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Walmart, Inc. (WMT)

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CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Hi. I am Robby Ohmes from BofA Global Research, and we are just very pleased to have John Furner, President and CEO of Walmart US, here with us today. John has been with Walmart since 1993. He actually started as an associate in Store 100, which is pretty amazing. Since then, he's had many key roles at Walmart, including store, district, and regional manager roles. He's been VP of Global Sourcing. He was Head of Marketing and Merchandising at Walmart China. He was President and CEO of Sam's Club. A lot of you probably remember him from that.

I'm going to just leave out a lot of stuff. But one thing I also want to mention, John serves on the board of directors for the Congressional Medal of Honor Foundation and also the NRF, obviously extremely busy person, so we really appreciate him making time for our conference.

Before we begin, I just want to give a disclosure and remind everyone that there may be forward-looking statements today, so please refer to Walmart's website for the full legal Safe Harbor. We're also going to be open to questions, so please feel free to submit a question at any time during this presentation, and I will try and read it to John for you.

QUESTION AND ANSWER SECTION

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

So, John, thanks again, and, look, a lot had already changed when you became CEO of Walmart US. Janey Whiteside had been brought in as the Chief Customer Officer. You brought in – she brought in, I guess, William White from Target. Mark Lore just announced that he's leaving, so lots of changes. And then merchandising, supply chain, and e-commerce now all kind of report up to you, so it seems like the job has gotten bigger. Maybe you could just kind of give us a quick – how has the role changed for Walmart US, and what – how the priorities changed?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Well, Robby, first, it's great to see you. I can't believe it's been 13 months since we last saw each other in New York just before the pandemic started. Feels like a year ago. It also feels like 10 years ago and a week ago, all the same time that the world has changed a lot.

As far as the role, we continue to adapt to where the customer is going. And over the last few years, of course, customers have been changing the way that they shop and the way that they live their lives. And then last year, no exception that, and also quite an accelerant for the changes that we had been seeing. And so what we've done in the last – really the last year, and I'm not sure what the job was like four or five years ago. I just can tell you what my experience has been by putting the customer at the center and developing a really good model, a great model for a mutually reinforcing flywheel. It's caused us to work different. It's caused us to think about how we can use our assets creatively to serve customers in ways that we haven't before.

And this change in the organization where we brought together the e-commerce channels, the store channels, and the teams are now working in an omnichannel way across a number of business units on behalf of the customer, is really refreshing. A couple of years ago we would have had a sporting goods buyer in stores and we would have had another sporting goods buyer online who somewhat did the same thing in different channels. Now we've got teams of people including our customer teams and marketing teams, logistics, finance, all across the business that are serving customers across their businesses.

And what has enabled us to do is get into and scale. And we already had some of these things moving but scale businesses that are really important to the customer and also help Walmart with its business model. But it's been a really interesting year. We have amazing associates who helped us in a number of situations, served communities. They kept each other safe. We had a lot of changes in the operating environment last year. And I'm sure we'll talk about some of those as well. But we've got an amazing team who have just done so much for their communities and for each other. And I'm really proud to get to work with them every day.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

That's great. I'm going to start in with just a lot of people asking about the low-single-digit same-store sales guidance for Walmart you asked for this year. Obviously, volatile comparisons for the industry. Maybe some of us assumptions or comfort behind that, is there grocery inflation in that? What – how much of stimulus is in there? Any kind of thoughts on how you're building up to that kind of complement them against those comparisons?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Sure. Sure. Well, last year was, as I said, a very dynamic year. We grew about 8.6% and had solid growth in e-commerce, and that equated to about \$29 billion of growth last year. And as we get into this year, I think we all wish we had more certainty about what's going to happen in the environment. We don't – just like last year, there are a lot of moving pieces. As you said, we've got stimulus. We think about pricing each and every day. But there are also some things that we're coming up against. And really this is – the 365th day from the point that things really changed last year. It was last night – Wednesday night a year ago when – I remember very vividly the NBA canceled the rest of the season, and then we went to this massive stock-up phase.

So the next four days last year I think we pretty much sold all the food and all the consumables we owned in a very short amount of time. So we started comparing against not only that round right now but we had big out of stocks following that. And then we had stimulus hit last year, which also led to a number of out of stocks in general merchandise into the second quarter. We're four days away from the point last year we restricted store hours from – in some locations 24 hours all the way to 7:00 to 8:30. We ended up just a few days after that closing some of our ancillary businesses like the auto care centers and optical. So we had all these comparison changes. I feel really confident about the hours of operation. We're now 7:00 to 11:00. Generally speaking across the country 7:00 to 11:00.

Our food business continues to – it's had momentum all throughout the year. And barring the ice storm that disrupted the supply chain in Texas, we feel pretty good about our in-stock position and quality improvements we've made in food. So again like last year, there are a lot of moving pieces as you said. We've got stimulus. We've got pricing. And I'm proud of the pricing position that the company is in. All throughout last year we maintained an everyday low price philosophy and the price gaps are solid from our view. So trust is something here with customers not in a month or a quarter, a year, but over multiple years. And the team last year they didn't waiver and they stayed disciplined. And that puts us into a good position going into this year and hopefully years in the future.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

That's helpful. There were two other kind of comments that came out of your investor meeting that I think grabbed hold of people like me. One was the idea that Walmart might be moving to a like a higher revenue growth rate of say 4% or more. And the other one was the commentary of that gross margins could be sort of expected to go up through that foreseeable future. And I was hoping I could get you to speak a little bit to both of those kind of tidbits that came out.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yes. Well, look, first, I'm really excited about the investments that we announced, investments in our capacity and our investments to deliver at the local level, the national level. As I said, starting with customers, we saw a lot of acceleration last year and the changes in the way they shopped. And I was fortunate as you mentioned early – earlier to having been able to spend three years in Asia. And I was there at a time when I saw customers change and billions of customers change in a very short amount of time.

And what happened last year reminded me in many ways of what I had seen when I was in Asia. So many customers shifted the way they shop and how they spend time and how they consume everything from consumable products to information. And I hear people say it all the time I can't wait till we get back to normal. I

think whatever normal is and becomes is probably different than what it was a year ago or a year-and-a half ago. And so the consumption patterns have changed. And we've got a great portfolio of assets, we're in roughly 5,000 communities, we have supply chains that are large and scaled and successful and being able to use those dynamically along with capacity increases gives me a lot of optimism that we can do much more to serve customers.

This – the second part of your question in addition to capacity, would you say what that was again?

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

It was on gross margin going on for the foreseeable future.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Got it. So the merchants at Walmart have always – they've had a history of being able to shine in great times and times when costs and inflationary measures set in because they have the ability and they use multiple levers to manage mix. Certainly mix you can see at the micro level and the macro level. And then also what we talked about in the conference just a couple of weeks ago is the evolution and clarity of the Walmart flywheel gives our merchants and our business teams the option to be able to mix by channel. So we've got a strong growing marketplace business. We have new services that we can offer sellers like fulfillment. We're bullish on the advertising business and we think that's definitely a top 10 advertising business in the country in a few years. I remain really optimistic about potential in healthcare and financial services.

Having said all that, the team is well positioned to be able to do that without losing momentum in the core of the retail business and supercenters are fantastic. It's the biggest part of the business. Now, back to last year, we had times where we were really disappointed in the number of out of stocks and we had people on leave. We had all sorts of things to work through. But our associates did – they did a lot to serve communities despite all the challenges from wildfires and hurricanes and the pandemic and civil unrest or so many things happened last year. But I'm just really optimistic that this team will be able to mix out. And you know this well. But last year, we combined the remaining parts of the organization that we're working by channel. We had a store team, and an e-com team and we now have one merchandise team and marketing team, the customer team all thinking about the customer and however the customer wants to shop across any channel that they want to engage in.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And maybe a follow-up to that, John, will be maybe on two sides of your business. First, in grocery, what are you doing to make sure that you grow share again in grocery as you move through this year? And then the other, just on general merchandise, what are you doing there to lean into the momentum you're seeing there? Are you adding a lot of SKUs in general merchandise? And when did that process start?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Sure. Sure. Let's talk about grocery first. Grocery had a big year last year and our price gaps in grocery are as healthy. And my view is as we've seen in a long time if not ever, our history of being an everyday low price retailer really works to our advantage in a number of situations. And the team did a great job of staying disciplined last year. No business is like our produce and meat business. While there certainly were ebbs and flows, they did a great job of maintaining price value relationships and keeping the supply chain moving.

We had some interesting periods last year with big runs in the stock-up phase. And that has, for the most part leveled back out. Of course there was a – the ice event that happened a couple of weeks ago that put some strain on the supply chains. But – in addition to dollar share, we watch unit share closely. And since the end of the second quarter last year, when our share was the softest, we've improved every week on unit share and dollar share. But having maintaining the low prices that we have puts me in a position of feeling optimistic about what can happen in the future.

And, for the most part, we're feeling good about the flow of product. We feel great about our private brands. We feel great about quality and produce in the meat department. And so I'm really optimistic that the trends we've been seeing as of late would be able to continue.

And then general merchandise, part of that capacity increases are definitely for the stores but also online. We're bringing on a number of fulfillment centers this year and we've announced a big investment or a step change increase in capital investment for capacity which would include first party e-com – our first party e-com business, our marketplace business, and then services for sellers. And then – and if you step back and look at the entire flywheel with the customer in the center, the supercenters that are in 4,700 locations inclusive of neighborhood markets, our ability to pick, let – have customers, guests come in and shop in that environment and deliver locally combined with our e-com business puts us in a really great place to connect them all. And that was the change that I'm sure we'll talk about. But the change from Walmart Media Group to Walmart Connect is becoming a great platform to connect sellers, buyers and suppliers all in a platform so that we can create shared value for all parties involved.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And John maybe just related to that investment. Do you see stores becoming a much larger percent of digital fulfillment? Is it pretty low now and could go much higher or do these other investments you make sort of avoid having to reuse the stores for digital fulfillment?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Well, we really are working to make sure that we are – our dynamics given what a customer wants. So first having a relationship, a digital relationship with the customer is increasingly more important. We've made some progress in our digital shopping applications. We brought the two apps together to one. And we have more progress to make as we have what today is a single app with two hallways that will come down to one so that we can have universal search and checkout. And then we have up to 5,000 assets that can work dynamically on behalf of the customer whether they're shopping in-store and they want to do that seamlessly using scan & go as a Plus member or get discounts on fuel or if it's a quick stock-up trip.

And then additionally we've got a number of investments that we've been working through and then announced even more investment in automation at the distribution center level and market fulfillment centers. So I see our ability to increase capacity as a very positive thing. I see our ability to increase capacity in ways that will not only create speed and accessibility for customers that will make the store's capacity go up. And we think we can do that at a lower cost than what we've been doing it.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

That sounds great. And while we're talking about e-commerce, I think some numbers were thrown out. I think it might have been for Walmart overall, \$100 billion and then maybe in the next few years they're going to \$200 billion. And can you sort of give us the – some sort of guideline on Walmart US e-commerce sales growth, kind of the biggest drivers to reach those kind of numbers?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Sure. So last year, we grew 79% in e-commerce. And I'm excited about both of the numbers you mentioned. No question they're energizing and give us a lot to think through and work towards. But it's really, Robby, about where the customer is going. And the fulfillment opportunities are also dynamic.

So if a customer intends to purchase ground beef, a sweater, and a soccer ball, it's up to us to figure out the best way to deliver that for them and be where they're going. And so these changes we saw with the customer last year – do I think many of them would have happened anyway? Most likely but certainly not on the time scale that they happened on last year. So these accelerations and changes in customer behavior are what encouraged us, listening to what customers are doing and where they're going to make sure that we are investing in the future.

So I think the channels will all certainly grow having a team of merchants and marketers, who are thinking about the customer journeys from end to end across assets is important. And, sure, \$100 billion is a stop on the way to \$200 billion. Scale matters. In any large retail business, the ability to have scale and cost leverage and turn assets into things that are more productive so that fixed cost are a lower portion of the cost basis, those are all productive. And then couple that with the projects in automation at both the regional/national and then at the local level, we think there's a really great path to innovatively solving customers' problems.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

That's really helpful. And then, John, I was hoping you could talk more about Walmart+. So when – I guess when media companies announced something plus membership, wonderful things can happen quickly. How would you tell us to think about Walmart+, kind of what it is and what we should be thinking that it could become and how important is it or not to getting to \$200 billion?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Well, Robby, it's definitely an important part of the puzzle. I've worked in membership businesses for a while. As you know, I've spent a couple of years, two tours in Sam's and spent some time in Asia where I was able to assist with our membership business there. And membership platforms, they create a better relationship between the retailer and the customer. It gives us the opportunity to have a more customized relationship with them. Obviously, buying into the plus benefit gets you value. You get free deliveries unlimited from stores. We offer – added in November, the reduction of limits online. So that includes free shipping from Walmart.com. There are fuel discounts associated with it and then scan & go for when you're in the store to be able to basically skip the checkout.

So this is a new program. It's building. Excited about the prospects. Part of the capacity investments obviously are to be able to serve more customers in all the channels that I just said. So it is important that these capacity improvements happen at a fast pace so that we can add more customers into the proposition. But having digital relationships with customers over the long term where we can do what we do in many locations now or few

locations now [indiscernible] (00:19:52) customers and keep them in stock and replenish them at home is a really important part of the puzzle.

Robert F. Ohmes

Analyst, BofA Securities, Inc.



Thank you. Another question is you mentioned Walmart Marketplace or the 3P business. And how important is that to the gross margin outlook? And maybe you could tell us a little bit more about market – Walmart Marketplace and how do you guys think it's different from the Amazon's Marketplace or how do the partners on the Marketplace maybe in your view think of Walmart Marketplace different from Amazon Marketplace? And can you give us any idea how many SKUs are on the Marketplace today? I think at one point of time you guys had mentioned going to 100 SKUs. I mean, sorry, 100 million. So I don't know if you can give any update on that as well.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.



Sure. Sure. I think our last update was over 80 million and with an aspiration of 100 million. So that's right. And we haven't specifically broken out 1P versus 3P. But again starting with the customer and starting with what's important for a customer to have access to and in a very short amount of time which is real time go to the store or choose express delivery as an option which is within a couple hours or pick up on their time slot or pick up in the future. And those are all important. It's all important for the proposition.

I've spent a number of hours in the last couple months just listening to our Marketplace sellers and listening to the things that they want and want to get out of the experience and how we can help make them work. And some of the time that I did spend in Sam's serving small business customers it's certainly helpful to refer to some of the things that they were looking for in the physical environment. Now many of those same players and individuals are now online Marketplace sellers.

So we see big opportunities not only for the Walmart business model or customer but also for small businesses. We just announced another commitment to expanding our sourcing from a US manufacturing over the next few years. So our ability to empower and enable small businesses to have more success in the future is a really important part of the economy, and I'm excited about this.

It grew last year at a fast pace. We've got a number of capabilities for building as a result of those listening sessions. We've added capabilities for sellers. We'll be able to sign up more and transact more and listings on their catalog through partnerships.

So it's a big opportunity for small businesses, for sellers, and for the Walmart customer, and ultimately things like the Walmart Fulfillment Services will help us consolidate orders. And if it's back to that example I gave with the soccer ball, a sweater, and the grocery order, we'll be able to use our assets dynamically to ensure that customers are able to receive from us what they're looking for in any way that they want to.

Robert F. Ohmes

Analyst, BofA Securities, Inc.



That's really helpful. And maybe along those lines, I'd love to get you to talk maybe about the future of last-mile delivery for Walmart. I know you have – you've launched Spark Driver. But maybe where does that fit in, and how do you see last-mile delivery evolving? Do you think it could be all in-house someday or always partner or any thoughts you can give us on that?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Look, I think what's really interesting in the last year or so is the pace at which our last-mile business has scaled. So we're over 1.5 million deliveries per week from store environments which we're now in over 3,000 locations. And just to give you an idea of how fast at scale a couple of years ago, probably just before the last time you and I saw each other, we were talking about getting to 2,000 locations with the program called Delivery Unlimited. And now we're now past 3,000. It is a hybrid of third-party providers, third-party partners and also a Spark platform. My assumption is that'll continue to be that way for the foreseeable future. And we want to be thoughtful about being dynamic on behalf of the customer. And being able to pick and deliver the assortment of a supercenter in real time, in a short amount of time, even up to the express level which is just a couple of hours is exciting.

But as we resettle into whatever that new normal is, my assumption is some people will be back in offices more and they'll want to pick up or deliver on a timeframe. Others are going to need real-time deliveries because there may be an impulse item or something they need right now or there may be a gift to a birthday party that they need within a couple hours. And we'll be able there to do that and adjust for customers any way that they need to in the future. So, back to this announcement of investment and capacity and expanding our general merchandise business and being able to have the inventory in the right place at the right time is pretty exciting.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And John, maybe related to that, can you give us any color on what progress you're making in efficiencies, kicking things like that to make sure pickup at store, delivery or just digital is going to hit the profitability as you want it to?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Sure. Sure. So a few things that I'm excited about, automation in our supply chain is exciting because we're seeing in stores, items, and pallets being delivered on trucks, on pallets by aisle, which is great for our associates in store. It makes their job easier. It also helps them keep in stock and available for customers. We've got a number of innovations in the food supply chain. They're also helping us with productivity upstream. And then at the market level, these market fulfillment centers that we talked about we think definitely over a 100 within a couple of years. It does also help us with accuracy of inventory that couples with capacity and we're able to do the pick for a lower cost. Then our associates can spend more time on the things that they need to spend time on in the facility they're in. So this idea of using the supply chain dynamically and investing in capacity, in automation, it's really exciting, because we think it will not only expand capacity, but we'll be able to manage our cost well as we always have you.

You've known us a long time. I know that and an everyday low cost has always been a philosophy here. That hasn't changed. And we want for our associates have the right tools and capabilities so that the team they work in they'll be able to do what they need to that adds value and they have an enjoyable experience and we'll have the automation help our systems so that things become more frictionless at work.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

That sounds great. I'm going to shift gears and I want to see if I can get you to talk about alternative revenue streams or I think the terminology, there's alternative profit streams, alternative revenue streams. I forgot what terminology you guys use. But it's all in that same bucket. But maybe we could start with digital advertising. I think

you guys said expecting – expected to reach \$2 billion in the near future. How are you going to do that? Maybe some insights on what's going on there would be great.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Sure. So we do expect that we'd be in the top 10 advertisers within a couple of years. So you've got that part of it right. What I'm excited about we rebranded the business just a couple months ago and there was a lot to that more than just change in the name obviously. We started the business calling it Walmart Media Group which was appropriate for the timeframe we were in. And then a couple of months ago we rebranded it to be Walmart Connect. And Walmart Connect as a platform can connect sellers and buyers and suppliers in or out of our core environment. And it's already a large business and it's scaling. What we talked about in the past is that we were going to create and grow this, well, now we are growing it. And I'm really optimistic about the potential that it has to offer.

It creates value for customers. It creates value for sellers. It creates value for suppliers. And it is a revenue stream that is possible because of the digital relationships that we have with customers in our core businesses. So all the – and I understand your point there, lots of names for these that you'll hear over time. But these are businesses that because we run a great retail business and we have the trust of customers and we have to fight for that, we'll work on that every day. And we do certainly, we don't take that for granted. But the relationships of the customers enable us to have other businesses like the media business is now called Walmart Connect, our Marketplace business, our Fulfillment Services.

I'm excited about health care. But I think there's a – there are other things we can do in financial services as well that take friction out of customers' lives. We study how much time customers shop on a weekly basis. And over the last few years, we see the amount of time customers shop is going down but the number of times they shop is going up. So we're able to assist in all of those transactions and have a great platform in the middle where we connect buyers and sellers, is a really great thing for the customer and it's great for Walmart.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

You brought up financial services. I get a lot of questions on that. People say things they like be – say things to be like, should we be expecting Bank of Walmart. And can you put some framework around that – what you're doing with the fintech startup on and sort of what kind of things we should think about or are the opportunities for Walmart in financial services?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Sure. So early days, we just made an announcement that we were creating this fintech in just the last couple months. And it's...

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Yeah.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

...I know I'm sounding like a broken record. Well, there's probably [ph] no such (00:29:50) thing as a broken record anymore repeating myself. But starting with customers in general, because there are millions of customers who do put trust in us with their health care or come into a Walmart store to get a vaccine or ordering groceries for delivery online, we believe that we have a place where we can offer a suite of financial services done in a modern way in a modern platform that can benefit them. And it can also benefit the customer. And in fintechs and startups, one of the hardest things to do is to acquire customers and it's expensive.

And if we have a better way that people can transact with Walmart and also offer other services, we think we've got – we can have a really successful proposition. So again, it's early. Not much has been announced at this point other than this is something we're interested in doing. And we've got a lot of work to figure out the best path. But whatever it is it will be – the customer will be at the center and we'll make sure that our first benefits are there to benefit customers and help us have a better relationship with them.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

Got you. I'm really interesting to see what's going to happen there as there are a lot of people. Can you talk a little bit more about the health care side, the health centers? It kind of snuck up on me that you had 20 of these already. How many – how quickly could you add more? And what are you seeing there that gets you excited?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. Well, first, we are over 20 now. I think maybe the last time we were all in person, we probably just had a handful, Dallas, Georgia – in Calhoun, Georgia, maybe there's been a couple at that time and they've scaled since then. Early on, we were of course really pleased about the demand, the number of people who are coming in the clinics, the types of services we are able to offer at the local level. We started in Georgia. We now have a couple of clinics in Illinois. We've got one in Arkansas and we're opening a few more. We just set a store in Brooksville, Florida a couple of weeks ago. And they were just about to begin construction on the clinic there in Florida.

So I'm excited about the possibilities. I'm also really proud of and excited about the existing healthcare services that we can offer across so many parts of the country. We've got almost 40 states now that are administering vaccines and our healthcare professionals, our pharmacists they've always done things like giving flu shots. And then they've really stepped up in just the last couple of months to help get the country vaccinated.

And I think and the third thing that I'm also excited about is being able to help customers manage their health digitally. You can refill your prescriptions online. We can deliver your prescriptions in a number of places. So the environment has changed. And so we're constantly reevaluating what we're doing, how fast we can go, what else it is that we can do for customers that connect health care. The demand for health with providers and do it in a way that's convenient for the customer.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And then – what are you guys doing on the insurance side exactly, John?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

So we started last year with an insurance brokerage and it's Medicare Part B and a number of other services. So helping customers find the best way to connect them to the right insurance plan for them. As you know, a large part of the country's healthcare is paid by payer in many cases it's an employer behind it. But for those who are looking for the right coverage plan or a prescription plan, then we have services where we can help align the two of them together.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

That's helpful. John, I have to ask kind of your thoughts on how the competitive environment can play out. I mentioned the price gaps have gotten really wide for Walmart versus competition. I think we've seen that in our price studies over the last year. What do you think could happen as you move through the year? Do you think that promotional activity will come back on as inventory levels normalize?

John R. Furner*President and CEO, Walmart U.S., Walmart, Inc.*

A

It's hard to say at this point. I think if we believed we were going back to normal and you assume 2019 and before was normal, we might come up with a set of answers. But we just don't know what's going to happen across the environment.

Now, certainly, we all think that we're in the beginning phases as vaccinations improve, the beginning phases, being able to safely reopen, and as those things happen, we'll continue to evaluate. But I don't want to miss the point that trust and transparency are so important for what we do at Walmart every day. And I'll say this again. I'm really proud of the team for staying disciplined on everyday low price.

We've always talked about we should charge the right price, the best price we can offer our customer, and we shouldn't go up to what the market will bear. We should sell as competitively and for the best price we possibly can, and that's what the teams are focused on doing. And there are a lot of things I'm sure that will happen that will be expected and unexpected in the next couple of months.

But we are proud of the price position and the gaps that we see, and that's an important part of what we do. There's certainly been less promotional activity in a number of channels that we're involved in, in the last year. But what the team at Walmart are focused on is offering the best possible price they can and not just thinking about what the market can bear. They've done a nice job of maintaining value.

Robert F. Ohmes*Analyst, BofA Securities, Inc.*

Q

And John, maybe given that stance, Bank of America's strategists and economists are doing a great job really monitoring signs of inflation building, potentially building up as we move forward here. How does – I think it's been a while since we've been in a sort of secular inflation environment. But how does Walmart do when there's general inflation? And what does Walmart do when there's general inflation in the US economy?

John R. Furner*President and CEO, Walmart U.S., Walmart, Inc.*

A

Yeah. Generally speaking, it's been a strength of Walmart to be able to offer value across a number of situations and inflationary environments, no doubt that's the same it has been a while since we've seen any sort of meaningful inflation. We have some signs of it, but it's too early to tell how it'll all play out. What the Walmart

merchants have been great at for years is using levers and mix to be able to mitigate all the inflation that they possibly can. They're creative. They work through these things well.

Probably one difference should we get into an inflationary environment now is the merchants and the supply chain teams are aligned across all of the channels. So they've got their store business which is a big and important growing piece of the business. They've got the e-com business. We've got Marketplace. We have other – like we talked about other revenue streams that can assist along the way. But all comes back to what's most important for the Walmart merchants is maintaining the right value relationship with the customer.

Early on this year, of course, there are some signs of inflation, some commodity price changes. Fuels ticked up just a little bit. The ports are really busy. So we'll work through this and we're going to make sure that we are offering the best value we can for customers. And I'm confident in our team has all the right levers, tools, and information to remain – keep Walmart in a position of great value for customers.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

And John, is there any update on the port situation you can share with us how were you guys feeling about securing merchandise as you look through the rest of this year?

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah, we're monitoring the ports closely. But certainly a lot of volume coming into the ports and offshore. So the teams are planning appropriately as they should be on not only what is coming through now and our supply chain is staying up to date which is great including the distribution centers and fulfillment centers. So the capacity that we've put in places is great. The stores are ready. The fulfillment centers are ready. And as the imports flow through they'll be ready to go.

And fortunately we do have a business that's national. So we can we can move things around and we can move things around once they're on land. And we can be pretty dynamic in terms of being able to move inventory from place to place. But it's a situation we'll watch closely. It's busy out there and I know people are on the ports are working really hard to get product through as we speak.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Q

That makes a lot of sense. Sorry, I'm just checking to make sure that there are no questions from the audience. We have one – time for just one more question. So I wanted to revisit on wages in an environment – it's a little bit like the inflation question. But if we have – if we end up having really tight labor market as things come back on line and wages are going up at the lower end, does that – is that a positive situation for Walmart? Maybe help us think through what that could mean for Walmart US.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

A

Yeah. We just announced a second round of wage investments last fall. We invested in about 165,000 of our associates in a number of specialty roles and including some hourly and leadership positions in stores. And all this started with reorganizing the stores and teams. So we have teams that are working together to serve big groups of customers in the stores, so things like our omnichannel pickup and delivery business as a team, our stocking team as a team. We got our front end service team, so we're reorganizing teams. And in the fall, we

really have announced the first round of investments in associates, and then we had another one that just went live. And we're investing in associates in our stocking and digital groups. So these are, as you know, Robby, really large populations of people. We've got over 140,000 people now working on our pickup businesses. So it's a growing part of the store business and continues to expand. And so we think that investing in our people is the right thing to do. We have experience with this. We made investments in 2015 that helped with things like turnover and retention and store conditions, and we're able to build off that base. So I'm really excited about the company's ability to invest in our people.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

John, that sounds great. We've run out of time, but I want to thank you again for joining us. This is really helpful, really fantastic. Thanks again.

John R. Furner

President and CEO, Walmart U.S., Walmart, Inc.

Yeah. Thank you, Robby. Great to see you again.

Robert F. Ohmes

Analyst, BofA Securities, Inc.

You too.

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