CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Michael Lasser
Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

Michael Lasser
Analyst, UBS Securities LLC

Good morning, everyone. I'm Michael Lasser, the hardline, broadline and food retail analyst from UBS. We could not be more excited to have the team from Walmart with us today. To my immediate left is Brett Biggs, the company's Executive Vice President and Chief Financial Officer. He's been the CFO of Walmart since 2016. And it's no coincidence that during this time, Walmart has crushed it. So we would call that a direct correlation.

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

So, no pressure.

Michael Lasser
Analyst, UBS Securities LLC

With Brett is other members of the team including: Dan Binder, who heads the IR team; Kary Brunner, who also works on the IR team; and Chris Nichols, who's the CFO of the International business.

Walmart has some disclosures. They may read some forward-looking statements. Please go to their website to have a full download of their forward-looking statements. With that, Brett, thank you for being here.

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

Yeah, my pleasure.

Michael Lasser
Analyst, UBS Securities LLC

We really appreciate it. Over for the last few years, Walmart's realized some sizable gains in various areas of its in-store executions, service levels, store appearance, in-stocks. One question that constantly comes up is have
we reached a maximum threshold of the improvements that can be gained or is there more room to go? And what are the biggest areas of opportunity?

QUESTION AND ANSWER SECTION

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

Yeah. Thanks for having us, by the way.

Michael Lasser  
*Analyst, UBS Securities LLC*

Thank you.

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

And thanks to everybody in the room and on the webcast. Thanks for your interest in Walmart. It's interesting when you go back. I was even going back and reviewing notes of when I've been here in the last two or three years, and the things we weren't talking about three years ago that we're talking about now and how quickly things are changing. Four years ago, we really weren't talking about that much about online grocery, which has become a big part of who we are to customers now.

I talked about it in our analysts meeting, technology advances and process investments we've made with Ask Sam at Sam's Club. And pickup towers and FAST Unloaders in the back room. And really, none of those things we were talking about two or three years ago. So there's a lot of things that have happened.

Therefore, I know things will continue to happen inside the business. And looking at where we need to be five years from now and the things that we need to be working on, we're working on. So we've talked about initiatives like Alphabot, that we're testing not far from here in Salem, New Hampshire. And the benefit that that can bring to our online grocery business in the future and technology changes that I'm seeing in supply chain, which will be big in the coming days.

We continue to put a lot of emphasis toward initiatives in the store that'll help with associate productivity. Ask Sam is one of those. We talked about that at our analyst meeting a couple weeks ago, where associate can talk into an app and ask him where it is, where is this item located. Where is it in the back room and they can easily find that. So there's all kinds of things that we're doing. I think we've just started. It feels like we've come a long way in the last five years in how we're dealing with associates, how we're dealing with customers. But the technology and the process changes that I see inside the company and the innovation mindset that is inside the company, I think we've only kicked the tires of where we want to go.

Michael Lasser  
*Analyst, UBS Securities LLC*

Presumably there's a momentum element to it. I mean, once you start down that path, the trajectory can pick up and it becomes...?
Brett M. Biggs  
**Chief Financial Officer & Executive Vice President, Walmart, Inc.**

People learn how to do it. They learn how to learn. They learn how to be innovative. New people in the company, people who have been in the company a long time, they’re learning to work in a different way, which is a great combination that we have.

Michael Lasser  
**Analyst, UBS Securities LLC**

I love Brett because you can tell how confident he is, in part, by his body language, and this next question.

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

I am confident, so good.

Michael Lasser  
**Analyst, UBS Securities LLC**

Yes, without a doubt. And one – I’ve seen Brett talk about the levers in the Walmart business about half a dozen times over the last couple years. And every time he talks about them, he emulates the process of pulling levers. It looks a little bit like a dad dance, when he does it. It looks like me doing TikTok with my daughter. But, the important point is...

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

I try to stay off of TikTok.

Michael Lasser  
**Analyst, UBS Securities LLC**

Well, that’s probably a good thing. But the important point is it just shows how confident that he is in these levers that can be pulled to run the business. So, are you seeing any diminishing efficacy of these levers that you talk about? Maybe if you could expand on those levers and how powerful...

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

Now, I have to do the levers, right.

Michael Lasser  
**Analyst, UBS Securities LLC**

You do...

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

I have to – I have to do the levers...
You're going to remember it every time.

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

Yeah. You know, when you go back and look at – oh, go back five years ago, and just one example of the levers is look at SG&A leverage. And you go back to five years ago, and you look at where we’re at today, and we’ve taken – it depends on exactly how you measure with everything, but 70 or 80 basis points off of that number. And that's a big number. On a $500 billion business, you’re talking about $3.5 billion, $4 billion of difference from an expense to sales ratio.

Some of that's been great sales. We've had good comps in the US, really good comps internationally. And so, that's the best way to get expense leverage. But, you know, we, this last year, would have been just over 20 basis points of leverage. Let's say we'll do that again next year. I feel confident about the ability to do that kind of you know year after year for a little while, assuming we can keep [indiscernible] (5:38) comps where they're at. But there's so many different pieces to the business, and when Doug and I and the team get together, we spend a lot of time talking about how to make all the pieces fit together.

And there’s a lot of different ways that we can get to where we want to get to. And we can sit here and look three, four, five years out at where we want to be and there is – people like the answer, well, how are you going to get there. There’s just a lot of different ways that we can get there. There’s – look at International. There's different countries there. Some are growing more quickly than others. Look at what we're doing in e-commerce and omnichannel. And it's almost hard to explain the calculus that we go through as a team in setting our priorities, but knowing that here's where we want to be five or 10 years now from a strategic standpoint, but we need to have that make sense from an investor standpoint, as we go through a period of time. And that's the math that we go through.

Michael Lasser  
Analyst, UBS Securities LLC

And I think the perception again from outside observers is these levers include, look, if you're not seeing the traffic, you can push a little bit more on price. If you're not seeing the conversion, you can push a little bit more on the in-store experience. If you're not seeing online where you want it to be, you can push a little bit on online. Conversely, you can pull back on those levers. Is that fair?

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

Yeah and it's you know a couple of great examples, several years ago, when we – you know we had a decent sized e-commerce business. We made some big moves with the acquisition of Jet a few years ago and then with Flipkart. And so, you know you’re going to have increased losses from e-commerce. And we've talked about that, but, as we were doing that, we had made investments years before in wages and productivity and other things inside the US stores that started paying back in order to be able to do that.

You look at us this year, we've said next year we're going to lean in a little more to technology. We want to accelerate some of the things we're doing around technology. And you can do that because we believe losses in e-commerce will be flat to down a little bit. And we continue to believe in – Sam’s business is doing well. And Walmex is doing well. And the US stores are doing well. That allows us then to lean in a little more in technology. And it's just making all those pieces fit together, but if you sit in one of our meetings, one of our executive
meetings, and you look around all the assets that we have around the world, and the financial strength that we have, it’s a pretty fun place to be actually.

Michael Lasser  
**Analyst, UBS Securities LLC**

Sure.

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

It gives us a lot of options.

Michael Lasser  
**Analyst, UBS Securities LLC**

One of the key themes at the Analyst Meeting from a few weeks ago was the level of innovation that’s coming from Walmart and you just touched on that in your last answer. So, can you give us some specifics about where this innovation is coming? How are you going to be deploying it to the stores? How is that going to manifest into the P&L over the next several quarters and years?

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

Yeah. I think that – Walmart has always been pretty innovative. I mean, if you can go back to, you know, things that don’t seem all that innovative today, but go back to when we went into groceries, we turned a discount store into a Supercenter, which turned out to be probably the greatest retail format in the history of the world. And some of the things we’ve done internationally, and what we’ve done in e-commerce now. So it’s not like that culture hasn’t been there.

I do think, you know, Doug, when he came in six years ago now, really ramped that up. And acquiring Jet several years ago, I think ramped it up again, because you bring in different types of talent. And you bring in a bit of a different mindset of how you attack business in a different way. And so, I think all of those things are true.

When I look ahead, you know, we’re going to continue to invest in technology. And there’ll be things in the back-end that no one will ever see, but it will make us more efficient. It will be things from a store productivity standpoint that’ll just make jobs easier. Associates will like jobs better with tools that we give them to find things more [Technical Difficulty] (9:34) and make their jobs better.

But I think the thing that will be the most interesting in the next five or 10 years is how the retail environment changes, particularly in store. We’ll do things online. The site experience will be better. But there’ll be things that you’ll see in the stores. I think five or 10 years from now we’ll be talking more about virtual reality, augmented reality, that keeps the store experience fresh, keeps it interesting, keeps it exciting. You come into the store and you may see things. You could be wearing headset – it may not be 10 years from now. I don’t know.

But you could – things that are jumping out at you in the store that make it easier to find your way around a store, that make products more interesting, the product detail’s there. And almost to where your store becomes – it feels like a website almost. And I think those kind of things will be coming from a store perspective that’ll continue to get traffic in stores.
Michael Lasser
Analyst, UBS Securities LLC

There is a portfolio of innovation that's coming out of Walmart from those examples you mentioned, to delivering fresh groceries into the refrigerator of people's home. So, how does the company ensure it's sequencing all of this properly? There's been a pretty powerful example of how it rolled out online grocery over the last few years to ensure it got it right. So, is that the cadence that we should think about in terms of innovation coming to the stores?

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

Yeah, it's interesting. When we announced that we were eventually going to have groceries going straight into people's refrigerators, as I do sometimes, I got on to Twitter and looked at comment.

Michael Lasser
Analyst, UBS Securities LLC

You got to be careful with that.

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

Yeah, I understand. But it was interesting, you know, no. That's never going to happen. No, no, no. And it wasn't just us. There were competitors that came out after us and did the same thing and the same thing, no, no, no. Nobody is coming into my house to do that. But what you find out is, once people do that, for the most part, they're coming back.

Michael Lasser
Analyst, UBS Securities LLC

Yeah.

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

They like that. They like the convenience. Think about the things we do with our phone today. No one would have ever thought about that. No one would have ever thought about getting in a stranger's car and driving around the city. So, people get used to things. And once they get used to it and you make things simple for them, they're going to want to do that.

Michael Lasser
Analyst, UBS Securities LLC

Yeah.

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

When we find something like online grocery, that was test. Go back seven or eight years, it was really just a test in San Francisco and then a little bit more of a test in Denver, six years ago. The speed with which we rolled that out was pretty exceptional.
Michael Lasser  
*Analyst, UBS Securities LLC*

Yeah.

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

It's not as easy as it sounds to operationalize a store to do that. And it was one of those ones where, we had some idea, obviously, of what the financial – how the financials would work on that. But the customers liked it so much and we knew there'd be such a halo around that for our brand, we just said roll it out.

I think we're getting better at that. There are some things with technology. And Suresh, our new CTO that came in, will see things, sees what we can do as a company. And we have great technology people to begin with. Said, okay, here's some things I see. Let's go. Let's accelerate this. And we do that.

At the same time, I think we're getting better about being quick to stop things.

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Michael Lasser  
*Analyst, UBS Securities LLC*

Yes.

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

We've exited, for the most part, our business in Brazil. We exited our banking operations in International. There's a lot of things that we've done. And there'll be other small initiatives that we would have stopped that we've never seen. We're stopping things much more quickly than we did in the past.

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Michael Lasser  
*Analyst, UBS Securities LLC*

And that seems like a change in mindset.

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

It is.

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Michael Lasser  
*Analyst, UBS Securities LLC*

Historically, where it might have been maybe a little bit more conservative. It needs to be proven and profitably proven in order for it to really be initiative. Now, it's, hey, let's do it, the customer likes it. We'll figure out how to make money on it down the road. Is that fair?

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

To some degree.

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

But I definitely want to know where the profitability is coming from.

Michael Lasser
Analyst, UBS Securities LLC

Yeah.

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

But it's also not even just – it's so – in the past, you would have looked at I think initiatives on a more discrete basis, and said is this initiative – is initiative A, B, C and D going to be profitable? Now, you've got to step back and say from an omnichannel perspective, is this going to work from a return on investment standpoint. And it's where I know it frustrates you and others of your friends.

Michael Lasser
Analyst, UBS Securities LLC

Yeah.

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

But it's more difficult to sit here and say this piece is profitable, this one loses money, because we're looking at it from a customer standpoint. And I'm looking at the total.

Michael Lasser
Analyst, UBS Securities LLC

Yeah.

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

That's really what I'm looking at.

Michael Lasser
Analyst, UBS Securities LLC

One of the questions that constantly come up now are, well, you've rolled out online grocery to a lot of your stores, you're still expecting significant e-commerce growth in the year ahead. Can you get those mature locations to continue to grow in a way that will drive the overall business? Because the perception had been that you were just getting the e-commerce growth from opening new sites.

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

Yeah. There is some of that, for sure.

Michael Lasser
Analyst, UBS Securities LLC
Yes.

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

You have a growth curve on any kind of new initiative like that. We're getting a sense of the growth curve as we see some stores now going into the fourth year.

Michael Lasser  
Analyst, UBS Securities LLC

And they're still growing?

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

Yeah, still have several hundred more we're going to open. So there's still growth coming from that. And now that you get stores in the third year or fourth year, you're getting a sense of demand. And how do you better operationalize that? How do you pick in a way that's less impactful to people that are in the store?

The test I just mentioned ago on Alphabot, how do you get better processing technology in the back-end to make it more efficient and you can get more throughput in a store? How do you incent customers to maybe pick up at a different time? And so you change the demand curve by the time of day. And we have technology and other things that we're putting toward that, that will continue. The idea is to continue to let those stories grow at whatever rate that the customer wants them to grow.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah.

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

And also getting more general merchandise into that basket and we're adding items all the time into that basket. We're collapsing the apps – or combining the apps, which we've talked about.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah.

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

General merchandise app and the grocery app. So all those things, yeah, to try to get the mix where we'd like it to be long-term as well.

Michael Lasser  
Analyst, UBS Securities LLC

And in some of those most mature, most legacy locations, are you still seeing adoption?
Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah.

Michael Lasser  
Analyst, UBS Securities LLC

New people coming into the fold? What's taken them so long?

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

As you get the growth curve, you see less new adoption, but you get people that are new into the area. And yeah, there's still people that you know maybe they need to hear from four of their friends that it's good and not three of their friends.

Michael Lasser  
Analyst, UBS Securities LLC

Old habits are hard to break.

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

Yeah, it's just – and the fact that we can – I think as we keep bringing more general merchandise into the fold, as our website gets better, it just makes people more aware of the brand. There's still a lot of room, particularly in the US, for Walmart to grow. There's a lot of share available for us.

Michael Lasser  
Analyst, UBS Securities LLC

And how does the curve look, in your perception, once the unlock of adding more general merchandise into the mix, particularly as you combine those apps?

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

Yeah.

Michael Lasser  
Analyst, UBS Securities LLC

Does that create a whole new slope because of the expansion of the assortment?

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

Yes. I mean, it's an opportunity to get some sales that you weren't getting in certain categories. I think, importantly as well, it helps you get a different margin mix, which is more profitable for the business. I mean, part of the reason the Supercenter worked was that you're going to drive traffic with grocery, which is still the case with a Supercenter, but you're able to mix it out because of all the categories that you had around the box. And that's why the Supercenter worked. And so, the ability to get that Supercenter assortment out into delivery and into online grocery is the reason you want to do it is the same reason the Supercenter was built.
And is there a risk over time, as this becomes more successful, it's just going to draw traffic towards your parking lot, where people are driving through rather than coming into the store and that is going to change the complexity, maybe even the margin profile of the business? How much consideration is that – being given to that now?

Yeah. We're thoughtful about that. Essentially, you end up doing what the customer wants you to do. And so, they're still saying that they want us to do that. I think versus some of our competitors that are doing click-and-collect, our ability to mix up that basket differently is really important. And a lot of our competitors aren't able to do that. They just don't have the SKU assortment in the stores. But I think the way we look at it, is we've got to go where the customer wants to go.

It's our job as the management team to make that work financially. And, again, we have a lot of – I'll do the lever thing – and a lot of levers that we can pull to do that. But that's our job to make sure that works. And it goes back to prioritization of the things we were just talking about. We've got to be really disciplined to make sure that we can do what the customer wants us to do.

You're probably tired hearing the questions about when will the digital losses continue to go – to diminish.

So, you're not going to ask?

I'm not going to ask. I'm going to ask what are the factors that are going to be driving that, which is I think a more important question, rather than when.

Yeah. There's a lot of pieces to it. And, you know, we've had an e-commerce business for a long time. We've had e-commerce business in the UK for a long, long time.
Yeah.

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

Over 20 years. But as we bought Jet and now we've bought Flipkart, we're also continuing to learn as an executive team, you know. It's a different business. And what are the – what's that model look like, and how can we influence it over time. And I think we have a good – I have a good feel for it.

Several things impact that. You want to continue to have online growth. It's important e-commerce, as a percent of market, continues to grow, and we want to – we need to make sure we're growing. And we've grown it at nice rates. You just kind of work down through the [ph] P&L, contribution, profit margin, it's like gross margin and it's shipping (19:18) with that is really important. E-commerce businesses, when you get that contribution margin going in the right place, it can lever very quickly.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah.

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

Much more quickly even than a store can. So we’re very focused on making sure we get the right brands online, that we ensure that we’re getting the mix that we want. We've talked a lot about mix. We feel better about the mix than we did a year ago. And that's why we made some of the statements that we did earlier this year.

We still need to do a little better job of managing fixed costs. If you ask me one thing, that's probably been a little different that I would have thought, I would have thought we would have ramped on fixed costs more quicker than we have. And I'm starting to see that now.

So our e-commerce business, they're growing contribution margin rate. They are leveraging expenses. So when you look at the whole, it's becoming a bigger part of the business. And it changes the mix of the entire business, but you just take e-commerce as a whole or just by itself that's – those are the pieces really that make the most difference.

Michael Lasser  
Analyst, UBS Securities LLC

And does that conversation change as you can leverage technology more?

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

Yes.

Michael Lasser  
Analyst, UBS Securities LLC

You mentioned the test of Alphabot in Salem. It sounds like that's been a learning process. It hasn't always gone as you anticipated. So maybe you can describe what's happening and how this holds a lot of potential for the
future, because you could automate it and make it more productive in a way that it would be a sizeable change in the business.

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

Yeah. I can. I mean, the technology we're seeing there can certainly add capacity to the store and what we're able to do.

Michael Lasser  
Analyst, UBS Securities LLC

Maybe you want to describe what it is.

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

Yeah and there's -- and I would start with there's still a lot of capacity for us to grow, even if Alphabot never worked or we did something different, there's still a lot of capacity to grow, just by some of the things we're talking about operationally -- move demand from different parts, times of the day, but what Alphabot allows us to do is to move items in the back-end more efficiently than we can today and just it gives you a greater throughput back to the back-end and then allows you to have more orders that you can get out to vehicles.

So it's an important technology. Like with most technology, though, it could be that technology that works or it could be something that you learn from that technology that works. And so there's a lot of -- again, a lot of different ways we can solve what we're trying to do with online grocery. And this is where we're headed right now.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah. So there is probably subconscious mannerism, when one area you talk about a lot is generating expense leverage in the stores, so the chest comes out a little -- just a little bit more, when that conversation comes up. And it's interesting because the perception might be, well, you rolled out automatic cleaners and automatic unloaders that it's driving -- it sounds like it's really not that, while those are helpful, it's just running the store smarter, some of the indirect purchasing. Those have been the biggest drivers of this expense leverage. So A, is that right? B, where are their opportunities to really continue to drive this home?

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

Yeah. It's been a number of different things. And anytime you talk about Walmart, the US business is a big piece of that, but International, Chris, our International CFO is here. They've done a really nice job, particularly in the last year, of doing some things on their own, but also taking some the learnings we've gotten in the US and running those out into international. I think there's still room to go, particularly in International.

But it's been a lot of things. It's associates. Associates are more productive. And they've become -- they're more productive because of some of the tools we've given them, the technology we've given them. It's easier to find things in the back room. Things like inventory being down significantly versus five years ago, just makes it easier to find things in the back room, so you just don't have to put the number of hours toward doing that kind of activity.

We're more thoughtful about processes and are there ways to do things differently. Are there ways to in the home office structure things differently, where you had five groups doing the same thing and we brought them together.
Goods not for resale would be one of those we’ve talked about that we were – I think the way I said it, we were doing an okay job, but we had hundreds of people really in different parts of the organization that were doing a nice job in their own organization, but we weren't pulling it together in a way that makes sense. And just pulling that together, we're like, oh, okay, and bringing in experts, who've done this at other companies, just a different take on how we do that. And so when I see us be able to do things like that, I know there's more.

**Michael Lasser**  
*Analyst, UBS Securities LLC*

Yeah.

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

Because I've been with the company 20 years. And there's always different and better ways to do things. And we just always find them. That's what gives me confidence to talk about our leverage.

**Michael Lasser**  
*Analyst, UBS Securities LLC*

Is it the right way to think about it that Walmart's now developed this competency to operate a little bit more efficiently?

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

I think a competency to think through problems differently, thinking through problems from a customer mindset, from a instead of you know we want to get 20 basis points of leverage this year, we need to cut X percent of this. It's, okay, if we're going to get 20 basis points of leverage, sales certainly the best way to do that. But how do we do things in a way that's sustainable?

**Michael Lasser**  
*Analyst, UBS Securities LLC*

Yeah.

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

We've gone through periods of time in our history where we would cut expenses, but you just cut them. And they come back because you didn't change the nature of the work. You didn't change – maybe you don't need to do the work, period. And so, we're thinking about it in a much more systemic way and Doug's really challenging us in that way.

**Michael Lasser**  
*Analyst, UBS Securities LLC*

Speaking of challenges, dealing with challenges better than you have in the past – probably couldn't be more relevant than the current time, given all the uncertainty. So, can you give us a sense for how the coronavirus is impacting Walmart? You talked a little bit about it a couple of weeks ago. It didn't – it seemed like the China business was feeling some burden. There was a little bit of talk about supply chain disruption. Where does it stand now?
Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*  
Yeah. I think, like a lot of other companies, we're watching this really closely. It wouldn't surprise you the first thing we're concerned about is safety of associates and customers and making sure we're doing the right thing. In China, our stores, for the most part, have stayed open, which the communities there need that. But, it's been challenging in China. And we talked about that a couple weeks ago. The US, we're starting to see more news, which I think everybody anticipated. And we're just going to be really careful about it. From a supply chain standpoint, we haven't seen major impacts.

Michael Lasser  
*Analyst, UBS Securities LLC*  
Yes.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*  
So, not much different than I would have said a couple of weeks ago. I do think in ways, you know, the work that our merchants did around tariffs over the last 12 to 18 months helped us think about some things differently that are probably paying off some now, and how you think about supply chain differently. It does feel like – I'm reading the same things you are, but it does feel like China is starting to kind of come back to work, which will help from a factory standpoint. And we'll just have to keep monitoring it day-to-day, week-to-week. We're seeing, as you would expect, stock-up with customers on certain items.

Michael Lasser  
*Analyst, UBS Securities LLC*  
Yeah.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*  
But not tremendous changes in customer behavior.

Michael Lasser  
*Analyst, UBS Securities LLC*  
Yeah.

Brett M. Biggs  
*Chief Financial Officer & Executive Vice President, Walmart, Inc.*  
And just week-to-week, we'll have to see how it transforms and we'll have to keep people safe and continue to run the business efficiently as we can.

Michael Lasser  
*Analyst, UBS Securities LLC*  
And isn't it fair to say that Walmart is in a better position today than it's ever been to deal with an uncertainty like this? Its supply chain is much more agile. You have a much more well-developed e-commerce business that can serve customers if there are extended periods of hibernation. A, is that fair? And B, how much contingency planning is being done to deal with the unknowns at this point?
Brett M. Biggs  
Chief Financial Officer & Executive Vice President, Walmart, Inc.  

Yeah. I think that's fair. I mean, you know, customer behavior can change in a period of time like this.

Michael Lasser  
Analyst, UBS Securities LLC  

Yeah.

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

I think we saw that some in China as people bought more online and we were able to satisfy some of that demand there. So, having an e-commerce business, having online grocery, able to serve customers in really different ways, I think customers and associates knowing that we're caring for their safety and that we're keeping that top of mind is important from a trust standpoint with the company.

And, you know, as you would expect, as a company, we're talking a lot about this and making sure that we're doing the things that we should be doing. The financial strength of the company is amazing.

Michael Lasser  
Analyst, UBS Securities LLC  

Yeah.

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

And, you know, the complexity that we deal with on a normal daily basis...

Michael Lasser  
Analyst, UBS Securities LLC  

Yeah.

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

Given the size and scale of our company, you know, means that we have people that are really good at challenges and how they work through problems. And, you know, I feel confident about what we're able to do.

Michael Lasser  
Analyst, UBS Securities LLC  

And it does seem like there's more coordination and communication between the different parts of Walmart, between Sam's and the US business, between the International and the domestic business than there ever has been before, which those learnings can be really valuable in this time. Is that right?

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

Yeah. For certain. I mean, as you know, Judith McKenna, who runs our international business, but also ran operations in the US business, has a really good feel for how we do things, And she and John Furner, you know,
obviously talk a lot anyway, but would be talking a lot. And the team really likes each other. We get along well and...

Michael Lasser  
Analyst, UBS Securities LLC

We like you...

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

Coordinate well, so all that matters.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah.

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

I think in a time like this, but, listen, I feel – I'm very confident in our ability to handle whatever situation we end up having, handle it as well as we can.

Michael Lasser  
Analyst, UBS Securities LLC

And speaking of Sam's, it's really become this incubation lab for a lot of the innovation that we're seeing come out of Walmart. Should we expect that to continue? And is that how – part of Sam's identity is right now? And then, can you talk a little bit more about Ask Sam, which was...

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

Yeah.

Michael Lasser  
Analyst, UBS Securities LLC

Was prominently featured a couple of weeks ago.

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

You know, a lot of people at Walmart spent time at Sam's. I spent three years at Sam's.
It was like some of the best parts of my career, and it is – it’s this really small $60 billion business that we have over there. But it does allow us to try different things. And we have – we’ve had membership forever at Sam’s, so we know what that looks like. And I think it’s always had a little bit of a technology bent. I think it sped up a bit under John.

And when you go over – I was over there in their building a couple weeks ago. And they do view themselves now as kind of the tech incubator for Walmart, which is kind of cool. And I have no doubt that Kath’ll continue that. I’ve known Kath for several years. And she likes to lean into things like that.

And, again, it’s part of their identity and it’s been great. We’ve learned a number of things. The Ask Sam app is really interesting. And they were the first ones to really lean into Scan & Go and some other things like that.

So when you look Ask Sam, it’s not just about the app. It’s voice, which is going to be really important over time. It already is important to customers. And we’re spending a lot of time and effort on voice. Jet black was part of that, which we now kind of merged into, kind of the core Walmart business.

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**Michael Lasser**  
*Analyst, UBS Securities LLC*

**Q**

Yes.

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

**A**

But that’s an important part of what we want to do in the future and we get a great lab to test it in at Sam’s.

**Michael Lasser**  
*Analyst, UBS Securities LLC*

**Q**

And right now, Ask Sam is a employee-facing tool. It would only help...

[indiscernible] (31:08).

**Michael Lasser**  
*Analyst, UBS Securities LLC*

**Q**

It would only be obvious that, at some point, that customers could be able to use it as well. Is that the right way to think about it?

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

**A**

Yeah. I think when you look at things like merging the two apps, we’re very focused on our app.

**Michael Lasser**  
*Analyst, UBS Securities LLC*

**Q**

Yes.

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

**A**
And we know as you can make that app stickier with customers, again, it's one of these circular types of things. The more things you can put on the app, the more sticky it becomes. The more sticky it becomes, the more you'll put effort into that app. And so you'll continue to see our app ramp-up, but doing more things by voice long-term is a near certainty.

**Michael Lasser**  
**Analyst, UBS Securities LLC**

Sure. I want to pivot to the International business in the few minutes that we have left. Flipkart really attracted a lot of attention as part of the international dialogue. It's probably, in some ways, performed well ahead of your expectations. In other ways, it's probably performed different than your expectations. At some point, would it make sense for Flipkart to be a standalone business, much like Walmex and much like some of these other businesses that you have?

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

Yeah. We've talked about longer-term that IPO is a potential for that business. I can tell you it runs pretty independently right now. And that's -- when you buy a business like that, that's what you want it to do. I was over there, wow, just only a few weeks ago that I was over there and been there several times obviously, but spent -- every time I go, I come back really energized. I came back into Doug's office, I said that is just -- it's a great business.

**Michael Lasser**  
**Analyst, UBS Securities LLC**

Yeah.

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

They're smart. They're entrepreneurial. I always feel fairly old when I go over there.

**Michael Lasser**  
**Analyst, UBS Securities LLC**

Welcome to [ph] the club (32:46).

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

They're young, but they're entrepreneurial, but they're also really disciplined. When we have conversations, we talk about cash flow. We talk about returns. And I've tested whether they do that just for the CFO.

**Michael Lasser**  
**Analyst, UBS Securities LLC**

Yeah.
But actually, other people have talked about that as well, but they’re a very disciplined group. If you think about the guidance we gave on Flipkart, that losses will be pretty similar to what we had last year, but we’re still growing at a good rate. And so, that’s really disciplined to be able to do that. I’m excited about it.

PhonePe, I’m really excited about and what that can do longer-term. They’re really changing how that consumer interacts on financial services. And I saw a presentation from them. And my first thought was, wow, we need them focused on India, but they’re doing some cool things that we could do at different parts around the world. We’ll get learnings from that business, no doubt.

Q
Michael Lasser
Analyst, UBS Securities LLC
How big could PhonePe be?

A
Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
You know I’m not probably going to answer that question for you.

Q
Michael Lasser
Analyst, UBS Securities LLC
Yeah. Well...

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

Q
Michael Lasser
Analyst, UBS Securities LLC
Yeah.

A
Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
We have 1.3 billion Indian consumers. And so, if they just do things really well in India, it could be a big business. And Flipkart can be a big business just in India. And when you look at the transaction volumes and you know the number of visits, 1 billion monthly visits to Flipkart, the numbers, even on a Walmart scale, the numbers are pretty staggering in India.

Q
Michael Lasser
Analyst, UBS Securities LLC
Yeah. And as you think about the international portfolio, you mentioned before that you’ve made some changes. How aggressive do you need to be from a portfolio management perspective from here? We read things in the news. Is it you’re happy with it, but if the right opportunity came up, then you would make some change or maybe you want to push it a little further?

A
Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.
Yeah. You mean, you saw the actions we – the merger we contemplated last year with Sainsbury in the UK, that got blocked. Each market needs to stand on its own, serve a purpose. And in a lot of cases, it's not just financial. It's talent or it's process and things that we learn from those markets. So it's not just not a black and white type situation, but each one of – each market needs to have a purpose inside the Walmart portfolio. And that's kind of how we look at. We're always looking at it. There's initiatives in the US that we're always looking at and saying do we keep going, do we not. But the markets really – that analysis isn't any different than we look at an initiative in the US.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah. The last few minutes we have I want to talk about how Walmart's business model is changing a little bit. One of the ways is there's a deeper push into healthcare. Just as you get excited about some of the levers, it seems like Doug gets as excited about healthcare – no like blood pressure cuff movement or anything like that, but maybe you could suggest it. Why is this the right opportunity?

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

Healthcare, I think look around the world is challenged, definitely in the US.

Michael Lasser  
Analyst, UBS Securities LLC

Yeah.

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

It's challenged. It's too expensive. Even with all the money we're spending, when you look at US healthcare versus other countries, we're not where we need to be, from a healthcare perspective. And there's very few companies of our scale, very few of our scale to be able to do something that can matter.

And when we look at our mission of save money, live better, healthcare fits really, really well into that. I was in our healthcare center in Dallas, Georgia just northwest of Atlanta a couple of weeks ago. It was the first time I'd been in since they had opened it. It was amazing. I talked to people working there, my associates working there, patients, customers, talked to the doctor that was on staff, that was working at the time. And there's something there. You know when there's something there.

Michael Lasser  
Analyst, UBS Securities LLC

The energy.

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

Yeah. There's something there in how the customer sees that. It's one of those things where you've got to get the business model right. You've got to make sure the patients are getting what they need and all of that. But we have that trust with the customer. We have the ability to have that fit in really well with what we do inside a Supercenter from a service standpoint. The country needs it. We have the scale to be able to impact something like that. So that's why it all makes sense. If you go to this center in Dallas, we're not going to roll out like 3,000 of those...
Michael Lasser  
*Analyst, UBS Securities LLC*

Yeah.

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

...tomorrow, but we’re learning from it. We have a second one opened in Calhoun now, the other side of Atlanta. We’ll have more – probably a few more that we’ll roll out this year. And we’re going to learn from it. But it’s one of those things that just if we can get the model right, and we see the feedback we’re getting from customers, it just makes sense.

Michael Lasser  
*Analyst, UBS Securities LLC*

One of the questions that does come up frequently with respect to this topic is, what does Walmart bring to the table that should allow it to win in this area. It seemed like one of the things you mentioned was scale. So, is that right? And are there others that make Walmart uniquely well positioned to win here?

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

I think scale. The trust of the customer is really important. I mean, there’s – we know that customers trust us in this area. We’ve had pharmacy business for a long, long time. They trust us in this area. I saw it firsthand when I went into that clinic in Dallas, that we can generate the volume in those facilities. So, you get trust right. You get scalability right. You get the financial resources to grow something like that, that’s – those are three pretty meaningful things that not everyone has.

Michael Lasser  
*Analyst, UBS Securities LLC*

Yeah. There’s a driving force out in retail. One of your big competitors, who’s got a business model that is less about making money on transactions and more about making money in selling computing power and advertising and [ph] air transportation capacity (38:35). Does Walmart need to adjust its business model over time to evolve with the changing landscape? And, if so, is there just – there is a good amount of runway in the current business that there’s time to be able to do that and develop different profit pools.

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

Yeah. I think it is changing. We’ve talked – you’ve heard us talk a lot over the last couple of years about the ecosystem, and we have a pretty healthy ecosystem today. We’re growing things like ad revenue. We’re growing our Marketplace business, both of which we think long-term will be a big part of our ecosystem.

On things like ad revenue, we want to make sure we’re being balanced with what the customer needs and make sure that when the customer comes to our website, that they know they can trust that whatever we’re recommending is what’s right for them, and not necessarily for who paid for the advertising. But there’s a way to balance that. And we feel good about our ability to drive the revenue, but do what’s right for the customer and not make our website cluttered and some of the other things that I see with competitors.
Marketplace is going to be a big part of our business. I mean, if we're sitting here three years from now, I think we're going to be talking about a much bigger Marketplace business than we have today. And that adds to assortment, which adds to the stickiness of the customers. It's very circular. There's a loop there and a flywheel there. So I'm excited about that as well.

Michael Lasser
Analyst, UBS Securities LLC

Well, it seems like you have a lot of exciting things going on.

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

Yeah. Yeah.

Michael Lasser
Analyst, UBS Securities LLC

So please join me in thanking Brett for his time today and a great conversation.

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

Appreciate it. Thank you.