



**Walmart Inc. (NYSE: WMT)**

**Second Quarter Fiscal Year 2020 Earnings**

**August 15, 2019**

**Dan Binder: VP, Investor Relations, Walmart Inc.**

The management commentary below contains statements that Walmart believes are “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are intended to enjoy the protection of the safe harbor for forward-looking information provided by that Act. Please review our accompanying presentation for a cautionary statement regarding forward looking statements made below.

As a reminder, our earnings materials include the press release, management commentary and accompanying slide presentation - which are intended to be used together. All of this information, along with our store counts, square footage and other materials are available on the investors’ portion of our corporate website – [stock.walmart.com](http://stock.walmart.com).

For our U.S. comp sales reporting in fiscal 2020, we utilize a 53-week calendar. Our Q2 reporting period ran from Saturday, April 27, 2019 through Friday, July 26, 2019.

**Doug McMillon: President & CEO, Walmart Inc.**

Our hearts continue to be with our associates in El Paso and Southaven and we are focused on the safety of our associates and customers in all our stores and clubs. Those tragic and painful events will be with us forever, and our hearts go out to the families that were impacted.

I continue to be amazed by the courage, resilience and caring of our people. As it's become clearer that the shooting in El Paso was motivated by hate, we are more resolved than ever to foster an inclusive environment where all people are valued and welcomed.

As we've shared previously, we will strive to use these experiences to identify additional actions we can take to strengthen our processes, improve our technology and create an even safer environment in our stores. We're also thinking through the broader issues related to gun violence and things we should do to help create safer communities. We would like for everyone to be reminded of the steps we've already taken:

- We stopped selling handguns in every state but Alaska in the mid-90s.
- We stopped selling military-style rifles such as the AR-15 in 2015.
- We raised the age limit to purchase a firearm or ammunition to 21 in 2018.
- Walmart only sells a firearm after receiving a "green light" on a background check, while federal law only requires the absence of a "red light" after three business days. We don't sell a firearm until we receive a "green light" regardless of the time period.
- We videotape the point of sale for firearms, only allow certain associates to sell firearms, and secure firearms in a locking case with individual locks, among other measures.

We've attempted to take common sense steps that allow us to serve customers and create a safer environment. We estimate that we represent about 2 percent of the market for firearms today, which we believe places us outside at least the top three sellers in the industry. We estimate we have about a 20 percent share of ammunition.

In the national conversation around gun safety, we're encouraged that broad support is emerging to strengthen background checks and to remove weapons from those who have been determined to pose an imminent danger. We do not sell military-style rifles, and we believe the reauthorization of the Assault Weapons ban should be debated to determine its effectiveness in keeping weapons made for war out of the

hands of mass murderers. We must also do more to understand the root causes that lead to this type of violent behavior.

Turning to our business results, we continue to have momentum, especially in the U.S. We thank our associates for their focus, speed and adaptability in this everchanging environment. We're favorably positioned as we leverage our expansive Supercenter network to deliver a robust omnichannel experience. More than ever, we're innovating across the business. We're experimenting with emerging technologies to improve store operations and reduce friction in our customers' lives. The initiatives we have underway provide extended access to our brand and position the company to earn a greater share of our customers' wallet over time.

For the quarter, disruptive weather in parts of the U.S. negatively affected comp sales early on, yet we saw significant improvement in comps as the quarter progressed and weather turned more favorable. On a consolidated basis, we had good topline growth in constant currency, and along with productivity gains and cost controls, we were able to leverage operating expenses by 23 basis points. Adjusted EPS was \$1.27, a slight decline versus a \$1.29 last year but stronger than we anticipated. You'll hear more from Brett regarding our updated guidance for the year but let me say that I'm pleased with what we've accomplished so far, and I'm excited about what's still to come as we look to the back half of the year.

Early in the quarter we hosted our annual Associate Celebration and Shareholders' Meeting here in Northwest Arkansas. You could feel the energy from the more than 6,000 associates who joined us from all over the world. It's one of my favorite times of the year. Not only do associates come together to learn and take back new ideas to their store, but I always appreciate how much I learn from spending time with these extraordinary people.

At Walmart, we're delivering solutions for customers that make shopping with us easier and allows them to add time back in their day. As we move towards a singular experience that's seamless, we need to better align many of the functions that directly or indirectly affect our customers.

You'll recall that last year we hired the first ever Chief Customer Officer for Walmart – Janey Whiteside. We also recently created the new role of Chief Technology Officer and Chief Development Officer. We found a uniquely qualified leader for this position in Suresh Kumar. A natural progression to these and other changes we've made is to streamline other parts of the business in support of our omnichannel focus. The organizational changes we made in the U.S. during the quarter in areas like supply chain and finance are a critical step in our journey and will build upon our strong foundation. We've maintained some separation in merchandising for stores and eCommerce to keep the focus on our goals and enable speed.

Walmart continues to be recognized externally for innovation, execution and leadership in Environmental, Social and Governance work. Before I get to our segment results, I'd like to share a few recent examples of what we're doing to deliver shared value to our business and to society.

We're always looking for creative ways to promote sustainability initiatives with our supplier base, which is why we're collaborating with HSBC and their Sustainable Supply Chain Finance program. Suppliers that report progress with our Project Gigaton and Sustainability Index initiatives can get improved access and terms for HSBC financing options. Initiatives like these can provide the incentives to enable and transform the way businesses accelerate action on societal challenges.

Another initiative I'm excited about is called Walmart Rise. We're transforming our community engagement program aimed at developing new and creative ways to engage associates and customers in supporting their communities. The company will provide more than \$20 million in additional funding this year to stores and distribution facilities nationwide to help spark change and make a difference.

You've heard us talk about Live Better U, a program which provides associates access to a college degree for just \$1 per day. To help touch the lives of even more associates, we recently announced plans to enhance the program. Major expansions include the addition of 14 technology degrees and a pathway for high school students to gain access

to college prep materials and the opportunity to receive college credit. It's an incredible opportunity, and we're honored to help provide the foundation on which so many can build a better future.

Let's turn to our operating segment results, starting with Walmart U.S.

The team delivered strong comp sales of 2.8 percent despite a tougher comparison and unseasonable weather to start the quarter. Comps accelerated sequentially on a two-year stacked basis to 7.3 percent, which is the strongest growth in more than 10 years. We're gaining market share in key categories, including food, consumables, health & wellness and toys. We leveraged operating expenses by 29 basis points and operating income grew 4 percent marking the fifth consecutive quarter of growth.

Our ability to deliver experiences that leverage our unique set of assets is paying off. As we scaled grocery pickup in the U.S., it unlocked new capabilities like grocery delivery. Customers love these services, and we're rapidly expanding them to new locations and testing new options such as unlimited grocery delivery for a fee. And now, we're taking convenience to a new level with InHome Delivery. Through this service, we'll help keep customers in-stock on the items they need every day. Starting in the fall of this year, a group of highly-trained Walmart associates will begin delivering groceries directly into the homes of customers – maybe in a garage, or in the refrigerator. It will be available to nearly one million shoppers in three U.S. cities.

In eCommerce, sales growth of 37 percent reflects strength in online grocery and Walmart.com. We're making progress to improve the fundamentals of our traditional eCommerce business, including the CVI score and NPS. We're lowering our variable costs per unit, improving gross margin and increasing the number of monthly active users. I'm also excited about the opportunity we have to expand our marketplace. We've quickly grown this piece of the business in recent years, and I know we can do even more as we look ahead.

You've heard us talk about our NextDay delivery offer that launched a few months ago. We set an original goal of serving about 75 percent of the

U.S. population by year-end. I'm pleased to say that we've already reached that annual goal and we're working to expand it even further, including the available assortment. Customers are responding well, and we're improving our economics by having inventory close to the customer which helps us reduce split shipments and the use of air freight.

At Sam's Club, comps improved sequentially to 4.2 percent, excluding fuel and tobacco on strong growth in customer transactions. The team leveraged operating expenses, and profit grew by 19.4 percent on good flow through. Growth in membership income of 2.8 percent reflects the progress we're making on attracting, retaining and upgrading members. Compared to last year, the total number of members, overall renewal rates and renewal rates for Plus members all increased for the quarter.

The team at Sam's is doing a great job of transforming the way we work. They're developing new apps for associates to improve speed and productivity. A great example is the Ask Sam app, a voice responsive app that acts as a digital assistant when associates ask questions on their mobile device. Frequently asked questions include work schedules and item location and availability, but the app has other features too. For example, associates can also quickly grab the recipe of a customer's favorite home meal solution. Using technology to solve problems has become a mindset for Sam's Club, and I'm pleased with the progress the team is making.

At Walmart International we're focused on building strong local businesses powered by Walmart, and we continue to evaluate ways to strengthen our positioning across the portfolio. I'm excited about the opportunity we have in India, and I'm pleased with the progress we're making in China. For the quarter, nine of 10 markets posted positive comp sales. The later timing of Easter this year benefitted certain markets and resulted in positive comp sales in the U.K. Although we face macroeconomic and political challenges in some of our markets, our teams continue to find innovative ways to serve customers and deliver solutions that make shopping easier.

Walmex continues to deliver strong top line results. In Mexico, sales growth in Q2 outpaced the market, as measured by ANTAD, for the 18<sup>th</sup> consecutive quarter, and the team posted comps of 5.5 percent on solid growth in traffic and ticket. We saw good results in food and consumables and strength in apparel.

We're investing in stores and eCommerce as we focus on winning in omnichannel. We opened 32 new stores during the quarter across Mexico and Central America as well as two new fulfillment centers dedicated to eCommerce in Monterrey and Guadalajara. We're making good progress to bring together our digital and physical assets, particularly in Mexico. We're strengthening our on-demand service through an expanded assortment, and we launched an ordering service through WhatsApp for Superama customers.

In China, comp sales increased 3 percent and improved sequentially for the second consecutive quarter. Customers love our Sam's Club format where we saw double-digit comp growth, led by strong growth in fresh and dry grocery. In addition to Sam's, we're continuing to invest in eCommerce. Over the last few years, we've partnered with JD.com to build flagship stores on their site and to offer fast delivery of items directly to customers through the JD Daojia app. We're growing our crowd-sourced delivery offer through New Dada and began a program with WeChat to offer services through their app.

Now, we're expanding our presence in the WeChat app to offer customers a new platform to use when ordering items for speedy delivery. The new proprietary feature on WeChat is called Walmart Daojia, where customers place an order and receive their items in about 45 minutes, on average. We're excited to offer customers new ways to shop, and with the ability to link to our other services in WeChat, such as Scan and Go and Find My Item, we're encouraging customers to shop with us across our stores and online.

In Canada, both GDP growth and the retail environment continue to be soft. Despite the broader market challenges, we saw market share gains

in weekly shop categories including grocery and fresh. Strength in these categories was mostly offset by a weaker performance in general merchandise and apparel. As in other markets, we're expanding our omnichannel offering. We continue to roll out grocery pickup and will make this service available in nearly half of our store base by year-end. We're also expanding our partnership with Instacart for grocery delivery.

Turning to the U.K. Our results for the quarter reflect the challenges faced by shoppers in this market as the uncertainty surrounding Brexit continues to loom. As the macro issues play out, we'll continue to help customers navigate these times. We're improving our price position over last year, especially with our private label products, as well as on-shelf availability. We're also making progress on key strategic priorities such as online grocery where sales growth outpaced the market in Q2, according to Kantar.

The ecosystem we're building through Flipkart is impressive and consists of a collection of strong businesses. For example, Myntra, a leading online fashion destination, recently concluded their largest sale event of the year – the End of Reason sale – where more than two million customers shopped during the four-day period with 7,000 plus orders per minute at peak. To help fulfill these orders, the Flipkart team partnered with almost 11,000 local Kirana stores to support last mile delivery. This Kirana partner network helped deliver approximately 70 percent of the 8.5 million packages that were fulfilled during the event.

Flipkart also recently launched their co-branded credit card, which has received positive initial feedback from customers. In addition, our digital payments platform, PhonePe, recently crossed the milestone of two billion transactions with 50 million monthly active users.

I'll close today as I often do by saying thank you to the millions of associates around the world whose hard work and innovation make this company such a special place. Customers are responding to the improvements we're making, the productivity loop is working, and we're



gaining market share. We have good momentum, and I look forward to what we'll accomplish during the back-half of the year.

**Brett Biggs: EVP & CFO, Walmart Inc.**

Before I discuss our second quarter results, I'd like to express my deepest sympathy for our associates, their families and our customers affected by the recent tragic events. We are all heartbroken by the events in El Paso and Southaven.

Turning to the business, our second quarter results included solid net sales growth and better than expected operating income and EPS performance. In particular, Walmart U.S. had a very strong quarter with continued strength in both sales and profitability. Our customers' economic health remains solid and our competitive position is strong. Overall, we feel good about the momentum in the business.

Customers appreciate our focus on saving them time and money and they're increasingly choosing Walmart for their shopping destination, evidenced by both our transaction growth and market share gains across grocery and general merchandise, according to data from Nielsen and the NPD group. We're reducing friction in our customers' shopping experience through innovation and new service offerings. The core tenets of our strategy remain unchanged, but we continue to evolve and adapt to the fast-changing retail landscape, discover new opportunities and learn from our experiences. The U.S. supercenter is a clear competitive advantage and we're finding new ways to leverage that important asset. We're also operating more efficiently and removing costs in ways that benefit shareholders while serving customers. We'll continue to leverage our scale, unique assets and financial strength to position the company competitively while driving profitability and creating shareholder value.

Let me highlight a few things about the quarter:

- Walmart U.S. delivered comp sales growth of 2.8 percent, including strong eCommerce sales growth of 37 percent. The two-year

stacked comp for Walmart U.S. increased 7.3 percent, the strongest growth in more than 10 years;

- Sam's Club comp sales (ex. fuel and tobacco) were strong with growth of 4.2 percent in Q2 and 10.7 percent on a two-year stacked basis;
- Walmart International delivered positive comp sales in nine of 10 markets;
- Each operating segment leveraged SG&A expenses; and,
- Consolidated operating income and Adjusted EPS were better than expected.

Reflecting year-to-date results and continued momentum in the business, we are raising FY20 guidance for Walmart U.S. comp sales, consolidated operating income and adjusted EPS. There is additional detail in the press release as well as at the end of my comments.

Let's get to the details of the quarter.

We had solid top-line growth as total constant currency revenue grew 2.9 percent to \$131.7 billion, with currency having a negative effect of approximately \$1.3 billion. Both Walmart U.S. and Sam's Club delivered strong sales growth and Walmart International's overall sales were solid despite some softness in certain markets including the U.K. and Canada.

Consolidated gross profit margin declined 46 basis points on both a reported and constant currency basis. While the inclusion of Flipkart in this year's results contributed to the decline, we also continue to make strategic price investments in various markets, including the U.S., which pressured year-over-year comparisons. Walmart U.S. gross margin was down 22 basis points.

We're really pleased that each segment leveraged SG&A expenses this quarter. The focus on operating efficiently across the organization is providing the flexibility to invest in growth initiatives. On a reported basis, we leveraged 25 basis points and on a constant currency basis, we delivered 23 basis points of expense leverage reflecting strong productivity

in Walmart U.S. stores as well as solid leverage from International and Sam's Club.

Operating income was better than we expected, down 2.9 percent on a reported basis and 2.4 percent on a constant currency basis. Strong results from physical stores drove Walmart U.S. operating income up 4 percent, the fifth consecutive quarter of growth, while Sam's Club delivered strong profitability with operating income up more than 19 percent. This improvement was offset by the expected dilution from Flipkart, as well as softer gross margin rates in the U.K. The deconsolidation of Brazil somewhat benefitted second quarter results versus last year.

As expected, net interest expense increased 16.3 percent due primarily to the company's previous bond issuance related to the Flipkart transaction.

The effective tax rate was modestly lower than expected at 25.1 percent, benefitting EPS by about \$0.01 versus plan.

Adjusted EPS was better than we expected, declining 1.6 percent to \$1.27 and GAAP EPS was \$1.26.

Operating cash flow year to date was \$11.2 billion and relatively flat to last year.

During the quarter, the company returned \$3.1 billion to shareholders through dividends and share repurchases.

Now, let's discuss the quarterly results for each operating segment in more detail.

### **Walmart U.S.**

Walmart U.S. had strong sales and profit growth despite difficult comparisons from weather-related benefits last year and more challenging weather early in the quarter this year. Comp sales, excluding fuel, grew 2.8 percent in the quarter and 7.3 percent on a two-year stacked basis, the strongest in more than 10 years. Comp transactions increased 0.6 percent and ticket was up 2.2 percent. E-commerce sales strength continued in Q2

with 37 percent growth and 140 basis points of benefit to the segment comp with online grocery a meaningful contributor to eCommerce growth.

Comp sales growth reflects strength in grocery, including strong growth in private brands. We've been pleased with the consistently strong performance in food and consumables as the category had a mid-single digit comp increase in the quarter, and the best two-year stacked comp in nearly 10 years. Comp ticket was affected by slight deflation in food this quarter while consumables' inflation increased modestly. Health & wellness comp sales increased by a mid-single-digit percentage as branded drug inflation benefitted results. Meanwhile, general merchandise comp sales were up a low single-digit percentage with strength in home, toys and wireless. This was partly offset by softness in weather-sensitive categories like lawn & garden and apparel.

In eCommerce, we're encouraged by the steady improvement in key service metrics like the Customer Value Index, net promoter score and on-time delivery, and we're seeing solid growth in important margin-enhancing categories like home and apparel. E-commerce sales growth was strong in the quarter, including for our four-day July sales event. Customers are responding favorably to our May launch of NextDay delivery which has been rolled out ahead of plan to approximately 75 percent of the U.S. population and is helping lower the cost of shipping as we reduce split shipments and air freight.

Having stores close to customers is a competitive advantage and we're leveraging that to provide convenience through grocery pickup and delivery, pickup towers, and the in-home delivery test that will launch this fall. We have more than 2,700 stores that offer free grocery pickup and more than 1,100 stores that offer same-day grocery delivery, keeping us on pace to reach year-end goals of 1,600 same-day grocery delivery stores and 3,100 stores with grocery pickup. We also have nearly 1,200 pickup towers in stores and we'll be testing in-home delivery of groceries into a customer's refrigerator in three markets. Customers want options in how they receive goods, and we are the best positioned in the industry to provide choices through our omni-channel offering.

Walmart U.S. gross margin rate was better than expected despite declining 22 basis points year-over-year. Continued price investments, increased seasonal markdowns related to weather, and the growing mix of eCommerce pressured gross profit but were partially offset by better merchandise mix including strength in private brands, and lower transportation costs.

Expenses leveraged 29 basis points as strong productivity improvements in physical stores were partially offset by growth of eCommerce in the segment. Both the stores and eCommerce teams delivered expense leverage, with the stores leveraging by a significant amount as we're accelerating innovation and improving processes. This focus has allowed the Walmart U.S. stores team to leverage expenses for 10 consecutive quarters.

Walmart U.S. total inventory increased 4.0 percent and comp store inventory was up 2.5 percent in the quarter. The increase is lower than Q1 and reflects a few factors, including in-transit inventory, strategic investments in certain categories and increased mirroring of inventory in our eCommerce fulfillment centers. We feel good about the quality of the inventory position as we enter the back half of the year.

Overall, we're very pleased with the second quarter results from Walmart U.S. and the momentum we have in this business.

### **Walmart International**

We're pleased that nine of 10 international markets had positive comp sales in the quarter, led by strong growth in Mexico and China. We achieved these results even as we're managing through political and/or economic challenges in several of our International markets, including the U.K. and Canada. Net sales increased 3.3 percent in constant currency but declined 1.1 percent on a reported basis due to the negative \$1.3 billion currency effect. The deconsolidation of Brazil was a sales headwind but

was offset by the inclusion of Flipkart sales. In addition, the Easter calendar shift benefitted several markets.

International continued to make progress on managing costs and delivered 36 basis points of expense leverage in the quarter. However, operating income declined 27.3 percent in constant currency and 29.6 percent on a reported basis due primarily to the expected dilution from Flipkart as well as the overall gross margin pressure mentioned earlier.

Walmex delivered strong results with net sales up 6.3 percent and comp sales up 4.8 percent. In Mexico, comp sales increased faster than the overall market for the 18<sup>th</sup> consecutive quarter with 5.5 percent growth, with a healthy mix of transaction and ticket growth. On a two-year stacked basis, comp sales were up 12.0 percent in Mexico, and we continued to gain share in key transaction-driving categories, including food and staples, according to ANTAD. We also continued to strengthen our omni-channel capabilities, a key strategic priority, by adding two new eCommerce fulfillment centers and expanding the assortment for same-day delivery during the quarter. Customers are responding well to omni-channel initiatives in Mexico driving 50 percent eCommerce sales growth.

China had a strong quarter with net sales up 4.7 percent and comp sales up 3.0 percent. Sam's Club performance was very strong with double-digit comp growth due in part to strength in fresh and dry grocery categories. In addition, members really like the expanded omni-channel offerings at Sam's including the ability to order online and receive deliveries from nearby fulfillment depots in less than an hour. Fresh food results were solid across formats and channels as we invest in price and quality in these key transaction-driving categories, but hypermarkets experienced softness in general merchandise. We're pleased with the China team's focus on expenses which led to solid expense leverage in Q2 as well as healthy operating income growth. We're also continuing to innovate and broaden omni-channel capabilities with an expanded presence in the WeChat app that provides customers a new platform to use when ordering items for fast delivery to their home.

Against a challenging backdrop in the U.K., Asda net sales increased 1.3 percent and comp sales increased 0.5 percent. While results benefited from the Easter calendar flip, Q2 comp sales faced stronger results in last year's second quarter when unseasonably hot weather benefitted sales. Gross margin rate declined due to the mix impact of stronger fuel sales, soft sales in higher-margin general merchandise categories, strategic price investments and markdowns. These pressures were partially offset by strong expense leverage as cost savings initiatives offset cost inflation headwinds. Our focus remains on driving innovation and strategic priorities for customers, including growing online grocery and improving price gaps.

In Canada, the overall macroeconomic environment has softened and negatively affected second quarter results. Comp sales increased 1.2 percent and net sales were up 0.4 percent, including the effect of the divestment of the Walmart Canada Bank. Food categories continued to perform well, including strong growth in Fresh, and contributed to market share gains in weekly shop categories. However, general merchandise sales were soft. The bank sale negatively affected gross profit comparisons and expenses deleveraged, reflecting pressure from minimum wage increases. Despite this tough retail environment, we're continuing to innovate and refine our store offer, including the opening of a new urban supercenter format during the quarter, which will provide customers with a blend of omni-channel shopping convenience along with third-party licensed shops, faster checkouts and an enhanced food service offering.

Overall, we remain focused on executing our International strategy of building strong local businesses powered by Walmart and continue to evaluate opportunities to strengthen our position across the portfolio.

### **Sam's Club**

Sam's Club delivered strong comp sales growth of 1.2 percent, excluding fuel, and 4.2 percent when excluding fuel and tobacco. We're pleased with the comp momentum we're seeing from Sam's Club with comp sales excluding fuel and tobacco up 10.7 percent on a two-year stacked basis. Club comp transactions continued to be the key driver of

growth with a 5.0 percent increase and eCommerce sales grew 35 percent. Club members continue to respond favorably to our investments in fresh categories, price and free delivery for Plus members. Membership income increased 2.8 percent in the quarter and we continue to be encouraged by the trends we're seeing with improvements in membership sign-ups and renewal rates.

We're also pleased with Sam's operating income growth of 19.4 percent. Good expense leverage in clubs, including lower labor-related costs, was a contributor to this performance. Gross margin rate also improved and benefitted from a reduction in tobacco sales as well as increased co-branded credit card income. This was partially offset by investments in price.

We're encouraged by the strong sales, membership trends and profit improvement we're seeing at Sam's Club. The team continues to make good progress on innovating for the member, driving strong value and executing its strategic plan.

## **Guidance**

I'll close with an update on our annual guidance for FY20, which was provided in February. As always, we have several assumptions in our guidance, including that economic conditions, currency rates, and the tax and regulatory landscape in our largest and most important markets remain generally consistent. The U.S. consumer environment is in relatively good shape, but as we've noted, some of our international markets are softer due to challenging macroeconomic and/or political environments. We have not included any potential change in the future value of our investment in JD.com.

We're continuing to monitor the ongoing tariff discussions and are hopeful that an overarching long-term agreement can be reached. Our merchants continue to execute appropriate mitigation strategies as our goal



is to be the low-price leader. Over the past several months, the team has been able to thoughtfully manage pricing and margins with both our customers and shareholders in mind. We are currently reviewing the proposed List 4 tariff information that was published by the USTR on Tuesday. Our updated guidance reflects our current understanding of the timing of tariff implementation on various categories as List 4 affects a larger part of our assortment than the prior tariffs.

Financial results for the total enterprise were ahead of our expectations in the first half of the year, so we're pleased to raise full-year guidance for certain key metrics, including Walmart U.S. comp sales, consolidated operating income and EPS. You can review a complete listing of full-year guidance metrics in this morning's press release.

We're slightly adjusting the net sales growth guidance from at least three percent in constant currency for fiscal 2020 to around three percent. While we expect continued strong sales in the U.S., we are lowering our expectations for sales growth in International to a range of between 3.0 percent and 4.0 percent due primarily to softness in the U.K. and Canada. We also expect currency to be a continued headwind in Q3. Based on current exchange rates, we estimate net sales will be negatively affected by about \$500 million in the third quarter, which is higher than anticipated at the beginning of the year.

For Walmart U.S. comp sales, strong first-half results lead us to increase our full-year expectations, excluding fuel, to the upper end of the original guidance of up 2.5 to 3 percent.

Walmart U.S. eCommerce growth expectations are unchanged at around 35 percent in FY20 with quarterly growth rates expected in a range of approximately 30 percent to low 40 percent range, with the fourth quarter being the lowest quarter of the year due to various initiative timing and overlaps.

We're raising guidance for consolidated operating income growth to range between a slight decrease and a slight increase for FY20 compared to last year. Our previous guidance for operating income reflected a low single-digit percentage decrease. This increase in guidance primarily reflects improved profitability in the first half of the year from Walmart U.S.

Adjusted EPS is expected to range from a slight decrease to a slight increase versus FY19 adjusted EPS, which compares to our original guidance of a decline in the low single-digit percentage range. Full-year expectations for the dilution from Flipkart remain unchanged from previous guidance. The increase in our EPS expectations reflects stronger first half performance and a 50 basis point decrease in the expected effective tax rate versus our original expectations of a range of approximately 26.5 percent to 27.5 percent.

The quarterly year-over-year change in operating income and EPS will vary during the back half of the year due primarily to the impact of Flipkart only being in our results for part of Q3 and all of Q4 last year versus a full year this year.

In closing, I'm pleased that our first half results and continued momentum across the business position us to raise our guidance for the year. Thank you to our associates for the great work you're doing in serving customers and to our shareholders for your continued confidence and investment in Walmart.

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