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Walmart, Inc. (WMT)

Stephens Investment Conference

CORPORATE PARTICIPANTS

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Brett M. Biggs

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

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

...cover the food and grocery sector here at Stephens. I'm thrilled to introduce our keynote speaker, Brett Biggs, CFO of Walmart who's going to join us today to take our questions, talk about the company.

Brett, thanks for being here.

Brett M. Biggs

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

Yeah. You bet. Glad to be here.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Always appreciate your time. This will be a Q&A session that I'll lead. But I'll let the audience chime in, I'll check in periodically to see if there are questions.

QUESTION AND ANSWER SECTION

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

But I think maybe to get things started, Brett, there's this question that I thought about a lot this last year, which is a lot of ways what you guys are delivering today is what you promised in 2015, when Doug and the team announced a pretty dramatic change, of course, for the company, a significant shift in investment to eCommerce.

Brett M. Biggs

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

A

That was my first week as being announced as CFO.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Yeah, that's right. Yeah. That was a...

Brett M. Biggs

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

A

Yeah. I remember that.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

That was a significant time in your life cycle.

Brett M. Biggs

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

A

Yeah. It was.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

You've got the comps, you've become now a major player in eCommerce arena. In a lot of ways, the market really believed in you back then. It didn't feel like at that first week, I remember vividly...

Brett M. Biggs

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

A

Yeah. You were rewarded with a higher valuation. You've now grown into that valuation. If I think about kind of the next five years, what are the things that you all are excited about that you think gets investors excited about Walmart and can be similarly transformational?

Brett M. Biggs

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

A

Yeah. First of all, thanks for everybody being here. I think this is [indiscernible] (00:01:38), this may be the last live conference I was at two years ago...

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Yeah.

Q

Brett M. Biggs

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

...was here in Nashville at Stephens. So, it's nice to have people back in the room and being able to see faces and expressions. So, thanks for being here. Yeah, it's been quite a journey. I've been with the company almost 22 years now. And even going back and thinking about in 2000, when I came to the company, we were about \$160 billion in revenue and you knew you had a long runway of supercenters to grow and now we've grown to a company over \$500 billion. Obviously, we've gone further than the supercenter. But five years ago, the investments we were making were investments we needed to go make. We needed to invest more in eCommerce. We needed to invest in wages. We needed to invest in our stores. And at the time it was investments that felt like it was a way to get us to catch up a bit and we had – we hadn't grown as quick as we needed in eCommerce and we needed to catch up a bit in that space.

A

The investments we're making today feel very different. They feel very offensive. They are very offensive. And when I look forward to the next five years of what we can do in retail, and there's a lot we can do in retail. But all the things that we can do with our flywheel in our ecosystem and building out other parts of our business, whether it's healthcare or financial services or advertising marketplace. When I look forward five years from now, I see a different company again five years from now, but a company that's still an incredible retailer, but an omni-retailer and a retailer that's playing a different role in customers' lives and being more involved in those customers' lives whether it's again healthcare, financial services, retail. I'm more excited now than I was when I looked at it five years ago. I see more growth available.

And you're starting to see data points as you see things like Connect growing. We've doubled our eCommerce business in the last two years. Obviously, comps have been great. Profits have been great. So I think we're showing to shareholders and investors what the company can look like and what it's going to look like. And we just keep – need to keep doing that. And I think over time, the stock price takes care of itself.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Yeah. When you guys reported earnings, one of the things that I think stood out to many is your inventory position as you head into the fourth quarter. That was just...

Q

Brett M. Biggs

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

Rarely is a CFO happy about a big inventory increase.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Yeah. Right. That's good working capital.

Q

Brett M. Biggs

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

But it was really good. Yeah.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

You talked about all the aggressive actions you put in place to achieve that sort of positioning. I'm curious kind of one short-term, one long-term question. What assumptions did you all put into your calculus to think about getting in that sort of inventory position for the fourth quarter? I mean, as you look out maybe a year from now, what sort of actions are you taking or considering as you think about positioning yourself to be competitive as we move through this kind of supply chain cycle?

Brett M. Biggs

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

A

Yeah. We really early – I mean, early in the year, there's some things you have to buy very – really far ahead from a seasonal perspective. And we were seeing customer demand was strong, felt like it would stay that way even with what was going on with COVID and still continues with COVID. But that we were going to be strong, particularly around events back-to-school, Halloween, Thanksgiving, Christmas. We were going to be strong and clearly, the right call to do that. And we're in great shape. We're in great shape for the holidays. Inventory was up almost 12% in the US. So if you're a customer and you want to feel good about where you can go, find what you want, it's going to be at Walmart, whether that's online or in the stores. So clearly, the right decision to make.

I think as we look out the next year, you'll continue to see us be aggressive on in-stock. You can't sell if you don't have it. And there are times you're going over buy something, we'll take that risk versus not being in stock. Supply chain – and pieces of supply chain feel a little better than they did a few weeks ago, few less anchored ships out in California. I think what the administration has done, what we've done, what other industry participants have done to get operations open 24/7, it's starting to unclog the supply chain a bit. So we feel more optimistic probably than we did a couple of months ago. This is going to take time.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Yeah.

Brett M. Biggs

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

A

We've never probably in any of our lifetimes have seen a period of increased demand and constrained supply. At the same time, like, we're seeing right now, but I do think a lot of it's going to work itself out.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Thank you. The other, I think, kind of highlight or very topical dynamic from the quarter was related to inflation. And in particular, some of the comments you all made, Doug, in particular, kind of characterize yourselves inflation fighters...

Brett M. Biggs

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

A

Inflation fighters. Yeah.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

...which you have been for a long time. Where do you think the customers – what are you seeing among your customer base in terms of what their acceptance level is of higher prices? Are we at a point at which it's not the right decision to continue to pass along some of the inflation you're seeing? It sounds like we may be kind of at that point now, but I don't want to really read into the comments that were made because that was a big takeaway from the quarter for a lot of folks.

Brett M. Biggs

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

A

Yeah. Well, employment's good. Wages are very good as you think about our customer. So that puts more dollars in their pocket. Doug's right. We've been an inflation fighter for all the way back to Sam Walton.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Yeah.

Brett M. Biggs

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

A

And I think there are times like this when you can show the differentiation that you can make for customers. Customers are very aware of prices right now, whether it's at the pump or in-store. And we know they're aware of that. We're seeing – we talked about we are seeing low to mid-single-digit inflation in some categories as we came through the third quarter. It's higher in some, not as high in others. We'll be thoughtful about it.

Our price gaps today are wider than they were when we came into the pandemic. So we have the ability to do what we need to do and still be really competitive. So I think we can manage this from a position where it's good for customers, also good for shareholders and we'll just be very thoughtful about it. But we – it is a time we can differentiate versus our competitors.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Yeah. A couple of categories got called out on the earnings call, beef in particular, in the grocery basket. Are there areas where you're seeing more pushback versus others or you're particularly focused on within the consumer basket?

Brett M. Biggs

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

A

I think you'll – you're talking from a customer's perspective.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

From a customer.

Brett M. Biggs

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

A

Yeah, you'll see some customers will trade down in some areas. They may buy a different type of meat or a different type of protein even than they were before. And you'll see that work itself out over time, but it – nothing dramatic in the third quarter that was worth calling out as far as trade down.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.



Okay. You've got great comps across really all of your business right now. I think for years, the Walmart store has been defined by the US in-store comps. The last several years, eCommerce growth has been a big piece of that. We're facing difficult comparisons in the eCommerce business. And you guys are increasingly thinking and talking about the business from an omni-channel perspective. So I'd be curious to hear as we look forward and we start to kind of normalize some of the compares, you further lean into this omni-channel idea. What's the right rate of growth for the eCommerce business, how do you think about balancing between, the medium of purchase for your consumers?

Brett M. Biggs

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



Yeah, it's – when you think about the third quarter, we had over 15% to your comp in the US on over \$300 billion – over a 30% comp to [ph] US' comp (00:09:27) Sam's Club, which is over \$65 billion business. It's unbelievable levels of growth. And it shows. It really shows what our associates, particularly our stores and club associates, what they did and have done during the pandemic. It's quite remarkable.

How we think about the business that was just more and more omni. And even a couple of years ago, I remember talking to investors and saying I know you want to know the comps of all the pieces of the business, and I understand why, but it's really difficult, more and more difficult to talk about it in that way. Because customers today and even those of you sitting in the room here, you probably don't think about as much where are you going to get this, I need something. And I can get it online, I can get in the store, I can go pick it up. I can get it in my car and get it delivered. You just need something. And that's what we want to be. We want to be when you need something and you think about the search in your head, we want to be first in that search in your head that you know [indiscernible] (00:10:28) I'm driving by the store and get it there and we're within five miles 90% of the US, so that's really easy, actually.

The supercenters is a uniquely convenient format where I have it delivered or I can get it – I can pick it up on the way home, never have to get out of my car but I know Walmart's got it, and I know they're having it at the best price.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.



Yeah.

Brett M. Biggs

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



That's the calculus we want the customer going through. And more and more we're seeing them do that as we take share, particularly in food and groceries, they just want simplicity. And with what we're doing around omni and the way that we're changing the way we fulfill for delivery and even in the stores, we've always been the low price leader. But now we're really becoming very convenient for that customer. And that's the mix of those two. And if you can do it in a way that's friendly for shareholders, which I think we have and we will, it's tough to beat.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.



Yeah. I'm going to ask two more, and then I'll survey the audience. One is about CapEx spending. How hard is it to implement the CapEx spending that you want in this type of environment, and how does the supply chain

dynamics that you're grappling with change kind of your rank order critical path of what you would prioritize spending on?

Brett M. Biggs

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

A

It's not dramatic. We're not building a lot of facilities now like we used to. We're not building a lot of supercenters and stores. We are building fulfillment capacity, but it's not dramatic. You saw that in the – end of the third quarter, we went from forecasting \$14 billion in CapEx this year to \$13 billion. Not a dramatic difference will – some of that will flow into next year, but we're – most of projects we're doing are on time, we will get them through and feel good about it.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Okay. My second question is about ROIC. I tend to be kind of an ROIC junkie in how I think about the world. You hear me ask a lot of questions about that. I ask on the earnings call about it.

Brett M. Biggs

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

A

I'm kind of that way, too. So...

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Okay. Good. So I want to ask – a big part, I think, of thesis for Walmart over the next several years is delivering some operating leverage as you continue to take share. If I look back to pre-2014, you had an ROIC level that was substantially higher than where we are today. Obviously, you've made a lot of investment to get the share gains that you've enjoyed over the last several years. Can you get back, maybe not all the way to where you were, and continue to be aggressive in taking share? Can you play offense and defense in that regard and kind of help us think about how you think about what's the optimal level of ROIC?

Brett M. Biggs

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

A

Yeah. I mean, the simple answer is yes. And you saw ROI go up in the last year, you saw that in the third quarter pretty significantly from last year. But the investments we're making and that's going to be in fulfillment, it's going to be in automation. It's going to be in technology. I feel really good about the returns on those, and we wouldn't be investing if we didn't think our returns could go up. You should continue to see. We've talked about in our longer-term algorithm, we should be able to grow operating income faster than the sales over mid to long term and do it in a way that's – we're going to spend money on CapEx, but I really like the return profile of what we're doing. I feel confident about it.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Okay. In the same vein, you've used a lot of different pieces of technology to improve your standing [indiscernible] (00:13:49-00:14:05).

Brett M. Biggs

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

A

We are standardizing. There are different types of technology that have different applications. So you think about a distribution center where you're trying to ready-stack a pallet and a pallet that can be unstacked at the store in a way that flows with the store, that's a different technology than what you need necessarily to fulfill online grocery in the back of a store. But within – what we're doing at distribution center that's pretty standardized. What you do in the back end of a store that's pretty standardized. But there are different technologies, so there's not one technology that fits all things.

I feel really good about our partners. We're leading edge on what's going on in supply chain from whether it's palletizing, whether it's moving goods in the back, making it easier to deliver, all of those things. In some ways, there'll be a second mover advantage in what we're doing there. But I think the technology, I've seen it, there is a time when we will make that more available for investors to see. And I think you would be equally impressed.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

You talked in the outset kind of the first question, the way we kicked off the discussion, you're doing a lot of different things beyond just retail. As you move into some of these different verticals, healthcare being a big investment that you guys have made. How do you do that with the same level of excellence that you've demonstrated in retail versus just kind of being all things to all people on an average capacity?

Brett M. Biggs

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

A

Yeah. You got to be really good at all of them.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Yeah.

Brett M. Biggs

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

A

And you've seen us bring in experts in a lot of these fields. Dr. Pegus who leads our healthcare function, we just – a few months ago, announced a joint venture with Ribbit Capital, brought in a CEO who was one of the lead folks at Goldman Sachs. So, we're bringing in people that know these spaces. They know how to grow big businesses.

Now they've got to do it in a way – we've got to bring in people in a way that they know how to work within the culture of how we get things done which is important. I mean, [ph] we want everybody to (00:16:21) be the same, but there is a culture about Walmart and how we do things that's important. But I think the mix of what we have today of people like me that have been here over almost 22 years and new people coming into the company with new ideas from new industries, it's great. I think we're all learning from each other.

I think our culture lends itself to new people coming in and helping us, and us helping them understand the company. I'm on the board of our financial services joint venture with Ribbit. I'm really excited about what we can do in that space. That's a space where customers and not just financial services, but they need help managing their lives and organizing their lives, and how they deal financially, and whether it's with subscriptions and other things that they're doing. They need help with that. And we already have 265 million people a week that shop in our stores or customers of ours. We have the eyeballs to be able to leverage those kinds of services. And that's what makes me excited about it.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

So, I think we tend to like to think about kind of silver bullet ideas for companies just to simplify things. Walmart+ was kind of characterized as that when it was first announced.

Brett M. Biggs

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

A

I'm not sure we characterized it that way, but yeah.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

How does that fit – so, how successful is the program? How do you deem the success, obviously, engagement is a big factor.

Brett M. Biggs

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

A

Yes.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Explain kind of how that fits into the ecosystem of all the things that you're trying to do to drive customer engagement?

Brett M. Biggs

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

A

Yeah. Walmart+ is a big idea and it's interesting that we've had a membership at Sam's Club. We have a big membership club already. But Walmart+ is a big idea because there're so many things that can get put around it, services that can be included with it. It's a way to interact with customers differently. It's a way to look at data differently and – but we want to make sure we do it really well.

So we're going to be thoughtful about how quickly we roll it out, how quickly roll out services into it, because we want it to be excellent. There's things you're going to have to do around technology. Sometimes it's taking old technologies and adding capabilities, old technology, sometimes putting in new technologies. So it's going to be great as we roll it out, and it's one piece of the puzzle for us. And so, we're going to be very – we're going to accelerate it. We're going to be methodical about it, but we're not going to rush it out because our whole strategy doesn't completely depend on that.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Yeah.

Brett M. Biggs

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

A

There's a lot of other things that we're doing, whether it's Connect or Walmart Fulfillment Services. But it's a big idea and it's something that I think well past my time at the company is going to be really important for Walmart.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Along those lines and kind of thinking about investments. You've made a number of M&A investments, significant organic growth investments. You've also made a number of divestitures over the years to kind of redirect the portfolio. Where are you today in that? Are you always kind of pruning? How do you feel about where the asset portfolios stands today?

Brett M. Biggs

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

A

I think the company's grown up a lot and how we think about that. When I first came to the company, we really – whatever we acquired, we wanted to acquire 100%. We really didn't like divesting things. I think we've grown up and matured as a company to realize you can make decisions that are great in a point of time. And then there's just things change and you need to go make a different decision and you've seen that with what we did in Brazil, what we did in Japan, what we did in the UK, and those all made sense at the time and divesting of them when we did or take a minority interest in when we did, that makes sense now.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

Yeah.

Brett M. Biggs

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

A

I like the markets we're in. Internationally, we have big growth markets in China and India. Mexico is a phenomenal market. Walmex is maybe one of the best – maybe the best retailer in the world. Canada is a good market for us. And Chile, South Africa, we have some w good markets. You'll continue to see us make acquisitions. We've made the acquisition of Jet, made the acquisition of Flipkart and PhonePe, and there's other acquisitions that don't get quite as much attention, that are a little smaller, that are more capability type acquisitions, talent acquisitions. You'll continue to see us be really active in that space as we bring people and bring ideas into the company that can help us develop the flywheel to where it needs to go.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Q

When thinking about healthcare, I mean, obviously you guys are [indiscernible] (00:20:54-00:21:24)

Brett M. Biggs

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

A

Yeah. I think your question's well put. It's definitely more challenging than some areas that you can't just go into a new product like you do necessarily in – if you put something into a store. The good thing for us is we know we've got permission from the customer to be in healthcare. We've had big pharmacy business for a long time, big over to the counter business, so we have permission to go do that.

There's going to be – medicine is changing, healthcare is changing dramatically, so there's already an impetus for change and I think we'll be able to be a part of that. We know how to deal with regulation. We're a big company. We know how to deal with that probably better than most would. It's not [ph] to say (00:22:07) it's simple, but we know how to do things like that. And their health care continues to evolve as well online, telehealth and you saw some things that we did in telehealth.

But we also have the stores. And we've done things with clinics, we've done things with diagnostic labs. So everything about it, it's more challenging. But everything about it really fits in to what we want to do. And we've done things in our company's history that have been challenging. But being more engaged in people's lives, [ph] the thing that (00:22:41) all of us use health care, right? This is one place where you were definitely be involved in people's lives. And so while more challenging in ways, we just think it's worth it to continue to look at different ways to let to manifest inside the company.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

[indiscernible] (00:22:57)

Q

Brett M. Biggs

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

Yeah.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

[indiscernible] (00:23:03-00:23:13)

Q

Brett M. Biggs

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

Yeah. I don't think there's anything I'd necessarily rule out with health care. But we want to be – it needs to be something that can be executed at scale and to where – once you start getting down the curve of simplicity versus complexity, the pay off needs to be even better from a customer and a shareholder standpoint as we go down the continuum. So we're always going to try to stay in a place that's balanced from that perspective.

A

Do you know if – is the webcast able to hear the questions? Do we know that?

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

I don't know.

Q

Brett M. Biggs

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

Okay. I'll be better about repeating the questions.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

How scalable are the alternative revenues that you guys are going after, assuming they're scalable?

Q

Brett M. Biggs

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

Yeah. We don't really have time to [ph] deal in (00:24:09) much that isn't scalable. So, yeah, that is scalable.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.



How far away do you think we are from seeing them be really meaningful impactful because they're much higher margin? There's been qualitative commentary of their contribution to margin across various segments. How material can they be?

Brett M. Biggs

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



You've already seen Connect, our advertising business, grow dramatically. It's still a fairly small business, but it's a meaningful amount of revenue and profit to the company now. The capacity that we're putting in for fulfillment centers will help us both first party and third party. Third-party marketplace is a great business, one, from a profitability standpoint, but it just continues to build that brand and gets people – customers more loyal to – into your ecosystem. That's the most important part of the marketplace.

Financial services and we talked about that health care. Health care is something that takes a little bit longer to develop there, but it's a big get when you can get there. So there are some things that are working right now that you'll start seeing the fruits. We're talking about earlier the data points that I think shareholders need to see the company put out there, and you're going to see some of those around these other businesses that we're developing. They'll become more and more meaningful. And it's not long term.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.



Okay. Last mile, how – when you think about what you guys want to achieve there over the next several years, what do you think it looks like for you guys? How important is this Spark network and going after that? How important our partners that you have today on some of your traditional transportation as a function of that?

Brett M. Biggs

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



It's so interesting when you hear people talk about last mile, everybody talks about like this massive conundrum and we've sent people to the moon, we've done other things, right? So, you can solve last mile. It's solvable, but it's – it is challenging. But that's the great thing for us is things that are challenging give us an advantage over competitors because we have the scale and the capabilities and the cash flow to go make these things happen. Really excited that we're doing last mile, the Spark network now and over 900 cities.

What we're doing with Walmart GoLocal, we saw some things we did with Home Depot. There's a lot of things that we can do in that last-mile and you get more interaction with your customer. We're still testing. And some – I think we're in six markets now of testing actually delivering into your home, into your refrigerator. And when everybody kind of gets this smile on their face, like, I don't know if I would do that or not, and I promise you, you would do that because the service is so great that you never really have to worry about if someone comes into your home, they put in your refrigerator, you can watch them the whole time. That's where this is heading. It is in that last mile.

And so, we've been using partners, third parties. We've got our Spark. We're getting with – what we're doing with market fulfillment centers and with FCs, we're getting product closer and closer to the customer. Those stores become a bigger and bigger advantage over time. There were years – years ago where I [ph] would (00:27:18) talk to analysts about how big an advantage these stores were going to be, and there was not a lot of belief in that

at the time. I think now everybody gets why those stores are so important to what we do, but I think we will be a major, major player in last mile.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Okay. Yeah. Go ahead.

Q

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

[indiscernible] (00:27:38-00:27:53)

Q

Brett M. Biggs

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

Yeah. The question, if you couldn't hear it, was around how the structure really of supply chain changes as more items are bought online, maybe less foot traffic in the stores. And the great thing about having the stores and the eCommerce business and being able to do the fulfillment network the way we're doing it is it really almost doesn't matter where the customer goes. If we're – if eCommerce is more penetrated than we think five years from now or less penetrated than we think five years from now, we're okay either way. If you've been in our stores recently, they're crowded. Our store traffic is really good. People like to shop in stores. Everybody says I want to buy everything online. They really don't. They like to touch, like to feel, like to be with other people.

A

We want to make ourselves somewhat ambivalent basically to how you shop and do it in a way that's friendly to shareholders. We – that's [ph] all (00:28:45) management. Customers are going to shop how they want to shop. We'd love them to come in the stores because the stores have a purpose which is, that is the most efficient way to get goods to you and for you to get them, that is the most efficient way. But – it's management's job to figure that out and to make sure that we deliver sales and profit growth like our investors expect. But the customers could do what the customer wants to do. I don't think there's a company in retail that can – that has the assets to do what we're going to do. I just don't think there is.

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

I'm going to try to dovetail that comment about the customer wanting to do what they want to do into this next question which is [ph] whole a lot (00:29:29) there. But I'm curious, I really want to hear this perspective from you.

Q

Brett M. Biggs

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

Now I'm frightened of what your question is.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

We had this surreal press release, [ph] booed (00:29:38) press release a couple of months ago about Litecoin cryptocurrency. I'm curious to hear your thoughts around – is – can you envision a future where Walmart allows their customers to transact in cryptocurrency? How important do you think that even is to your customers today? And maybe just your reaction to that?

Q

Brett M. Biggs

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

Yeah. I was explaining to someone yesterday that when I first went to work in 1990 that we were just starting to use PCs and the Internet. And you see what's happened in 30 years. I think – I don't think you can sit here and rule out almost anything of what happens 5 years from now or 10 years from now or 20 years from now, because technology is moving so quickly.

Having said that, we're always going to be concerned about customer safety and that customers are protected in whatever we do. And I think regulation [indiscernible] (00:30:30) it will develop on cryptocurrency. We're big proponents of blockchain and there's things that we do on blockchain with food safety and other things like that. So big proponent, what's going on in blockchain. I think cryptocurrency will work itself out, whether that's something that customers really want to use long term. Again, if customers move in a direction where they – that's – what they want to do, I don't think that's an overwhelming urge today to do that, then it's something as a retailer you would have to go take a look at. But the world, that's changing fast. Isn't it?

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Yeah. We have robots cleaning floors now.

Q

Brett M. Biggs

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

Yeah. We're flying drones in Northwest Arkansas to deliver packages. So it's – yeah, the world changes. And I think as a management team, you've just really got to be open to where the customers are going and find ways to – within bounds, obviously, find ways to make it work for the customer.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

We've kind of touched on Sam's Club and International in passing. The passing comment on Sam's Club is that...

Q

Brett M. Biggs

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

Those are two really big businesses by the way. It's – yeah.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

Sam's Club is doing just an unbelievable job...

Q

Brett M. Biggs

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

Yeah. They really are.

A

Ben Bienvenu

Managing Director - Food & Agribusiness, Stephens, Inc.

...that's showing up clearly in the results. Are they running the same playbook that Walmart US's? If they are, how – why is it yielding so much bigger growth results and kind of where do you think they are in the runway of what they're doing because it's impressive?

Q

Brett M. Biggs

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

A

Yeah. I spent three years at Sam's. Club business is a little different. It really is about membership and getting members in and then getting great items at great prices. That's what you do as a warehouse club. And the warehouse business has been phenomenal for a number of years. Costco has done, obviously, very well as well. But Sam's is really kind of on fire, but it starts with membership. Membership counts are records. Renewals are records. And members are seeing the value of coming there. And whether it's our food business or what we have in general merchandise or the way we interact with them, scan and go to make it easier for them to get in and out of the club, things are just really clicking. It's a great format. It's in a – it's a great business model. It's fairly easy to show customer or members the value proposition. And our team there has just been hitting out of park.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

On International, can you talk about, as you cut through some of the noise of the divestitures, FX has turned a little bit more positively?

Brett M. Biggs

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

A

Next year, our numbers will be a little easier to read, yeah.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Yeah. That'll be a little easier to...

Brett M. Biggs

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

A

Yeah. Yeah.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

How do you feel about the trajectory of that segment? What are the things you guys are focused on in International?

Brett M. Biggs

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

A

International has had a great year, really two great years in a row. And as you just kind of go around the globe, as I said earlier, Walmex, if you've never been to Mexico and seen our business there, it's amazing business. As we talk about the ecosystem in the US, that's probably the business that's the closest and, even in some cases, leading what we're doing in the US is Walmex. What they're doing around their ecosystem and their flywheel, phenomenal business. Multi-format, caters to customers at all different economic levels, great culture. I can go on and on about Walmex.

Canada has been a great business for us. It feels a little more like the US. It's just more of a supercenter business than whereas Walmex is more a multi-format but always been a great business for us. China continues to be a good business for us. Sam's Club is doing incredibly well in China. The same thing you're seeing in the US with

the club business you're seeing in China. As you get more middle income, people that want the status of that membership, you're seeing that play out in China.

And Flipkart's been great. It's – you've seen the valuation increases. We had our last round in Flipkart. PhonePe, I think is going to be [indiscernible] (00:34:25) is going to be a crown jewel that that business that we bought. So I'm excited not only about what they can do in India, but the learnings that we take from what they're doing. I remember my first trips over to India and I sat down with the Flipkart and the PhonePe team, and there were a lot of things we were thinking about around financial services and apps and other things. And I came back home and [ph] Doug (00:34:46) was like, hey, a lot of things that we think we might want to do, those guys are already doing in India and they're just as smart, smart, really well regarded management team.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

[indiscernible] (00:35:00)

Q

Brett M. Biggs

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

Sorry, I didn't shut off my Apple Watch.

A

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

[indiscernible] (00:35:06-00:35:23)

Q

Brett M. Biggs

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

Amazing.

A

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

[indiscernible] (00:35:25-00:35:32)

Q

Brett M. Biggs

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

Yeah. I don't know if that's specifically but it's – again, when you look at where customers are going and they're doing things like that, and there's just more and more discussion of the metaverse and what's going to be the metaverse, and there's definitely something there. You've got to figure how to play in that and how to be involved in that and how to be part of the customers' lives in whatever they're doing. And that's why you've got to build out these different capabilities.

A

And I think one core capability you have to build as a company is the ability to be flexible and the ability to keep inventing new things because the customer is not going to stay static. They're less static probably than they've ever been. And when you see things like that, you got to think about how that applies to your business. And then I'm sure there's things that we have done, whether that's go local or flying drones, that other competitors are going, hey, we see that and we've got to figure out what they're seeing about the customer that makes them want to do that.

But it's so interesting right now. I get questions all the time about what – would Sam Walton have gone into eCommerce, what would Sam Walton think about this or that? And Sam was all about change and competition and learning and evolving. And I think Sam would have loved this period of time because it's so dynamic. The things that Doug and I talked about six years ago are so different than what we're talking about today. And you've got to build a management team that can work its way through that evolution, which I think we have at the company.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

In the eCommerce business, from a profitability margin management standpoint, I think we were pre-COVID kind of heading into a time where we were going to be seeing that margin continue to get less of a drag on the overall business. Where are we today? What has COVID done to that? I assume the acceleration of the growth rate has helped substantially, but I'm curious kind of where we are?

Brett M. Biggs

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

A

Yeah. We're still seeing an increase in our contribution margin rate, which is what you would expect to see. Again, it gets – it just gets so difficult to try to break that out in a way that's meaningful because there's so many things we're doing that apply to both stores and eCommerce, but I like the trajectory of the business. So, we've basically doubled it in the last couple of years. And I think we could easily double it again in the next few.

Mix is changing and evolving. That's the greatest thing that can happen in eCommerce business. As you start selling more and more home, apparel, things that have higher margins, you get more penetration from third – from marketplace third party. Those are things that we're seeing develop in the business that as you grow sales help you get the bottom line to where you want it to get to. And we're still working up the chain on that, but I feel really good about the progress. I'm very comfortable with where we're at.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Overall margins, there's a lot of sensitivity right now, just given cost inflation, some of your price investment commentary. When you guys think through margin versus share type decisions, how does the external environment dictate? What you guys do? How do you think about what's best for shareholders and balancing the short term versus the long term, can you talk about that dynamics?

Brett M. Biggs

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

A

Yeah. I think it's a balance, but long term, you want to grow share. And we are growing share and that's what you want to do long term. But given where I said our price gaps are, I think there's a way to be very balanced about it. And I think when you look at the results in Q3 and how we got to Q4, I think we have been very balanced about it. But long term, we want to keep growing market share. That's why we developed this flywheel, why we developed this ecosystem is we want to grow share. But I see no reason why we can't do it in a very balanced way.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

Yeah. Okay. Last one for me, and then we'll see if there are any in the audience. If I think about – the last five years have been so dramatic at Walmart in terms of the pivot and transformation. What do you think we'll be talking about five years from now in terms of what the major characterizing factor of Walmart's success will then?

Brett M. Biggs

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

A

I know what I hope we're talking about five years from now, which is – and I believe we will, which is the changes we made 10 years ago and then have continued were the changes that caused the company to continue to thrive. You go back to decisions that were made, and I've studied these decisions and I've studied the reports when these decisions were made and the articles that were written when we went into grocery and when we went into supercenters, they [ph] weren't all kind (00:40:17). Not everybody believed in that strategy. And when you look back at it now, it's the greatest – maybe greatest strategic decision ever taken in business was what we did in supercenters and going into food. It's phenomenal.

I think the management team all knows we're – and the team behind us will have that, too, is we're facing those decisions all the time. What is it that's going to transform this company that not just keeps it relevant, that makes it thrive in the future? For us, it's continuing to be great in store, great food business. But five years from now, I think we'll be talking about a business that the flywheel you've seen on paper has come to life and we're interacting with the customers in a much more meaningful way. We're in their lives more than we were. We're helping them continue to save money, which we'll always do, but we're saving them time. We're helping them live a better life, which is our mission. People ask us, do you really believe the mission, that is the mission. We believe it is not just something on the wall. But just serving our mission will get us five years from now to where I think we're going to be, which is a – you're still going to recognize Walmart, but it's going to be a business, I think, customers will see differently than they see today but in a way that's great for their lives, great for us, great for our shareholders because we just know how to serve them. And I think we'll serve them in a way that no other business will be able to do. That's what I think we'll be talking about five years from now.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Q

[indiscernible] (00:41:56-00:42:10)

Brett M. Biggs

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

A

That's an interesting one. Question is around whether financial services or health care will be – where it will be more impactful as far as helping people live a better life? You probably won't like my answer, which is, I think, will be both because I know things that are going on that I feel confident about in both spaces. And it depends on the individual. There are some individuals that really need help from a financial standpoint on how to manage their financial life. There's people where health care is a constant [indiscernible] (00:42:42) prolonged conditions that's the most important thing in their life. And I just – I think we'll be able to meet each customer where they're at. I think that's the beauty of what we're developing is, Walmart can be to each customer what it needs to be for that customer.

You asked a question about how do you keep it from being kind of average for everybody, which is kind of where the mass merchant concept started, right? [indiscernible] (00:43:12) stack it high and sell it. But I think now it's much more individualized. And you've got to be able to meet each customer where they're at and whatever is important to them. And I can't think of a need really that we can't satisfy in some way.

Ben Bienvenu

Managing Director – Food & Agribusiness, Stephens, Inc.

Okay. I think that's a good place to leave it, Brett. Brett, thanks for your time. Appreciate it.

Brett M. Biggs

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

Yeah. [indiscernible] (00:43:36) thanks, everybody. Appreciate it.

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