03-Jun-2022

Walmart, Inc. (WMT)

Investor Meeting - Q&A
MANAGEMENT DISCUSSION SECTION

Daniel Binder  
**Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.**

Welcome, everybody, to our Executive Q&A Session for the Investment Community. I hope you all enjoyed this morning's events, and it was very special to be back in person and glad to have you here, and thanks for those that are on the webcast. We appreciate your interest, especially for a few reasons. One, this is going to be Brett's last Q&A session with the investment community.

C. Douglas McMillon  
**President, Chief Executive Officer & Director, Walmart, Inc.**

So, he'll be fielding all the questions.

Daniel Binder  
**Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.**

So, thank you, Brett, for your service to the company.

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

Thank you.

Daniel Binder  
**Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.**

We all appreciate your time as CFO and your guidance.

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

Thank you.

Daniel Binder  
**Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.**

I also want to make a very special warm welcome to Maggie Gilliam. I don't know how many people know Maggie Gilliam, but she was like a rock star of Wall Street analysts when I was in grade school. She's been coming down to these meetings when I was pretty young, and I was always a admirer, and her research still graces our bookshelves. We still cite it on regular basis. So, welcome, Maggie. We appreciate you making the long trip.

C. Douglas McMillon  
**President, Chief Executive Officer & Director, Walmart, Inc.**

Maggie was saying that she probably came to the first one in 1970.
Daniel Binder  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Yeah, I just asked her that. She said, it was in the 1970s, I was like, wow.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

There are some great photographs, Maggie, of you and Sam Walton with you asking him hard questions. I’m inspired by that.

Unverified Participant

And then on a canoe.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

How many canoe trips did you do?

Margaret A. Gilliam  
President, Gilliam & Co.  
[indiscernible] (00:01:32-00:01:39)

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Too many.

Margaret A. Gilliam  
President, Gilliam & Co.

Yes.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Yes. And you survived all of them.

Unverified Participant

Yes, I remember.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. Well, you guys don’t want to go on a canoe trip anymore, do you?
Margaret A. Gilliam  
President, Gilliam & Co.

It was fun.

Unverified Participant

It was fun.

Daniel Binder  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Maggie says it’s fun.

Unverified Participant

We’ll have to do that again.

Unverified Participant

No, we didn’t say 14 years later it was fun.

Daniel Binder  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

So, the agenda for this next hour, I’m going to pass it to Doug briefly for some opening remarks, and then we’ll answer your questions. You’ll just have to raise your hand. My team will have mics, and they’ll pass them around. If you could just do us a favor of stating your name and your firm for the benefit of those on the webcast, that would be greatly appreciated.

Before we get started, let me remind you that we may make forward-looking statements during our discussion today. These statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements. These risks and uncertainties include but are not limited to the factors identified in our filings with the SEC. And you can review our full Safe Harbor statement on our Investor Relations website at stock.walmart.com.

With that, I'll pass to you Doug.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Good afternoon, everybody. Appreciate you making the trip. It’s good to see a lot of familiar faces. I’ve missed this. I hope that you’ve enjoyed coming back and doing it again. I’ll start with introductions and then make a couple of comments, and then we’ll open it up for questions.

I’ll start up here. Suresh Kumar, as I think you all know, leads our technology areas; continues to do an outstanding job. He’s building a really strong team and getting a lot done. Judith McKenna, as you know, leads
our international team. She probably doesn't have much hearing left after this week. It's been so fun. Brett Biggs got the longest hug today. Unless any of you want to set a new record, come up at the end and hug Brett more.

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

No.

C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

I appreciate Brett for lots of things, and I've talked about that a lot lately. But one of the things I appreciate is the way he's handled this transition. I didn't want Brett to transition at this point, but he was ready to do that. But he was gracious enough to work with us over a period of time to create a very smooth transition plan and a very transparent plan which I appreciate, which led to the hire of John David Rainey, who's sitting over here to the right. John, if you would stand up. I think it's June 6, three days from now, that you become the official CFO of the company. So, you guys can ask him questions, too, if you want. [ph] He doesn't (00:04:00) know anything. This is really his – is this is week two for you? Week two.

Here's John Furner. John leads Walmart US. But as you know, he's led Sam's; lived in China for us, done a lot for the company. Kath McLay, who leads our Sam's Club business here in the US. It's exciting to have a meeting where you can make one of these big presentations, Kath. You did a great job today. Seated over at this table, we have Donna Morris, who leads our People team. And Rachel Brand – if you guys would stand up, Donna first. Rachel Brand leads our Governance areas. Dan Bartlett leads Corporate Affairs, sustainability and other areas. And we've got a bunch of other Walmart people around; other Walmart and Sam's Club leaders. You guys can just raise your hand. Bunch of people in the back that, if you ask us really difficult questions, we'll drag them into this process, and I won't introduce them all.

We did not enjoy the first quarter. We were, as we've said, kind of surprised by the pace of change and the magnitude of cost impact kind of middle of the quarter on. We faced inflationary pressures kind of throughout the income statement. Top line was in pretty good shape. As we mentioned, we do see some changes with some really value-conscious customers. As we mentioned, we'll see how that plays out quarter to quarter. Not a lot's changed since we released our results, so we'll probably repeat a lot of what we shared at that time, but we'll see how we go as we go through the Q&A.

We're focused on keeping the top line going. We do care about units and dollars. We'll track baskets, units, market share. We'll look at all those metrics to evaluate our own performance as we look ahead. And then we've been working really hard on costs, top to bottom, taking action to get our costs down so that the second quarter looks better than the first quarter, and then we're on our way. It'll take a little bit of time to work through the inventory. We have more inventory than we want, and we'll talk more specifically about that during the Q&A I'm sure.

We didn't, as shareholders, enjoy that process. We're all very vested and care a lot about what happens with the share price. But we are long-term thinkers. We care about the short term. We manage the short term. And then over the last few weeks in particular, you saw the team react in a very detailed and aggressive way. Some people inside the company kind of called it old-school Walmart. And that's a compliment to me, and we still know how to run a retail business down to the granular level. And when pressured, that's what happened.
But we have a great strategy. We're excited about how the business model itself is changing. We can build a more profitable company. Some of the things that we've started are really encouraging, and that'll result in a better bottom line as we continue to have a top line that grows and earns share and earn the favor of customers and members, which is our goal. So, we don't really see anything strategically that concerns us. We just want to go faster to get those things done as we manage the short-term pressures, which seem to change fairly frequently.

It's a very fluid environment, and obviously, the pandemic was a significant change, and there were things that happened within that pandemic period and racial equity and other things that occurred. And now we're staring at different set of circumstances in the face, and we'll adjust to those just as we did the other ones.

Dan, with that, I'll open it up to questions.

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**QUESTION AND ANSWER SECTION**

Daniel Binder  
*Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.*

All right, great. Well, we had lunch with Lior Suchard. We already know what their questions are. We're prepared. We'll go to Robbie Ohmes first with Bank of America.

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C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

Hi, Robbie.

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

Oh, hey. Thanks, Doug. Robbie Ohmes, Bank of America. I just – I have one question, but as many of you up there would be willing to comment on it, I'd be really grateful because it's kind of a question I'm getting a lot, and you're probably not going to answer it as much as I would want you to. So, in this scenario that inflation remains very elevated and kind of broadly elevated, what is the outlook in profitability for discretionary versus grocery? So, you've had some profitability issues in discretionary very recently in the first quarter, but it seems like grocery and consumables has held up. What is the thought process? Can grocery get less profitable like discretionary has? Can it get more profitable in an inflationary environment like this? Is there some balance between discretionary versus grocery? Anything each of you could tell me to figure out this puzzle would be wonderful.

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C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

Yeah. Would you just go ahead and give us the answers to the puzzle? That would help a lot. And I'll kick it off kind of generally, and then, John, you and Judith and Kath and Brett and others can chime in if you want to. We make money in food, and we make money in fresh food, and that mix of fresh to dry grocery is another dimension to keep an eye on. And I do worry sometimes when we talk about market share growth in grocery that somehow there's a shorthand that that means there could be margin pressure. We make money in fresh food and in dry grocery, and we can manage inflation in those areas.
General merchandise, apparel, seasonal hardlines, home, those are all really important, both in stores and online. And so, yeah, we care about growing those, but getting the inventory level right is one of the keys to success. When you get too much, you get too many markdowns, you get too much handling. You get too little, and you don’t have enough to really drive the margin mix. So – and we’ll talk more about inventory. Maybe we can just address it now. To me, that’s the key. When I think about getting the mix right over time, more so than just how the customer member responds to the environment.

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah, Robbie, let me pick up the inventory point. If you look at the end of the first quarter, we were up a little over 32%. And if you step back and somewhat break that apart, there’s probably 20% of it. If you could just wish away and make it disappear, you would. But there were some really healthy improvements in there as well. About a third of the increase, roughly a third, was getting us back into the position we want to be in for customers; be back in stock. So, remember, the year before, we had stimulus that helped in general merchandise. And throughout the pandemic, there were categories, some frequently, some infrequently, that were just out of stock and hard to get to. So, that was important.

And then there was the impact of inflation as well. So, when you put all that together, I think our team – and many of them are here today – have done a great job really since the middle of the quarter when the cost came through. And really the inventory came through pretty quickly, as well, as ports and containers and things move really at a pace we hadn't seen in the last couple of years. So, as that'll happen, they've done a great job of getting inventory moved out into our distribution centers, our fulfillment centers through the import network. So, we're working on the positioning.

I think it’s going to take this quarter and probably part of next – maybe a couple of quarters be the best way to describe it – to get back to where we want to be. And some of the inventory that is here we brought forward because of the long lead times we were seeing at ports. So, we do have some of our late Q2 and Q3 inventory already here, which will help us over the long term. So, we'll continue to work this through this, but I think it's a couple of quarters.

The thing Doug said that's important, when you look at the mix of not only the supercenter, but the supercenter and eCommerce and marketplace all across the entire business, then our merchants have a lot of flexibility in terms of what they lever and what they lever up and what they can lever down if the customer chooses to buy other things. So, mix within categories is important. Mix within food. The fresh is important; consumables, that works the same way. And we mentioned in the first quarter, we took some markdowns in apparel. The weather was off at that point. So, we wanted to get ahead of that and the rollbacks that we put in the store. And if you walk the stores or you go in the site, you'll see a big section of rollbacks. Those are working. The customers are responding.

So, we're positioned, I think, really well to serve customers, given any change we see. If you look all the way back into the early 2000s in different markets, Walmart's positioned well to do a great job, and the team is, as Doug said – I've really enjoyed the last few weeks. Even though it was hard, it wasn't the result you wanted, I really enjoyed seeing how quickly the team can respond and get all the way into the details, run great stores, make improvements on the website, some of them in an hour at times. They're moving really quickly to stay ahead of this and make sure we're in great shape.
That 20% number that we mentioned is the overage amount. Like if we could snap our fingers and have part of our inventory go away, it'd be 20% of the overage, not 20% of the total. Just to clarify that.

**John R. Furner**  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah, the growth. That's exactly right.

**Kathryn J. McLay**  
President & Chief Executive Officer-Sam’s Club, Walmart, Inc.

Yeah. I would just say, like the last two years, we’ve seen phenomenal growth. And part of it was people had different behaviors with COVID. They’re at home, they’re doing up their backyards, they’re eating at home and not going out to restaurants. So, we came into this year thinking, I wonder what’s going to happen as we move forward. Are we going to have people going back out to restaurants and traveling, and what would be the impact on sales? Well, right now, with inflation, they’re not going out to restaurants as much. And they told us that they’re not going to travel as much. And, boy, we’ve got the inventory for them. So, what we’re looking at is just how do you continue to be the place where they want to shop because you’re giving them great value.

**Daniel Binder**  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

One of the things about general merchandise, too, that I'd mentioned is that there are opening price points throughout the general merchandise side of the store. If we talk about it in terms of the store, they’re tennis balls and sporting goods. There are opening price point T-shirt items in ladies’ wear. So, managing where those get positioned and then thinking about other price points that you may want to roll back to drive mix, that's another variable that we manage. So, units, traffic across the whole box, role of rollbacks, role of opening price points, those are some of the variables that we manage. Anything you want to add?

**Judith McKenna**  
President & Chief Executive Officer-Walmart International, Walmart, Inc.

No, just maybe the only thing I would say is one of the advantages that we have as a company, and we see all of those across the markets and taking very similar actions, is that we have people across the markets who have deep experience in inflationary times. We have – one of our Presidents is Brazilian; another is Argentinean. Our Chief Merchant in Mexico is Argentinean. And that team have been gracious enough to spend a lot of time with all of the other teams around the world. John, including your team. Merchants, operators, everybody helping everybody understand what are the things that you navigate through at these times and what levers you can pull and what works, assuming short term, medium term, whatever that looks like, they have experience of it, including on the other side of it as well. So, one of the powered-by-Walmart elements of this is we have people who know these environments can capture that really fast.

**C. Douglas McMillon**  
President, Chief Executive Officer & Director, Walmart, Inc.

I set through one of those clinics a couple of weeks ago, and it was awesome.

**Judith McKenna**  
President & Chief Executive Officer-Walmart International, Walmart, Inc.

Yeah.
C. Douglas McMillon
*President, Chief Executive Officer & Director, Walmart, Inc.*

And I get reminded there are some things that I had experienced when I moved into international the first time in 1999 and got exposure to Brazil. And cooking oil was going like this, like daily going up. And I had never seen anything like that before.

Judith McKenna
*President & Chief Executive Officer-Walmart International, Walmart, Inc.*

Yeah. Yeah. And of the...

C. Douglas McMillon
*President, Chief Executive Officer & Director, Walmart, Inc.*

But their tactics are clear and helpful.

Judith McKenna
*President & Chief Executive Officer-Walmart International, Walmart, Inc.*

They are. And one of the things that Gui who's our President in Mexico, who's a Brazilian – is focus the business on controlling the things that you can control and spend your time there because that is actually how you'll get the best result.

Daniel Binder
*Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.*

We're going to go to Simeon Gutman next.

Simeon Ari Gutman
*Analyst, Morgan Stanley & Co. LLC*

Thank you. Simeon Gutman, Morgan Stanley. And well wishes to you, Brett.

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

Thanks, Simeon.

Simeon Ari Gutman
*Analyst, Morgan Stanley & Co. LLC*

Do I get one and a follow-up, or I'll put them all in now?

Daniel Binder
*Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.*

Two-part. Two-part.

Simeon Ari Gutman
*Analyst, Morgan Stanley & Co. LLC*

Doug, you said nothing has really changed since we last spoke. Curious what type of consumer is assumed in your guidance for the rest of the year? There are multiple headwinds, and they feel like they're rising, not going down. You're maybe taking price as prices are going up. Inflation in general. That's the first question.
C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. So, if we think about the most value-conscious customer group, we're watching that group. I'm kind of giving you a US answer, but I think this is somewhat true around the world. How is that group behaving and what do they need from us? And as I mentioned during the call, we're thinking about opening price-point items – Charles Redfield, our Chief Merchant, sitting back here – for what they need to put food on the table. We mentioned the half-gallon-of-milk story, but going through and looking at tuna, mac and cheese – you can shout out a few items if you want to, Charles – a group of items that help a family put groceries on the table.

Charles Redfield  
Executive Vice President & Chief Merchandising Officer - Walmart U.S., Walmart, Inc.

Rice, beans, pasta.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

So, think about them. What do units look like? How many units in the basket? What does inflation look like for them? And then as you move up the income scale, how many of those customers can you attract in the areas you might not have been doing business with them as frequently? Can we move some volume into apparel and home and maybe even some of the consumable categories as people become even more value-conscious? And Dan was talking earlier about some surveys that he's seen that indicate that's already happening. So, that's the way we think about it; is protect and serve, help that group that needs the most help, and then be attractive and attract others, whether it's stores or eCommerce.

John R. Furner  
President & Chief Executive Officer - Walmart US, Walmart, Inc.

I think I'd also add, Simeon, the benefit Walmart has with being able to shop in the store, being able to pick up at the curbside, have things delivered and, with Walmart+, unlimited delivery, we see take-up rates in all those channels, whether people are trying to save time or just have someone bring it to their house for them. So, depending on where you are on the value spectrum, then there should be something that we should be able to help each individual family customer with.

Simeon Ari Gutman  
Analyst, Morgan Stanley & Co. LLC

And the follow-up is on pricing. All the retailers we follow say that the price gaps are essentially unchanged. I don't know if that's true or not. Do you debate leaning into price? Would you communicate that to us even if you were, and how do you – how does your philosophy change on price now?

John R. Furner  
President & Chief Executive Officer - Walmart US, Walmart, Inc.

Well, if you take a look at where we are now, the best way I would describe it is we're about where we were when the pandemic began. And that was a strong price position that we were proud of. And so, we'll continue to watch price all along the way. Then, of course, we're going to manage cost. The thing that Doug said in the beginning that we talk about a lot is we got to keep the top line growing. What's really important is that we are in-stock. We're running great stores. I think Chris and Nicole and others have made what I think are pretty significant improvements in store standards over the last few months. In-stock has been the – it looks to me to be the best
it's been in a couple of years. Charles and the team, have focused on that. So, now we've got to keep the top line going strong, and then we'll continue to manage the value gap.

On costs that need to flow through like cost of product or the fuel or the shipping that takes to move those, we'll pass those through. And what's different the first quarter, there were some costs that came in really quickly. And some of those we felt were more onetime in nature, and those did not flow through. So, we'll continue to flow through what we need to to fairly price and protect the margins where appropriate to make sure that our customers get the right value versus the rest of the market.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

When I think about investing in price during a period like this, first thing I think about is we know where our gaps need to be to grow profitable market share. Number two, investing in price doesn't necessarily translate to loyalty. There are other things that could translate to loyalty longer term, even when we're not in this inflationary period.

We'd like to have more Walmart+ members. We'd like to have more customers shop both stores and eCommerce. When somebody shops both, as we've told you before, our share of wallet goes up, and they stick with us in a bigger way for a longer period of time. Making investments in things that might drive long-term value for the company, we're open to and interested in. And then short term, trying to increase the price gap to have better short-term performance that might not translate into long-term behavior isn't really a good investment.

John R. Furner
President & Chief Executive Officer - Walmart US, Walmart, Inc.

A good example, Doug, I remember, [ph] Robbie (00:19:56), last time I saw you in New York three years ago, you asked about capacity pickup, and the team has done just a fantastic job. And it feels like every week now they're finding new unlocks for more capacity, more slots, more time available, more express shipping. So, I'm just really happy with the team – the way that the team continues to just press boundaries and find new ceilings on the business.

Daniel Binder
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Michael Lasser first, and then we go to Scott in the back after that.

Michael Lasser
Analyst, UBS Securities LLC

It's Michael Lasser from UBS. Two questions. Doug, one of your peers in the financial services industry recently described the macro as a looming hurricane. Do you share that view? And as you're thinking about that, I'll ask my second question which is, in hindsight, some of the challenges that Walmart experienced in the first quarter were more systemic than idiosyncratic. If this marks an inflection point, transitioning from the last two years where consumers were binging on the consumption of goods to now feeling that they can spread their spending across a lot more categories at the same time they're experiencing more inflation, and this puts downward pressure on the profitability of the retail sector more broadly. Does that make it more challenging for Walmart to achieve the greater than 4% operating income growth element of its algorithm? Thank you.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
Yeah, [ph] Jamie (00:21:22) has a way with words, and I'm a little different. I probably wouldn't try to coin a term. I am concerned about the inflation rate. And should it stay at this level or go up and be there for a sustained period of time, I think that has a negative impact on too many families, and I'm concerned about that.

As it relates to the other question, I think the business model change is real and puts us in a good position to decide how much we want to invest, to drive growth if we need to, and how much flows to the bottom line in a way that we couldn't have before. So, I think we just need to execute our strategy. We need to execute as quickly as we can do it well. And that's what goes through my mind. And then the future will be what it will be. If the world is under more pressure, and people are generally more value-conscious, we're the place to go. If the world is a little more brighter than that, and people can experience more convenience, then we've got delivery, and we've got eCommerce, and we've got everything else.

The world during the pandemic, where so much was spent on goods and not on services, was not a real world. That was a temporary situation all along, and we know that. And I hope that people can go on vacations and experience life in the way that we did before the pandemic peacefully and happily. That's what we hope and pray for. In either environment, we're going to grow share, and we're going to do it more profitably over time. And the [ph] 4% and 4% (00:22:50) algorithm is one that we are excited about, committed to. We do say it's over time, and we've said from the beginning quarters by quarters, but we think we can achieve that. And with a company of our size, I think that's a really good performance. So, we're committed to that.
open. And there were some times they were pretty tough. And I want to commend my store teams for all that they did in the pandemic. They showed up, and they served communities. In the last probably year, even more than just the last few months, the team have been working on a lot to make stores and supply chain all work together.

So, we've put Chris Nicholas in the role that he's in as the Chief Operating Officer who has everything from import delivery all the way to in-home delivery, into refrigerators, into people's homes. So, we've— we took the opportunity to step back and make sure that all the operations are all working to a very common goal, which is the end of the Walmart cheer, the customer's number one, and ensuring that each of those teams are delivering on customer metrics. We start all of our meetings with NPS scores and how's the customer feel. And we're really focused on in-stock availability in every one of the channels.

And probably the third point that's important is the amount of digital innovation that's happening in the stores for the associates I think is making a big difference. It's probably about a year-and-a-half ago we put about 1 million devices in people's hands. Since that point, we've been taking all the processes and technology they need, and putting it on that device so that when an associate walks in ready to go to work, they clock in on their device, and then everything they need is right there in their hands to try to save them time and make it easier and make it easier for them to be productive.

And then the last thing I'd say, the team has done a really nice job with the regional managers, the divisional managers, market managers, store managers of making sure that they feel like they are an owner of the store. We've had a number of listening sessions with those groups, and we listen, they close it out. We've got digital listening tools where we get 10 million questions a week, and we listen to those, and we go develop things that [ph] make it easier (00:25:33). But just this week, we had 3,000 associates we had listening sessions with. So, we're really focused, Scott, on making sure that the associates are heard. The things that they need, we get in front of them. And then our product and tech teams are working as quickly as possible to develop solutions to make them be in the best position they can to be in a winning business unit.

Scott Mushkin
Analyst, R5 Capital LLC

Perfect. And my follow-up question was around automating the picking process. The MFCs, any quick update you can give us on that?

John R. Furner
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah, excited about the work there. We've got a couple of places in the country – New Hampshire, Northwest Arkansas, Dallas – where we have sites that are in construction and ready to go. As we work through remodels, I'm really happy with the remodel program and some of the changes we're making, but in the facilities that need MFCs, we're going ahead and either building on the space, getting the space clear. So, the idea of having a supply chain that's upstream, more automated, and can deliver everything from the [ph] regional of (00:26:25) cases, refrigerated cases, from automated equipment that's picked and ready for the aisle in the store or the fulfillment center I think is going to make a big difference.

The team really has spent probably the last 18 months working with each of the – what were pretty static supply chains, a perishable supply chain, an eCom supply chain, and an ambient supply chain. And they've worked out a number of ways to ensure that the product flows, we consolidate early, we can de-consolidate as late as possible with just the store, the curb, so just a lot of great work in the supply chain, and I think I'm spending some time with you next few weeks, so looking forward to showing you a store.
C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

When you think about the market fulfillment centers, I would call out automated storage and retrieval systems and then also that we have automated storage and retrieval system ideas for eCommerce FCs, ambient distribution centers, grocery, perishable distribution centers as well as the MFCs, that technology which in some cases we had relationships with start-ups to progress has all kind of in the last year or so gotten to the point where we have high confidence that productivity and the numbers that they’re supposed to hit, we will hit and deliver. And we’re really excited about what that means throughout the supply chain cost-wise, productivity-wise, but also as it relates to the associate experience, back to having high standards. When you have a pallet that comes in that's more often aisle-ready, department-ready and on a pallet instead of a floor-stacked ambient load, it's a dramatically different job, and it helps us in a number of ways as it relates to inventory management and accuracy, too. So, that's an exciting part of our future.

Daniel Binder  
*Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.*

We go to Greg next, then Peter, and then Chris.

Gregory Scott Melich  
*Analyst, Evercore Group LLC*

Hi. Thanks. Greg Melich with Evercore ISI. I'll start with my follow-up actually maybe for Charles. What are we planning units for fourth quarter this year given the supply chain challenges we have, but then also the extra inventory we have now? Are we buying to up units or down units for fourth quarter?

C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

Yeah, Charles, we're all dying to hear. I don't know if that's a question you even can answer because we usually don't answer buy-in units.

John R. Furner  
*President & Chief Executive Officer-Walmart US, Walmart, Inc.*

You don't.

C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

But, John, why don't you go first?

John R. Furner  
*President & Chief Executive Officer-Walmart US, Walmart, Inc.*

Yeah, let me start now. Certainly, Greg, there are categories that we're excited about in the third and fourth quarter. This – why we see some customers in the value segment switching some, this is still – it's a big economy. There's a lot of money out there. There's a lot of consumption. And they're important categories like toys, electronics, Christmas, where it's important that we do a great job and win on behalf of the customer.

The second, really excited about the work that Tom Moore and the eCommerce team are doing, not only with 1P and enabling the entire system to deliver on behalf of the customer, but also the growth in marketplace. I think they've got a lot of exciting innovation there. Third, the last point you made, while I said a bit earlier that there
definitely is going to be some inventory we'll work through over the next couple of quarters, in those places, well, we've been really thoughtful, and we're planning what we need to continue to buy, what we could slow down a bit, or what we need to continue remain aggressive with. I did say, and this is a fact, that we did bring in some of our Q2, Q3 inventory that's already here. So, I think we'll adjust as those lead times adjust. And what we saw in the last two years as lead times expanded because the ports backed up, and then what we saw in early February is a lot of that came through, and it came through much quicker. You see that across the entire country, in the industry. But a lot of that came through quickly, which in many cases can help us with share and growth.

Gregory Scott Melich  
Analyst, Evercore Group LLC

That was my follow-up. So, if I could then, my question is sort of bigger picture. I think, Doug, we were talking a little bit before that the business model's changed a lot. And company well positioned through COVID is actually amazing, right, what's happened, how you guys got through it. But I remember that growing traffic and transaction counts was a real part of the turn I'd say five, six years ago. But now we're probably running high-single-digit transaction counts down from pre-COVID. So, given how the business models changed the growth of eCommerce items and basket, should we expect traffic to not grow going forward? Could it – is there a scenario where it would actually be flat or slightly down, and it still makes sense and successful just because the basket's growing and people doing more click-and-collect and more eCommerce? Like how do we think about traffic as part of the business model now?

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. So, interesting, isn't it, because it's multidimensional now in a way that it wasn't because of the way eCommerce is playing out. There are pickup orders, there are delivery orders. There's traffic walking into the store just as there always was. And I think transaction count is a good measure of the health of a retailer over time, that total transaction count. But we've been trying to position the company everywhere to be a bit indifferent as it relates to how people want to shop. If they want to pick up order, great; if they want a delivery, great; if they want a different kind of delivery, great; if they want to come to the store, great. And we think families are going to do all the above.

And when you add it all up, I would just encourage you to look at more than one metric, track units, look at units per basket, look at the size of the basket, look at how many are eCommerce, how many are stores, look at share and then decide how you think things are going. For example, if you just take transactions, another question I would ask would be what share of transactions did you get? If transactions are down a little bit, your share of transactions went up, then that's good. And if transactions are down because they went to eCommerce, because something happened like a pandemic, all that's got to be factored into the way that we think about it. But the punch line is, yeah, we want transactions to go up and we want to design and we think we are designing a business model that works, whether those are store transactions or some other form of transaction.

Daniel Binder  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Great. And we'll go to Peter.

Peter Sloan Benedict  
Analyst, Robert W. Baird & Co., Inc.
Hey, guys. Peter Benedict at Baird. So, first question on labor. Curious what you're seeing in terms of labor availability trends there, the cost of labor, what kind of your outlook is over the balance of the year and into next year is my first question?

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. I want you to both take that one.

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah. You can start.

Kathryn J. McLay  
President & Chief Executive Officer-Sam’s Club, Walmart, Inc.

Sure. So, about six months into last year, we totally revamped the way that we hire people so that we could hire them within a 24-hour period. We've also been investing in wage rate over the last couple of years. We're now at a minimum of $15. We're probably on average more of like $17.40. And I think, those two things together has meant that we've been at full employment pretty much for the last six months. And that doesn't mean that we don't have pockets, so you're still looking at geographies or particular like TBCs, tire and battery skills, et cetera. So, you're still, in markets, trying to find kind of solutions. But pretty much across the board, we've been at full employment. We're not saying that as being a barrier for us at Sam's.

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah. Ours is similar in some ways, and then there are probably a couple differences to mentioned. For the most part, through the pandemic, we overscheduled and we ran a little under. Yeah, we were a couple points under what we scheduled for most of the last few years. And then, as we got into the end of January and February, the number of people on leave as Omicron moved all across the country at a pretty fast rate. And then, in February, we had quite a surge of people that came back to work, probably one that I've never seen anything like for a few weeks. So, the team made adjustments over time. We worked that through with attrition and scheduling out for a few weeks. And I'd say, by the end of the quarter, late March, middle of April, end of April, I think we feel really good about our staffing levels. Still some pockets, of course, where we may be over/under. We'll find that as we look across the country and react.

And then, same thing on wages, we made a number of investments during the pandemic. We've made geographic investments, and we'll continue to make those in facilities where we need to because we want to make sure that that we are appropriately staffed. Supply chain, I also feel really good about staffing levels all across the country, really end to end. And I think, I'll say this again, I'm just really happy with – thankful for the team the way that they worked through all the containers and everything and has gotten us in a position where we can say, we think in a couple quarters, we'll sell through. But generally speaking, feel good about where the staffing is right now.

Peter Sloan Benedict  
Analyst, Robert W. Baird & Co., Inc.

Thank you. And then, my other question is just around Walmart Global Tech. Maybe just some comments on what are the most impactful initiatives there that maybe we should expect to see impact the business over the next 12 to 24 months? Thanks.
Suresh Kumar  
*Executive Vice President, Global Chief Technology Officer & Chief Development Officer, Walmart, Inc.*  
Yeah. Over the last few years, we have been really investing in all of those technologies in Global Tech that truly are going to transform the entire retail experience from the customer experience to what we see, the tools that we give to our associates so that they can be more efficient, so that they can serve the customers better, to all the way to how we run our business processes more automated, more optimized, making use of machine learning, making it a lot more continuous improvement. So, we have been investing pretty much throughout the stack, from the infrastructure layer where we are investing in sort of the best of public cloud, private cloud, bringing it all together, data and ML to our app layer where we are bringing in things like voice, AR, AR/VR, natural language processing. All of these things are coming together. Ultimately, the idea is we want to deliver friction-free delightful experiences for our customers. We want to make sure that our associates are focused on helping our customers as efficiently and as effectively as possible, and we want to make sure that the business processes are automated, optimized and continuously learning. So, that's the vision. With these investments that are already in way, you'll start seeing that already, whether it is the customer experience, John talked about some of the investments in terms of consumer-grade tools that that we are putting out to the associates, all of those things are going to continue to accelerate.

Judith McKenna  
*President & Chief Executive Officer-Walmart International, Walmart, Inc.*  
It's maybe worth saying, Suresh, as well, you and the team have been focusing on trying to see where we can build global platform...

Suresh Kumar  
*Executive Vice President, Global Chief Technology Officer & Chief Development Officer, Walmart, Inc.*  
That's right.

Judith McKenna  
*President & Chief Executive Officer-Walmart International, Walmart, Inc.*  
...from scratch. So, Glass would be a good example of that.

Suresh Kumar  
*Executive Vice President, Global Chief Technology Officer & Chief Development Officer, Walmart, Inc.*  
Yeah. The Glass is a platform that we have used for the customer app which brings the omni experience together. We launched that last year, and that is serving as a platform on which we are now building all customer experience, and not just for the US but we are doing it for international, for Mexico, and we will start developing more functionality on that. So, what Judith is talking about is that, where possible, we are building leverage-able multitalented platform so that you build it once and then you customize it for different scenarios.

Daniel Binder  
*Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.*  
Okay. We'll go to Chris Horvers, and then Renato.

Christopher Horvers  
*Analyst, JPMorgan Securities LLC*
Thanks. Chris Horvers, JPMorgan. So, my first question is also a follow-up. Have you seen any bottom-of-funnel effect in your customer base where they're looking to economize on miles driven and gas and maybe average check, not average price? And if you do see it, how would that affect your pricing strategy?

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah. One of the things that we did just recently, for example, Walmart+ members may increase the fuel discount, and we've seen a take-up there that's been helpful. Traffic was solid in Q1, that was pretty straightforward. We are seeing some customers use plus more frequently and, in some cases, we knew therefore through anecdotal feedback that that is having a delivery made versus driving to the store. So, I think over time, having this inflation impacting energy and fuel is not helpful. It obviously hurts the customer and their spending power over time. But I think we'll have to just continue to monitor everything from the way people are spending on energy, transportation, food by value chain and/or by value tier of the customer group and adapt. Fortunately, we're well-prepared to be able to handle any of those.

A couple things that I think are interesting although are the different ways that the team have learned to develop. We've got a last mile team and a last mile business that continues to grow and offer new ways that we can deliver. We've got some interesting experience with drone deliveries. We've got electric vans that are consolidating orders. So, what we're trying to do over time, Tom and the team had originally built all this, is as they build density in neighborhoods for delivery, then we can take more in a single load and that will enable us to lower our cost per delivery which, ultimately, helps power the flywheels. Our costs go down, we can keep the value right for the customer and offer more values to the customer.

Christopher Horvers  
Analyst, JPMorgan Securities LLC

And so, as my follow up is, given the store base, how do you think about the need to get to next-day delivery availability for the 70 million, 80 million, 90 million SKUs that sit in the fulfillment center and shipped direct to home? Is that a goal of Walmart US over time? And does the three to five-year supply chain plan get you to that?

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

We haven't said the number of items that we intend for same-day or next-day. But generally speaking, we have around 3,700 stores that can deliver the entire assortment that's in the store same-day. And we couldn't have said that two years ago, would have been just a part of the assortment. On the 1P business, first party, we've made some pretty significant improvements in the amount of the assortment that is delivered next-day and that will continue to improve.

And then, the last one that I'm, I think, most energized about as you look out over time is being able to use the store locations as cross docks for eCommerce orders to flow through, be consolidated with grocery orders, local orders and eCommerce orders and move out. We've done a lot in the last two years and it really started, I'm thinking, [ph] it's really (00:40:31) maybe the middle of 2020 enabling eCommerce orders to be handed off to a store that's closed. We started those in the beginning. We would ship those by a post or a third-party. And then, as the pandemic went on and we developed more capabilities, those became same-day orders. So, one of the things that we need to improve on is there are a lot of orders where we'll tell you it'll be here in two days, you order it and it's here in a couple hours. So, we're delighting customers, I think, in an unexpected way. So, that's giving us the confidence to start lowering those times and telling customers it'll be today or it'll be tomorrow and bringing [ph] the windows down (00:41:03).
Renato Basanta of Barclays. So, I just wanted to follow up on the pricing discussion because, clearly, Walmart has a history of advocating or being an advocate for the consumer in terms of keeping prices as low as possible. And that's needed, very much needed, at this point in time. But at the same time, your CPG partners, vendors, they're having their own pressures in terms of inflation. They're talking about protecting their own margin structures. And there was a recent quote in The Wall Street Journal where a large CPG partner of yours talked about protecting margins. And so, was just wondering how you're thinking about that dynamic playing out going forward? Thank you.

John R. Furner
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Well, let me start with customers, and then I'll talk about the margins at the same time. First, we have, well, as of July 2, a 60-year history of delivering prices that are trustable, valuable, less time than 60 years but for a number of decades having what is known as Every Day Low Price. And being able to have a basket of goods – and it's not always every item every day, but a basket of goods that you can trust, you will find a value on that basket at Walmart is really important to us. And we spend better time every week looking at where we are versus in the market to ensure that customers can trust Walmart for value, and we won't stop doing that.

The way that we have moved inflation through back to Q1, things happened much quicker than we thought. We have a process where we will evaluate all the costs that are associated with moving goods, receiving goods, putting in the store and then price against that. Some of those changes happened faster than we thought, so we've readjusted how quickly we want to make those kinds of adjustments, so the emergency to forecast, and those will include the costs that need to move through and we'll price to those.

And then, as far as suppliers, we've got a very wide range of suppliers and there are certain suppliers that have taken one line, others that are working with us to find ways to reduce costs, even at a time when costs are going up. Just this week, Charles has been updating me on a number of suppliers who are working with us to find ways to ensure that the price doesn't go up. And in some cases, I'm really impressed we'd even come down. And we need to do that for the American consumer at a time when they're pressured. They're pressured on energy and fuel and other things. I won't read the whole list, you know what they are. But it is exciting to see that even in times when it looks like there's inflation everywhere, there are ways to cut costs out of the system, be more efficient and deliver better value. So, when you're in a store, you'll see a number of rollbacks now that I'm really proud of that are across the entire assortment, everything from general merchandise into food, and we're going to continue to do that.

Renato Basanta
Analyst, Barclays Capital, Inc.

Thank you.
Great. Thank you. We'll go to Rupesh next, and then Bobby.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Rupesh Parikh, Oppenheimer. Thanks for taking my question. So, the first one is on Walmart+. So, clearly, the consumer environment is going to be more – potentially more difficult going forward. So, how does that impact, how do you guys think about adoption of Walmart+ in a more challenging environment? And as you look at retention, are there additional, I guess, benefits you can add to your offering? So, just curious, any thoughts there?

John R. Furner
President & Chief Executive Officer-Walmart US, Walmart, Inc.

I think the retention will be strong and the ability to attract more customers in Walmart+ will be strong as long as the value proposition is strong. Now, number one, for a monthly price, for an annual price, we have a delivery program that offers an unlimited delivery to people. And early on, it was it was tough because we launched it at a time when we had some availability issues and we had some process issues that left customers, at times, frustrated because their entire order wasn't delivered or was late. And if you're sitting in our meetings, you'd just hear Chris and the team and everyone working through each part of that MPS to ensure that we are making the necessary improvements so that customers don't have that frustration. There will likely always be some kind of – or at least for the foreseeable future, some kind of substitution that happens at shelves. So, we're working on things like two-way communication so that customers can talk back and forth with the person pulling their order. Our times have come down. Our wait times have come down. So, the performance I think is encouraging.

So, the second thing you said Walmart+ also offers people the ability to use scan and go in stores to save time. Something that's really popular with Sam's and was developed at Sam's, which they've done a wonderful job improving. And then, finally, on other benefits, we just raised in a lot of states the fuel discount from $0.05 to $0.10 per gallon. I think that's an appropriate discount given the time. And then, we'll continue to evaluate other things that we may want to put in the program. We do have an event today, tomorrow. This weekend's our first Walmart+ event that has a number of deals online that went live last evening. The stores are really fired up about signing people up and communicating value. We made all of our associates Walmart+ members, so their experience in the value had brought a lot of energy there and I'm excited about it.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

We'd like to use special purchases for those so that we're not running counter to EDLP. [ph] That's an item we carry all the time. We're trying to drive consistency as much as possible, but a onetime purchase on something is also exciting.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Yeah, okay. Okay, great. And then, maybe just one follow-up question. So, obviously, after you guys reported a number of retailers ended up with too much inventory. So, just curious, comfort with your gross margin outlook, just given really even more inventory out there and more retailers having to take markdowns?
John R. Furner  
*President & Chief Executive Officer-Walmart US, Walmart, Inc.*

Yeah. We were off 38 basis points in the first quarter. And I think what that tells you and there is some apparel markdowns that were included in that number. I think what it shows you is the team's ability to manage margins across a wide portfolio of categories, whether it's fresh food, grocery, consumables, apparel, general merchandise, hard lines, eCommerce. And then, the derivative or I shouldn't say derivative, they're not derivative business; they're actually great businesses that were growing on the side like advertising. Our data service business, there are a lot of things that are happening that are helping Walmart position itself well so that our income statement is more diversified over time. That progress is exciting, and I think we'll be able to tell you more and more about that in the future as it continues to grow. But we'll continue to manage this quarter-to-quarter. I think it's as I said. I'll just say one more time, it's probably another couple quarters until we manage the inventory down to the level that we are going to be happy with. It will still be up on last year. We still had out of stocks last year. We have some inflation built into the inventory numbers, it's just that 20% of the increase that we need to work through and get out of the system.

Daniel Binder  
*Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.*

Go to Bobby next.

Bobby Griffin  
*Analyst, Raymond James & Associates, Inc.*

Thank you, Bobby Griffin from Raymond James. Yes, so, first question is just a follow-up kind of on the supply chain dynamics and stuff with inflation. But US [ph] energy and environment (00:47:41) are already in it where inflation is running a lot higher than the last decade. Does that change the desire for Walmart to further integrate into the supply chain, to really be able to control costs better than maybe where you're thinking about over the last 10 years? And really, kind of I guess, on the transportation side or even on the grocery side, kind of across the organizations were the questions. Thank you.

C. Douglas McMillon  
*President, Chief Executive Officer & Director, Walmart, Inc.*

Yeah. We have done a little bit of that. But the thing that comes to mind first is the automation of the supply chain, the automation that goes into the centers to drive productivity that way, more so than additional vertical integration.

Bobby Griffin  
*Analyst, Raymond James & Associates, Inc.*

Okay. And then, follow-up-wise, Sam's Club, the performance over the last couple of years has been tremendous. So, just curious, maybe you can talk a little bit about what the next leg of growth is for Sam's? Are we back to kind of maybe some potential club growth, membership hike, membership fee increases, anything there just now that the business is really operating at a very high level?

Kathryn J. Mc Lay  
*President & Chief Executive Officer-Sam's Club, Walmart, Inc.*

Yeah. I think what we've seen over the last couple of years is the club, which was traditionally just for walk-in traffic, has now fills multiple channels. So, we're seeing growth in the foot traffic coming in but we now, obviously, have curbside or into our second year of growth in that. We've got ship from club that's also kind of growing, and
now we're just leveraging Walmart GoLocal for deliver. And that was launched just pre-Christmas and we didn't put a lot of marketing behind it because we wanted to build out that muscle, so we wanted to make sure that we are always going to delight members when they get that delivery from the club. And that's delivery across kind of fresh, ambient, kind of basically any item in the club. And so, I think what we're seeing is that the boxes are becoming really productive by serving all of those channels out of the one facility. That's where – there's so much organic growth out there for us, that's what we're focused on right now. But I don't close my mind to potentially opening up facilities in the future, et cetera, but where's a lot of growth are still left on the table for us.

Daniel Binder  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Okay. We've got about 10 minutes left in this session. If there's any other questions, I didn't see any hands up, but if you have them.

[indiscernible] (00:49:43)

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Scott's got one.

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

Scott's in the back.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

Scott and Peter.

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

[ph] Send him up front (00:49:47)

Scott Mushkin  
Analyst, R5 Capital LLC

Hey. It's Scott Mushkin again from R5 Capital. So, the question is regarding pricing and how fast it's moving. It's more a psychology question for the consumer. Our surveys would say maybe the consumer is losing its understanding of where price is supposed to be. Do you think that plays into Walmart as its brand is so strong on price? And do you anticipate that could actually gain – you could gain a lot of share as the year goes on? Does that make sense?

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yes, Scott. And I think back to a video I saw a long time ago of a guy named Jack Shewmaker. Some of you would remember developing Every Day Low Price using spray paint. It was an item, I think, that you may remember the number better/ But it was like $1.29 a can and it would go on sale for $0.79 and back to $1.29. And he just pegged, I think it was $0.97 every day and ran it for years and years. That was probably 1980, late 1970s. So, that 40 years that we have with customers running Every Day Low Price, I do think builds trust and I do think
it can give customers in a very uncertain time some ability to know that we're focused on an Every Day Low Price. We're going to keep our costs low. Yes, we had some issues in the first quarter we're working through this. But we want to keep our costs at a consistent level so that we build trust. Then if, if we had to pick, you pushed too much through to last through, we'll always lean on. We've got to make sure that we're doing the right things for customers with trust on pricing over the time. You mentioned 13-week periods. If the 13 weeks had started, sooner or later things would probably look different. But they are what they are. And over time, we will continue to really work to developing prices that people trust so that we can get the 4% growth.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

It's been my experience that customers know what’s going on. And I think you're right that, because things have changed quickly, there may be some that are a little outbalanced, but they'll figure it out quickly. And in an inflationary environment, a lot of customers are paying even more attention to pennies. And so, over time, your reputation, the trust that you've earned, only tracks reality. And so, we just want to keep earning it, Scott, so that when they do pay really close attention, it just confirms for them that we're the place they should shop.

Daniel Binder  
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Okay. We'll go to Simeon, and then back to Peter.

Simeon Ari Gutman  
Analyst, Morgan Stanley & Co. LLC

I'll ask two quick ones. First, on fintech, anything that we could talk about, update but, more importantly, on maybe Buy Now, Pay Later, or at least to own things that could help the consumer in this environment? That was the first part.

Second is we haven't talked about eCom profits or profitability in a long time, and I know we've moved the discussion away since it's integrated. But given that we think there were material losses, any incremental improvement should be positive to the story. So, can we talk about either KPIs or directional improvement that the business is making over time?

John R. Furner  
President & Chief Executive Officer-Walmart US, Walmart, Inc.

Yeah. What if I take eCom, touch on fintech, and maybe Judith do the same thing? eCommerce in stores, the reason that we haven't spoken as much about is it honestly it's just extremely hard to measure. Seeing where the sales come from, that's a bit easier because you can tell someone started in the store, they started on the app or they started on a desktop. But the fulfillment channels are – have just really blurred so much, it's really hard to tell. We have stores that serve in-store customers. We have stores that do that and have pick-up and shift from store and cross dock. And there are just so many things moving all the same time. We're looking at the cost per transaction. And then, as a result of all those transactions, we look at the contacts that we get from customers to try to make sure that our context for order is going down so that it's really fluid and friction-free for the customer.

Your first question, which I'll come back to on fintech, we had a couple acquisitions that we've announced, One Finance and Even. One Finance is a really interesting, innovative startup neobank for customers. Excited about our strategy. We haven't begun integration just yet. We just made the acquisition in April. We also bought a company called Even. That is a platform where hundreds of thousands of our associates find value and saving and being able to pull money off their paycheck they've already accrued. So, we'll put those together and come up
with a great offer. There was another, Buy Now, Pay Later, we have a partner that we use and store it online with a firm that's going well.

Judith McKenna  
President & Chief Executive Officer-Walmart International, Walmart, Inc.

Maybe just fintech around the world. We see in our Walmex business, the Cashi app that the team have developed which is continuing to go from strength to strength, they just completely relaunched that recently. And at the same time, you heard [ph] Gee (00:54:25) talking today about the development of the Bite, which is the telecoms offer for customers as well. So, they're really thinking about from a how do you connect customers around the ecosystem that Walmex is building. And Cashi is a really key part of that, and you'll see them continue to build that out in the coming quarters, in the coming years.

Probably, our best-known fintech business is PhonePe in India. And you saw in the Q1 results, they're now reaching $800 billion of annualized TPV. They are in nearly 30 million merchants across India. So, they started when we very first talked to you about them, of course, about being a P2P business. They've then expanded into merchants. And as they think about how they continue to find that growth levers for the future, they're really now leaning heavily into insurance in two wheeler and four wheeler insurance in particular. So, they're thinking about this at every stage of the consumer's life in India and how do they play a part in that, and be something the app gets fired at remarkable number of times.

Leigh Hopkins, can you remember how many times the app gets fired?

Leigh Hopkins  
Executive Vice President-International Strategy and Development & Regional Chief Executive Officer-Asia and Walmex, Walmart, Inc.

[indiscernible] (00:55:39) 2.7 million transactions.

Judith McKenna  
President & Chief Executive Officer-Walmart International, Walmart, Inc.

That's right. Says Leigh, 3 billion transactions a month that they're now doing. So, think about the number of times the app is getting fired. So, what they're looking to do is create use cases that sit behind that for the way that they can and further engage with the customer in the future. But this they do some really exciting work. We were in India recently and spent some time with the engineers there. And I was just telling Suresh the other day, they're still building. And at that scale they have now of some of the original code that they wrote in the beginning, and it's now able to handle that 3 billion transactions which is extraordinary.

C. Douglas McMillon  
President, Chief Executive Officer & Director, Walmart, Inc.

I think it's obvious but I'll say just, in case some people haven't really focused on this, we're trying to design for families, design for customers and members a retail experience that has stores or clubs plus eCommerce in the various forms. And that brings along with it a marketplace business, a fulfillment business, an ad business. And we're going further into healthcare in multiple countries and financial services in multiple countries. And so, I think you can hear in our earnings script and in this conversation and other places that there are commonalities of that connected flywheel that are happening across markets, which relates to the point that Suresh and Judith were making about more global platforms. Build it once, leverage across as many countries as you can, adjusting for compliance differences if you need to. That commonality is – it's an interconnected relationship kind of easy conceptually to get but hard to design through an app or a site in other kind of digital forms that'll emerge in the future.
But it's so exciting. I mean, if you can turn one relationship, whether that comes through eCom stores or health and wellness or financial services, all being top-of-funnel into a set of relationships with the other businesses become default, which in a digital world you can do better than you could in an analog world, you've got a more valuable company. And that's what we're trying to do. But we can't get all the businesses stood up at the same pace. India is different than the United States and stitching them together in a way where everything is intuitive requires a change, so we're working more design mindset and different skill sets in the company, which we've been adding to the company.

Please ask the last question to Brett. I don't think he's gotten one yet. Peter, do you have the mic?

Daniel Binder
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

And, Peter, this will be our last question.

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

You ask me a really long-term question, Peter.

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

That was a great wrap-up.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

There...

[indiscernible] (00:58:12)

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.

...an answer at this point. Well, for Brett, have you gotten sunglasses since April to wear outside watching sporting events?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

Awesome. There's a famous photo of Brett that he does not want you to look at, at a golf tournament where he's squinting and someone made fun of him. For those of you that don't know. Not that we want to further publicize it.

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

That is a fitting end to 22 years right there, Peter.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

So good.
Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.
Thank you. Well, I was just going to ask Judith to maybe talk a little bit about China and the Chinese consumer. But this just feels...

[indiscernible] (00:58:48)

Judith McKenna
President & Chief Executive Officer-Walmart International, Walmart, Inc.
It's really got worse after that, isn't it?

Peter Sloan Benedict
Analyst, Robert W. Baird & Co., Inc.
It really is nothing, so we can wrap it up.

Judith McKenna
President & Chief Executive Officer-Walmart International, Walmart, Inc.
Yeah. I mean, listen, those of you at the meeting today had me give a call out to the Walmart China team. You'll all be following events there in the lockdowns that have been happening, particularly at Shanghai. The single focus of our team is making sure that we can serve customers in some way there. And as things have taken a challenging turn, the team had pivoted entirely into eCommerce. And for many people, the thing they're most interested in is how do they get food to their homes whilst they've been locked down. And if pay to just give you an example of how the team have been handling that, usually we have about 2,500 associates across our stores and clubs working in Shanghai across the clubs that we have there. We have five stores and three clubs. And at one point, we had just 170 people working and we still managed to keep the eCommerce business running, serving and pivoting heavily into fresh fruit and vegetables for people, less so in the other categories but doing that. So, the team are doing an utterly tremendous job there and we continue to give them all the support that we can.

Daniel Binder
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.
That will end our Q&A session. Did you want to keep going?

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
Yeah. I'll close, but...

Daniel Binder
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.
Yeah.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.
...do you have anything you want to share before I do that?
Brett M. Biggs
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. Today is a weird day. It's been 22 years, almost seven years in this role. And the great thing for Walmart is this is such a great company, such a great role, that it's easy to attract really good people. And John David, you have that, who is coming in so I know you'll enjoy work with him. But this was my first CFO gig when I started this 6.5 years ago, and I got to know a lot of you for the first time during that period. And over the years, I've gotten to know you even more. You've been helpful to me. You've been helpful with the questions you asked. You've been helpful to the company with the questions you asked, because it makes us better and you know our company really well. And to a person, you've always been fair. And that's all you can ask, I think, from sitting in my chair. But I've really enjoyed working with you. And I'll see some of you as I move on.

But the company is in fantastic position. You can tell the leadership team is strong. People have asked, if it's so great, why are you leaving right now? And that is because it's never over at Walmart. There's never an end. It always keeps going. But when I look at the next three, four, five years, the upside I see for this company is unlimited. And then, Greg, you asked about the business model; business model's exactly what we need to be doing. The strategy is right and I know we're going to execute. I know that for certain because I've seen it my entire career. So, I feel great about Walmart.

C. Douglas McMillon
President, Chief Executive Officer & Director, Walmart, Inc.

I'll just add my gratitude and say thank you for coming. Thank you for paying attention to the company, those of you who are listening or those of you that are here in person. We can manage the short-term while we build for the long-term, and that's what we're going to do. Thank you all.

Daniel Binder
Senior Vice President, Corporate & Enterprise FP&A and Investor Relations, Walmart, Inc.

Great. Thank you.

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