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Walmart, Inc. (WMT)

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CORPORATE PARTICIPANTS

Brett M. Biggs

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

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Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Good morning, good day, everyone. Hope you're doing well. I'm Simeon Gutman, Morgan Stanley's hardline, broadline and food retail analyst. And it is a distinct pleasure to welcome Walmart to this fireside chat for our Global Consumer & Retail Conference, represented by EVP and CFO, Brett Biggs.

I'm going to read a quick disclosure and then get going with Q&A. First, for important disclosures, please see the Morgan Stanley Research Disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales rep. We do have a Q&A for the audience. I see the queue. If you'd like to ask, I could manage both as we get into it.

In lieu of a formal intro, Brett, thanks for being here.

Brett M. Biggs

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

You bet. Thanks, Simeon.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

I'm going to bug you first about the announcement. I do want to say I hope we'll see you at the shareholders' meeting and I'm expecting them to invite James Corden to give you another hug.

Brett M. Biggs

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

I've thought about that.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Yeah. I'm sure they're going to do that to you. But it's obviously been a pleasure working with you. And as they said in Jerry Maguire, you've been the ambassador of quan, not just shareholder value, Brett, but community and I think respect and even some love. So appreciate the partnership over the last number of years.

Brett M. Biggs

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

Yeah. It's been great. Thank you. And I'm still here for a while. So...

QUESTION AND ANSWER SECTION

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Fair enough. So can I ask, what are you going to be doing 12 to 24 months from now?

Q

Brett M. Biggs

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

Yeah. Maybe for the first time in my life, I don't know entirely what I'm going be doing. I'm involved in a lot of non-profit work. I really enjoy that. And I'm looking forward to doing that, spending more time doing that. I have two daughters. I have a 23-year old and a 15-year old, so looking forward to spending more time with them, my wife as well.

A

Just probably will get, you know me, Simeon, I'll probably get a little more golf in. That will be part of the plan. But I'm excited. The company is in fantastic shape. It's such – it's been what a blessing to my life the last 22 years and starting year seven in this role. And I just can't think of a time where I've been more optimistic about the company, and I feel like we're just in a great place for a transition like this to occur.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

So thanks for that. You've been at this helm during one of the most transformational moments or times for Walmart through multichannel, understanding what the economics would look like, doing both balancing investment with growth. And then we always used to talk about the expense ratio and how you could potentially engineer it lower. So open-ended of what's left and what do you think the big strategic initiatives may be for the next Walmart CFO?

Q

Brett M. Biggs

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

Yeah. I think the strategy is as solid as I've ever seen it inside the company, and I think now we need to go execute against that. But when you have a competitive environment and a macro environment that's constantly changing, you're going to continue to adapt that strategy. And you and I were talking earlier, there's – you get a question of why, why now, and in companies like this is, you never finish anything. It's just different evolutions of what's going on inside the company because it's changing so frequently and improving itself.

A

So I think the new CFO will continue to have, certainly, things to do. But I think whoever comes in is coming in at a time when I've never seen the growth opportunities in this company like I see them right now. When I came in in 2000, we were up to \$160 billion in revenue, and we're way over \$500 billion now. And I remember thinking about

the rollout of supercenters at the time and what that could look like. But now I look at it and I just see so many different arms of potential growth that I think it's astounding what this company could do.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

So part of the, I guess, the strategic/financial plan is balancing the investment with growth. Do you think that there could be a tilt in how that's positioned in the future, meaning either invest quicker or grow quicker or do both faster? And then I have a follow-up related to more about 2021 and how to think about it going forward.

Brett M. Biggs

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

A

Yeah. I think we said last year that we're going to increase our CapEx sum, and you're seeing us do that. We're investing in fulfillment centers and automation and other things that are going to, I think, make this company – give it the ability to grow even quicker than it is. Obviously, last 2 years have been high growth because of COVID, but can grow quicker than we did pre-COVID because of the investment we're making.

Sometimes you're going to have a lag of some of that investment. You can't put up a fulfillment center overnight that increases your capacity to do 3P and other things like that. So there's always a lag. But we're putting the CapEx in to make those growth rates possible. We have the financial flexibility to go do that. And you've seen we do a share repurchase here, with over \$7 billion share repurchase already for the year. So we really can do all of this.

And speed is a really important element inside the company right now. We want to continue to move with speed because that's – our customers are moving quickly. Our competitors are moving quickly. And we want to stay in front of that.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

So in the second quarter, I call it the quote that was heard around the world, Doug's quote that we can do both, where he reiterated the idea of investing as well as driving profit growth. And part of it is the recognition that you've built this financial plan. You've stuck to a strategic plan, which not many companies can say they've done. I think that's what's helped you been able to hit it.

And then in the last call, I thought there was a little bit of vagueness regarding that. And maybe just to help clarify, we always thought, hey, we've built this plan that even if we don't grow sales at the same rate, we could still engineer the P&L. I don't want to say you manage it that finely, on an annual basis, to be able to grow EBIT dollars at a, call it, mid-single-ish rate of growth.

And the way that it was characterized on the third quarter was more of, hey, this might be a medium to long term, it may not be linear. So can you just parse the we can do both to how should we think about it in terms of a timing perspective?

Brett M. Biggs

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

A

Well, I don't think anything is linear. It rarely is. And actually, I would argue over the last 2 years, the algorithm we put out there, we've exceeded it by a long, long way. So I think we've already done what we said we would do from sale, top line and bottom line perspective.

There's been tailwinds for us the last 2 years, no doubt about it. And the 4% sales growth, the ability to grow operating income faster than that, I feel great about that. Is it going to happen every year? There may be years we invest differently than we do other years, but if you look back over a period of time and say that they do what they said they would do, I feel great about our ability to do that.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

And maybe a nuanced follow-up to that is, I would have viewed or maybe the market would have viewed 2021 or your fiscal 2022 as a stepped up investment year, and you mentioned the CapEx. And therefore, as you lap that, there could be an easing of that. And therefore, that gives you a little bit more wherewithal, albeit you had a great – you've been having a great sales year this year.

Brett M. Biggs

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

A

Well, we said 2.5% to 3% CapEx as a percent of sales for a period of time. So I think we laid that out fairly clearly last February.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Fair enough. So moving on from that topic to the state of the consumer, and I want to ask something that I think is pretty topical, that's probably been sitting on the stock maybe more than we appreciated, which is the lapping of stimulus. We will lap a gargantuan amount in the first half. But at the same time, that customer is being more employed, the lower income consumer, more employed and getting better paid.

Brett M. Biggs

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

A

For sure. Yeah.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

So how do you – and not a first half question, but I'd say overall state of consumer and the puts and takes around that.

Brett M. Biggs

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

A

Yeah. I think the state of consumer is still strong. You pointed out jobs are readily available, wages are up, and that's really across the board. With where labor participation rates are, you would think that, that the labor market would stay pretty good for folks that want to work. So that should stay strong through next year.

We're just in this period of time where there's such an imbalance of supply and demand in certain categories that we haven't seen before because you've got the stimulus, you've got a strong consumer that is fueling demand, and then you've got supply, in some cases, constrained by impacts of COVID. Those things should work themselves out over time if you just think through. It may take a little longer than all of us thought when we started this – entered this 18 months ago, but it will work. I feel confident it'll work its way out over time.

But if you look at Q3, we had over 15% 2-year stack at Walmart US, which is a massive business to begin with. Sam's Club [indiscernible] (00:09:36) fuel and tobacco, over 30% 2-year stacks. So the size of this business compared to what it was 2 years ago is quite different. I mean, we've grown a Fortune 50 company over 2 years. So as we go into this next period of time, which I think will continue to be incredible growth and we're going into it already with growth over the last 2 years that would have exceeded, I think, any investors' expectations.

Simeon Ari Gutman*Analyst, Morgan Stanley & Co. LLC*

Q

You've been, I guess, appropriately like sobering/conservative around how we should think about that. I've asked this to a lot of CEOs of companies that sell durables, exclusively durables where there is this debate about reversion or some digestion. How do you think about that for your business? I know we're lapping stimulus. But as far as this water level being higher and that retailers can grow from that, does that have merit or how do you think about it?

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

A

I think I feel good about us continuing to grow. I can't speak for the entire retail industry. But the consumer is good. There's still a lot of money out there. Yeah, I mean, I feel good about our ability to grow. I mean, have there been tailwinds the last 2 years? Of course. And it's why I keep coming back to, and it's not to be evasive about the question is why I keep coming back to, I always think about this business on a longer mid-term, long-term basis.

I certainly care about next year. And our investors, I know, care about next year. But any one quarter or one year, while it's important, our focus is on, will investors look back 5 years from now and say, these guys did the right thing and I love where I'm at now, that's what I want.

Simeon Ari Gutman*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. Okay.

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

A

And feel good that we'll put them in that place.

Simeon Ari Gutman*Analyst, Morgan Stanley & Co. LLC*

Q

Yeah. So transitioning from sales to margin, specifically gross margin. Last quarter, the US gross was down a shade, 12%. I thought it was a relative victory, right, when we saw it. Maybe the market felt differently. We had a discussion. I think one of the primary culprits was supply chain costs, not necessarily price investments. But Doug did make a comment on the call, our costs are rising quicker than our retail and we kind of like that balance, something like that, to that effect.

And so, taking into account the headwinds, tailwinds, supply chain, inflation, pricing, how should investors think about that? I don't think you're managing to a margin. It's probably an outcome. But how do we think about the puts and takes? Are we in a gross margin down environment for the foreseeable future?

Brett M. Biggs

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

A

There's a lot of pieces to gross margin, and Simeon, I feel like I've been saying this ever since I was CFO. It's tough to look at quarter-to-quarter because there are so many pieces, there are supply chain costs, there's the new businesses that we're in, there's input costs, there's the cost versus retail trade-off, there's competitive. It's really tough to look at quarter-to-quarter. I'm with you, I was a bit surprised by the questions related to the US margin because it's been up significantly at times and it was, I'd say, relatively flat in Q3.

Again, as you look at the next few quarters, there certainly will be some choppiness in the next few quarters, I think, in anybody's business as we work our way through these imbalances that we've had as an economy. But do I think the gross margin of Walmart can go up over time? I do. And the reason I say that is because of the new businesses that we're building, our ability to grow our general merchandise business and continue to make the mix better, which is really why the supercenter started as you needed a mix out of that box, and it's no different today. You still need that mix.

I think our ability to grow our GM business is as good as it's ever been with the capacity we're building from marketplace and eCommerce. So I feel good about all of that. But I feel good about the ability to do that and keep our price gaps in a really great shape that allows us to take market share. If I'm an investor, again, let's talk about how investors feel 2 years, 3 years, 5 years from now, I think they're going to be glad that we continue to take market share, which we are, but we can do it in a way that's really responsible from a shareholder perspective.

So going back to your comment about, we can do both, I feel confident that we can do that. This is a time, though, where you can show differentiation with competitors on pricing, doing a smart way, doing a strategic way, which you can show differentiation, get that market share, get customers into your ecosystem and your flywheel, that long term, is a great decision.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

You mentioned that – I think you said we feel good about where we are with pricing or maintaining price gaps. Can you talk about the backdrop? I know you don't share so much on it, but we are hearing, especially in the grocery space, pricing initiatives or improvements, trickling in a little bit more frequently. So where do you stand? I know you...

Brett M. Biggs

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

A

What do you mean by that, Simeon?

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

The price gaps.

Brett M. Biggs

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

A

Oh.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Price gaps versus competitors, where you feel you are? Because at the margin, you've always said, we feel good about where we are. Now we're starting to hear other retailers lean in for the first time, especially in grocery. Curious what you're hearing, seeing and anything different?

Brett M. Biggs

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

A

You're talking about trying to shrink that price gap?

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Exactly.

Brett M. Biggs

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

A

To us? Yeah. Our price gaps are higher than they were or wider than they were before we came into COVID. So I feel like we have a lot of flexibility in what we need to do. And even just, I mean, take what we've always done well, which is provide value for the customer. The things that we can do now versus 5 years ago and whether it's delivery, pickup, eCommerce, the initiatives that we're putting forth and financial services, healthcare, there's so many things that we can do as a business that competitors really can't do, that it just adds on to, I think, the gap that we already had with price, you add these things on top of it and I think it makes the total gap wider competitively.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. Regarding inflation, Brett, is there any update as far as, is it beginning to level off or do you expect the run rate to accelerate further?

Brett M. Biggs

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

A

I think anyone who says they know for sure where that's going is – it's probably not a prudent call. We're seeing categories where it is leveling out some. We're seeing some where it continues to move upward. I think you've got to look at input costs. I think there's labor costs that are probably a little stickier than maybe some of the input costs will be longer term as, again, the imbalances just clear their way out of the system, I think some of those costs, whether that's transportation costs or input costs, will probably come down at some point. Labor costs are probably a little stickier, would be my guess at this point for a longer period of time.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Okay. So shifting away from margin, I want to ask a little bit about eCommerce. The first is, do you think Walmart at some point in the future will discuss the channel profits or is that a thing of the past?

Brett M. Biggs

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

A

I think it's really difficult to discuss in that way anymore because – and I think it's going to get more difficult. I started saying that about 3 or 4 years ago, and I think you and other analysts, I mean, didn't quite believe me on that one. But as we get this flywheel more integrated, we get more things going inside our ecosystem, it's going to be much more difficult to discuss channel profitability in a way that, that makes sense.

To me, it's about growing top line and doing it in a way from a total profitability standpoint that make sense for the company and for shareholders. Certainly, I and Doug and others talk a lot about and have a pretty good view into, if we grow this channel, this happens. If we don't do that, then you don't know how to manage costs. But to describe that in a way that one doesn't hurt us competitively and in a way that it makes sense and how you would monitor it, is pretty challenging.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Could I infer from that then if you have alternative profit pools, would that go against or be included in the P&L of an eCommerce business or no, you'd still look at eCommerce with non-alternative revenue drivers?

Brett M. Biggs

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



Well, to begin with, eCommerce isn't a segment. It's part of our US segment. It's part of our international segment. It's part of our Sam's segment. So we don't break out eCommerce separately from a reporting standpoint, which makes it even, I think, even more challenging to discuss.

But your question really hits at the point. If my Connect business is growing, it's going to be for a lot of different reasons. If our marketplace business grows, it's going to be because our site has gotten better. We've done Walmart Fulfillment Services, which has made it easier for sellers. Our stores are better, which gets us more customers that then they shop more online. It's really integrated, which is what we want. That's exactly the business model that I think differentiates us over time.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. So the angle which I'm sure you've already sensed of why it's important is at some point you did discuss that eCommerce as a channel was losing money and certain companies trade at profoundly different and higher multiples when they cross that threshold from losing money to making money. And part of the narrative has been investing in the marketplace in the long tail of goods. And so, to the extent that the market can track Walmart's progress, I think it could be additive to your – and that would be angle, if it's possible to think about it that way.

Brett M. Biggs

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

A

Yeah. No. And yeah, I understand that. And for us, it's always going to be a balance of how do we show investors enough data points that you see that you can connect the dots like we do internally, but do it in a way that doesn't disadvantage us competitively. That's the balance. In February, we really started talking about this new business model and the omnichannel model and the new business initiatives. And we know over time, we're going to need to talk about some of those things, so investors can see the benefit of that. But I think even if we didn't split – if we didn't talk about it in any of that, you're going to see it in the top line and the bottom line.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Fair enough. Just a reminder, nothing is in the queue. But if people have questions, feel free. So we have about 15 minutes.

Brett M. Biggs

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

A

Your questions, I guess, are so great that no one can top them, Simeon.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

All right. Give me a hard time on our last [indiscernible] (00:20:45). It's all good. But this is a good transition to alternative profit. And I have a laundry list, some of which you may not include as alternative. But I think it'd helpful, and this could occupy our last 15 minutes. So first, Walmart Connect; second, fintech; third, health; fourth, GoLocal. I mean, you keep us busy. I have the marketplace and Walmart+. So that was five and six.

So I think the bigger question, Brett, is how should we think about how you're prioritizing those? I'm not sure if you classify them all as alternative, but how do you think about it?

Brett M. Biggs

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

A

They're not. They're all businesses that were growing more rapidly, and that for the most part, all have higher margin characteristics than you would see in pure retail. So I think you can connect them that way. They're all – the good thing is that I think you got the list right. And so, it's not 100 things. It's four, five, six that we want to focus. So I feel like that's a good number for us to be able to really put resources against.

And you know going into something like this, there's going to be some of this that goes incredibly well, better than we would have thought. There'll be some things that won't work out quite like we want. And as we go through these, we'll learn things that'll lead to other businesses that we want to go into. I think GoLocal is a great example of that, and that logistics has always been a core competence – kind of core competency for us. And the ability now to potentially turn that into a business makes total sense. There'll be other things like that that happen over the next 2, 3, 4, 5 years that will be on the list that aren't on the list today. And there'll be some that maybe come off the list over time.

But I really doubt something comes off the list. As I look at these and our ability to scale in all of these areas, we have the people in place. We have the capital that's going to be committed to these businesses. I'm on the JV fintech board, as you know, with Ribbit, who's a phenomenal partner, and we have great people leading that business. Each one of these has big upside. They're meaningful. And for us to invest in something, it needs to be meaningful. We can't do things that don't move the needle. All of these move the needle. That's why I'm excited about them.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

You got the flywheel of doing both, even before some of these were hatched. So US EBIT today, I think, sits around \$22 billion, and I'm just throwing it in the US for a second. Why shouldn't that flywheel spin quicker? Meaning, unless you have so much to reinvest back from these initiatives, but between Connect, we have an

estimate of what we think it can – somewhat, we have a sense of fintech and Walmart+, I mean, there's some tangible EBIT dollar pies here. Why couldn't [ph] \$21 billion (00:23:52) be \$30 billion in 4 years from now?

Brett M. Biggs

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

A

In 2021? What are you talking about? I'm not sure. I didn't get the question.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Oh, I mean, I'm basically saying, why can't you significantly accelerate the EBIT growth of the US enterprise?

Brett M. Biggs

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

A

Oh. Yeah. I mean, if you look at some of these, there's opportunities to do that. There's some that we'll invest back into as that happens. We want to keep taking market share, which mid- to long-term is definitely the right thing to do. So it gets back to this balance of how much do you drop the bottom line? How much do you keep investing back in the business? And I think over time, Simeon, those are decisions that we'll make that investors – we'll certainly understand how investors look at that as we go through that process. But there is some of these businesses that can certainly scale more quickly than some others. Some could scale pretty quickly.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. To zoom in on a couple. Connect, it seems like the progress is happening at a quicker pace. Okay, and if you agree.

Brett M. Biggs

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

A

Yeah.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Does the goal of what I think you said, maybe reaching it as a top 10 advertiser, does that happen quicker or is that – can you be a top five?

Brett M. Biggs

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

A

I think both of those things are possible. Again, we'll balance out. And it goes back again to, it's really difficult to look at these things on their own. Because [ph] if you could (00:25:27) look at Connect and say, if that was my only business, could I just plow into it, scale it up quickly? Yes. But at the same time, I can't look at it [indiscernible] (00:25:37) because I got to look and make sure that my customer experience is good, my advertising experience is good, that I'm getting the tools that I need for them to not just for this year but for 3 years from now to make that work, that I keep my site uncluttered, that I make sure that customers continue to trust me that I'm giving them the best product recommendation for them, not necessarily what a supplier wants. All of those things have to go at the same time to make the brand work.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. That's helpful. We do have a question from the webcast related to eCommerce. Can you give us a sense of how 3P is doing? Any sense, can you share what percentage of eCommerce or what percentage of the businesses it is? And what is holding the business back at this point? And then there is a follow-up, which I'll ask after this.

Brett M. Biggs

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

A

Yeah. 3P is one of those businesses that I do think that it is accelerating. It can continue to accelerate. We added, I think, 20 million items in the third quarter on marketplace that we're seeing that accelerate. We're still building out the capabilities, the tools, Walmart Fulfillment Services. So some of the fulfillment space that we're building is to service 3P because it's great from a margin perspective, but it's more importantly great from a customer perspective because it's just more and more they know, they can come to Walmart, get what they need, whether it's 1P or 3P. That's the most important part of marketplace. So it is accelerating.

As we get the tools in a better place, which is work that's being accelerated, then it could accelerate even further. We don't really have a goal of what the penetration of 3P should be, higher than it is today. And we want it to be – whatever natural place it goes with our customers, we want it to be probably as high as it can be as far as the penetration of eCommerce.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

And maybe related to this follow-up is, I guess, you wouldn't have a pure market share goal, though, within 3P or in GM.

Brett M. Biggs

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

A

No. Because it's so category-based, you'd have to look at each category separately, but more market share. We've been very successful in growing market share, as you know, in food and consumables over time. And we have just as aggressive goals for general merchandise categories.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Can you share how much market share you've gained or shifted in grocery and maybe in general merchandise for eComm?

Brett M. Biggs

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

A

Yeah. It's not something that we've shared, but it's increased.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Fair enough. On this topic of marketplace, we thought that part of what's holding back Walmart+ from being even a more like-for-like competitor with the other big subscription model out there was having the marketplace fully ready with a long tail of goods, and you're investing towards that. Is that a fair observation?

Brett M. Biggs

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

Yeah. Again, it gets back – this probably sounds like I'm answering all your questions with the same answer, but it's kind of where we are is, it's the flywheel. It's the ecosystem. Each part feeds the other one. And Walmart+ is a really important part of several pieces of our strategy. It's not the only important piece, but it's an important piece of strategy on market share and delivery. It impacts what business we have in eCommerce, 3P, just, it all impacts the other pieces of the business.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Yeah. We have another question from the audience. I'll read it and I think I can paraphrase, Brett, because it's...

Q

Brett M. Biggs

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

Okay.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

...so with logistics being so important to Walmart, how do you think about the relationship with your suppliers? And then, incorporating this in with the historical buyer role in the company, is there a point in time where you're being efficient with the supply chain in bringing product to Walmart, matter as much as the buyer decision? Meaning, does efficient transportation of the product from the supplier to Walmart enter into a buyer's decision, thinking that people will favor you even more because you can bring product to market quicker?

Q

Brett M. Biggs

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

It should. I mean, if you're a supplier and we can get the product more efficiently to the store to where it gets sold, yeah, it definitely should enter into the equation. And part of a buyer's decision is how quickly can I get it? Are you going to keep me in stock? That's really important. And particularly, today, are you going to keep me in stock? But with the growth rates that we have today and where I think we'll go in the future, I would think that will be very attractive to suppliers.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

May I pivot back to the alternative revenue for a second, see if I can [indiscernible] (00:30:17)?

Q

Brett M. Biggs

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

Yeah.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Do you think fintech could be a bigger profit pool than Connect?

Q

Brett M. Biggs

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

I don't know how to put those into context. And we need them both to be bigger. Fintech is – it's a very broad definition. And so, there's a lot of things that can go into that space, which is why I like it. I enjoy being on the board. There's a lot of whitespace still there. So it's hard to measure that. But we want both of them to be as big as they can be.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

And to clarify, Brett, I think what you mean by that, fintech is that, yes, there are direct revenue attributes in terms of selling someone financial services than having them reducing interchange.

Q

Brett M. Biggs

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

Yes.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

But enhancing the share from that customer being more engaged on your platform, that you're not going be able to measure.

Q

Brett M. Biggs

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

Yeah. And it's – but that space and – when you start bringing in really talented people and you start putting them against big, big challenges, there's a lot of times things come out of that space that's not directly related to what you're doing specifically in financial services even. So the team we got assembled there and the partner we have there, there's a lot of opportunity there.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Okay. One quick one on GoLocal and then I'll mention Flipkart because I think it'd be shameful not to have to mention Flipkart. On GoLocal, you jump-started it by partnering with a major retailer [indiscernible] (00:31:52)

Q

Brett M. Biggs

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

Yeah.

A

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

I guess, was that a surprise? And are there more of these? And you're becoming, in a way, you have a third-party marketplace, a fulfillment network to fulfill the third-party marketplace without creating a long tail. Yet, the long tail exists. Now, you're actually connecting the dots.

Q

Brett M. Biggs

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

A

Yes.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

So is that another way to look at GoLocal? And then could that be as competitive as Connect or even a fintech as far as profit dollars over time?

Brett M. Biggs

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

A

Yeah. GoLocal is really interesting. And it's really, again, it's taking a core competency and turning it into a business, delivery-as-a-service or whatever you want to call it. So I think that definitely – you had on your list and I think it's fair that you have that on your list of potential growing accelerating businesses for us.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Fair enough. So moving to Flipkart, Brett, I think you'll know everything I'll ask about it, so maybe I'll let you just answer what I'm going to ask, timing. And when is the right time? Is the business performing the way that you expected it to be?

Brett M. Biggs

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

A

Yeah. I'd say the business is performing almost exactly like we thought it would. Growth is good. It's certainly one where path to profitability, we expect that or we wouldn't have gotten into the business. We're going to continue to invest and take opportunities to grow that business, not just in retail but other areas. [ph] Pompeii (00:33:16) is part of that.

An IPO was still very much in the cards for that business. I think, with everything else, it's timing. It's the business exactly where you want? Is the market right? All those things have to figure into where – to what you do with an IPO. But an IPO and letting our associates have a piece of the business, having it be a more local business in India, all those things are important to us, longer term. And I don't – nothing about that has changed.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Last question, I'll make it two parts, speed dating.

Brett M. Biggs

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

A

That's a [ph] damn vendor (00:33:49) trick to do that.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

I learned from the best. The two parts, just so we can get, international and Sam's. And on international, portfolio rationalization, is it in the later innings? Is it still middle innings? And then on Sam's, the club channel seems to be steamrolling, broadly. I could even be taking share from core Walmart, I'm not sure I would say that. But could that be the case? And what do you think about that interplay going forward?

A

Brett M. Biggs

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

So I'll start with Sam's. Sam's is just killing it. Again, ex-fuel, tobacco, 31%, 32% 2-year stacks. That's a big business to be a third bigger over 2 years. They have great momentum. I love what they're doing. Membership's phenomenal. The club channel is doing well, but Sam's is really, really doing well. And if I'm a Walmart shareholder, I want Sam's and Walmart to both do well. So it's like picking your favorite child, I like Walmart and Sam's.

On international, we even made a lot of moves in the last couple of years on the portfolio. I think the markets we're in today makes sense, particularly the big markets, Mexico, Canada, India, China are all great. Chile's had a great year. South Africa has been a little more challenged because of what's going on with COVID there. But I think all of our markets, they all make sense right now.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Okay. Well, we're out of time, Brett. Appreciate you taking the time.

Brett M. Biggs

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

You bet. Good to see you.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Likewise. Hope to be part of all the toasting and roasting over the next year. But to those who joined us, thanks for sticking with us.

Brett M. Biggs

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

Yeah. Thanks for your interest in the company, and hope everybody has a great holiday.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Take care.

Brett M. Biggs

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

Thank you.

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