PREPARED REMARKS

Randy Hargrove: Good morning everyone, thanks for joining us for today’s call to discuss our second quarter financial results. Brett Biggs will be leading the call again today to discuss the company’s business results. Brett’s being joined by Greg Foran, Walmart US President and CEO and Marc Lore, President and CEO of eCommerce US. We’re also joined today by Dan Bartlett, who heads our corporate affairs and oversees public policy. We’ve got a number media who have joined us today and we’ll have about 30 minutes for today’s call. You’ll hear some brief comments from Brett, Greg and Marc and we’ll welcome your time answering questions. Please try to limit those to one or two so we can get through as many as possible. If you need to fact check anything, please reach out to me. With that, I’ll turn it over to Brett.

Brett Biggs: Thank, Randy. Appreciate everybody joining us, appreciate your interest in our company as always. I’ll get to business results in a minute. I want to start though by expressing our sympathy for our associates and customers that were impacted by the events in El Paso and South Haven. As you can imagine, it’s been a very difficult couple of weeks for the company. But I’m so proud of our associates, how they’ve supported each other, cared for each other. Proud of the home office for how they’ve supported the field. They’ve demonstrated what I think is really good about Walmart: our culture and our associates. As Doug mentioned in communication last week, we’re continuing to work to understand all the important issues coming out of this, and will be thoughtful and deliberate with our responses to that. With that, I want to turn to our business because I know that’s the main purpose of this call.

We had a very good second quarter, as you would have seen. We continue to add very strong momentum in the business. Operating income and adjusted EPS were better than expected, as was sales growth was also very strong. Walmart US had a very strong quarter, one of the strongest I’ve seen, with continued growth in both sales and profitability. Our customer’s economic health remained solid overall, and our competitive position is really strong. As you would have noted, we increased our guidance for Walmart US comps, consolidated operating income and EPS, and I’ll get to that in just a minute.

Total revenue was up $3.7 billion to just under $132 billion cost of currency, and that includes a $1.3 billion headwind from currency in the quarter. Greg will talk in a minute, Walmart US comps grew 2.8%, 7.3% on a two-year stacked, the highest two-year stacked growth in over 10 years. Operating income was up 4% - that’s the fifth straight quarter now of profit growth. eCommerce growth was very strong at 37% - Marc will discuss that detail in a minute. Operating income declined 2.4%, but that was better than we anticipated. If you remember, we’re still not completely overlapped the Flipkart acquisition – that will happen in the middle of the third quarter. International had positive comp sales in 9 of 10 markets; Sam’s Club had a good quarter as well, 4.2% comp sales growth, excluding fuel and tobacco, operating income up more than 19%.
I’m really proud of the company leveraging expenses – 25bps of expense leverage, which is one of the best expense leverage metrics we’ve had in a long time. And each segment leveraged expenses which allows us to get that productivity loop going across the business.

So I’ll end with guidance and turn it over to Greg after that.

So because of the results we had at the first half of the year, we’re raising our Walmart US comp sales guidance just a bit. We started the year 2.5-3.0% comp. Now we’re taking it to the upward end of that range. We’re also raising our guidance for operating income and EPS to decrease slightly to increase slightly from range from decreasing slightly to increasingly slight for EPS and for operating income. And the dilution we’ve seen from Flipkart is basically right on expectation, so no change in that. U.S. eCommerce is still expected to grow around 35%, so good growth there.

I know you have tariffs on your mind – we continue to monitor those discussions. We’re certainly very hopeful for a long-term agreement. Over the past several months, the team has been able to thoughtfully manage pricing and margins, with both our customers and our shareholders in mind. We always want to be the low-price leader.

Now today’s guidance reflects our current understanding of the new timing and categorization of the List 4 tariffs that were released by the USTR on Tuesday. List 4 tariffs encompass a larger part of our assortment than other tariffs – I just want to be clear on that in our guidance.

We’re very pleased with the first half results; we’re pleased that this position has allowed us to raise our guidance for the year. With that, I’ll turn it over to Greg.

Greg Foran: Thank you, Brett. I’d also offer a few words on the tragedies in El Paso and South Haven. I want you to know our focus continues to be on the associates in both communities, and our hearts go out to the effected families and customers and associates, as goes all the associates in all stores around the country. I traveled to El Paso shortly after the shootings occurred and saw firsthand how our associates handled this heartbreaking event, and how as part of the Walmart family that came together. I went back this past weekend to visit all 20 of our stores in that market and met personally with as many associates as I could, so I could appreciate them for all they do. This included our associates in the Cielo Vista location, the vast majority of which replaced at other nearby stores.

You know we’ve got many long-term associates in El Paso and collectively, they’ve been serving right along with the community, but I came away impressed with the strength that they’ve demonstrated as they’ve managed through these devastating moments, all while continuing to take care of our customers.

Now turning to the business. Walmart US is strong and has good momentum. Comp sales increased 2.8% and 7.3% on a two-year stacked basis, and that’s the strongest in over ten years.

Destructive weather in some parts of the US negatively impacted comp sales, yet we saw significant improvement and progress.
Comp transactions increased 0.6% and ticket was up 2.2%. We saw a strong growth in grocery, including strength in private brands and general merchandise comp sales. They were up despite softness from some of weather-sensitive categories like lawn and garden and apparel.

We’re really pleased with market share gains across grocery and general merchandise. And as Brett mentioned, we’re operating more efficiently. We leveraged operating expenses by 29bps in Q2 and our store chains have now leveraged expenses for ten consecutive quarters.

Operating income grew 4%, making the fifth straight quarter of growth.

We continue to see the clear competitive advantage with our Supercenters proximity to customers in combination with our robust omni-channel offering.

We have more than 2,700 stores that offer free grocery pick-up and more than 1,100 stores that offer same day grocery delivery.

We remain on pace to reach our year end goal of 1,600 same day grocery delivery stores and 3,100 stores with grocery. We’ve got nearly 1,200 pick-up towers and stores now.

So in closing, we’re pleased with the Q2 performance in the US business. As Brett mentioned, we’re increasing our guidance for four year comp sales growth to the upper end of that range of our 2.5-3.0%. I’ll the call over to Marc for more on eCommerce.

**Marc Lore:** Ok, thanks Greg. We again saw strong sales growth at 37% for the quarter and continue to improve the customer value proposition. We’ve already rolled out our next-day delivery to 75% of the US, which we originally said would happen by the end of the year, and we’ll continue to roll it out selectively in other markets and also expand the number of items offered.

We delivered on all three prongs of our strategy to again nailing the fundamentals, leveraging our unique assets to play offense, and innovating for the future.

We’re improving the fundamentals of the business which has led to significant increases in our CVI, customer value index, and the NPS score.

In Have It, we’ve added more than 1,200 brands so far this year, including Michael Kors, Method, Puma, Lacoste, Blue Buffalo and Dockers.

We’ve seen our strongest growth in important margin-enhancing categories like home and apparel. Also, marketplace sales are very strong. We continue to improve the quality of assortment by being selective to what sellers can be on our marketplace. And we’ve significantly improved the NPS scores for both customers and sellers.

In delivery, we’ve transformed a fulfillment network and added an impressive roster of leaders. All their work has made next day delivery possible. It has even higher NPS, and its costing us less to deliver those orders because all items are shipped from a single FC and traveling a shorter distance.

Our work in fundamentals complements how we’re leveraging unique assets. As Greg discussed, we have grocery pick up in more than 2,700 stores and same day delivery in more than 1,100 stores across
the country. Grocery is truly a unique strength and as it rolls out, we have the opportunity to offer more GM from the supercenter as well.

We continued to align our teams internally with the omni-customer experience in areas like supply chain, finance, and Janey Whiteside’s omni-customer organization.

I’m also excited to adding Ashley Buchanan to lead merchandising. He’s a strong leader and the ideal person to continue building the omni-store strategy.

While we do all this, we continue to look how we innovate for the future. We’ve announced that we’ll begin offering in-home delivery this year in three markets that represent about a million people. I’m also excited about adding Scott Eckert to lead our Store No. 8 incubator. He’s got a strong entrepreneurial operating background and is a great leader for our portfolio business

In closing, we’re delivering on our strategy, we’re creating better customer experiences and we’re driving growth. As Brett said, we’re continuing to target 35% sales growth for the year, and we’re gearing up for an exciting holiday, offering customers one seamless experience across Walmart. Thank you.

MEDIA QUESTIONS

Matt Townsend, Bloomberg: Hi, yes. Does Walmart support an assault weapons ban?

• Dan Bartlett: This is Dan Bartlett, EVP of Corporate Affairs. As we’ve stated in Doug’s script, if you take a look at some of the broad base support that is emerging around things like background checks, and so-called red flag legislation, there’s also a conversation underway about the efficacy and effectiveness of an assault weapons ban. As you know, we made our own decision about MSRs. Several years ago, we removed that category from our stores and we believe it’s time for congress to make that issue as well. We will lend our perspective and support, as somebody who’s been a firearms dealer for more than 50 years, to give our perspective on all these matters. We look forward to the conversation when Congress returns.

Bloomberg: What does that mean? Can you be more definitive? If it does get debated, where would Walmart come down on that issue?

• Dan: Well obviously that’s up to elected officials. We made our decision about that category, and we believe it’s a worthy debate for congress to have.

Bloomberg: Within Walmart’s stores, is the company planning any increased security measures given what’s happened over the past few weeks, also the additional threats involving guns at Walmart stores?

• Greg: Thanks Matt, in our El Paso stores, we currently do have some increased security in those stores, and we’ll maintain that for a period of time. Across our fleet of stores, 4,700 in the U.S. including Neighborhood Markets and Walmart Supercenters, we do in several hundred stores have security as a matter of cost. It’s something we work closely with local authorities on and have a look at various statistics to determine that. There have been a few stores we have added to that list, but in the main we’re running the same play we’ve run for several years.
Anne D’Innocenzio, Associated Press: My question is about tariffs. How much testing has been done – I’m sure you’ve done a lot of testing to see what Walmart’s customers’ appetite is for higher prices. Can you give us a little more color on that? As you know, Macy’s said yesterday that their shoppers are balking at the higher prices after they raised prices for certain goods.

- Brett: I’ll start out. As we’ve talked about for several months, there’s a number of things that our merchants do as they’re working through tariffs - how they work with suppliers on cost and assortment. You look for other places to source, some of that can be done, some of that can’t. And the benefit of a Walmart having such a broad base of assortment and how you can manage that mix over time. Being able to mix out the box in a way that in some cases you might have to raise a price here and there, and in some cases you don’t, gives us an advantage that some other retailers don’t have. Greg, I don’t know if you...

- Greg: Yeah, I think that’s right, Brett. It’s something that’s a core part of the merchant’s role, is to ensure that not only you’ve got the right assortment and that you’ve got it priced correctly and the tools in place to help merchants make good decisions and that’s what they do. We spread the impact across hundreds of thousands of items we have in the market, certainly for the first three plus lists.

Associated Press: Thank you, I had a quick follow up. The 10% increase, would you, ya know in the tariffs these four-tranche, will have to increase some prices? Or will you be able to work with vendors and not have those prices?

- Brett: It’s really an item by item decision, not a broad-based decision.

Sarah Nassauer, WSJ: Morning everyone. I have a question on Marketplace. Doug sorta flagged Marketplace as a focus for that comp, after something that hadn’t really been publicly stated as a focus for a while, so I’m wondering Marc if you could talk us through the roadmap to do that – to grow that business. Especially without some fulfillment by Walmart components to enable that.

- Marc: Sure. We have been focused on Marketplace over the last couple years. We have been dramatically improving the seller and customer NPS scores. And we feel like we’re in a really good position now to invest more aggressively in that area, given the improvement we’re seeing in contributed profit and we’ve got dollars that we feel like we can put into areas like Marketplace. And certainly, fulfillment by Walmart is one of the areas we’re actively looking at right now.

WSJ: Do you have a plan for the shipping part of it? That’s part of how Amazon has grown that business. Just offering that as a service...

- Mark: That will be a future part of Marketplace, we’re just not discussing the timeline at this time

WSJ: Brett, you said last quarter that you expected eCommerce profitability to be the same that you had previously stated as being down from the previous fiscal quarter, is that still the case?

- Brett: Yes, we haven’t changed that guidance

Courtney Reagan, CNBC: Hi there. Thanks for doing this call, forgive me I dropped out of the call for a second, so if this is a repeat, I apologize. Obviously, Amazon Prime Day was during this quarter and you
all ran a four-day sale. The management transcript just said it went well, wondering if you can offer more insight there?

- **Mark:** Not really much more than we saw a nice bump on those days, but we had a really strong quarter overall.

**CNBC:** Ok, thanks.

**Brian Sozzi, Yahoo! Finance:** Hey, good morning guys. Two part question for you: (1) how much precisely is baked into your full-year guide from the tariff raise; and secondarily (2) I think it was noted in the presentation, the prepared comments, that the eCommerce business leveraged. What did you mean by that?

- **Brett:** I’ll take both of those actually. On the tariff guide, the USTR put out information on Tuesday, and we’ve done our best to get through all that. It’s on list 4, which again there’s more of those categories in our box list, so we’ve done all we can to get through this list and give as good estimates as we can on our guidance based on what we see in that list, it’s two days old, but we looked at it very quickly. On eCommerce, what we mean is as extensive of percent of sales leveraged, it went down YoY in the eCommerce business.

**Yahoo! Finance:** Okay, so just a quick follow up on the tariffs. Is it a $0.05 impact? Just trying to get a sense of how much is in there.

- **Brett:** We haven’t guided specifically. Our guidance includes a number of different things, tariffs is one of them.

**Michael Corkery, NYT:** Hey everyone. I have two questions. First relates to guns, the second to tariffs. On guns, Walmart has changed its gun sales policy over time. Still under pressure some quarters to ban gun sales entirely, and I wonder if you can you talk about why the company hasn’t done that and what do guns mean to the business, those that have continued to sell – is it strong? Is it growing? To the extent you can talk about what remains of gun sales mean for the overall to the business in the stores.

- **Dan:** I think the best way to address that issue is to refer you to Doug’s comments because it does outline over the course of the last decade, if not more, we have thoughtfully taken a look at that category. With both in mind our customers, but also our associates and stakeholders when we look at how we can be a positive contributor when addressing what’s clearly a significant issue in our country. We’ll continue to do that. That said, that’s a process that’s underway. We also shared today, I believe was for the first time, our market share when it comes to both the category of firearms as well as ammunition to give people some perspective and context about what it is for our business, which I think is sometimes misunderstood. We don’t share specific category performance with regards to that, but like we’ve done in the past, we’re going to be thoughtful and deliberate about this this category. Particularly in light of what’s touched home here at Walmart, so as I said, that process is underway.

**Nathaniel Meyerson, CNN:** Hey guys. Hoping you can talk a little bit about how disruptive this administration’s approach to trade and tariffs have been on your business and the market and the retail sector. Yesterday was the worst day on wall street this year. Hoping you can talk a little about how the administration’s trade approach is affecting your consumers and business.
• **Brett:** We’re managing through that process. We’ve managed through it over the last several months. This is something we’ve been working on for that period of time. We’ve tried to be helpful where we can with this administration as they go through this. We’re certainly proponents of free trade, anything we can do to help support the administration towards that goal is something that we want to do. But we’re managing through business, from a business perspective just like any other issue.

**CNN:** When you say you’re supportive of the administration on the issue, can you share exactly what you guys are telling them?

• **Dan:** I think it’s been very clear in both in supply testimony to the various government agencies on both sides we have articulated, both individually at Walmart and through retail trade associations - we want to make sure that as negotiations unfold that both sides have a clear understanding of what the impact can be on consumers, what the impact can be on prices, and things like that. We have consistently shared that point of view. We understand that free trade also has to be fair trade. We understand there will be moments like this and we believe we can play a role in at least making sure they have the information about the various impacts of policy considerations. We’ve been consistent with that; we’ve been consistent with this administration like we have with previous administrations.

**CNN:** Last question. Do you guys plan to take any other steps on guns and ammunition. I know you guys are being thoughtful and deliberate, but I’m asking do you plan to take additional steps?

• **Dan:** I think you need to read Doug’s comments for what they say. If we have anything new to share with you, we will at that time.

**Nandita Bose, Reuters:** Hi, thanks for taking my question. Dan, what has Walmart specifically told its employees, especially those that delivered a petition signed by more than 50,000 people tied to your gun sales policy. Are you okay with them continuing to register their protest? How will you deal with this going forward, given their access for moving forward was blocked, then they were allowed back in. There’s not enough clarity if you wanted to keep them in the company or what your position was in terms of voicing their dissent.

• **Dan:** I appreciate the opportunity to address that. A strong part of our culture and our company is to have open dialogue, we make it very clear from top all the way down that we want to hear from our associates, and we do. You can imagine with over a million employees just here in the United States, we have a broad spectrum of sentiment that frankly probably reflects overall society on views on this issue and other issues as well. We have no problem with associates expressing their views, they every right to do so. We obviously have proceeded also when using company assets on or off the clock – all that’s all there was on that circumstance. We have never left any impression on any associate that their jobs will be in jeopardy when they’re expressing their views. On the contrary, we understand and appreciate that not only are associates’ views matter, but so do our customers’ views. And that’s underway here for all stakeholders, including associates.

**Reuters:** I have a follow up. This is for Brett – you said the updated guidance includes the impact from list 4, which a lot of has been pushed back to December, but you raised your guidance. Does that mean
you expect little impact on demand and really the economy, under the broad set of tariffs and consumer goods? I mean, the rest of the industry is really concerned, trade groups are concerned about that, but you’ve raised your guidance and you’ve factored that in – so what does that mean?

- **Brett**: So it’s a full year guidance, and so we had a really good first half of the year, and so it reflects that as part of that guidance, and then there’s a number of things in that guidance, our assessment of how we’ll manage tariffs and the form that they’ll take in the back half of the year is in that guidance and that’s just about as specific as I can be.

**Alistair Gray, FT**: Good morning. News on the global economy and the US is still going down vs. strength in China and Mexico, but you point to softness in UK and Canada. How much diversion are you seeing between different regions and how much of a risk is a global slowdown on consumer spending?

- **Brett**: It’s a tough question to answer in a broad way, it’s really a country-by-country, region-by-region analysis. UK has been challenged with Brexit and what’s going on there, I will say as the business continues to do well against that backdrop, it seems to doing a good job of keeping the stores and ecommerce business there. It’s a tough to answer that question to answer; we monitor it and work on it region-by-region.

**FT**: How do you feel about the international portfolio? Are you considering any other forms of new acquisitions? How do you feel about the international portfolio? Thanks.

- **Brett**: Nothing we talk about specifically. We’ve been pretty specific about the US, North America, China, India being a really big part of what we want to do in the future. All the markets we’re in today play a part in our portfolio and continue to make a meaningful difference for business.

Thank you everybody for your time and appreciate your questions. We’ll see you again in mid-November for our Q3 results.

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