we worked with World Wildlife Fund, with Environmental Defense Fund to develop a bunch of super-practical interventions that suppliers can take in supply chains and translate them through calculators into emissions reduction. So, it's very easy for people to engage in this and get started and start working on emissions reduction.

Second thing is because of that, it democratizes access. Karthik, you talked about this; that's a theme that runs throughout Walmart. We want to democratize access to things, and this is no different. We now have 2,300 suppliers working on this – signed up, working on initiatives to reduce emissions. And I think you mentioned this earlier, Doug. We're over 200 million metric tons of emissions avoided – is actually north of 250 million metric tons at this point, just a couple years in. So that's great. Well on our way to that Gigaton target.

And the third thing is, the way we've set it up with the platform and incentives and help for suppliers, it's a bit of an escalator in terms of ambition and impact, right? So people can come in, it's very easy to get started, but then we ratchet them up in terms of their own ambition and what they're able to achieve. So we've got incentives from what we call Giga-Gurus; these are up the 2,300 suppliers, the hundreds that have smart goals, that have reported results and so on and we're excited about that because it allows us to keep the standards high of what does it really mean to be making progress on this, but have a broad [ph] church (03:54:36), get people in and move them up that escalator toward that goal.

We just received an A from CDP on climate action which we're really proud of. I think it makes us one of – I don't know 30 companies out of 8,000 that submitted to CDP to get that score. So, I'd just say watch the space. We're going to continue to innovate here, and with our whole ESG agenda to try to drive impact in a way that really does create value as well for business.

C. Douglas McMillon

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

I mentioned earlier this idea of business serving multi stakeholders, I think you gave us several good examples of how reaching out to suppliers or thinking about the planet or communities is actually really good business, because eliminating waste helps us fulfill our purpose of saving people money so they can live better. And sometimes that waste takes the form of carbon, sometimes it's plastics, and we are trying to work across the whole system, be it systems thinkers and drive an overall optimization of our business model, not a sub-optimization. And I hope these examples you can see that culturally we've – we're there, our mindsets there and we're doing good work and we know that we can do more. And Kathleen, appreciate your good leadership in making that happen.

Kathleen McLaughlin

Executive Vice President and Chief Sustainability Officer, Walmart, Inc.

Well, thanks.

C. Douglas McMillon

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

Thank you very much.

Kathleen McLaughlin

Executive Vice President and Chief Sustainability Officer, Walmart, Inc.

Thanks.

C. Douglas McMillon

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

Perfect. Thank you.

We're going to pivot now to the Q&A portion, and I'm going to invite the team to come up and join me up here. And Dan will help facilitate and we'll open it up for any question on any subject that you all want to ask and Paul's hand went up first to answer, use early.

QUESTION AND ANSWER SECTION

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

I saw that. He's not wasted any time. Again, if you could just state your name and firm name we'd appreciate it, it's a webcast.

Paul Trussell
Analyst, Deutsche Bank Securities, Inc.

Q

Paul Trussell, Deutsche Bank. Thank you for all the information provided today. Wanted to maybe first focus on the US operation. One of the keys to success is the collaboration between John and Marc's team. Maybe let's just dig into that a little bit and speak about that collaboration, and maybe even that friction as we think about balancing growth and been a more profitable company. And as a part of that conversation, maybe just bucket for us what did the omni-channel initiatives really enabling this year's guidance, and then if we were to think about if you were actually providing a longer framework what are those items from an omni-channel standpoint that aren't yet at scale today but will absolutely be a factor over the coming two to three years. Thank you.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

We probably all want to weigh in on that one. John, why didn't you go first, Marc you go and then others can jump in.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah. Paul, thanks for the question. First, I think it's important that between Marc and I there's a lot of collaboration. We spend a lot of time working together, thinking about how we serve customers whether it's in store, pickup, channels, and really the lines are pretty blurry between eCommerce stores and how we think about omni. And what I'm most excited about and energized by is thinking about putting the customer at the center and then building everything in our ecosystem around the needs of that customer and then between all of our businesses and the tools that we've got available been able to serve the customer any way they want to be served, whether it's at home or direct-to-home, the refrigerator, other services like health and wellness. So thinking about it for us as we look forward, it's all about the customer, finding ways so we can create new ways for growth and then layer on top of it innovation that works across all the channels. But I'm really excited about the work we've been doing.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah, I know. As John said, the lines are blurred. We think about the business as one US business. And like John said, there is one customer at the center. We've been on a journey now the last couple of years. We brought in a Chief Customer Officer, Janey and brought the customer altogether. We recently brought together the Supply Chain under Greg Smith. So the orgs are starting to come together, and I think it's working well. Both the Chief Customer Officer and Greg went in Supply Chain, has really helped us create a real two end-to-end omni experience. And I think merchandising is sort of the next area that we're focused on and looking at right now. But even still underneath the people running both areas of eCom and stores, like the GMs of those businesses are working very closely together more so than ever before I think.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

In the late 1990s, I was the general merchandise manager for electronics, books, hoarding goods, stationery and some other categories, and could see what was happening with eCommerce, with eToys and Amazon starting to sell books and those kinds of changes. And going way back then we were even thinking about spinning out walmart.com and having it be a separate entity, separate from Walmart to create speed in the investment. From the late 1990s all the way through until kind of these last few years, I've seen the fits and starts with Walmart trying to get really committed to eCommerce and make it happen, and would love to do some of that over again if we could do it over again, and kept some separation between stores and eCommerce because I had seen a large profitable established business in large and smaller ways diminish the emerging investment business, if I can call it that.

In Clay Christensen's book, The Innovator's Dilemma, influenced me a lot. And having had conversations with him and read the book and studied it, I concluded, we got to keep this separate for a little while. But the issue is, the customer keeps pulling it together. They want one experience for the brand. And so what we've got to have is we got to have a leadership team that gets omni and believes in omni and supports the whole thing. People that work in eCommerce, they want to help stores. People who work in stores, they want to help eCommerce. And over time, this ends up being one business and one thing. So Marc mentioned the customer org and the supply chain org. There'll be other changes that come along. But we've got to set ourselves up so that the whole thing can innovate and move with speed in an omni fashion. And I really do appreciate how everybody has worked together these last few years, but there's a whole other gear to get to, to make this happen in a faster way.

And I think it's time to really this next year and maybe a little bit beyond to kind of finish that off and have one omni org still with a great diverse team, thinking about how we solve these problems. But in the end, one customer proposition that seamless. And you asked about what does that unlock looking ahead, I mean, just think about how easy we can make it to do merchandise returns when somebody wants to do a merchandise return. Think about how we can connect up payment. Think about how we can use data when we have one version of the customer, we know who they are and we know what they've consumed across the channels. There are lots of little unlocks that will occur as we get even better at that, and I'm really excited about it.

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

A

On that too, I think, even across formats, as I'm thinking about my member base, what are the things that is John doing really well with Marc that we can then import across to Sam. So if you think about even what you're doing with Spark Delivery, I mean, that is great as we are leading into ship from club. So I think as you think about your format, what are those things that are working in other formats from an omni perspective that you can just steal and go fast with.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Next to Ed on the far side.

Edward Yruma
Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Thanks. This is Ed Yruma, KeyBanc Capital Markets. Quick question for you guys. You seemed like you're starting to test and lean more into services in a superstore. I know you've always had some service component restaurants or things like that. What's different this time and what filters are you looking for in order to determine whether you do a broader rollout? Thanks.

John Furner

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

A

I think the first one that I will speak about are the initiatives in healthcare, and it really all goes back to what customers need, and our ability to serve customers and call it 5,000 communities all around for just a second gives us an interesting ability to be able to help a lot of customers with the things that they need. Another area when they're in the store and they need to or on the website and they want to finance an item they're buying, we can help with that, whether it's us or our partner or some combination thereof. But there are a number of ways that customers need to be able to close all their transactions, and I'm excited about both of those opportunities. As Doug said, we've got a big base, we've got a lot of data, and there are things we can do to make people's lives easier on their behalf and Walmart is well suited to do that.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

A

Go ahead, Bob Drbul.

Robert Drbul

Analyst, Guggenheim Securities LLC

Q

It's Bob Drbul from Guggenheim. Question on the Walmart apparel offering, some of the learnings from December, but as you think about the mix of business opening price points versus brands, I'd be curious to hear from both of you guys if you could talk about the importance of branded apparel in the mix, and like what you're doing online with branded apparel being able to maybe move some of it into the stores, and sort of how you're working together on making the apparel business better?

John Furner

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

A

Yeah. Traditionally the way that the merchants would think about apparel is, and I mentioned this earlier, let's call it the fashion pyramid. We've got basics, fashion basics, then we've got fashion at the top of it. And in stores orbit, in the last year or so has been focused at the lower end of that, even at points where we need to expand up. But having an aligned team between the Nice and the Vienna and Bentonville, working together we can use the website for different things that we can use the stores for, and they'll complement each other. And I think it's important to just think of that thread that goes from the fashion business into the basics, and then there are different items that we can share across in others that you may be able to do online that we don't do in the store.

Marc Lore

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

A

It's a great example [indiscernible] (04:04:25), both of those brands were online first and now in-stores, and we see that trend continuing. There are opportunities for branded assortment that we create that's proprietary going across dotcom and stores.

John Furner

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

A

I think both home and apparel are examples of the two teams working closely together, and then they can extend assortments in ways that they couldn't on their own. And we're talking about apparel, but home in particular has had a lot of success early. And Anthony and Jeff, the two people that lead the business have done a really nice job pairing up what's in the stores, the core, and then they complement it on the site with the long tail, and customers are responding really well.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Then we go to Chris next and then Michael Lasser after that.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Thanks. Chris Horvers, JPMorgan. Can you talk about the film by Walmart Vision a little bit more? How much of this is the tales of the assortment versus, say that, first 1 million SKUs that you've talked about that drive 80% of all of the transactions. Is this sort of a recognition that you're not getting the coverage as fast as you want, or maybe you're not getting the access to the brands as quickly as you want, and then just broadly what's the puts and takes of 1P versus 3P?

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah. So Walmart Fulfillment Services is a critical part of our strategy. You mentioned it, it's definitely brought in assortment. So there are merchants on third party that we want to have that simply don't have fulfillment capabilities, and so we're not able to get that assortment on the website. So that's really the first priority is to really focus on those brands and getting assortment for customers. Also just having the stuff in our warehouse allows us to offer a better customer experience. It allows us to comingle the product in the same box when we ship it out with first party, which helps the economics. So there's lots of reasons to like the business. We're feeling good about the start. We've built the technology. We've got a handful of sellers using it. They like it. We're seeing good results, but it's something that we're going to take slowly, make sure it's right before we really blow it out.

Christopher Horvers
Analyst, JPMorgan Securities LLC

Q

Just as a follow up, it seemed like initially it was well, if we get coverage up to that 1 million SKUs, we don't necessarily have to go beyond. So I guess what I'm trying to understand is, what's changed now that you're doing it? It was more of like, okay, we're good at this now when we're moving to the next level, or was there something that you felt like the strategy wasn't addressing?

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah. No. It was always part of the strategy. It's just a matter of getting to it. The top 1 million SKUs is definitely an area of focus to get those in our warehouse because it does represent a large percentage of sales, but the goal is still to carry everything. So we definitely want to carry everything that a customer might want when they come to walmart.com.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

And we may have failed to communicate clearly at times, including me about the 1 million or 2 million being first-party versus everything. I mean, we never thought 1P plus 3P was 1 million or 2 million SKUs. We were focused on 1P as we were answering those questions. So it'll be a much bigger assortment when you put 3P with it.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

Michael Lasser?

Michael Lasser
Analyst, UBS Securities LLC
Q

Michael Lasser from UBS. The market's perception is that Walmart's been on, especially in the US, Walmart's been on this journey over the last few years where there's been an investment in price, there's been an investment in people, and now the company is starting to harvest those returns, and at the same time it's eCommerce profitability stabilizing such that the totality of the U.S. business, the margin there is stable and continue to be stable from here. A, is that a reasonable expectation, and B, what are the two or three factors that might arise to motivate the company to say, hey, we have to make further sizeable investments and bring down our profitability from here? And then totally unrelated to that before [ph] Kerry (04:08:22) takes away the microphone. Have you won the war against the hard discounters, or could the battle re-emerge such that those price gaps are going to shrink, and you'll have to as all [indiscernible] (04:08:37) just get bigger and have more stores and more competition that we're going to see [ph] flay rots (04:08:43) of that over time? Thank you.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

Maybe Michael, I'll kick off. So if you look at the kind of the profitability, the profitability what you saw last year in particularly the U.S. business, and you see the guidance we've given this year, pretty similar. And so I think we feel good about this, John can tag on a little bit, but we feel good about that kind of algorithm so to speak for the Walmart U.S. business. We're always going to invest in the business first. And if we see opportunities for things that we think give us a long-term benefit, I think Doug said it this morning, but might have some short term pressure, we're going to be upfront with you about that. What we're saying today with the guidance is, we think we've invested in the things that we feel like we should to make sure we're there for the customer now and in the future. But the customer is going to continue to change, competition will continue to change, and we've got to make sure that we have the ability to evolve with that.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

There's a reason we only give annual guidance. It is a fluid environment, and we're making decisions all the time. And when I look ahead and think about what more we would want to do, it'd be things that would help us secure the future of the company. So we see a window to play often on something, and we think speed is really important. We'd be more aggressive in that way. We would like to pay our people more, and we have been, and we'll continue to be focused on people that will be important. But we have put a lot of this on the board. Now, we got a lot to work with, a lot of variables to make decisions around, and so I think we've described it earlier in today or just now sufficiently.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.
A

Yeah. I think the sales number, as Brett said earlier, that's about $9 billion a growth which is a great number for the total business. And inside the box and online, we'll always be watching what competitors do, and I wouldn't underestimate any competitor any time. We're constantly scanning and looking and making sure that whatever we've got out to offer is what a customer wants, and it makes sense in terms of value. So we'll always be looking and we'll decide as we go.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

As it relates to like hard discount, we don't underestimate them or anybody. Our opening price points are going to have the right spec, and the right sized and priced competitively, and then we have this whole other assortment that we can work with to make sure that we deliver profitability for the business.

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

A

And Mike, just to add on, having competed with hard discounters pretty much my whole retail life, one of the differences for the US is that the prize position is much stronger already, and it gives you the ability to compete on everything else. That's not necessarily true in every market around the world, whether the price gap is much wider. So you're already starting from a better position here than I think you would say as the markets.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Okay. Go to the center right here.

Caroline Conway
Analyst, AllianceBernstein

Q

Good morning. Caroline Conway from AllianceBernstein. Just wanted to ask you about the supply chain support for the omni-channel efforts in stores. It sounds very clear that these Supercenters are going to be the hub for pickup, of course, and then home delivery. Just curious if there are also investments that you're considering for things like [indiscernible] (04:11:41) picking at the DCs or at dark stores or pickup points or anything along those lines. And then a separate second question for Judith, just wanted to get your perspective on the regulatory environment in India and how that's looking for Flipkart.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Let me take that first part. We showed in the presentation earlier this idea of something called Alphabot. That's one experiment that we're learning from in Xylem, New Hampshire and as [indiscernible] (04:12:06) expanding in a couple of more stores this year. That and similar technologies can work in distribution centers as well. So we're internally rethinking the way that we would define supply chain. Historically, we might have thought about supply chain as the part of the business that brings something from a supplier to the back of the store. But with all the things we're doing today, including Walmart InHome, the supply chain goes from point of supply all the way to the refrigerator.

So every one of those pieces has to be put together and optimized the right way, and there are several different types of technology that we'll be testing, experimenting with to find the best ways to do that. We've got a market where we're running automated vehicles, for example, and then we've got, as we said Spark, Spark is our first multitenant platform that we built inside the company. We're tenant number one, Sam's Club will be tenant number two. And that's a platform that can be expanded. So just think of it from the point of that something has grown, manufactured, packaged all the way to the customer's home is the way we'll optimize this entire supply chain.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

I was just going to add one thing. Another way to think about how integrated the supply chain is starting to get, imagine we have regional distribution centers that supply stores in full truckload. Could you move product in full truckload from fulfillment center to RDC to the store, and then ride the rails the last mile delivery to someone's home where we're already delivering groceries and the [ph] GM package just rides (04:13:25). So there's just things like that that we're thinking through right now. It's certainly a very sort of fluid process.

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

A

So for the regulatory environment in India, what I'd say is, sometimes people forget we've been operating in India for over 10 years. This is not something that we got used to 18 months ago when we made the investment. So we've had a strong cash-and-carry business there throughout that time. I think actually payments, e-commerce legislation around the world is shifting and changing. Everybody as these businesses grow is learning different ways to think about how to look at them. And in an emerging market like India, with such a fast growing part of the business that's no different either.

We continue to work with the Flipkart and the PhonePe teams very closely. Their focus on the customer ultimately, I think, is the right thing to do, keep doing that. And then we work with the government from its perspective of having a seat at the table to talk about these things and to work our way through them that it's something we knew, that was there when we made the investment. And seeing the results we're seeing, not just for the business itself but in the impact they're making on broader communities, creating jobs, really thinking about how they support small micro-businesses, kirana shops as well, I think is all part of that landscape.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll go to Simeon next and then Peter after that.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Simeon Gutman, Morgan Stanley. You've always done a great job with your core customer. Typically in that demographic they spend a large part of the disposable income, and you're probably getting the lion's share. The key is breaking into different demographics. That's the future. You're doing it. Your eCommerce business is growing. But can you rate your success maybe for you Doug, John and Marc, breaking into new customer demographics, have you any specific examples? And then a second question for Judith on Flipkart, maybe for also Judith and Brett, when will dilution moderate? We always talk about losses are consistent with what you expected. I don't think we know exactly what you expected. Should they moderate given that it's such a volatile environment? Thanks.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

You want to go first?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah, let me start with the first question, customers and demographics, and as far as the specific example, Simeon, I want to talk about grocery pickup. We've had a large successful grocery business for some time, and over the last few years quality has improved, the assortment range has improved, and you've seen the business accelerate and share go up. And when you can get into the baskets of what's being shopped in grocery pickup we see more choice beef, if we see prime beef we see Wagyu beef show up as a higher percentage organics and producing grocery show up. So it appears, at least part of this growth is coming from other channels and places because we've been able to marry the assortment with the service that appears, that aligns well with some who's time start and has a higher income level. So inside the pickup business really encouraging to see what's happened, and I think those quality levels then enable us to be able to appeal to that consumer across other channels, like the work that Marc and the team are doing online, but some really great examples inside there item-by-item.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.
A

Yeah, we've been pushing out AUR each year on dotcom as we start to break more premium brands, and we're definitely seeing new customers come in, especially with the proprietary brands, with [indiscernible] (04:16:59) all the brands that we've formed. Scoop is a great example, a lot of folks are new to Walmart and walmart.com there.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

And then Sam's also made a pivot Kath to a higher income member a few years ago. How's that going?

Kath McLay
President and Chief Executive Officer, Sam's Club, Walmart, Inc.
A

Yeah. So that's going really well. So the move to a member whose income is about a $100,000, a larger family, and what we're saying is that it's driving membership growth and it's also driving traffic.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

[indiscernible] (04:17:30) and I'll go next, how about that?

Judith McKenna
President & Chief Executive Officer-Walmart International, Walmart, Inc.
A

Just let me answer on the Flipkart piece of this. The way that I would think about this is, we're being really clear, the dilution next year will be roughly in line with the same as you've seen, and I think that's the guidance that we are giving. Well, I'll tell you about the business, it is no different to the US. We're thinking about where we invest, we're thinking about where we grow, we're thinking about where we save, we think about new revenue streams. And the great thing about both Flipkart and PhonePe is they've both got lots of leavers that they can pull, and be really thoughtful about the ways that they do that. Both of them for example are thinking about ad tech revenue, and they've got this amazingly powerful data engine that sits behind that and I'm really encouraged by some of the results that I'm seeing from it.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

I've got Peter next and then we'll go to Karen after up.

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.
Q

Peter Benedict at Baird. First question on kind of the services around the Supercenter, when do you think you'll be ready to talk about the cadence of the rollout for the health centers? Is that something that we should expect middle of this year, next year? And how does that impact, if at all, kind of your optical strategy on what you're currently doing in the stores? That's my first question.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

I think, let me first talk about what we've got open. We've got two centers open in Dallas, Georgia. We just opened our second Calhoun a few weeks ago. And I think we're encouraged by the demand we're seeing. The number of consumers who are looking for options for healthcare, that's quality and affordable, is encouraging. Now what we've got to do over the next few months is learn how the model works and the right mix of services and how we price services. So that's work to be done. But what we want to be able to get through this and get a clear understanding of where we're going with it over the next few months, in addition to just those two services, we also got, we have a big pharmacy business where we think there's more opportunity to serve patients in ways other than just [indiscernible] (04:19:21) prescriptions. So think about the ability in the right places for our pharmacists to practice up on their license and help with mild diagnosis and other opportunities that we can explore over time. And then the second part of your question?

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

Q

Well, just how would it impact, if at all, kind of your current optical strategy, that optical services?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah. Okay. Optical is an important part of it. We've got a good optical business, we've got a remodel program that's very encouraging, optical, re-modernize the shop and things inside it, and we've got equipment where we're learning about checking your vision from remote locations and using technology to streamline the consumer experience. But both businesses are quite encouraging. We know there's a big demand for it.

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

Q

And then Judith maybe one for you. Just your latest thinking around the monetization path for the Indian assets. And as you think about assets like Sam's Club and Great Value, how you maybe use those assets in markets that maybe you don't want to operate in as a corporate entity? Are there ways to kind of maybe sweat those assets a little more? Thanks.

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

A

Yeah. So I think to tell you about the monetization path within the Indian businesses, it's really interesting one in terms of those learning skills in new areas, but also thinking about use cases that can create some comfortability as well for those. The one that's interesting is actually the question on Sam's Club and how do you think about that. You may remember that we did a transaction last year with Brazil. And one of the things we're doing in Brazil is we're still supporting the Sam's Club, although Advent is the owner of those and they run those. And as part of that, we still provide some of our Member's Mark products into that. We still talk about how the operation runs. We still provide some training expertise to it as well. So it's a really interesting one where we're learning how we could support that in a market where we already have a 20% stake within it. So no further plans other than to learn at the moment, but it's an interesting experience for us to make sure that we can operate something in a way that can be externalized.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We got Karen there.

Karen Short
Analyst, Barclays Capital, Inc.

Q

Yeah, Karen Short, Barclays. John, so you mentioned that there was – you did a click-and-collect order, and you noticed there was some friction that you think you can work through. So I'm wondering if you could just provide a little more color on that. And then with respect to the InHome tests that you're doing now, can you give an update on how many customers you have, and then what would be the gating factor on really more aggressively rolling it out?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah, let me talk about the shopping experience first. First, the grocery pickup business that we built is a great offer for customers, it's got a really clear way for customers to shop in food and consumables, it offers a little bit of general merchandize and the operations done a great job of growing not only with new stores, but the comps have been encouraging for the stores that have been open for more than a year and some over two years. And then on the other side, we've got an application that we call the Blue App, and it has general merchandize in it, and mostly comes from the site or from the marketplace. But inside that are embedded some really great applications for in-store tools, things like maps, lists and customers use those and they like those tools a lot.

So what's going to happen over the course of the year, we've already got about half of our users in an environment where they've got both apps in one place, and then we'll be building out an experience where you'll have surge that helps you look across the portfolio, a basket where you can ring at multiple things, and then we've got a simplified care and the experience when you go to the store to pick up or when you have something delivered to home. It's just hard for a customer right now that times you have to flip back and forth between the app and then you have to navigate different fulfillment options, so we want to bring that all together and make it more seamless.

On InHome the retention rates are high. We haven't disclosed how many customers that are using at this time. It's only in three markets, but we're very encouraged by what we're learning. The MPS scores are high. The customer satisfaction that come along with that and the comments are outstanding. And it's just one more way that a customer can decide to have Walmart as a brand, take friction out of their lives, and whatever is on your shopping list, the most important thing is, they come home and those are in the refrigerator and constantly stocks. So we're encouraged by what we're learning so far.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

And we didn't take it to every store in Kansas City or in Pittsburgh. It's a small number of stores. So it's a pretty small sample size right now.

Karen Short
Analyst, Barclays Capital, Inc.

Q

Sorry, just on that, any color on the demographics of the customer base?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

No, not yet. I don't think it's big enough that we would be able to tell you the insights as far as demographics, but just generally speaking, it's pretty encouraging to see the number of people who are loving the service. And with every delivery business, whether it's InHome or Spark Delivery, one of the challenges that we will work through over the next few months is getting density in the area, because the more customers you can deliver to in a neighborhood or a suburb, then it brings the efficiency of the delivery process and the cost down per delivery.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

It's also encouraging to see the percentage of customers that are new to Walmart as well. That's very exciting.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

One of the things that I learned when I went to visit the Kansas city test a few weeks ago is that our own associates are using the service. It's $20 a month, and while our sample size is small, our associates make up a small percentage of that small pool, but a bunch of them are delivering into each other's homes and love it. So all kinds of people are going to use this service, and it's been fun to watch them deal with each other's dogs and things like that.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Okay. We're going to go to Scott first, and then we'll go to Kate all in the back.

Scott Mushkin
Analyst, R5 Capital

Q

Thanks, Dan. Again, Scott Mushkin from R5 Capital. So wanted to – about 70% of your business is consumables, there is pharmacy in there. It's clear that you guys with omni-channel becoming bigger in that business have a lead with what you've done on click-and-collect and now delivery. I guess, sitting back though, the race is on to improve economics. We got Kroger that's partnered with Ocado, Amazon that now has cut all their fees and doing it for free. So, how do you guys defend your lead and use whether it's micro fulfillment and I'm a little surprised, there's only a couple more of those, how do you continue this lead and maybe even grow share in an environment where your competitors look right now that maybe they're going to have automation sooner?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Well, the step one is you have to run a great operation. We're really proud of the progress that's been made in the stores, and Suresh talked about something earlier called the [ph] substitutability edging (04:26:04) which is great, but the best way to deal with substitutes is you should be in stock. In the grocery areas, we've got to stay in stock and I think what's exciting about learning how to manage this pickup business in addition to the way we've managed stores overtime is we've got an interesting inflow of information from customers telling us all the things they want to buy and how they want to buy, and which is going to lead us through a better of designing modulars and assortments store by store. So, I'm pretty excited about being able to put this customer lens into everything we do inside the store.

The second is we've got more stores to go and I don't want to say that that's where all the growth is going to come from, but that will help, the more markets that we can cover and get the service out. And then third, adding on the ability to be able to fulfill this in a number of ways that seamless is probably the thing, I've said this a couple times and I'll say it again, that's what I'm most excited about is bringing these two apps together and having a customer-centered view of how we think of all the things in their lives, whether it's a busy Saturday and they're trying to give refreshments for the soccer game or it's a birthday party or the weekly grocery shop or the new deli that we can have either one of our associates going to or a service pickup and run dinner home. We've got a really great portfolio there. We've just got to build it all out, so that the customer thinks of us as default the way that Doug's mother thought about when she went shopping at Walmart.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

I think the speed of automation is important. It's also important to get the right kind of automation. And when you think about the stores as we've done with Alphabot, having the same inbound freight and some of the last-mile being shared with this automation outside of the box instead of some huge center that does grocery automation, that's an interesting choice that time will tell which one was the right one.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

We've got Kate next.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Okay. Kate McShane, Goldman Sachs. My question is on gross margin. It sounds like you're implying that it will be down this year. I think that was answered earlier. But what would have to happen for gross margins to be stable to up, even if it is a continued era of price investment?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

We want gross margins to be stable or up, because we want to drive the productivity loop. We just have to get the SG&A savings to be at a faster rate than the gross margin investments that we make, Kate. So, I don't think there is necessarily a place where we rest on gross margin. I think we're constantly going to be trying to find a way to give a better value to customers.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.
A

Yeah. I think the – I talked it earlier, the sustainable way to drive every-day low price is by bringing the cost down and the best way to bring cost down is to sell more, because cost is a denominator. And then, if you can continue to case SG&A down, line by line expense management, and I talked about a few of those earlier, we'd like margins to reflect the decrease in SG&A because we want to give customers a better value.

Kate McShane
Analyst, Goldman Sachs & Co. LLC
Q

Thank you.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We've got Greg Melich upfront and then we'll go to Kelly right after that.

Gregory Scott Melich
Analyst, Evercore ISI

Q

Thanks. Hi. Greg Melich, Evercore ISI. John, I've a follow-up on that. If we went back at Sam's a couple years ago, I think the decision to repurpose 60 clubs as fulfillment centers and really move ahead on omni-channel. Now that you've had a few months in the Walmart U.S. role, do you see a similar shift in how you use those assets to optimize for productivity going forward or is it a totally different kind of shift in the U.S.?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Well, we're still thinking through the entire supply chain from end-to-end, and so I don't think I'd be ready to say today the right way it is on the supply chain whether it's the fulfillment centers, distribution centers, stores or number of nodes we've got to work through and make sure we're serving the customers in the best way we can. The stores, our stores people shop in that also fulfill. So, I don't want the message to be that we're thinking the stores as the fulfillment centers where you shop. They are stores that can fulfill. What we've done in the business I think is quite helpful as maximizing and optimizing the number of slots and then creating the minimal amount of disruption, so that the stores can be great Supercenters for the great produce department, meat department, bakery and have a really high functioning general merchandise area all throughout the building, but we can still fulfill orders at a pretty high rate.

Gregory Scott Melich
Analyst, Evercore ISI

Q

That's great. And...

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

A

Yeah. Sorry, John, I'm just going to add to that, which is if you got – we've got a business in the UK which is a home shopping business which is online shopping which is 15-years-old. They've got some high densities already, high pick rates, they been out there much longer period of time and there is still – they don't have a completely different layout in the stores, but the density of pick in many cases will be higher. So, I think there is still a lot of learnings that we can do through that. China, the other way, they're starting to lay out stores slightly differently, so that they can respond much faster as the time to deliver is coming down rapidly that we're trying to sort some of the deliveries out in 40 minutes. So, it evolves as well with the customer offer and we've got this benefit seen around the world how different people are doing it, learning from how you drive density, so you don't have to go to dark stores, but equally if you do have to change the layouts a little you, can do that without disrupting the customer's experience.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

And Kath, we are pleased with the eCommerce fulfillment that's happening out of those clubs that we're using.

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

A

Yeah, we are. So, we've seen over the last year, one, it helped us grow. So, it gave us extra capacity, but it also helped us substantially reduce our shipment costs as well, our fulfillment costs side of it as well. The other part that I think is exciting is looking at shift from club which gives you a whole another 600 stores which you can use as point to delivery as well. And that if we look at club pickup, shift from club, direct-to-home and using these clubs that we've turned dark, it's really given us a great kind of network to go after the omni sale.

Gregory Scott Melich
Analyst, Evercore ISI

Q

And then, Doug, my follow-up for that and you could pass it off as you want. If I think about how we expand the addressable market for Walmart and also monetize all of those great customer traffic and productivity loop, I think we bought [indiscernible] (04:31:58) we bought Flipkart as ways to expand. Amazon has built an $11 billion advertising business. I think in the past, we talked about [audio gap] (04:32:08)

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

...and I think it's more organic than through acquisitions. There may be periodic acquisitions. Obviously, I can't rule that out. But the opportunity to build digital products which is part of the point of the panel, you've now got a situation where across the company we're learning how to build experiences that you can monetize and tack on to the core business. I think I said something earlier about where attach [indiscernible] (04:32:37) digital products and businesses to the people in physical, core businesses that we've built over time. That's a big opportunity and it can relate and will relate to financial services.

We have a financial services business now in the US. Obviously, we talked a lot about PhonePe today. There's an opportunity in Mexico that exists across the company in all these different markets. In the U.S., you can weave in with payment more successfully than we have so far, other use cases that help drive the financial services wheel. Then there's healthcare services, advertising has grown faster than sales. We want to be thoughtful about how we grow that advertising business and not have it pollute the customer experience either online or in store. So, there's kind of a management governor on how big and how fast we want to make that, but it will grow faster than sales. We got a great opportunity to do that.

Are there others? Yeah, there are. We are choosing not to make a big investment in digital entertainment. There's plenty of money being sued by others to do that. We can use ours to do something else. And so, there will be an opportunity for us to have partnerships in the digital entertainment space. And as we've described to you before, we do think about what strategic in core that would cause us to lean towards can we build it. As it relates to acquisitions, can they bring speed and expertise that would be better than building, and then with what's left, how do you partner to create open systems where people win-win. We've a history of enabling people to win by doing business with Walmart. We think that that can be done in the future with all kinds of people beyond just product suppliers.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll go to Kelly next.

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

Kelly Bania, BMO Capital. Couple of eCommerce related questions. In terms of the initiative to map the general merchandise more for the same-day availability, what's the timing and expectations for that, because I assume that could have a big impact on gross margin there?

And then, we've talked a lot about InHome, but not as much as grocery unlimited and just curious how that's going? What kind of incrementally you're seeing? Are you seeing people kind of – your customers trade up from pick up to delivery or is that a new customer, just any insights on that.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

You want to go ahead.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah. Let me take the second one first. It's a mix. There are customers who are shopping in the store who go straight to delivery, others who have moved from the store to pick up, others we've gained from other places either a pick up or delivery that are now using the service. So, it's only been a few months, but encouraging results so far. We're happy with the number of people who've signed up monthly and then annually, and so we're happy with that.

And then, the first part of your question, just to make sure I heard it?

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

[indiscernible] (04:35:24)

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

So, we've got a percentage of the store now that's available for pickup in what we call the orange app and priority one is to get the apps merged together, so that we can start expanding assortments and we can do things like align our catalogues, so that we know who are our customer is, and with knowing who the customer as they're shopping, it will help us understanding in turn they can align this with a catalogue of products across the entire store and then beyond the store, so that we can be more predictive and serve them in a way they want to be served. But we're working on it every day and being on it every week.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

We expect to make a lot of progress in picking GM in store during the course of the year. So, just to repeat something that John said, you can today go out on the grocery app, the orange app and you could buy back-to-school and moms love it, just take their list from the school and it populates, that's a great example of the fact that we can already do it and how much they want it, but we do have to stitch these two together as soon as we can, and obviously, do that well.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

I'd just add on one app and I think it is super important as John mentioned, but as we start to bring these two together, we're not asking customers to have to download two apps. And so, we can really start to leverage that relationship we've built on same-day delivery and delivery unlimited and pickup to then sell more long tail GM on Walmart.com. We've already now – we got about 50% of the traffic on Walmart.com that's in the grocery app and we're seeing a nice lift from that. So, hopefully, when we do it the other way around, we actually show blue app, the Walmart.com to grocery customers we see a similar type of bump. So, yeah, it's a very important part of our strategy.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.
A

And I think that's an important point. I think what's interesting is there are customers who are only using one app or the other and unaware of the other one. So, we merge them together, seeing customers who are using blue get an orange or vice versa has been encouraging so far.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
A

Before I get corrected, I think I said moms can use it, dads can use it, too. I just said moms because it's been moms that have like hugged my neck literally. When I go to a store almost always go out to the pickup area, and for two years in a row when I've gone out to that spot, I've seen moms that have a grocery order with their back-to-school list and they say things like, I don't have to throw elbows with the other parents to get my school supplies. Do you know how great this is? And one of them literally hugged me. So, moms and dads would both love it, I'm sure.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

Now, we're going to go to the other side of the room, Chris and then we'll go to Oliver after that.

Christopher Mandeville
Analyst, Jefferies LLC
Q

Yeah. Chris Mandeville from Jefferies. Just on Sam's, so a lot of positive comments today, renewal rate is improving, membership count accelerating or MFI accelerating year on year. But I'm curious with respect to the guide, how do I square the fact that comps are maybe looking to decelerate a little bit on both the one-year, two-year. Is there something that I might be missing? And then, I've got a follow-up. Thanks.

Kath McLay
President and Chief Executive Officer, Sam's Club, Walmart, Inc.
A

Sorry. So that I can understand, so did you say that comps are decelerating?

Christopher Mandeville
Analyst, Jefferies LLC
Q

Correct. Yeah. So, the guide is basically 3% for this coming year, whereas it was 3.5% last and the two years outlook as well.

Kath McLay
President and Chief Executive Officer, Sam's Club, Walmart, Inc.
A

Okay. Yeah. So, I mean we still see there being growth. We're still seeing that we are investing into maybe in the member where they want us to from an omni perspective and also driving traffic. So, I mean it's down a little bit, but I'm not saying it decelerating.

Christopher Mandeville
Analyst, Jefferies LLC

Q

Then separately just long-term strategy with respect to capital allocation. You've made a few efforts in pushing upstream in the supply chain. How critical is that on a go-forward basis and just any early color with respect to the returns that you are seeing thus far? Thanks.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah. The way we're thinking about supply chain and I'll talk about the stores first is we've got a number of experiments going on in the supply chain and when we're working through a product called Symbotic in Florida that helps us palletize items for Neighborhood Markets and for Supercenters, so that they can be delivered on pallets by aisle and we're pretty excited about the results we've seen so far. But that helps the associates in the store, and as a result, it's helping the associate, it helps the customer, because we're in stock and as things come in from the back of the store on to the sales floor, it's much easier for the product to be taken straight to the aisle and put on the counter. So, all these things we're doing whether it's in the dry supply chain, the perishable supply chain, the meat plant or the dairy plant, we're thinking about the end user in mind and it's not just a point of assembling something to pull cost out of a silo, because we don't want to sub-optimize. We want to optimize the entire network from top to bottom.

Oliver Chen
Analyst, Cowen & Co. LLC

Q

Hi. It's Oliver Chen, Cowen and Company. Regarding machine learning, part of the opportunity is scale and the training set. What do you see happening across the connected dataset as well as inventory management as you transition to prescriptive analytics? And an emerging topic for younger customers is also privacy and transparency around data, so I'd love your thoughts and I had a follow-up.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Let me start with ML and the supply chain. We are working on processes upstream to help narrow down the positive rate of forecasting, in other words, eliminate some of the compounded errors we get, because the supply chain starts with a forecast and then as product moves from start, all the way to finish, variability and things like receiving times or traffic patterns, weather, can create these rates. But as you narrow the tolerance down transaction by transaction and work all the failure points out, we can get to a point where inventory is more real time, there's less extra inventory in the store.

And I'm pretty excited about some of the work streams that the team between Suresh and a person named Srini are working on. So, forecasting is a big piece of it and then we're thinking about – you've heard us talk about perpetual inventory before. We've got products that work in the stores that help us correct on hands if they're wrong, but we're also trying to solve the reason they're wrong with ML from top to bottom, so that the store associates have a better experience with on-hands being right which helps us again with in-stock.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

Anything more to add on the customer and data, I think Suresh is still [indiscernible] (04:41:26) if you would stand up?

Suresh Kumar
Chief Technology & Development Officer, Walmart, Inc.

A

Yeah. So, [indiscernible] (04:41:33) but I'm not – the mic is not turned on. So, in addition to what John was saying, one of the things that we are trying to do with ML is actually make use of the data that we've already – that we are already collecting, right. So, there is a bunch of data where we can bring it together in such a way that we can train models on it. And one of the things that we're really excited about is that areas where we can draw inferences about customers' behavior in such a way that we can actually help the customer experience are the areas where we believe that there is greatest potential, okay.

Whether it is – I mean I talked about substitutions as one example, but there are many areas where we can take the information that we have about our customer, train models on it, so that we can go back and improve the customer experience, and that sets up the positive flywheel that I was talking about. Supply chain is just one area, but there are many, many of these customer experiences where ML is actually going to continue to enhance the customer experience.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

Back to the bigger picture of trust and privacy, we feel like we've earned a certain amount of trust from customers over time and we just want to build that. We certainly don't want to lose it, and Rachel, if you wouldn't mind grab a microphone, Rachel Brand leads our governance area, compliance, ethics, legal and Rachel, you recently created a new position within the company to help us think through all these issues. Rachel, Dan Bartlett and myself, we spent a lot of time thinking about how we've set the company up to know we have an effective business model, but manage privacy in a way that accrues trust to the company even more or so, especially from one or two things like be in the customer's home servicing them with groceries, they have to trust us and they have to trust us how we're handling their data.

Rachel Brand
Executive Vice President-Global Governance, Chief Legal Officer & Corporate Secretary, Walmart, Inc.

A

So, data and technology is such an important part of the company was coming up in just about every conversation I was in. So, I took my organization and pulled the existing privacy resources and created a new SVP level, we called SVP for Digital Citizenship, which is a term that I came up with to convey that this is not just a legal issue, it's about building trust with the customer, there's a lot of issues adjacent to privacy like responsible use of AI. We want to do all of that in a way that fosters the notion that trust is a competitive advantage for Walmart. So, we hired what I'd like to call a world-famous privacy expert, Nuala O'Connor, who had recently been the President of an NGO. She is a real expert in both legal and sort of policy and reputational aspect of privacy and all those issues. So, we think we're on the right track.

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

A

Can I just add on to that to say I think in the past, too, we've always used history whereas we're in a position where now we can look forward. So, if you think about a forecast, it's always been what do we sell similar week last year, now we can actually scrape other people's websites to see what they've got on promotion, we can have a look at social media and say what events are happening and you also know the individual buying patterns of your members or customers, so you can anticipate what they're going to purchase.

So, it is flipping the world in regard to how you actually get in front of the purchase. And I think about it from a Sam's Club perspective, we're now also tailoring our offers in our instant savings book. So, on the back page of the book, we'll actually create offers for individual members to start to draw them along that purchase path, because we know that they will be more loyal and sticky if we get them into members mark. And we know if we can actually get them to use optical that that becomes a customer or a member who is with you for a longer period. And so, how do we design offers that actually encourage them to participate with us even more than they have in the past.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

[ph] We'll go to Joe (04:45:24).

Q

[indiscernible] (04:45:25-04:45:30) where are you with doing that at Walmart? And like is there potential for a loyalty program at some point at Walmart, maybe it includes the InHome service and some of the other things? Like have you thought about something more comprehensive, because at Sam's Club, you know the customer, you know exactly what they buy. But at Walmart, you don't really -you know what masses of people do, but how do you get more tailored to that customer?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

A

I think in today's world and tomorrow's, we have to personalize for customers and Walmart's got to create one view of the customer and then put it to work. One of the key questions will be for which use cases, and we really believe in every-day low price for Walmart Supercenters. The benefits of flowing inventory and an EDLP business model are significant. So, what we wouldn't want to do is start down the path of an old school loyalty program and high-low that creates all this disruption in the supply chain. But there are plenty of use cases, you bought that tie, you'll like this one or you bought this Nike top – or we don't carry Nike yet in the Walmart stores. I hope they're listening maybe. You bought this, so you'll want that. You brought a printer, so you need ink or things that you're buying cyclical, many use cases that we can do using data that will help us earn more trust, drive the loop and we'll do those things and we'll do it as quick as we can do it. But we need to be really careful which use cases we adopt within the Walmart brand.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

We'll go to Robby next.

Robert F. Ohmes
Analyst, BofA Securities, Inc.

Q

Thanks. Robby Ohmes from Bank of America Securities. Lot of great questions on pickup and the app, just longer-term and I think somebody was asking this before, is there an opportunity to really meaningfully move general merchandise online fulfillment to the store level and could that start to make your gross margin improve in the dot.com business? Is there – we obviously wouldn't see it in fiscal 2021, but how important is that relative to being a comp driver and how much further can you go in fulfilling from store using shipping partners as well? Is there – are there real opportunities over a five-year basis to dramatically improve the profitability of the U.S. online?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.
A

Well, we do a few things already I think that would help answer the question. As we said earlier, we've got the pickup business, we have general merchandise categories that are in that during seasonal times of the each year and we have the ability now in many stores to deliver from the store to the home. And then, as we align these shopping experiences, then we'll be able to pick more and more of the Supercenter and deliver it same day. So, we believe that's an important piece of the solution and should have all the benefits you just talked about, but again it's a part of the solution. I wouldn't want to say that delivery from store is the answer, because it's a part of the answer, part of the answer may be delivered store and deliver from an FC depending on the order or move all of it to the FC. So, we're conscious I think through the timing of all these changes and steps that over time build out the ability to do all those things.

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

And then, just keep in mind, the marginal costs to deliver a GM item out of a store, when it's already going with the grocery is very small. So, that's a big opportunity as we expand assortments to sort of leverage the basket, pharmacy is another good example of being able to get that in the basket to increase size. But ultimately, I think the real opportunity to drive mix is really in that long tail and we're doing that in home and fashion and marketplace. I think that's the really big opportunity.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.
A

And increasingly happening with the membership fee that goes along with it. You're right. We didn't talk about delivery unlimited as much that was not necessarily intentional. We have a membership program. We're starting to learn how to sell the membership and it's something we can build on with the same-day delivery from the Supercenters including GM.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

And then, just on pickup couple of times I think Brett said it first. So, the stores that are comping pickup, what is driving the comp, is it the same people using it more, is it new people still coming in and so therefore the pickups are comping? What are the bigger drivers to stores that are pickup and already comp?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

It's both of those things. Over the last three to four years as we've expanded, we've seen more frequent usage and we've seen new customers come in to pick up either from somewhere outside of the environment or from inside of the environment. So, it's just to mix of all those and really happy with the growth rates we've seen over the last few years.

Robert F. Ohmes
Analyst, BofA Securities, Inc.
Q

And last thing, are there stores where pickup is too high where it's creating problems for the shopper experience and things like that, and how many stores and how do you – what do you do in those situations?

Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, we've got a number of things that we've been working on. First, the timeslot issue that Suresh talked about earlier, helping customers find the slot that is meaningful that works for their schedule and ours as well. So we're trying to do a nice job of spreading out and picking in stores. And then, we've got a number of stores in markets. So, if you were thinking about a market like Chicago or Dallas where we've got multiple stores in an area, we're also testing ways to pick in stores while they're closed and then move the inventory either through a van that's driven by a person or an automated van or an autonomous vehicle, so that we can move from place to place. So, we're looking in all the ways we can to try to spread the volume out.

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

We do cap in quite a few stores the demand is higher than what we will fulfill, because we don't want to destroy the experience in the store which brings you back to how fast can you automate, where do you automate.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.

A

I think we probably have time for one more or two more, Rupesh and then Ed will make you the last one after that.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Rupesh Parikh, Oppenheimer. So, on the grocery delivery front, I was curious about opportunities you see to lower grocery delivery fees. And then, as you look at your consumer surveys, how important is it to your consumers our grocery delivery [indiscernible] (04:51:16)?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

What was the last part?

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

As you look at your consumer surveys, how important is free grocery delivery for your consumers?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Yeah. We'll end up doing a membership in larger numbers and the fee itself may go down some over time as we figure out autonomous and how we pick, but our front foot will be on a membership fee.

Marc Lore
President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah. That's right. So, you've got options today, where you can pay by the transaction, you can pay monthly or you can pay one fee for the year. And so, we're just now on the beginning of learning which of those customers like the most and it's only been a couple of months, but we'll learn.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

Ed, you get the lucky last question.

Edward J. Kelly
Analyst, Wells Fargo Securities LLC
Q

Hi. Ed Kelly, Wells Fargo. So, just a follow-up on grocery and as it relates to pick up, you've clearly led the market in this strategy. What do you think the biggest drivers there have been? How much of it is the fact that you are not charging versus the fact that your peers are? How much of it is related to the fact that operationally, the execution just seems better? And then, what happens when competitors eliminate their fee and how does that impact your business?

And then unrelated, I did want to ask you about supply chain related to coronavirus and the question there is how much of what you're selling is on true replenishment? How much inventory do you have? How long before we need to start worrying about the fact that it could create inventory issues, if supply chain in China really doesn't begin to open back up more normally?

John Furner
President & Chief Executive Officer-Walmart U.S., Walmart, Inc.
A

Yeah. Let me take the first question on pickup and I believe the question was when you look across the operation we have which is don't charge and we're able to fulfill customers basket today what happens if others do it. I think the most important thing that we would always focus on and I think we'll be talking about this next year and years to come is having the very best quality items and great values inside the store. If we get the assortment right, then the mechanism for delivery, it makes it much easier and much easier for us in the customer. But the reason I think the growth is it's about the customer. People are busy than they've ever been. We're all trying to tackle a lot of things and this is great service that fills on big void.

On the second part of the question, like we said earlier, it's just early to tell, we're first concerned about our supplier partners, our associates in the country, our sourcing associates, associates who work in Walmart China. So, we're thinking about them, first and foremost, and as we learn more about what's going on, we'll be able to tell more the impacts. I think some categories will be sooner than others and it just depends on lead time and how quickly the supply chains move in the categories.

Kath McLay
President and Chief Executive Officer, Sam's Club, Walmart, Inc.
A

It is worth saying John I think that one of the things that we've learned over the last years through our global sourcing is that our merchants have got much closure to the detail of thinking about how the flow of products come into our business. They know exactly which orders are in which factories, when they're due to come in and what that looks like. And I think that attention to detail as we go through this, even though, is such a fluid situation will help us understand better as things become clearer exactly what the impact for us would be in the future.

Daniel Binder
Vice President-Investor Relations, Walmart, Inc.
A

Great. With that, we're going to wrap up our Q&A.

C. Douglas McMillon

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

Yeah. Just we'll close by saying thank you and Brett may want to say a word, too. We appreciate the relationship that we have with the investment community. We're trying to do the best job we can for you of laying out what our opportunities are. We've got a really strong team not just the people that are represented in this room, but 2 million plus they're working to make these things happen. And as we walk out of this room today, we know yesterday is yesterday, we're focused on driving speed, innovation, and execution so that we can continue to have strong results. We appreciate the engagement that we have with you.

C. Douglas McMillon

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

Yeah. And not that I need to encourage this probably, but keep giving us feedback on how we communicate, what we're communicating, how often we're communicating, it helps us get better as we think about these events and other things we do in the future, but I really appreciate all the feedback you give us. Thank you.

Brett M. Biggs

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

Thanks, everybody.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

So with that, the formal part of our meeting has concluded and our webcast is ended. As I mentioned earlier, we have lunch available upstairs where you can spend some time with our executive team. Thank you for your interest.