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# Walmart, Inc. (WMT)

Baird Global Consumer, Technology & Services Conference

## CORPORATE PARTICIPANTS

**Brett M. Biggs**

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

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## OTHER PARTICIPANTS

**Peter Sloan Benedict**

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

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## MANAGEMENT DISCUSSION SECTION

**Peter Sloan Benedict**

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

All right. Good morning, everyone. Welcome to our next session here at the Baird Global Consumer Technology and Services Conference. I'm Peter Benedict, senior Retail and Consumer Products & Services analyst here at Baird. I'm very pleased to welcome Walmart back to the conference.

The company obviously needs no introduction but I think it's safe to say that the last five or six years have been truly transformational under the leadership of CEO, Doug McMillon; and CFO, Brett Biggs. This morning, we're fortunate to have Brett with us to spend some time. So, Brett, welcome, thank you for participating this morning.

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**Brett M. Biggs**

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

Thanks, Peter.

## QUESTION AND ANSWER SECTION

### Peter Sloan Benedict

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

Q

Yeah. No, thank you. There's no slides, we'll just really jump into Q&A. If anybody watching has any questions, just enter them into the portal. I'll do my best to weave it into the conversation.

So with that, let's get started. As I mentioned, Walmart has changed a lot under your and Doug's leadership, it actually feels like the pace of change is actually accelerating here which is a little bit hard to fathom. But as we try to frame it for investors, Phase 1 of the transformation that's going on here was really about investing in associates, reestablishing Walmart's relevance with consumers, building a competitive omni-channel platform, and really optimizing your international portfolio.

And I think as I recall, the stock didn't respond too well initially back in 2015 when this was laid out, you guys executed, the stock actually has outperformed the market since then, and so clearly it was the right strategy for the business as well as for shareholders. Earlier this year, Brett, you articulated what we're kind of calling Phase 2 of this transformation with the focus – those prior factors still in play, but really extending your leadership in omni-channel but also creating a more durable, faster growing business with a diversified mix of profit pool. So, interesting the later market didn't seem to like that either. But it's coming back a little bit here. So the question I guess I would lead off with here is are we thinking about the transformation correctly? And if so why is Phase 2 the right strategy for Walmart and for investors?

### Brett M. Biggs

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

A

Yeah. Thanks, Peter. Thanks for having me and thanks for everybody's interest today. It does feel like the acceleration is faster and with you. It feels that way from here as well. And I think it just needs to be. Competition is changing. The customer continues to change and go back to March of last year which seems like forever ago in some ways, we felt good about our strategy, the omni-strategy and the ability to serve customers with stores, online delivery, basically however they want to shop. And if anything going through the pandemic makes us feel stronger that that strategy is the right strategy. And as we saw customers pivot very quickly to online and pick-up and not as many people in stores now we're seeing customers come back into stores. So we've seen not only the ability to serve customers in all of those ways is important but also our ability to execute against that very quickly. We feel more confident even coming out of this about the strategy being right and our ability to execute against it. But I think the way you described the strategy is right. And as you would have seen early in the year, as you mentioned, the way we're thinking about capital and putting capital towards omni-fulfillment, omni-technology, that that's where we're going as a company. And I feel really good about it.

### Peter Sloan Benedict

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

Q

Yeah. No, I think that makes sense and you guys currently house our largest e-commerce businesses in the world. You just alluded to the investments there. Maybe you can dig a little deeper build out on what you're thinking in terms of your omni-channel fulfillment capacity? What's the roadmap here? You're automating your DCs. Let's maybe dive into that a little bit. What would you share with us on that front?

**Brett M. Biggs**

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

A

Yeah. Again, it's about making the customer's lives easier and making it more efficient for us and less costly for us as a company which then helps our customers as well. So when we get products closer to customers, get delivery times down, get customer service aspect up, that's something we'll always continue to try to improve, but do it more efficiently and do it more cost effectively. So we're adding a lot of capacity on the fulfillment center side. We mentioned that and the additions to CapEx that we're making over the next few years, a lot of that is around fulfillment center capacity. That takes a little while to build out. We've been building it over time, but to scale it takes a little while to build that. But that's fully underway.

And then on the technology side, you've heard it. Peter, you've seen it. You've heard us talk in the past few years about technology we're developing on the supply chain side, particularly in distribution centers and fulfillment centers. And I believe there's going to be definitely some second mover advantages on technology that the technology we're developing in our distribution centers to make piloting easier, getting it to stores in a way is more efficient for them to unload and get out of the shelves.

All of that is going to be cutting edge technology. And we've been talking about that for a while. You're going to see us start rolling that out. Being able to pick more efficiently, we've talked about these local fulfillment centers, market fulfillment centers. You call them, all of that's going to help us from an efficiency standpoint and just freeing up capacity – adding capacity to the system for us to be able to flex in the way that the customer wants to shop.

**Peter Sloan Benedict**

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

Q

Yeah. No, that makes sense. And is there a thought on kind of the home delivery front? So there's the back end of this picking efficiencies and that, you talked about the market fulfillment centers and how you're working on those. So I think that all makes sense. But how do think about kind of the last mile in terms of the actual delivery and kind of, call it winning [ph] the porch (00:06:15), right. Making sure that...

**Brett M. Biggs**

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

A

Right. Yeah.

**Peter Sloan Benedict**

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

Q

...the customer who wants it delivered, how you do that? What's required on that front?

**Brett M. Biggs**

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

A

Yeah. We spend a lot of time on last mile as you would anticipate. As you know we've used any number of third-party carriers to help us with delivery but we'll also develop our [ph] own color spark (00:06:34) platform and having our own crowd sourced platform internally that we're really excited about and the ability to have a little more control over that delivery. We've also been a leader in what we call in-home. So we had three markets, which we were trying in Kansas City, Pittsburgh and Vero Beach, Florida where we're delivering straight into the home. That got delayed a little bit because of COVID of course. We've added the local market here in Northeast Arkansas to that list.

And we're really excited about not just winning the boards but winning the inside of that kitchen and being able to deliver straight into the refrigerator. And eventually you think about the things you can do once you're in their own returns and other things like that that could be really beneficial for the company and just keep us on the leading edge of everything that's going on around the customers' lives, that's what we're looking to do.

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**Peter Sloan Benedict**

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

Q

That's great. Is there – one of the benefits of being a global business of your international market is where you can learn and leverage, is there anything from an omni-channel standpoint that you'd call out specifically right now that is really leveraging from international business as to how maybe you're operating here in the US?

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**Brett M. Biggs**

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

A

Yeah. We learn a lot from each other. You think about markets like China where you have high density and we were delivering pretty early in China because the density there and what customers wanted. And so we've learned from market like that. We were delivering pretty early in Mexico from our Superama format. So, all of these learnings we take. And Asda was one of the first ones on online grocery and delivery. And so a lot of our learnings on online grocery came from Asda.

With Flipkart, one of the great things about Flipkart and it was exciting the first time we met them was the way they were attacking the market at India, huge market, 1.3 billion people, but they were really attacking it from an ecosystem perspective. And that's how you could see the winners in the world.

That's how they were working with the customers is from – is getting them into that ecosystem, and Flipkart and PhonePe were already there and how they were thinking about that market. So, there's definitely learnings that we get from groups like that.

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**Peter Sloan Benedict**

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

Q

So let's just focus back now just US business. Let's talk about grocery trends. A lot has gone over the last 12 months, you guys restricted some hours, and maybe some share loss initially seems to be coming back. Give us a sense and update on how you feel about your grocery share, your grocery trends.

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**Brett M. Biggs**

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

A

Yeah I feel great about grocery. Again, as you know, we've – over the last four or five years, we've put so much effort and resources into everything around grocery, in particular on the fresh side, whether it's supply chain to reduce the number of days in the system, to get the product to the customer in a fresher condition. We've spent a ton of time on that. So, I feel really good about grocery.

As you said, going back to the pandemic, we were we were hit pretty hard by customers earlier than some competitors, which caused us some challenges with in-stock I think earlier than it did with our – some competitors. We took store hours down a little more quickly and kept them down longer than some of our competitors. We're starting to bring some of that back. So, we were never horribly concerned about market share because of what we knew was going on in the market and customers were shopping closer to home, they're shopping [indiscernible] (00:03:32) our stores, and we felt like all that would come back. And we're seeing that come back and we saw it in the market share numbers.

So, I still feel great about what's going on in grocery. It's a leading part of our business. It's how we're going to lead with the customer and that then gives us the ability to sell general merchandise and sell other services that I know we'll talk about here in a minute. So, I feel great about it.

**Peter Sloan Benedict**

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

Q

Yeah. How is the inflation backdrop impacting kind of grocery? And I just think more broadly and then we'll get into general merchandise. But with prices going up everywhere in the supply chain, for labor, obviously on commodity prices, so product prices start to move. And we're hearing a lot of our companies speak to that here at the conference. Maybe help us understand Walmart's positioning when it comes to digesting inflation, being able to hold prices for customers when you have to push it through, what are you seeing in terms of the elasticity?

**Brett M. Biggs**

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

A

Yeah. Most of us who were my age, 52 or 53 or under haven't experienced inflation much. It's not something that's been very prominent in the market. We're – because of our scale and the way we work with our supplier partners, we're able to work with them, have a pretty good sense of input costs and where we can help them keep their costs in line, we'll do that. We're able to move products a little differently maybe than some of our competitors which helps from an overall cost standpoint.

As input costs go up and suppliers need to take prices up, we'll work with that. We're going to look at price caps, which are good for us, and decide how much of that do we want to pass on and how much of that do we want to not pass on, and we'll help make those choices that will help customers. And then we'll just see how much of this inflation is a little more semi-permanent versus transient. I think it's going to take a few months for that to work itself out. You are seeing some input costs come down versus where they were a month or two ago, you're not seeing interest rates go up. So, there's some signs that maybe there's some of this that's transitory. But we'll just – we'll monitor it over the next several months just like other businesses will.

**Peter Sloan Benedict**

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

Q

Yeah. Sure. Fair enough. So, how about general merchandise? The pandemic has created a lot of volatility around those categories. How do you feel about your performance right there and your position?

**Brett M. Biggs**

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

A

Yeah. I feel good, really good about some market share that we took during the pandemic. Some of that of course was other retailers not being open, some of them were back open now so we did benefit from that over the last year. But I feel good about our business overall.

Again, if you can put grocery and general merchandise together, it's a big benefit and customers, you can make it really convenient for them to shop and it's certainly getting the general merchandise – more general merchandise into the basket helps with margins and we're certainly seeing that over the last several quarters with our gross margin rates. So, I feel good about general merchandise. It's important for us going forward whether that's first party or third party. It's really important part of our strategy and we're going to continue to focus on it.

**Peter Sloan Benedict**

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

Q

Right I'm starting to get some questions coming in from the crowd. First one is really around your alternative revenue streams that have become such a focus. Maybe – there's a few here, but maybe let's start out with Walmart Connect and maybe update the audience here on what you're doing, what the approach is with Walmart Connect, and then we can get to some of the others.

**Brett M. Biggs**

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

A

Yeah. Yeah. I'm really excited about Walmart Connect. We're a perfect – not to pun with the name. We're a perfect connection point between customers and suppliers where we sit right in the middle of that relationship and have over 100 million transactions a week in our ecosystem. So, we're perfectly set-up for that.

We've been a little cautious on advertising because we want to make sure that the customer experience is good, that the products we're recommending are what are good for them online, that we're not cluttering the experience for customers. But we feel better that we can do that and that there's still a lot of room for us to generate more advertising income than we have.

So, it's something that – we've said, we think we can be a multi-billion dollar business over the next few years. I feel really good about that. I feel great about the progress we're making this year. So, it's an exciting proposition for us and one that we just – we hadn't taken advantage of probably like we could have in the past.

**Peter Sloan Benedict**

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

Q

That makes sense. How about Walmart+? That's getting a lot of press, a lot of people focus on that. And just recently there's some news around prescriptions being added to that. I know that's kind of part of the strategy here, but what can you share with us about Walmart+?

**Brett M. Biggs**

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

A

Yeah. You're going to continue to see us add services. We're – Walmart+ long-term is a key part of what we want to do. We want to get members, customers into that ecosystem. And so we think having a membership like this is important. But it's a piece of the puzzle, where we're going to continue to roll it out in a way that balances speed, which is important from a competitive standpoint, but also making sure we get the customer or the member experience right.

And so you're going to see us continue to roll out services. You're going to continue to see us to improve the customer experience. And hopefully, we're going to do it in a way that's smart and beneficial for our customers and our shareholders at the same time. But I'm excited about it.

**Peter Sloan Benedict**

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

Q

Yeah. No, for sure. And I had a question that came in, it was kind of around the IT requirements for some of the infrastructure you're doing and the omnichannel fulfillment that you're working on. Maybe a quick comment on that, and also kind of your thoughts on Walmart fulfillment services, marketplace as kind of the alternative revenue stream for you here.

**Brett M. Biggs**

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

A

We've brought in Suresh Kumar, our Chief Technology Officer, I think it's been three years ago now. I lose track of time, but I think it's three years. But his background with Google, with Amazon, with Microsoft is really a perfect background for what we need to solve these customer problems and making sure we generate customer solutions.

So, we're going to invest everything that we need to in tech to make that work. And the great thing about the tech when you generate something for our supply chain, for our first party business supply chain or Walmart+ or delivery, it has benefits for everything we want to do from a third party perspective. So, it's alternative revenue stream. So whether that's – as we do something for our own fulfillment centers, it helps with Walmart fulfillment services and with third party sellers. So, all of us – there's a great synergy around the tech that we're building for both our first party and third party businesses.

**Peter Sloan Benedict**

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

Q

Excellent. I guess the next question would be around financial and healthcare services and that kind of area, the [indiscernible] (00:10:48). Again, a lot – always a lot going on but maybe bring us up to speed on what's happening on that front.

**Brett M. Biggs**

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

A

Yeah. Yeah. With this new – [ph] the fire to decentralize (00:10:58) finance that a lot of companies are trying to get into that business, the reason they are is because customers are interacting with the financial services really differently than they have in the past and certainly the younger generation will. It's going to be less about banks and more about this decentralized finance.

So, with that specifically, we have – already have a big financial services business. We have a relationship with customers. What we've – the joint venture that we formed with Micky of Ribbit Capital is going to be really exciting, and I'm on the board of that company. And so I'm excited about what we can do with a separate joint venture but also what we can do specifically inside the company.

And then in healthcare, we've got a healthcare business for a long time. We've got a relationship with the customer particularly on the pharmacy side, but we've been developing clinics and other things that customers are trying. You saw that we just did an – announced acquisition of a telehealth company. Telehealth is something that's going to be really big going forward. It became a lifesaver in the pandemic. But those are the kind of habits that are just going to continue out into the future, people using services differently.

So, in both of these places, we already have well-established businesses. We have well-established relationship with customers. And from that perspective, it's really just about widening and broadening what we do in those areas, but very high margin services as well. So, it's another thing that can help us from an overall profitability standpoint.

**Peter Sloan Benedict**

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

Q

Yeah, for sure. I want to spend a minute – a few minutes here maybe on your international business. The portfolio looks a lot different today than it did in just a few years ago. Maybe talk about like how do you feel about the



current portfolio that you have. And then some are related to that – your AA credit rating. How do you – I mean, you seem to be in more of a contraction mode or rationalization mode than you are in expansion mode. But just talk about the importance of the credit rating and if there were any opportunities to do something more. I mean your willingness to take that down. I don't think you are, but I'm just getting a question on that. So I wanted to weave that into the conversation.

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**Brett M. Biggs**

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

A

Yeah. I mean, I assume when you're talking about contraction mode, you're talking more about international versus total company because we're clearly in expansion mode total company.

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**Peter Sloan Benedict**

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

Q

Yes. Yes.

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**Brett M. Biggs**

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

A

On the international side, I feel really good about our markets and you were seeing in the first quarter our growth rates going up. So we're in markets now with higher growth rates. You look at China, India. Canada has been a little more challenged on the COVID front recently. Mexico, Central America and some of those markets are high growth. So, I feel really good about our major markets and the leadership in those markets and what we can do longer term. We're going to continue to be aggressive as a company. We've made some big acquisitions. Obviously, Flipkart was a big acquisition, and I think we're happy with it and I think we'll continue to be really – feel really good about that from a valuation standpoint.

So, how that relates to our credit rating, we've been a AA credit I think forever. It's long as I can remember. I've been here 21 years. So, as long as I can remember, we've been AA credit. And it's really important to us and it's benefited us. It really benefits you when you get in challenging times like we did last March and back again in 2008. We're going to continue to be really aggressive as a company and making sure that we grow the business both top line and bottom line the way that we want to.

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**Peter Sloan Benedict**

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

Q

Yeah. I figure that's how you're going to respond. So – but let me be quickly on Flipkart...

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**Brett M. Biggs**

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

A

We've been at this a while, Peter.

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**Peter Sloan Benedict**

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

Q

So the – just focusing on India for a little bit here, Flipkart and PhonePe. Maybe talk a little bit more about what has transpired there during the pandemic. And there's a lot going on, but how you feel about those businesses now that they're hopefully starting to come out. But I know that not fully by any stretch and – just how do you think about the ownership structure of those assets specifically but then also more broadly your ownership structure on

a lot of these international markets. I think I use the word contraction, I probably – that's not really what I meant. I kind of meant more...

[indiscernible] (00:15:26)

**Peter Sloan Benedict**

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

Q

Of what's going on in your portfolio.

**Brett M. Biggs**

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

A

Yeah. Yeah.

**Peter Sloan Benedict**

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

Q

So maybe help us through that a little bit.

**Brett M. Biggs**

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

A

Yeah. The first time I went to – I mean I've been going to India for at least 15 years. But the first time I went to visit Flipkart is really exciting. And on PhonePe, I remember coming back to our team here and saying some of the things that we're trying to do from a – whether it's financial services standpoint but this ecosystem concept, I mean PhonePe was there. They were already ahead of some of the things that we wanted to do in the US. And so that's what made it so exciting, and I just see that continuing.

I mean it's been – the last 16 months in India have been challenging. You had shutdowns last year for over 50 days and Flipkart, we've had some more this year and the human toll in India is really challenging right now. And I'm with you, it feels like maybe we're – things are starting to get a little better at least in some of the cities in India and we certainly hope so.

But longer term, the ecosystem play there is really encouraging, really exciting and I think it mimics some of the things, if not lead some of the things we want to do in the US and the things we want to do in Mexico. So, I feel good about that. From an ownership standpoint, it can work any way that – I can come up with all different types of scenarios in which it will benefit us, it will benefit Flipkart, benefit the customer. We've talked about potential of an IPO. I think that's something that's still certainly on our minds and I think it could make sense to be a public company and have your associates have that – the ability to own shares in the company and do things like that like we have in Mexico. So, I think we're open to all kinds of different structures in India, but IPO is something that we certainly have been considering.

**Peter Sloan Benedict**

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

Q

Sure that's great. Let's spend some time on Sam's Club which doesn't get a lot of air time, a massive...

**Brett M. Biggs**

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

A

It's a really big business, yeah.

**Peter Sloan Benedict**

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

Q

Big business inside of a bigger business. But I'm just trying to get an update on your kind of vision for Sam's Club. I mean couple of years back, you guys rationalized that footprint in the US, got out of some markets, have repurposed that real estate for other reasons. So, again, part of the portfolio or the broader portfolio of Walmart. But – and the business is doing fantastic now, membership and whatnot. So, maybe talk about the longer term strategic value of Sam's Club and how do you see that working as part of the Walmart ecosystem.

**Brett M. Biggs**

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

A

Yeah. Sam's is – I mean just looking at the business performance, it's been stellar the last few years. We're seeing membership renewal rates and membership rates at record highs. The value proposition is there. The business, the comp sales are great. Profitability has been great. So, just on its own, if Sam's were separate business you'd be saying, I'm feeling really, really good about what's going on at Sam's Club.

But it also has benefits to the total company. It's been a leader in technology for us. So Scan & Go was really developed at Sam's and makes sense for that limited SKU environment. It's perfect. I use it all the time when I'm at Sam's Club. They've done things from an associate standpoint things like Ask Sam, which – that's been rolled out into the US to help associates with what's going on the stores, help them serve customers and members. So they've been leading edge in all of that.

Most of us have spent time at Sam's. Doug was CEO at Sam's. I was CFO at Sam's. Furner spent time at Sam's. Kath is now at Sam's obviously. And it's a great way to learn retail. So, I've benefited a lot personally from that in my career and lot of people at Walmart has. So, there's just a lot of a lot of things that that brings to the table for us.

**Peter Sloan Benedict**

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

Q

Yeah. No, for sure. It's been a breeding ground for sure, but also – so nice to see it work and performing so well.

**Brett M. Biggs**

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

A

Yeah, it's performing really well.

**Peter Sloan Benedict**

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

Q

Yeah. Just on the – back to the P&L a bit. Maybe on gross margin, maybe two questions. One, how are you thinking about inventory management maybe any differently kind of coming out of COVID versus before? Have you gained any access to new vendors? Are you dealing with vendors definitely? That's kind of – and to weave that into that gross margin question, do you think the alternative profit pools allow you to maybe have gross margin migrate higher over time or do you reinvest those either back into gross margin or somewhere else in the P&L? How are you thinking about that?

**Brett M. Biggs**

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

A

Yeah. I think go back to several years ago, Peter, you had heard me talk about SG&A from the standpoint of we get SG&A in the right place. It just allows us to have more flexibility with what we want to do and what we need to do from a gross margin perspective and still keep operating margins where we want them. I would say the same thing a bit about the alternative profit pools, it's another lever again that just – it gives us more options. And there's certain categories where maybe you want margins to be a little bit higher. There are some categories you may want margins be a little bit lower. But you can make it all work and keep operating margins where we want them to and keep growing profit over time.

So, I view those as a piece of the puzzle. And I think – I still think gross margin rates will settle where the market allows it to settle to some degree and where customers will allow it to settle. But having said that, we can manage the mix in different ways. So, if general merchandise penetration for instance is 1% or 2% higher in total, it's a big difference from a margin mix perspective. If you get these alternative revenue streams growing, it's a big difference from margin perspective. So, it just widens the gap of – I think of where you can manage margins and still have your operating margins be where you want them to be from a shareholder perspective.

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**Peter Sloan Benedict**

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

Q

Yeah. Yeah. It sounds like the optionality and the flexibility...

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**Brett M. Biggs**

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

A

Yeah.

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**Peter Sloan Benedict**

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

Q

...it's kind of moving up the P&L. I mean [indiscernible] (00:21:58)...

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**Brett M. Biggs**

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

A

Yeah.

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**Peter Sloan Benedict**

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

Q

...a couple of years ago, and now it's moving up. So that's great to hear. I guess in the two minutes we have remaining just – we'll tie it all together with ROIC declining for 10 years. You guys did a nice job of getting that kind of stabilized. Obviously, there's some transactions that will happen and [indiscernible] (00:22:17) that. But how do you think about kind of ROI, ROIC in the longer term kind of part of this transformation of Walmart?

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**Brett M. Biggs**

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

A

Yeah, it's important. I mean, we had a number of years where – if we went back to 2015, we basically said ROIC is going to come down for a little bit because we need to get our margins in the right place, and that that wasn't very popular. Over the next several years, we've said we're going to take CapEx up a bit and that'll – that part will pressure ROIC a bit because you just – the denominator gets bigger a little more quickly.

But I feel good about our ability to continue to grow operating profit. And so the numerator growing as well. So I do – over the mid-term, I feel good about our ability to continue to improve returns. We feel it as a management team. We know it's really important to our shareholders. And so I think we can do everything our customers need. And if we're doing it the right way, we should deliver ROI, right? And we feel accountable to do that.

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**Peter Sloan Benedict**

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

Yeah. That's great to hear. We're coming up at the end of the session, so we'll cut it off there. But thanks, Brett, for your time, your insight.

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**Brett M. Biggs**

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

Yeah. Thanks, Peter.

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**Peter Sloan Benedict**

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

Best of luck with the – with everything. And if anybody has any follow-up question, don't hesitate to reach out. But thanks everyone and enjoy the rest of the conference.

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**Brett M. Biggs**

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

Thanks, everybody.

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