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Walmart, Inc. (WMT)

Raymond James Institutional Investors Conference

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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Robert Griffin
Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Well, good morning, everybody. Thank you for joining us today virtually at Raymond James 42nd Annual Institutional Investor Conference. For those that I've not had the chance to meet in person, I'm Bobby Griffin and cover consumer hardlines and retail here at Raymond James.

Today, I'm pleased to introduce Brett Biggs, CFO of Walmart. Also in attendance virtually from the company is Kary Brunner, Senior Director of Investor Relations. So, today's format will be a fireside chat between Brett and I. But before we begin, let me remind you that there may be forward-looking statements made today, so please refer to Walmart's website for the full legal Safe Harbor statement.

Brett, first, thank you for joining us. We really appreciate the support. And I must say I hopefully look forward to doing this in person next year in a sunny Orlando.

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

Yeah. It's always a great way to start the year actually is with you guys down in Florida. So, hopefully, we'll get that worked out next time.

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QUESTION AND ANSWER SECTION

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

Absolutely. Absolutely. So, maybe just to get us started, you guys just released a great fiscal fourth quarter and hosted an Investor Day. So, maybe we can talk a little bit about what you're seeing from the US consumer and how you think COVID-19 has shaped the competitive environment as we move here into calendar year 2021.

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

A

Yeah. It's amazing. I'm sure it's on everybody's mind that basically we're coming around to a year from when COVID became a real challenge in the United States. So, a lot has changed. If we would have tried to guess a year ago where we were going to be, it would have been really difficult to predict. And there's been so much difficulty and challenge around the world with health of families and friends. And so, that's been top of mind.

From a business standpoint, it's been a challenging year, but a good year for the company. And it accelerated a number of things from a strategic standpoint that fortunately we were prepared for maybe to take a little longer than it took, everything accelerated. But we're prepared to be an omnichannel retailer, the ecosystem becoming larger.

And so, we're ready for all those things and it benefited us during the year. The customers just had to evolve as we've gone through this year and we went – go back to last March and April, when stock-up was happening and then the stimulus package, then the COVID numbers got really rough during the summer, get a little better in the fall, get in the winter and then – so the customers had to evolve through this.

I think, for the most part, I feel it even here in our local area, people are getting out again more. Traffic seems like it's getting a little more challenging. So, they're wanting to get out. My guess is, it feels like we'll – you're watching the same things I am. Feel like we'll get a stimulus package of some sort coming out and I think that will help folks. We'll see how they spend it. I do think people will spend probably a little differently. GM will be important to people, but also people are ready to go on vacations and do other things like that. So, they'll probably spend the money a little differently maybe than they did last year.

But I think the consumer is doing okay overall, particularly with the stimulus packages that are coming out. It depends on which industry you're in. If you've been in the travel industry or service industry, hotel/restaurants, that's been certainly challenging. But overall, I think the consumer is continuing to spend money. We benefited from that last year. And I believe we will continue to do so this year.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

Okay. And maybe just touched a little bit on when you look at the potential tailwinds and headwinds for 2021, obviously a lot of moving parts. Your business has performed extremely well. It's been a little bit different of a mix. But if we do return to more of a "normal environment," what does that mix shift do from a headwind or tailwind perspective?

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

Yeah. It's exciting this year, we gained market share in a number of general merchandise categories where we've been looking to strengthen the business. And that helps, both from a customer stickiness standpoint, also from a margin mix standpoint, which you saw during the year for us from a profitability perspective.

That's going to continue to – I think that will continue to evolve. I feel good about our business as we go through this year. As you mentioned, just a number of headwinds and tailwinds, and that's why it made even giving guidance more challenging than typically would be. The news on the vaccine front appears really positive and so it's possible that maybe things just get back to normal more quickly than even some of us expect, which would be fantastic.

People are going to spend money a little bit differently. There's pent-up demand certainly for travel. I'm sure everybody on this call would love to get out and take a vacation. But at the same time, the work we've done on general merchandise side, on the Marketplace side, that's going to benefit us going forward. We had limited operating hours for quite a bit of last year. Those operating hours are starting to come back. That will benefit us.

And as customers evolved last year, I think value started taking a little bit of a – definitely a backseat to convenience. People maybe were shopping a little closer to home or shopping in a smaller store. I think that comes back our way as we get through the year. So, there's all these headwinds and tailwinds. And I even said in my comments at our investor meeting, the balance of those is what will determine where we end up for the year. But I feel really good, in any case, about how the consumer will respond to the offerings that we have.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Great. And maybe let's shift gears a little bit and touch on a few key topics from the recent Investor Day. Two important ones that stood out to us, as well as probably a lot of investors, were the new flywheel, the new Walmart flywheel that was discussed as well as the accelerating of automation investments. So, I guess, first, let's hit the flywheel. Can we unpack that concept a little bit, discuss some of the key components and then what that sets the business up going forward?

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

Yeah, it's been fun helping evolve that, because it's – as I came into the company almost 21 years ago now, the productivity loop was so prevalent in everything that we talked about and it's really just kind of the modern-day productivity loop. It's different than it used to be. And the business five years ago looked very different than it is today, even from a P&L perspective. It's going to look different again three years, four years, five years from now.

But it's still at the top of that getting that customer engagement at the top and we're always thankful for the people at Walmart, they got us into the grocery business decades ago, because it allows us a way and an opportunity to really interact with customers on a regular basis through that grocery business and ensuring that we're always the best in that. And you know, Bobby, over the years, we've put so much money into quality and into process in that part of the business. So, that'll continue to be a really strong part of what we do. But then that allows us to do some things better, faster, sharper than we've done in the past. We're growing a much bigger GM business, both online and the stores, first party, third party that has benefits from a stickiness standpoint as well as a margin standpoint.

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We've always had opportunities and we have businesses in healthcare and financial services. How people interact with those things in the future is going to be different. Telemedicine, for instance, is going to be much more prevalent than it was five years ago. We like what we're doing with the clinics. There's things that we're continuing to evolve and change with those, but we like those. And then you know about the financial services joint venture that we just did with Ribbit.

And then there's just other ways for us to make money. So, you keep kind of coming around on the flywheel, whether it's advertising or data, marketplace, fulfillment services for sellers. There's ways for us to make money in a different way and in higher-margin businesses which helps mix out differently than we have in the past. We're always going to be sharp on operating costs, and that was always a big part of the productivity loop, but still a big part of the flywheel.

Then, all of this then allows us to just continue to evolve the customer experience, which is going to continue to be important and given the balance sheet that we have and the momentum that we have, there's things that we can do from an investment standpoint. You mentioned automation that competitors just can't – they can't do at the pace that we're going to do them at. And so, we felt like this was the right time to really lean in on innovation and capacity both.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Yes. And how do you see maybe some of those building blocks you talk about of that new flywheel translating across the different business segments? You have a powerful US business and a e-commerce business that's in some fast-growing markets, and then Sam's Club just got up done having another tremendous year.

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

Yeah. That flywheel is really – it translates really well to most of our markets. In Sam's Club, while it's a little bit different, they're still elements of that flywheel that work. Now, the top of their flywheel is going to be – they have a big food business. But it's that treasure hunt and the excitement of item merchandising that you get at Sam's Club, so it's a little bit different.

But all of these things that we're doing, they translate in a place like Mexico, they translate in a place like Canada. China's a little different with the formats. The Sam's Club does tremendously well in China and in India. There's so much upside in India with the emerging middle market there. So, that's why it's been fun to evolve this flywheel because it has so many applications really in everything that we do inside the company. It fits really well.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

And then maybe to pivot over to the automation side, another big topic there from the Investor Day, but accelerating those investments in the supply chain, technology, the automation of the supply chain. So, if my understanding of the strategy, these investments should ultimately make your fulfillment both faster and more efficient and give you some more capacity, so is there any numbers you could put behind that or what some of these changes might mean for your grocery business or some of your other type businesses?

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

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Yeah. And there's – all of the places that we're going to lean in from a capital standpoint are things that we've had in the works. In particular, in the supply chain side, we've been talking about it for a while, things that we've been doing around automation in the back room of the stores, for instance, to make grocery fulfillment easier, particularly on the pickup side. And then we've been doing – we've been involved really on the leading edge of things like aisle-ready pallets that can go straight to store, go straight out on the floor. And those – so these aren't things – five years ago, these were things that were just starting. Now, there's things that we see are working and we can roll them out.

I feel more confident about the rollout than we would have been even a few years ago. So, I'm really excited about supply chain innovation and that helps top line. So, when we talk about growth numbers of 4-plus-percent at some point, some of that is coming from capacity, but also the ability to fulfill more quickly and then, definitely, from an efficiency standpoint. The kind of good dollars that we're talking about on capital unless you can get top line and efficiency, you need both of those things to have the confidence to go make the kind of capital investments that we're making. So, I'm excited on both fronts.

Robert Griffin Q
Analyst, Raymond James & Associates, Inc.

Okay. And where does – this year you turned on a bunch of stores very quickly, kind of highlighted the flexibility of the model.

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

1,000.

Robert Griffin Q
Analyst, Raymond James & Associates, Inc.

Where does – 1,000, yeah. A bunch is probably not the right adjective. 1,000 is a better way...

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

Yeah. And given what the operators did, it's pretty amazing.

Robert Griffin Q
Analyst, Raymond James & Associates, Inc.

Yeah. When you kind of look out this new world of accelerating e-commerce, accelerating automation, where does ship from store fit into the Walmart distribution model?

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

Yeah. It does fit and the great – again, we learned so many things during COVID and some of which for everybody was a bit of a fire drill and that things are coming at you so quickly and you need to react really quickly. But we learned so much about our own capacity, our capabilities, our ability to move quickly, the speed with which we turned on stores to ship was pretty amazing. We always knew that that could be a part of what we wanted to do and now we know not only probably should it be long term, we know we can do it and we can be very adaptable with it.

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So, what I would say, Bobby, and I mentioned this some in my analyst presentation is we feel like we have a lot of options. We have a lot of optionality on how to get to the customer experience we want and how we get to the P&L that we want. Both of those things are important. But there's a lot of different ways to come at it. And depending on how the year goes or how the customer changes over the next few years, we have a lot of things that we can turn on and off or hybrid of some of these things that just will allow us to attack the customer solution, I think, more aggressively and more broadly than competitors, maybe.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

And from a maybe longer-term perspective, these investments, the automation kind of the work in the new flywheel, how does that – when you look past the initial phase of this, how does that set the business up for revenue growth and operating income growth on a more consistent – on a more long-term basis going forward versus historical synergies?

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

Yeah. Yeah. It should and that's why we wanted it to be a little more explicit about the types of growth that we wanted to see out of the business. And again, it depends some on when stimulus comes and all these types of things, how you comp things like that. But a 4% type revenue growth for Walmart is a big number. It's a Fortune 100 company, basically every year that you're putting on top of this already large company.

But if we do that, then the ability to – we don't necessarily need that level of sales growth to get the leverage that we want. But if you get that kind of sales growth, the ability to leverage expenses differently, the ability to grow operating income faster than sales on a fairly standard basis, we should be able to do those things. And that's why we felt it was important to talk about that at our Analyst Day. We wanted to give some indication to investors of why we want to increase the level of CapEx that we've been putting in.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

And building off some of that a little bit more into the capital allocation side, always a very important topic from a Walmart investor standpoint. How does the new flywheel and some of those investments drive the thinking of capital allocation over this new period kind of that we're entering into for the business?

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

Yeah. It's really clarifying. Your capital – every dollar of capital you should be able to tie back to – I always talk to people internally about taking now this flywheel, the strategy of the flywheel, taking it, putting it on the wall and saying is how I'm spending my day every day, how we're spending dollars, the people that we're hiring, the capital that we're spending, does it match up what we just said. If it doesn't, we need to rethink it. We've got to commit every dollar we have to fulfilling that strategy because we believe that strategy is the right strategy. And I think that's been proven over the last few years. But it's the North Star of how we think about expense and capital allocation.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Okay. And maybe let's switch into some of the segments. First, on the US side, e-commerce, 2020 marked an incredible year for the US e-commerce business.

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

Yeah.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

But not only in growth, I mean it was a year that we narrowed the losses again.

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

Yes.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

A move in the right direction. So, maybe can we unpack some of the drivers there that helped that performance in narrowing the losses really importantly?

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

Yeah. We, even two years ago, were starting to talk about we were seeing various pieces of the puzzle that were starting to come together in a way that was positive. The top line has kind of always been there, but we were starting to see improvement in contribution margin and some of that was just the way we merchandise the mix as well. Higher margin – we told you we were going after higher margin categories. We did that. Some of those fulfillment costs and as you get more leverage through your building, you start leveraging expenses differently.

As sales go up, you start covering fixed costs differently. So, it's all these things that we're working already last year get the 79% growth that we got this year. All of that starts working the way that you wanted to. So, now we're getting the volume through the system that we knew was going to get us in the place that we wanted to be. So, we're seeing the benefits of that. And now bringing together the organization structurally to more closely aligned to one organization now under John has really been helpful. And I think we're going to continue to see benefits out of how we buy merchandise, how we go to market with customers, how we manage margin. I think all of that's just going to be simpler.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Okay. And two big parts of that that we get a lot of focus on is the 1P and 3P mix...

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

Yeah.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

...as well as the new business within advertising. That's kind of the newer push. So, maybe first on 1P versus 3P, some of the investments the team has made to position that aspect here in 2021 and beyond and where you like the ideal mix of that to be, and then we'll switch over to advertising after.

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

Yeah. Both are important, 1P and 3P. We've had a fairly small, but growing 3P business, and some of that's been intentional to ensure that we can deliver the value proposition that we want and the customer experience that we want. But we've accelerated that more. We've accelerated more on the seller tool side to make it easier for sellers to come onto the platform. Some of the capacity that we'll be adding will help us in Walmart Fulfillment Services. That's a big part of what we want to do as well as help those third-party sellers.

And we don't have a real – I don't have a mix in mind of what I'd like those to be. I want them to get to their natural level of where they should go. We do know third-party sellers really like us as a place for them to grow their business. Today, there's not a ton of places for them to go and we're one given our size and scale. That's a very obvious place, and we should continue to help them build their businesses. So, we're excited about that. The timing is right. And it's very good from a profitability standpoint, margin mix standpoint for us as well. But we want to grow both of those businesses. We think they're very important.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Okay. And advertising has really started to come into focus here a little bit more.

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

Yeah. It's a growing business for us.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Yeah. Maybe talk about the strategy of that business and what some of the early customer responses are as you guys have pushed more into that.

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

Yeah. And it's another business where we've been a little bit deliberate in that that customer experience is important and that we want to make sure we're not confusing them, we're not putting too many things in front of them that they can trust us that when we recommend an item for them, that it's us recommending the item. It's those kind of things that we've been very thoughtful about. But we feel like we've gotten into place with our own leadership team this time to accelerate that.

So, we've got a decent-sized business already. We don't talk about it that much because inside of Walmart, it's still fairly small. But it's a decent-sized business. But we think it can grow multiples of what it is today and help us partner more closely with suppliers. The number of eyeballs that we have on our sites and our stores is pretty amazing.

So, we already have – the ability to go acquire customers is actually fairly inexpensive for us because we've already got the traffic. We just need in – it's like this, data monetization and financial services or the things like that, we've got the traffic. We don't have to necessarily go build the traffic into these businesses. We've got it. We just now need to get people to interact in our ecosystem a little differently than they have in the past.

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Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

So, all those moving parts between advertising growing, 3P growing, the mix shift, leveraging the fixed costs, all those seem like permanent-type aspects that should continue going forward. How does that change the algorithm of the US segment's operating income potential and growth? Yeah.

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

A

Yeah. It changes. The way I used to that – I've been in this role a little over five years now. And the way we think about the P&L – tells a little different than it was five years ago. But it's healthy. It's good. And I feel like we have many more options of how to generate the financial results we want as a company. I feel like we have more options than we did five years ago. So, I like that a lot. And I think it's going to feel even better five years from now than it does today as far as optionality.

Go back five years ago when we announced we needed to make investments in wages and e-commerce, but we also said we needed to invest in price more aggressively at that point. And so, you're at a period of time where gross margin rate was coming down, OpEx was coming down as a percent of sales, but not at the same rate and so operating income was going down as a company, some in the US as well.

I don't think that has to be the case going forward. I think we'll invest in the business. I think we can still leverage expenses. I'm not concerned about that longer term. But there's opportunities for gross margin to look different from a rate perspective than I think we might have even thought a few years ago. There's higher-margin businesses that we're in. The general merchandise business is encouraging, Marketplace is encouraging. So, I think it does change. It does give additional optionality to the US group, in particular.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

It seems like it would give a chance for even US operating income maybe to outpace sales growth if those parts flow in that way.

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

A

Yeah. I mean we said that as a total company, so it's pretty tough to do anything as a total company that you can't do in that US segment, although international now with the markets we're in, it's going to be higher growth, it's going to be higher growth from a profitability perspective, too. Now, they're investing some things in Mexico and Canada in the short term as well. So, that international dynamic should change some as well and will help. But the US business is still pretty big for the total.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

And the price investments is another aspect that we focus on. I mean sometimes we would get push that Walmart seems to always be in price investments and it's gross margin under pressure continually. And the team's tone in kind of outlook there has changed a little, so maybe just talk about how you feel the business is competitively priced with peers and kind of that potential for gross margins as we talked about to be a little different now because of...

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

A

Yeah, there's a lot of pieces to that gross margin equation. It's how you buy, it's how you price, it's how you move goods. And now it's – are these alternative businesses that we can be in as well that help. Price is always going to be important to us. It's always going to be a big part of our equation. We were really aggressive, particularly in the food side, over the past few years and feel like our price gaps are in a really good shape actually. And that I think gives us optionality as well how to strategically invest in price in places that we feel like we need to.

Won't have to be everywhere, but it's still going to be a big part of what we do. That value equation for customers and we mentioned earlier over the last year or so, customers have – looking to things other than value. They always – well, convenience is always going to be important. But though, we feel like they're going to continue to look for value and maybe even more so as we come out of this just like they used to. But price is always going to be a big part of that. But we're strategic about it. We're thoughtful about it. We're sharp about it. And so, I view it as one tool we have.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

Okay. And maybe to switch gears a little bit, but the other interesting thing that's popping up more is the other services and revenue opportunities that the business is finding, whether it's financial or fintech, in that area or healthcare or as we just talked about advertising. So, as we sit here today, which opportunity do you think has the most potential over the long term? Yeah.

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

A

Yeah. I mean, it's like asking which one's your favorite child. I mean, they're all exciting. They're all different. They all have different potentials. Some may perform better in this economy, that economy. That's why I like about them. They're all really different from each other, but they're all connected to what we do at the base of the business. So, we're going to continue to really go after these businesses.

And it's not – I had a question earlier actually for an investor that asked, are we looking at these as profit pools or is it just a way to get people into the ecosystem? And the answer is both. We want them as a way to get people more engaged with the ecosystem. But these businesses are going to – they're going to stand on their own. There are profit opportunities in these businesses. So, that's why I'm excited about them. And we feel like we can invest – certainly for a period of time, invest kind of in all of them to give them a push forward. And we'll see how it goes. And we'll find some things work like we think and we'll find some – we'll be talking about new opportunities three years from now we're not talking about today. So...

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

Yes.

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

A

...just kind of how it works.

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Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

Absolutely. And maybe on the healthcare, Walmart Health, I mean that one has been an issue for a little bit longer maybe than the other ones. But obviously with this year, healthcare came into the focus of pretty much everybody's mind.

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

A

Yeah.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

So, any update there of the Walmart Health strategy, kind of the build-out of those centers, the responses from customers or even the doctor side of that business?

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

A

Yeah. I was in one. It's been a little while now because of COVID, but I was in one of our first ones we opened up in Georgia. And customers love what we're doing. I mean the ability to come in and get some fairly basic services done in a simpler way with a good pricing structure. The doctors love it because they can spend more time taking care of patients and not necessarily all the paperwork. So, they like the fact that they get to take care of people.

So, the model, we know, works. We still got to work through the mix of services and do it in a way, certainly, that it makes money and – but we're working our way through all that. You'll continue to see us roll those out. We have a new head of our healthcare business, Cheryl Pegus, who's really good. I've spent some time with her over the last few weeks. Excited about what she's going to do. She'll have her own take, obviously, on what she thinks we should do as a company. But it'll be in the lines of what we've been talking about, Bobby.

And I think healthcare is going to continue to – it's going to evolve – continue to evolve in the next several years. Telemedicine is going to be a much bigger thing than it was in the past, things like that. So, I'm excited about it. There's a lot we can do there and the customer trusts us in that space.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

And maybe going to Sam's Club, another area that you really capped off...

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

A

Yeah. We had a great year.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

... an incredible year.

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

Yeah. A great year.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

So, I didn't want to get out of this presentation without asking, at least, a question or two on them. But talk a little bit about some of the investments that they have been made there to position – reposition the business to, obviously, very big growth now we're seeing in it. And then kind of how those could maybe be sustainable going forward.

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

Yeah. We like 15%, 16% comps, ex fuel and tobacco. We'll take that every year. When John was over there, he made a number of changes, really got the organization on – really geared into technology. And it became a bit of a lab for the rest of the company on what technology can do and what they did with Scan & Go and some of the things they did around making membership easier to manage.

And then Kath has come over and continued that. But a real – Kath has a real focus on the member and making sure that membership is valuable. The memberships are really – obviously, a really important part of why people want to be a part of a membership club. No surprise there. And so, Kath is really putting her own mark on that from the membership perspective. But I like what Sam's is doing. I spent three of my own years there and it's such a great part of the business. And you can – it's an item-level business. It's a relationship business. And we get a lot of learnings out of it for the rest of the organization. It's really helped us from a tech perspective.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

And with it positioned for growth now and some of the positive signs of member growth and stickiness of customers and all the good stuff, are we at a period where maybe we start to see some new units out of Sam's or is there some markets that there could be some new store expansion opportunity in?

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

You never say never. I think we feel pretty good about our US store base, whether it's Supercenters or Sam's Clubs. And I do think it's more about how you get that member to engage with you differently with things like pickup, SamsClub.com. It's probably more along those lines than a bunch of new units.

Robert Griffin
Analyst, Raymond James & Associates, Inc.
Q

Okay. And from a vendor side of things, I mean, obviously a challenge for everybody through 2020 was vendor constraints and keeping up with the mix shifts of what people were buying. But how is – as we entered now calendar year 2021, how is the supply chain? Are we working our way back towards normal and kind of what are you hearing from vendors on availability of product?

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

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Yeah. It's been a challenging year, particularly go back and look at what you were looking for last April and May.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

I think Doug said at one point there is, what, a roll of toilet paper sold for every person in America or something. I remember something...

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

A

I think so. There's maybe people still digging out of that from their homes from early pandemic. But there's still a few things that are – if you go in our stores today versus six months ago, the in stock looks a lot better than it did. It's still not completely back in everything versus where we would like it to be. But it's getting there. It feels a lot more normal.

I think there's going to be certain things that are – just given everything's gone on the world, there's going to be some challenges probably that'll last for a little while longer. But nothing that's dramatic that's impacting the business in a big way. We're in a lot of different categories. And so, that helps.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

Okay. And I guess two things maybe to end up. We have a few more minutes left. Walmart's once again taking a forefront on helping to deploy the vaccine. So, talk about some of the quick developments that the team had to do there and kind of that customer response and being part of that helping the nation out.

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

A

Yeah. I'm proud to be able to do that. I mean there's nothing more important right now for the world than the distribution of the vaccine. And the people that want to be vaccinated, making sure that they get it as quickly as they can. So, I'm proud of the company for what we've been able to do.

And every state is a little different, as you know, and how they roll it out. And so, the operators have been very flexible in working with the governments and the state agencies of where we can help. But that's the main thing. We want to be part of the solution on this. And obviously some of our competitors are doing the same thing. And there's nothing more important that we can be doing right now.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Q

And then what about – a lot of things going on pauses at Walmart, but one of the things that's really stuck out the last couple years has been the ESG work in that and then investment in associates. So, maybe let's spend some time and talk about, A, the investment in associates and, B, some of the other ESG initiatives that the company has taken part of right now.

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

A

Yeah. And I'll split them apart because I view them a bit differently. I mean the investment – I'll start with the wages. The investment in wages is important. The announcement we just made toward the average associate will

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be making over $15 an hour and we've raised wages for almost 600,000 people just over the past quarter or so. It's important to ensure that we recognize associates, important to ensure that we stay competitive and that we can get the people that we want and retain them and particularly in these jobs around the omni efforts and where we really go back to the strategy that really fulfills our strategy.

So, it's important. But these are business decisions and it should help the business. So, it's an investment, but it's something that should help the company. We want to make sure that we create this ladder of opportunity for associates and that they have the opportunity to get into the company, but then also progress to jobs that have higher wages. So, I think we have a good approach. I like the approach that we're taking.

On ESG, couple of years ago, people were saying, while investors are going to start asking a lot of questions about ESG, it's great, it's such a great story for us and I think it didn't get told. Maybe sometimes we don't get the story told as often as we would like. But it's another place where, for the most part, ESG initiatives, whether it's saving energy, whether it's taking water out of our product that we don't need, there's a business benefit for that.

It's eliminating waste somewhere in the system, that's good for our suppliers, good for us, it's good for our customers and it's great for the planet. We just made an aggressive climate goal that we're going to be carbon-neutral by 2040 without offsets. That's a bold goal. I like it and I feel good about our ability to go do it because we wouldn't have started on this journey in haste 15 years ago. So, we've been at it for quite a while. But it's another thing that makes me proud about the company that we can run the kind of business that we do and do things that will be good for the planet and good for my kids and good for your kids. And it's an important part of what we do. I'm proud of it.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Good. Well, I think we've made it through our list and we're right here on time. So, I appreciate on...

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

Hey. Good planning.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Appreciate the support. Yeah, it worked out well. But as always, appreciate you joining us here at the conference and...

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

Yeah. My pleasure.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

...your support for it.

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

Yeah.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

And best of luck here in calendar year 2021.

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

Good to see you, hopefully see you in Florida next year.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Absolutely. I look forward to doing it in person.

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

Thanks, Bobby.

Robert Griffin
Analyst, Raymond James & Associates, Inc.

Take care.

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

Take care, man.

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