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Walmart, Inc. (WMT)

Investment Community Meeting - Q&A

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MANAGEMENT DISCUSSION SECTION

Stephanie Schiller Wissink

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

All right. Before we begin, I just wanted to start by thanking everyone for making the trip down and spending a couple of days with us. The feedback over the last couple of days has been really encouraging. So, hopefully, you got a taste of what the culture is like, how important our people are. And I thought the concert this morning was or the celebration this morning was exceptional. So thank you. I want to begin there.

Just in terms of order of events, we're going to kick off at 1:00. It's an audio only webcast. I'm going to read our disclosure statement and then I'm going to turn it over to John David to begin. There will be a question-and-answer session. So we'll just have you raise your hand and then Michael or Kary will bring you a mic. And we're going to try to keep it to one question per person. But if we have enough time, we can come back for a second round before the webcast concludes at 1:45.

All right. We're just going to wait for the thumbs up from the team.

Stephanie Schiller Wissink

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

Good afternoon, everyone. This is Steph Wissink, Senior Vice President of Investor Relations for Walmart. Thank you for joining us for our annual shareholders and associates week. I'm going to begin by reading our Safe Harbor statement.

Today's webcast is being recorded, and management of Walmart may make forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements. These risks and uncertainties include but are not limited to the factors identified in our filings with the SEC. Please review our press release and accompanying slide presentations from our recent Q1 earnings for a cautionary statement regarding forward-looking statements, as well as our entire Safe Harbor statement and non-GAAP reconciliation on our website at stock.walmart.com.

I'm going to now turn the floor over to John David Rainey, our CFO.

John David Rainey

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

Thanks, Steph, and thank all of you for joining us here today. Hopefully, you enjoyed this morning. And we talked about being a people-led, tech-powered company and you get a real appreciation for the people-led aspect of that and how important that is to our success and why we invest in that. We feel like we have the right strategy. We've had that feeling for some time. And hopefully, in the most recent quarter and quarters, you've seen that we're executing on that. We feel really good about the business, the momentum that we have. Not every quarter will be as good as the last quarter, but we've got a lot of conviction and confidence in the future. And so, we look forward to your questions and we'll touch more on those points.

QUESTION AND ANSWER SECTION

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Robbie Ohmes, Bank of America Securities. My question is for Doug. One thing that came out here, but sort of showed up in your earnings, everything seems to be going right for Walmart. And then, when you give the algorithm, you talk about how you're going to grow sales and EBIT – profit faster than sales, but you're going to keep the returns high. My question to you is, it would seem like the opportunities, whether it's Sam's Club, omnichannel investments you're making in the US business, Walmart China doing incredibly well in the Sam's Club side, I mean, it just seems like there's a lot of places you could be accelerating growth. How do you measure that against this commitment to making sure the near-term returns go up? Because I would imagine everybody is asking for more money to do more right now, because it's – everything's doing great.

C. Douglas McMillon

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

A

Yeah. Not everything's going well, but I'm glad you think so. We can tell you all the stuff that's not going well later, but nothing's on autopilot. It is great to have momentum. And I think our associates broadly and this leadership team here and the leaders that aren't here deserve the credit for that momentum. And we're trying to feed that momentum and keep it going. And there has been some question about tailwinds and how our business is benefiting.

There are always headwinds and tailwinds, and it's been a very strange period of time starting in 2020 through today with a lot of different crosscurrents and other things going on. And I feel like that the company is actually changing. You take the environment and set it to the side for a second, the substance of the company is changing. Our speed is changing, our ability to apply technology is changing, and showing up in the customer and member lens with an improved experience. As we keep working on value and keep working on just having great items in a broad assortment, 1P and 3P, the experience is the issue and convenience is – it's just better, it's easier to do business with Walmart than it used to be, and in Sam's Club, which is great.

As it relates to the investment, when we go through our kind of annual planning cycle and we look at a five-year plan, which is happening now, we're having deliberate conversations about how much do we plan to invest in the business and how much do we let flow to the bottom line to improve returns, and the business mix is really helping. And so I feel like that all the work that's been done over a period of years has gotten us to this point where a few things have come together such that it is possible to invest in associates and raise wages. It is possible to make sure our value is right for customers and at the same time, have profit grow faster than sales and have some flexibility to make those decisions in a five-year planning cycle, but also the annual planning cycle and to some degree, by quarter, because we have that increased flexibility, and it feels different when we look at the numbers inside than it did three years ago, for example. But it's not a surprise. It's what we've been working towards. Anything you want to add?

John David Rainey

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

A

I would add when we think about some of the investments in our business, whether it'd be capital investments or even price investments or investments in our associates, we don't want to find ourselves in a place two, three, five years from now where we have to catch up. And so we're being very measured about this pace of investment and trying to do this while we go along, so that we're not in a situation where we have a year where margin performance will be different because we've got to make some more anomalous or outsized investment.

As Doug said, we feel like because of the strength of the business, because of the types of things that we're doing that are different, specifically some of these newer initiatives, we have the ability to not only grow margins, but make those investments as we go along.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Thank you.

Q

Michael Baker

Analyst, D.A. Davidson & Co.

Hey. Mike Baker from D.A. Davidson. How are you? So, Doug, you talked a little bit about not being complacent and you just said there are – things aren't going well. You compared yourself to my hometown Celtics going for the next win. What does make you nervous? Where can you get complacent? What's the big risks on the horizon?

Q

C. Douglas McMillon

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

Yeah. The things that I worry about the most are the things that we can't control, the things Walmart is not responsible for. But within what we can control, I just don't want us to get comfortable. I mean, there are places in our business where we are not what we are capable of being. And I meant what I said today as it relates to this concept of full potential has been on my mind for a while. What would we have to change so that we don't allow our current results to cause us to relax?

A

And there are lots of things going on. In the world today, you have these conversations around how often are people supposed to be together in an office, for example. How many days are we in the office? All those kinds of questions. And what we're trying to say to everybody inside the company is, we want you to be here because you're pumped to be here and you believe in this purpose and you want to be together and you want to go fast and you want to win. And if those are not the thoughts going through your mind, you probably need to go do something else, like just hammer down, pedal to the floor.

So I've been in this business for so long. I've seen times when we have momentum and I've seen times when we don't. Almost always what happens is within our control. Our customers are very rational. They respond to price assortment, experience and trust. And you get what you earn. And what you do today impacts how much you earn, not only in a week, in a month, but a year from now. So that's the conversation we're having inside.

And I am for the Celtics and Dan is for the Mavericks.

C. Douglas McMillon

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

Yeah. Yeah. And there was media present. You can write about that.

A

Robert Drbul

Analyst, Guggenheim Securities LLC

Q

Hey, Doug. Bob Drbul, Guggenheim. Thanks for having us. It was a great show. I thought Taylor Swift was late today, maybe. I don't know, I'm just kidding.

C. Douglas McMillon

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

A

Not EDLC She's been here before.

John David Rainey

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

A

But at a different price level.

Robert Drbul

Analyst, Guggenheim Securities LLC

Q

I was here. Two questions really. On eCommerce, like, where do you think we are on densification around eCommerce and just on profitability? In terms of you think about getting to transaction level positive and what's left in profitability, can you just talk us through some of these eCommerce questions? Thanks.

C. Douglas McMillon

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

A

Yeah. I think that question is broad and it's a great question. Why don't you address the financials and profitability? But I think the segment leaders got to talk about the question in a broader sense.

John David Rainey

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

A

Yeah. So it's different by segment first of all. In Sam's today, we're profitable in eCommerce, really excited about that business. Before I answer though, Bob, like we are seeing in our business that eCommerce and brick and mortar are increasingly converging and it's going to be more and more difficult over time to separate those out and really scrutinize the profitability of each of those segments. So omni is truly becoming omni. So this is going to be something that three years from now, we really – we're not going to be able to talk about because it's all hopefully going to be profitable. But I think we're – within a year or two of actually in the US, and John, you should probably address this as well, but within same profitability there.

We've been really pleased with the improvements that we've seen there. Probably the most notable improvement has been in delivery cost more recently. And keep in mind that not everything is just a cost in delivery. We actually have some of our customers that want to pay us for expedited delivery in many cases. And so we're able to monetize that and mute some of the impact of that. But densification has been a big piece of that and John will talk more about that. But I think within the planning horizon over the next couple of years, we can see that we have the potential to be in the black there.

Now, when I say that I'm including these other areas of our business like advertising and data monetization, things like that, so I'm augmenting or supplementing that with that number. That said, Doug's not giving us a pass on that. He wants us to get to profitability in the eCommerce channel without the subsidization of those other areas.

John R. Furner

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

A

Yeah. I'll pick it up, John David. It's really good overview. We want to be where the customer is. We want to be wherever the customer wants to shop and we want to be their favorite place to shop from now for many, many years to come in the long run. So we focus a lot on where they are, where the demand is coming from and we talk a lot about unit growth. We want to sell more units and we want to be there for the customer. We want to be accurate. We want to ship on time.

And Bob, we've done the last five years, talked about a little bit this morning, by bringing all the apps together, bringing the channels together, it gives the business a lot of flexibility on behalf of the customer. So if the customer wants to come in the store, we'll be ready. If they want to pick up the curb, we'll be ready. If they want a delivery, we'll be ready. And what John David said, we're seeing more and more customers who are somewhat bifurcated. They order ahead and then they buy real time. So there is – much more of the business is coming within three hours. I talked about this morning. 20% of the 4.4 billion units are sub-three hours and that's growing and so it's mixing out well.

You'll remember last year, I think it was last year in April in Florida, we talked about the supply chain strategy and having the three, then four supply chains be more dynamic and shortening the last mile. That's really helpful for the business, it's helpful for the customer, because of inventory deployed in 4,600 communities, it's accessible and can be shipped right away. And thinking about the supply chain you have, the first mile is the lowest cost of the supply chain. The mid mile, which we call from the distribution centers to the FC or the stores is the second lowest and the most expensive part of eCommerce shipping each is, is the last mile. So having a short last mile that can be enabled to be on demand has been a significant help to the P&L.

Now, when you step back, Tom Ward and the whole team doing a great job merchandising the site, cross-merchandising the site, they're taking a lot of friction out. They meet every day. They meet at 5:00 in an office just down for me to talk about where they are in terms of improving customer friction and making the experience better with a lot of great data and metrics, all trying to ensure that the customer is able to find whatever they want. And then when they order, we get them what they want, when they need it, and we call that perfect order. So, a lot of great work there. I'm also optimistic we're getting much closer. We look at it with and without advertising and data and that's great. So whether customer wants to shop again in the store, at the curb or delivery, we'll be there for them.

Kathryn J. McLay

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

A

If I can just take a chance to talk about International, I think it's a similar thing where eCom looks different in each market. So we had eCom growth of about 19% in Q1. But if I look at what's happening in China, in China, we don't have a marketplace license, we're an omni offering and almost 50% offline, 50% online and driving profitable growth there. And when you look at it, 80% of those orders are delivered within an hour. But that's because you've got density of population. And so that – and it's really self-reinforcing. Members love the products. They love being a member of the club and they love the convenience of the delivery. And that fills out some of those trips for them.

You, like, then flip over to India and that is a purely marketplace business. And what we're seeing there is an increase in premiumization and that's helping some of the economics around the average order value. And we're also – we've just seen Myntra, which is our apparel business there, has had the last two quarters where they've been EBITDA positive and now they're beginning to look at the real area of growth in India around eCommerce is

in quick delivery, which is like 15 minutes. So my intention is – but [indiscernible] (00:15:25) come across into no other markets because it's quite a challenge. But they have been studying with the China team to understand, okay, let's understand how you're doing it less than an hour and work out because the competitors have launched a 15-minute delivery. How do we start playing in that space?

So I truly think there's such a great way to leverage learnings across all of the different markets and work out where they can play in other markets and how do we altogether move closer towards profitability because we've got some markets that are currently driving profitable growth and others that are still walking their way to it.

Chris Nicholas

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

A

I think that's really well said and like markets learning from each other. We, in Sam's, are also able to learn from what Walmart and International has done as we look at how do we best fulfill what our members are telling us, which is that they really deeply value and want the convenience of digital engagement, whether that's in the club with scan and go and just walking out or whether that's online shopping, whether that's from the club or whether we're delivering it to them. And what's really exciting is why do we like to do that? They spend a lot more when they're a lot more loyal. So, it makes a lot of sense. And how do you know that? Well, we ask them and we look at the data.

The speed that we'd like to go out is, of course, we always want to do more and want to do it faster. One of the things that's interesting for us in Sam's Club is that we've got this company that we're a part of. And as we look at the capabilities we need to serve our club members, there's a lot of common capabilities that the rest of the company is building in software, in supply chain technology, in supply chain automation and buildings. And we're able to make use of those company assets to help us accelerate. And we're really excited about that being something that helps us not only CP and profit positive, but being able to – you won't all (00:17:10) understand this, but leveraging fixed assets is something that's exciting to all of us.

Peter Sloan Benedict

Analyst, Robert W. Baird & Co., Inc.

Q

Hey, guys. Peter Benedict at Baird. Nice to see everybody. So my question is on healthcare, health and wellness. It's an important part of kind of the flywheel more broadly for the company. But I'm just curious how the experience with the health clinics has impacted the strategy going forward. How are you thinking about wellness and how you attack it and how you deliver it for your customers differently now that you had that experience? And what did you learn and...

C. Douglas McMillon

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

A

Yeah. I'll go first. But John, you and Kath should both speak. You saw maybe today in the videos, Peter, some of the international healthcare activities that are going on. So this is a conversation about more than just the United States. The aspiration is to help people live better. And as we all know, most people don't seem happy with their healthcare and it's expensive and accessibility is an issue and quality is an issue. And so our mindset would be we would like to find a way to help. Obviously, operating big pharmacies in some markets and having other types of healthcare services, including OTC and other things, give us some room to play with. And we're a large food seller everywhere and that's a big component of health. So I think you can expect us to be persistent, trying to find a way to help. But as we help, we've got to have a sustainable business model.

And I'll let John talk a little bit about what happened in the US and I may elaborate a little bit more after that, but go ahead.

John R. Furner

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

A

Yeah. Sure. So health is important. Doug said it. We want to help people live better. The social determinants of health are really important like access to affordable quality foods, access to vitamin supplements, the things that you need each and every day are really important. We've a great pharmacy business and a great team of pharmacists and techs all over the country. So we'll continue to invest and reinforce our pharmacy. We'll do more integration of the pharmacy with the omni experience. That work is underway and I'm looking really forward to that. There are opportunities because of lack of access in cost and other places where we're able for the pharmacists to do some tests and treat and other types of work for customers who really need help and we're looking for that. The optical business is strong.

And on the care business, I think we did the right thing to try. We tried for five years. We couldn't find a model that had a sustainable result financially. So we decided to exit. Our people did a great job really. I'm really proud of the team. I think they did everything that they needed to and they did their part. We couldn't find a way to make it work. We'll continue to work on the space. I like the word persistent. We've got to be there for our customers in any way. So we'll keep looking to see if there are other ways to do that. And if we find something that will work, we'll invest. And if it doesn't, then we'll make a decision like we made before. But I just, again, would say our team did a really nice job and they tried really hard. We got to 51 locations and we decided that it wasn't going to work financially.

C. Douglas McMillon

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

A

So if you looked at it through the lens of Medicare, Medicare Advantage, Medicaid, cash, commercial payers to have this conversation, you would see that with Medicare Advantage, 65 and above, there is a business model there that has a return on investment. So, conceptually, the idea that you can build out an ability to serve that population and have a set of financials that looks good, but then layer on some of the other forms of payment in a way we are leveraging the fixed costs and you can afford to provide care for them as well so that more lives are impacted, that was the path we were going down. Margins are being driven by CMS reimbursement rates and other things that are beyond commercial or business issues and as that changed, that changes the model. And then, the future doesn't look like what you thought it was going to look like as we were building this out. Does that help?

Peter Sloan Benedict

Analyst, Robert W. Baird & Co., Inc

Q

Yes, it's great.

Kathryn J. McLay

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

A

Did you want me to talk about Walmex?

C. Douglas McMillon

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

A

Yeah. Anything you want to say about healthcare?

Kathryn J. McLay

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

A

Well, I would just say what we have transitioned to in Walmex is a membership. What we found was pharmacy and OTC is really important part of the store. And we had the facility available in the stores for customers to meet with a doctor, but it was being massively underutilized. And so we rolled it into a membership and last year, we had over 1 million visits to the doctor and we have a lot more capacity to be able to sell more memberships, but it's effectively allowing people to deal with acute and chronic illness and it's about \$3.50 a month. And what we're seeing is we'd love to be able to meet those needs, but then move into preventative care as well, too, and nutrition. But it all starts with actually, first of all, helping them deal with the acute and chronic.

C. Douglas McMillon

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

A

The US system rewards people as they're treating those that are sick and it needs to flip around to reward keeping people healthy. We would like to be part of that if we can collectively create a model that enables it.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Thanks. Chris Horvers, JPMorgan. So I'm surprised we got here without a question about the US consumer. So maybe could you share your thoughts? It seems like part of it is the inflation has gone out of the edible side of the consumer wallet and units have been weak. But it also seems like gen merch is a little weak more recently. So can you talk about what you're seeing and is there any different view of how you think about in the US gen merch getting less worse as the year progresses? Thank you.

John R. Furner

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

A

Yeah. It's been really consistent the last few quarters. And as we look at trends across, we've talked about unit sales and growth by income group consistently. It's been pretty consistent and that's the best way, the consumer has been choiceful and resilient. Employment has been strong. Wages have come up. Inflation, we exited the quarter, we talked about that about four weeks ago, roughly flat year-on-year. There's some deflation in general merchandise, which is helping in making things a bit more affordable.

But there's nothing, I think I would add that was all that much different than where we were just a month ago. And our job is to try to keep prices as low as possible. We have about a 45% increase in rollbacks at over 7,000 year-on-year. We're really proud of that. The stores take time every Wednesday to walk the rollback list. We're shipping more rollback signing because we've used it all because the number that we have. So we're going to continue to try to find ways to bring prices down for customers.

Customers react very quickly, places like produce or meat, dry grocery, where we've taken some prices down, we see an immediate response. So we know people are looking for value and we're seeing unit growth across all income groups.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Q

Hi. Kelly Bania from BMO Capital right here. We tasted the bettergoods product, which was really fun. We heard a lot about the focus on fashion, not maybe as much as basics. And obviously, 3P is enabling Walmart to get access to more and more brands. So, I guess, the question is, and this is happening at a time when other retailers are maybe doubling down on opening price point and are not seeing a stable consumer. So, I guess, my question

is, how do you maintain the balance of being known for price and value and convenience, too, but also welcoming these higher income consumers? And is that a delicate balance that you think about?

John R. Furner

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

A

Yeah. Let me take that. We're really focused on price and opening price. We start our meetings every Monday I said is talking about units and price gaps versus the market at the item level. That's really important that we maintain opening price. In fashion, yes, they've definitely improved the perception, the brands, the look and feel of the remodeled stores. But if you get into the basic categories, you'll find great value on men's basics, kids' basics. That hasn't change in that and that won't change.

bettergoods is a replacement for a brand we had for years called Sam's Choice. A reminder that 70% of the product is under \$5 and the team worked really hard on development. I think some of you got to go to the culinary center, but the teams worked really hard on ingredients, the taste profile, the vegan options. They have options that are not vegan. But again, 70% under \$5, just a few items have launched. Pleased with the results so far. We have about 10 categories over the next week or two that will launch with up to about 300 items by September.

So there is a balance as far as balancing all the customers that we get the privilege of serving today and new customers. What I really like about the Walmart offer today is, it's much more flexible. And there will always be, Doug said this earlier, there's always be headwinds, there'll always be tailwinds, but we want to be great at the counter and opening price. You can pick up for the same price as the counter. You can have it delivered for the same price. Service offerings like Walmart+ enable a lower cost of delivery. But the merchandise price, we are really proud of our everyday low price. We're proud of our rollbacks.

But the channel flexibility, I just – just keep that in mind that if you – different customers are looking for different things, different times of the week and different times of the year, and I'll just finish this with where John David started, with the number of customers who are jumping into the sub-three hour option has been really helpful. So you made your [indiscernible] (00:26:33). Several of us probably do in-home delivery and we keep you in stock at home. But there's always that day when you miss something, you forgot something, you have a birthday party, you ran out of milk for cereal, and we can have it there in many times under an hour but we market it as sub-three hours and that's growing really well.

C. Douglas McMillon

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

A

The way we were taught to be merchants was to take care of good and then better and then best. So if you imagine an 8-foot section or a 12-foot section, go look at any category in the store, but the same concepts would apply to the broader eCommerce offer, too. And you'll see a buyer thinking through 'I start with nailing opening price point. Do I have the right amount packed out? Do I have the right price point? Do I have the right quality offer? Now that that's taken care of, now let's go to better.'

And frequently, what happens is that merchants tend to over-assort better and they fail to get to best. When really they can be tighter on better, which would enable more room for best. And when you coordinate and move across, whether it's bettergoods or what John and the team have done with remodels and apparel, and you kind of all move at once so that apparel gets better at the same time, home gets better at the same time, bettergoods happens at the same time, a Walmart+ membership enables convenience and time savings in delivery, it actually is more complete as an offer for a higher income customer. And in the past, I think we've sometimes tried to move to best in some categories, but not as coordinated as what the team is doing today. And I think it's one of the

reasons why we're doing well with people that have more money. And I think it's totally possible to do that and still have the best opening price point offer because you did that first and it was foundational.

Karen Short

Analyst, Melius Research LLC

Q

Hi. Karen Short, Melius Research. Thanks for today. That was very fun and it's never a letdown, that's for sure. So my question is that, you obviously have a very strong focus on ROIC, and that's what led you to the closure of the health centers. But I guess, my question is, when you look at your portfolio, how many more assets do you think are opportunities to either improve ROIC or exit, one or the other, like how much low-hanging fruit is there? And then the second – I just want to ask the second related – not related, but where are you at with respect to financial generally in your flywheel? Because it hasn't really been something that you've talked about.

John David Rainey

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

A

Financial services?

Karen Short

Analyst, Melius Research LLC

Q

Yeah.

John David Rainey

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

A

Yeah.

C. Douglas McMillon

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

A

The clinic closures were related to capital disciplines related to the income statement, but also because we didn't see things getting better in two years and three years and four years. If we did, we would have hung with it. Just so you know, there's a long-term bias that is still persistent in the company. Do you want to add anything to that?

John David Rainey

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

A

I was going to talk about financial services, cover that. Yeah. So we've got a different financial services strategy or operator in our different markets. PhonePe in India, we've got Cashi down in Mexico and then we have One here in the US. All three of those are at different stages of maturity. PhonePe probably is the most mature.

PhonePe is doing 1.5 trillion, Kath, of total payment volume, the fintech equivalent of GMV right now. That's more than 5% of the US economy, if you think of it in that sense. They are going from strength to strength and really pleased about what they're doing. They are the largest player in the largest market in the world and continuing to add services that are more and more relevant to customers. So, they're much more than just processing payments. They're providing things like insurance, travel, things like that. And so they are they are the furthest along in their evolution.

Within the US, we've got One and we're very excited about One, but it's also very early on. We've also not been able to launch credit yet or revolving credit, to be more specific, because of the status of our relationship up till recently with Capital One. And so we're looking forward to going down this new path where not only can they

provide installment credit or buy now pay later type credit, but also revolving credit. The value proposition for customers, though, there is pretty tremendous when you think about being able to serve customers that are maybe underserved financially, that arguably skew maybe more to a Walmart versus some of the other retailers. So we think that we've got a real good strategy, a path to really providing value to our customer base there.

And then down in Mexico, Cashi continues to be – maybe Kath, you can talk about this, but it also is early on. But we're really pleased with what we're being able to do there around payments there.

Kathryn J. McLay

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

A

Yeah. I think what we've been looking at, I talked to this morning about an ecosystem and we've been looking at how can we solve problems in customers' lives. And two of the ones that we saw as most pertinent was, one, digital connectivity. So it's very hard to have an omni offering if people actually don't have access to the Internet. And so we actually launched Byte, which is selling digital connectivity, and we're about a third cheaper than the competitive set and that has grown significantly. I think we've got over 13 million users of Byte now. And then, Cashi is looking at how do we help from a payments perspective, but also just how do you help people fund some of those purchases like white goods that may have seemed kind of out of reach previously? And we're always looking at making sure that we're doing it in a way that is kind of EDLP. So it gives people who previously couldn't afford to access into those items, products that enable them to be able to do it at a really commercially reasonable rate.

John David Rainey

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

A

Just one more thing on that. I think as it pertains to the overall strategy, the movement and management of money is one that is very closely tied to retail. And it's why that we believe that we have a right to play in this space where we can actually improve that experience and leverage each of those, leverage financial payments for retail and vice versa. And so the strategy with all three of these parts of our company, that's the common theme there. We provide a lot of services today or historically that have been more analog in nature, meaning that you go into a store to do that. We can digitize a lot of those services. We also think that we can grow them faster with the focus that we have on financial services than we have historically.

Gregory Scott Melich

Analyst, Evercore ISI

Q

Hi. Greg Melich with Evercore ISI. I wanted to circle back to Flipkart and just maybe level set us on what's happened in the six or seven years since the investment. Is there a path to profitability? And the thoughts on an IPO, whether that should happen at some point? Is it culturally important to have a publicly traded stock as you think about embedding culture in different parts of the world with the company? So, sort of Flipkart.

Kathryn J. McLay

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

A

So I can take the last nine months, if you want to take the first five years. Flipkart is such an exciting business. They have had really strong growth over the last five years. They are on a path to profitability. And I think what we're seeing is, is maturity in the core business and we're seeing some premiumization in the items being purchased. But we're also looking at like some investment areas to just look at how do they actually complement the whole ecosystem of the financials. So they've invested into Cleartrip, which is a travel business and a number of other different areas.

When I think about the IPO, we have talked about, at the right time, we will IPO that business. I don't know that that's that important from a cultural perspective. We work on culture, values, leadership from the get go when we acquire a business and we have an amazing leader in Kalyan and he and the team have adopted the Walmart ethos and culture. And when you go over there, it's amazing to see the work that they're doing with sellers and how we've got Vriddhi, which I talked about this morning. We're actually helping small to medium businesses grow and then become a seller on Flipkart. So we're very excited about that business. I don't know whether you would say anything on the previous five years.

C. Douglas McMillon

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

I have nothing to add.

A

Gregory Scott Melich

Analyst, Evercore ISI

How about the Google investment? Doug, if you want to add anything to that?

A

Kathryn J. McLay

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

Yeah. I mean, Google is a great partner and we're looking at – we partner with them from a cloud services perspective. And then, they also chose to invest into Flipkart, which I think is just a show of their confidence in that business in a whole.

A

Scott Mushkin

Analyst, R5 Capital LLC

Scott Mushkin from R5 Capital. So I think we probably have the privilege of being in more supercenters in the last year – well, it's over 200. And one of the things that strikes us, believe it or not, is that the execution and merchandising improvements are actually outpacing comp. And we run focus groups and there's still people that say, hey, I love Target, I love Costco, I don't want to go to Walmart. And so how do you overcome that over time? Is the time – as you get critical mass with the remodels, do you really push the accelerator down on marketing? How do you overcome that?

Q

John R. Furner

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

Yeah. Great questions, Scott, and thanks for all the time and attention in the stores. The store managers have been given a lot more autonomy this year to merchandise their store. We do a lot of listening sessions and meetings every Friday. We had some this week. So we want them to merchandise their store in the best way possible for their community. They will know their community better than anyone here. We can see a lot of data, but we don't know the communities the way they do and we want them to merchandise. So whether it's the \$1 two-liters that are in dry grocery or a \$1 French bread or I was in a store in Florida not too long ago that had salsa bowls in front of the avocado table and produce and was selling 400 units a week. So they are – we've given them room to go out of merchandise and to do that.

A

The second part, home and apparel do a lot to affect the way, I think, people feel about the overall business. And when I go into a supercenter that's been remodeled with new apparel, new home, it just feels different. The floors

are shinier. The building looks better. Apparel sets the tone well, and I'll repeat what I said earlier, rebalancing better brands in apparel with opening price. We need to do both.

The third would be being very, very flexible with our first-party offer in eCommerce, our stores, our pickup business, our delivery business and the marketplace to build trust. We want to have the best prices. We want to have a great assortment. We want a great experience. Then we want to build trust. And so, in the last few months, we've been marketing more home and more apparel, and we're seeing decent results from that. So we're learning a lot from how to connect to customers that we may not know, but before we do that, too, there are a lot of customers who we earn part of their spend from them and we don't get all their spend. So we spend a lot of time thinking about how can we be better for our existing customers and that goes back to what I said earlier about delivering perfect orders and having a great experience online. And the customer is going to shop where they want to shop. They're going to shop the channel they want to shop. We need to be great in all those situations for them.

Chris Nicholas

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

A

I mean, Sam's Club is – a lot of that's the same, focus on our execution is never going to go away. Costco are an incredible competitor and you've got to earn your right to beat them. I think five, six years, maybe longer ago, I'm losing track now, John, how long you took, but you spent a lot of time getting Sam's back on track in terms of standards. We closed some clubs. We got back onto what mattered, Kath continued that journey, and that gives us the right to now go continue to earn people's trade.

And I think, loyalty is the absence of something better. And we can never take that for granted. And it will take time to earn people back. Yeah, some of it will be paid, bring people in, reminding them what we do. But the best people are those that go out and tell everybody else what a great experience you've got. And I think that doesn't happen overnight. And we – Doug said it earlier, that was then like yesterday, it was yesterday and we want that banner. But it's not a gift. It's going to be an achievement.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Hi. Kate McShane, Goldman Sachs. Thanks for having us these last two days. It's been great. We talked a little bit in some of the other questions, it's been touched upon, but I wanted to ask about pricing. I know there's been maybe some hesitation more recently from suppliers to negotiate on price, just given the inflationary environment seems to be easing. You mentioned the rollbacks. But where are you with those conversations now with your suppliers when we're still dealing with maybe no inflation this year, but inflationary environment? And how are you seeing other pricing actions being taken in the market influencing your conversations?

John R. Furner

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

A

What we've looked for the last few years is during inflationary periods, we want to try to be the last to go up. We want to remain low price for the customer as long as we can. And what's happened in the last few quarters as we've been able to, as you said, take prices down in many cases. So the rollback count is up about 45%. That's 7,000 items. And every week it changes. What we really want with rollbacks is to bring a price down and then to work together with the suppliers so that we can maintain that price after the rollback finishes after the 90-day period. And we're seeing more of that. So you may talk to us in six months or year and the rollback count may be down, but hopefully that's a result of prices coming down and staying down. That was what the whole program was designed to do originally was, you bring prices down for a reasonable amount of time. Units go up and then

when the units go up between the supplier and Walmart, we find efficiencies that we can keep our prices down. So a few of the items I mentioned, that's been the case and we'll continue to do that.

Negotiations never stop. But our merchants, they have a lot of levers. They can take higher margin items down to bring sales into a category. Launching a new private brand I think will be exciting, can help with mix. And then the other thing to keep in mind is, is inventory control in retail is really vital to our operation and this ties back to the something Scott said. But when inventory in the back room is as low and you know what you own, you know where it's accessible and it's flowing right, then we're able to avoid markdowns or shrinking, come down, and that gives our team, our managers, our site the ability to merchandise without having this weight in the background of always trying to chase what was behind you.

So I think it's just important to know that basically we came out of Q1 really close to flat to last year and we'll continue to talk about units first. And if prices come down, we can't control that. If the market went deflationary, we can't control that. So we're going to focus on selling more units to more of our customers more often to drive the business.

Chris Nicholas

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

We have the same answer on units is the way that we talk to our supplier partners, because we can all win – the category wins, the consumer wins, we win. The other side of that is to develop exceptional quality items and we've got Member's Mark. We've got limited assortment. And so we need to make sure every single item earns its right to be on the floor. And for those that don't want to bring innovation or don't want to get to the right price point for our member, we will fight every day for that. And we think Member's Mark, we are building the quality of this thing and it's creating the ability for us to have even higher quality conversation with our supplier partners about what the bar looks like now.

Kathryn J. McLay

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

I'd probably just say too, managing price perception and price gap is something that we are highly attuned to doing and we have a long history of doing. And in each of the markets you go into, every week on a Monday, they're going through and reviewing exactly what the price perception is, exactly what the price gap is, and making sure that we have the right prices to offer value in that market. We were reflecting earlier on this week on the role that Walmart has played when they've gone into markets. And when we entered Canada 30 years ago, we had a price gap of 8% and that just made an entirely different – an impact on the entire retail landscape. And we know that when we can get that value equation right, great quality at disruptive prices, that's what really helps a consumer and that's a role that we're proud to play.

Corey Tarlowe

Analyst, Jefferies LLC

Hi. Corey Tarlowe with Jefferies. Thank you so much for having us today. I wanted to ask about the exciting topic of technology in AI. And we got to see some of it yesterday in Sam's Club, but would be curious to know what it is that you're working on that you think is going to be really impactful for the business and for the customer experience and for profitability and productivity ahead. Thank you.

Suresh Kumar

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

Sure. So, look, this is a time when technology is actually changing a lot of areas and especially in retail, if you look, we start with the customer. We look at it from the customer perspective. We look at how technology can actually improve our customer experience, make it a lot more seamless and a lot more delightful. So the technologies that we're investing in, obviously, GenAI and ML and AI we've been investing in for quite some time.

The same things also apply to how we empower our associates to be able to help out our customers, whether it's out in the field or in the home office or in corporate. And then the last part of it is around how do we put data to work? So, Walmart has this unique advantage that we touch our customers in more ways than just about anybody else at scale. And that gives us the ability to be able to drive insights about our customers and be able to serve them in more ways than anybody else can do.

And so these are sort of the three major areas that we look at, delighting customers, empowering associates to be more efficient, to be able to serve our customers better, and then using the power of data and intelligence to actually intelligently drive efficiencies and automation throughout how we move merchandise, how we orchestrate the movement of inventory as well. So that's the lens by which we look at all technology. And of course, the most recent ones are obviously around GenAI and the LLMs and all the new things that have started coming out.

C. Douglas McMillon

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

A

I'll pick on supply chain in particular as a way to talk about it, too. I think we may have communicated this effectively before, but I'll repeat it. If you look at the layers of data, software and physical automation, there are things coming together in a way that make me believe the supply chain is going to flow much better than it ever has before in a way that is more than incremental, starting from a demand forecast all the way through to the automation that you've seen us put in the distribution centers and fulfillment centers and perishable, there's an opportunity to have that river of merchandise, which is more than 100 billion items a year, be closer to optimization. And anytime that flow is imperfect, too little or too much, we have a problem. We have an out of stock or we have labor costs or markdowns or other things.

So I get very excited about the way that kind of nervous system and the backbone of the company are changing that will benefit us for years to come because that system is connected, more intelligent, more dynamic, more flexible in a way that could change what back rooms look like and change the way that we meet demand to maximize sales. And there's a lot of work going into, from a technological point of view, to making that come to life and it's happening. And it looks to us like it's very achievable, which is exciting.

Bradley Thomas

Analyst, KeyBanc Capital Markets, Inc.

Q

Brad Thomas with KeyBanc. Thanks again for having us all here. I wanted to talk about advertising and what you've learned as you've scaled the business. And then, while I know you can't talk explicitly about the VIZIO transaction, it's pending, just hoping you can help us think about big picture, how big this business really could be for you. Thanks.

John R. Furner

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

A

Walmart Connect has been a lot of fun. I've learned a lot, the teams learned a lot. We have great talent like Seth Dallaire, Ryan, Rich, others that are leading a really great team and what we continue to learn are the best ways that we can connect sellers, suppliers and customer groups. And a lot of this be driven by what Suresh talked about with dynamic technology that can help sellers and suppliers have the very best tools and the process to be

able to reach people who are interested in buying. And the values that come from that is discovery attribution for the sellers, for the advertisers and continues at scale.

So it's probably too early to say how big it could be or what's exactly the right number. What we want to make sure first is that the customer experience is always the best customer. So as we work on things like search in the catalog and we've used artificial intelligence and GenAI to improve our catalog quality, which helps us give to a customer exactly what they search for. So the more specific a customer is in search, the more accurate we want to be in the return. And if that includes advertising, that's fine. If it doesn't, that's fine. We want to serve the customer first.

But the example with cross-merchandising, we know there are affinities between categories and items. So if a person searches for something, we return it accurately, exactly and then we have the opportunity to help them with discovery. So the team has gotten us in a much better position to understand the data and how to work through it and measure it, we'll be working on that over the next few quarters.

Stephanie Schiller Wissink

Senior Vice President, Investor Relations, Walmart, Inc.

We've actually reached the end of our time talk. Doug, I'm going to turn it back to you to close us out.

C. Douglas McMillon

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

Yeah. I just want to say thank you. I appreciate you sticking around for this session. And I appreciate you dedicating time to come down for a couple of days and get to know the company better. I'm obviously biased, but I think this is a pretty cool group of people and I'm really excited to work with this leadership team and excited about the momentum of the company. And we really do think we've got an opportunity to continue to grow short term, mid-term, long term, because of the way we're changing and because of all the various components, we'll mix ourselves up and have profit grow faster than the sales. We're investing more in capital than we were before, but the capital investments have a good return, and we're into the details to make sure that that's happening and being held accountable by our board. All of those things are in place for us to have a really nice run here, and we're excited that you're part of it. Thanks for coming.

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