Company Name: Wal-Mart
Company Ticker: WMT US
Date: 2017-11-16
Event Description: Q3 2018 Earnings Call - Follow-Up Call

Market Cap: 295,735.95
Current PX: 99.001
YTD Change($): +29.881
YTD Change(%): +43.231

Bloomberg Estimates - EPS
Current Quarter: 1.338
Current Year: 4.394
Bloomberg Estimates - Sales
Current Quarter: 134410.200
Current Year: 496495.417

Q3 2018 Earnings Call - Follow-Up Call

Company Participants

- Steve Schmitt
- Kary Brunner

Other Participants

- Michael Louis Lasser
- Oliver Chen
- Simeon Ari Gutman
- Robert Ohmes
- Scott A. Mushkin
- Karen Short
- Edward J. Kelly
- Chuck Grom
- Robert Drbul
- Paul Trussell
- Matthew J. Fassler
- Kate McShane
- Daniel Thomas Binder
- Scot Ciccarelli
- Joseph Isaac Feldman

MANAGEMENT DISCUSSION SECTION

Steve Schmitt

Q3 Highlights

Net Sales and Adjusted EPS

- So let me talk about a few highlights in the quarter
- We had a really strong quarter
- We have broad-based growth
- On a constant currency basis, consolidated net sales were up 3.8%, an increase of $4.5B
- We delivered adjusted EPS of $1
- You notice our GAAP EPS was $0.58 per share
- So we adjusted GAAP EPS for three items that are detailed in the release, I'll hit on the three of them
- We recently completed a debt tender offer

FCPA Accrual

- We made an FCPA accrual regarding possible resolution of the FCPA matter
- We made the exit of certain properties in one of our international markets
  - So excluding these items, our adjusted EPS was $1
- We have good momentum in sales growth across the business
- Walmart U.S. comp sales growth was 2.7%, with comp traffic up 1.5%
- We saw about a 30 to 50 point positive impact to the comp from recent hurricanes
- Our Walmart U.S. eCommerce sales grew 50%
- Sam's comp sales grew 2.8% led by traffic and also had a benefit from the hurricanes
- International delivered another solid quarter with 10 of 11 markets reporting positive comp sales
- Excluding the charge for the FCPA accrual we disclosed today, we would have leveraged expenses as a company in the quarter, which has been a point of emphasis for us

Guidance

We're now expecting full year adjusted EPS of $4.38 to $4.46, which is an increase from our prior guidance of $4.30 to $4.40

Fourth quarter Walmart U.S. comp sales are expected to increase between 1.5% and 2% on more difficult compares

Just a couple of reminders

We'll release our fourth quarter earnings on February 20, 2018

QUESTION AND ANSWER SECTION

<Q - Michael Louis Lasser>: We saw a noticeable down trick in your U.S. gross margin even if you back out the hurricane-related impact, and you cited the price investments and the mix shift to eComm. Those have presumably been drags on the gross margin for the last several quarters. So why did it take a noticeable step down this quarter?

<A - Steve Schmitt>: Thanks, Michael. Let me talk about maybe two things; gross margin on a consolidated basis, and then on a U.S. basis. So on a consolidated basis, gross profit rate declined 29BPS. And you hit on several of the items, so on a consolidated basis, we have price investments in certain markets, mix effects of eCommerce, which you mentioned, and keep in mind the U.S. hurricane-related expenses that we had.

I'd also like to point your attention to operating margin and some of the things that just we'd like you to pay attention to, as we called out some items such as the FCPA accrual, international impairments, and hurricane impacts. So just keep these in mind when you're looking at overall operating profit performance in the quarter.

For Walmart U.S. specifically, gross profit margin declined 36BPS in the quarter. Price investments, as you mentioned, mix effects of eCommerce impacted as well. And the hurricane specifically, we estimate impacted the gross profit decline of about a third of that. So I'm not getting into all the details specifically, we continue to invest in price. We're operating with more discipline, and we'll continue to look ways to manage our margin, and ways that work for our customers and work for our shareholders. It's really the productivity beginning to turn for us. So you could see gross profit margin pressure from time-to-time, and we need to get more disciplined with expenses. That's our plan.

<Q - Michael Louis Lasser>: And my follow-up question is, Steve, in recent times, there's been talk about Walmart potentially charging higher prices online than in-store. Can you describe the thought process behind that, and the potential risk that customers would experience from having segmented pricing across channels?

<A - Steve Schmitt>: Sure. So if you think about our business, and certainly our DNA, we're about offering everyday low prices, both in-store and online. The fact is, some products are just cheaper to sell in stores, think about items like bottled water, so you'll see some price differences from time-to-time.

<Q - Oliver Chen>: Our question is about smart cart technology and how you're thinking about leveraging a lot of the Jet technology, just where you are with that in relation to Walmart? And then secondly, I'd love your thoughts on the Lord & Taylor deal, and just some of the strategic rationale there would be helpful? Thank you.

<A - Steve Schmitt>: Thanks, Oliver. So the first question around smart cart technology. It's something that we continue to look at. We need to be thoughtful about it as we think about putting that potentially on Walmart.com, but nothing really more to add at this time.

In terms of the Lord & Taylor relationship, it's going to be a unique experience. Think about it as a flagship store. This is expected to launch in the spring. It will be dedicated store on Walmart.com and in the app. We're excited about the relationship, the deep relationships Lord & Taylor has with great brands, and we know our customers look for premium brands on our site. So we think it's a good agreement, and we look forward to the spring.

<Q - Oliver Chen>: Okay. And Steve, some of our work around customer survey satisfaction at Cowen has been volatile. Can you revisit clean, fast, friendly, and is there anything we should note that's happening, and opportunities to continue to enhance customer satisfaction at large?

<A - Steve Schmitt>: Well, I think there's a lot of things. If you talk to Greg Foran, the CEO of our U.S. business, he could probably list a list of 20 to 30, maybe even more than that, from the time the customer walks in the door to the time they check out, from a booking standpoint. So, we continue to look at it. It's a point of emphasis for us. I think you can tell in our results, the customers like the changes that we're making in our stores, and we'll continue to look to make a better experience so they continue shopping with us.

<Q - Oliver Chen>: Okay. Thanks. And just lastly, inventories, they were down. They look attractive. Are you feeling like that's a continuation, where we continue to see negative inventories, and are you fine with that relative to in-stock levels and sell-throughs?

<A - Steve Schmitt>: So we're happy with our in-stocks. We continue to make progress on inventory. You've seen more incremental improvements versus, I'd say, the step change improvements we saw last year, and we'll continue to look for improvements we can make in the business.

<Q - Simeon Ari Gutman>: First, I wanted to ask about the core business, if we just do some math, excluding some of the hurricane impact. I think if you take out, let's say, the midpoint of 40BPS from the hurricane and then you add back the EBIT, I think $150mm, it tells that – U.S. EBIT margins were up a little bit. I'm guessing that's how you're looking at that performance. Just want to confirm that that's a fair way to look at it?

<A - Steve Schmitt>: I think it's a fair way to look at it, Simeon.

<Q - Simeon Ari Gutman>: Okay. I don't know if you'll talk about this, but did Jet.com benefit to the comp, and then bigger picture, your eComm was up 50%. I think the out-year guide is a 40%. Is basically – you're just going to mix out. You're going to – and Jet was in part of the quarter, I guess, and so it'll fall a little bit out of it in the next quarter. Are you just glide-pathing to that 40%? Is there any change in that growth rate that we should expect going forward?

<A - Steve Schmitt>: Well, if you think about Jet, and thanks for bringing that up. Jet was in the comp for a month, the way our comp calculations work. So there really wasn't much of an impact in Q3 results.

Really the way we think about eCommerce is really in total. Jet is a piece of our eCommerce business overall. We made the decision earlier this year to give more transparency on our U.S. eCommerce business, and we furthered that in our October meeting, so we'll continue to report on the eCommerce business as a whole.

In terms of a glide path, we feel good about the direction of our eCommerce business. I think this quarter is another good example of that and we will report that as we go. But in terms of any glide path or volatility, we'll wait and see.

<Q - Simeon Ari Gutman>: Okay. And the last piece, in the PowerPoint, you called out automotive is a strong category. Is that growth in services, in unit count on vehicles that you're performing services on or is that in the product side if you know?

<A - Kary Brunner>: Yes. Simeon, this is Kary. It is on both. Really solid performance in automotive as you've seen over the last number of quarters and it goes from, certainly a step up service aspect but also good price point on things like tires for instance that are driving customers increasingly to Walmart's automotive area.

<Q - Robert Ohmes>: I wanted to ask about the food business. You guys called it out, the great comps. Can you give some color on what you guys are doing to make it so strong. Is the online store pick up really supporting those comps significantly? Have you been doing any special promotions in food? Anything on how you're driving that? And then – and also I noticed, I think the commentary on inflation was that it was the same or maybe even a little bit lower. Can you give us any color on how you guys see the inflation outlook in your food business going forward? Thanks.

<A - Steve Schmitt>: Thanks, Robby. Maybe I'll give a few comments and turn it over to Kary to give a little more detail. So we'll take the inflation piece first. So the way we've reported inflation on food is really excluding the price investment that we've made and as we got into this quarter we think it's a very – it's – you talked about what Brett said in his remarks, which is in a similar range or below what we reported which was 30BPS of inflation in the past quarter. The fact is it's getting a little bit more difficult for us to really be precise with that number as we look at our price investment markets. As we anniversary some of those price investments, it's just becoming a little bit more difficult, so we'll give you as directional as a number as we can to help you analyze that business going forward.

In terms of the grocery business or the food business overall specifically, you mentioned online grocery pick up. We know that that's working for our customers. We continue to expand it. We're in 1,100 locations now and expect to add another 1,000 next year. So that's a big initiative for us. It's working and our customers love it.

In terms of other things that are working, it's, again, it's a lot of different things. It's expanding assortment, it's quality of product, having in-stocks and price is a component of it as well. Kary, anything else you want to add?

<A - Kary Brunner>: I think it's great that the customers earlier responded to areas we've spent a lot of focus on, particularly fresh areas, fresh categories and that business has really sequentially improved. Price points are right. There's a good assortment. The presentation within the stores is really, really good. And then top that off with online grocery. So I would say that's certainly key areas on top what Steve said.

<Q - Robert Ohmes>: Is the spread between the comp at a online grocery store vs. a Walmart store without it? Is it dramatic? In terms of the comp trending grocery between those two?

<A - Steve Schmitt>: We won't give the specifics of that. But we know it's an initiative. It's working for us based on our rollout plans.

<Q - Scott A. Mushkin>: I wanted to touch on two things on the U.S. margin specifically. [ph] I think (13:55) the first thing is, you actually are now leveraging expenses in the U.S. How should we look at that with labor costs accelerating pretty rapidly?

<A - Steve Schmitt>: Okay. So I think we have to manage labor costs like we manage other expenses in our business. One of the big initiatives that we have is, as we grow the business we want to be more disciplined with our costs. We need to be more efficient. We talked about some of the technology enablers that are helping with that. We have to manage labor costs and we have to look to do that in the most efficient way we can to reach the margin objectives that we have. So that's what we continue to do.

<Q - Scott A. Mushkin>: And then as far as the gross margin...

<A - Steve Schmitt>: Yeah.

<Q - Scott A. Mushkin>: ...we've talked about it a little bit. But I was just wondering could you give us any thoughts about freight, a lot of companies we cover had been talking about freight cost going up and that's pressuring them. How should we think about that factor as far as Walmart goes maybe fourth quarter and beyond? Thank you.

<A - Steve Schmitt>: Thanks, Scott. I think you think about freight just like the other variables that we manage in the business. We have a lot of experience managing the P&L and whether it's labor or freight, we have to pull different levers to deliver on the objective that we have in the freight would be no exception. But I don't have any specifics for you in terms of freight cost increasing. Thanks.

<Q - Karen Short>: Just a quick question on leverage. So, obviously you saw some pretty good leverage in Q3 and it was, I guess, even higher if we add back a portion of that $150mm hurricane impact. So I guess the question is, is there anything that you could point to specifically that helps you get that leverage this quarter? And how do we think about it from – and then obviously, I know the comp was strong, so that was part of it. But, how do we think about the sustainability of that into Q4 and beyond?

<A - Steve Schmitt>: Well, you mentioned the sales piece of it which certainly helped. But it's really about becoming more disciplined with our expenses overall. I know we had been talking about that for a while now and it's a big objective of ours going forward. There's not one thing, it's just about being more efficient with the business overall. It's great that we started to see that in Q3. We've talked about our goals next year to leverage expenses and we'll continue to push towards that. But it's not one thing, it's a lot.

<Q - Karen Short>: Okay. And then, in the commentary on U.S. merchandise highlights, you included the comment about improvement in private brands. Any color you could give, maybe in terms of how many SKUs you added, anything? I know you're really reluctant to directionally give a penetration number. But if there's any color you could give on that, that would be great.

<A - Kary Brunner>: Sure, Karen. Penetration does continue to grow. And I think what's great about this is it spans multiple categories. You think about areas like food, where we're introducing different private brands. You saw an announcement earlier this quarter about our Baby, and improving the private brand offering within our Baby categories, certainly in consumables, health and wellness, you have a good selection. So it's a key area of focus for us, as you've heard from Greg. Often, we think there's an opportunity there to give an improved quality at the right price point for the customer, and that will continue to be a focus.

<Q - Karen Short>: And the percent penetration, will we ever get that?

<A - Kary Brunner>: Not today.

<Q - Edward J. Kelly>: I wanted to hit on pricing real quick. Was there any change sequentially in the pricing strategy? And did the return of inflation play a role in the impact on the gross margin? Because obviously, it's harder to invest in price in an inflationary environment. I'm wondering if it's simply more of the gross margin pressures, because the costs are [ph] cupping (18:01) back, and it's more costly to invest in price in that type of environment.

<A - Steve Schmitt>: Thanks for your question. So, we continue to execute our pricing strategy that we laid out, I guess, two years ago now. The details of that, and you're not going to be surprised to hear me say that, that we keep pretty close to the vest. So pricing is a piece of what we're doing, along with customer experience and all the other initiatives that we have to grow the top line. So we're not going to give specific details of pricing, but we continue to execute the strategy, and our customers are responding.

<Q - Edward J. Kelly>: Just a follow-up on grocery. I think you said comps were up low single digits in the category, in food. It seems like hurricanes would have an outsized impact here, and just based upon the tone out of Doug, it certainly seemed like there was an acceleration sequentially. Excluding the hurricanes, did that business still accelerate sequentially?

<A - Kary Brunner>: We've seen really improving trends overall over the last number of quarters in the grocery business, and it really gets to a lot of the things we've talked about earlier on the call. More discipline around, stepped-up presentation for the customer, good assortment, our fresh business has improved, price points are right. So the customers are increasingly coming to Walmart. Traffic continues to improve in the grocery business as well. And ticket is falling, we talked about increased units. So certainly, hurricanes are a factor within the number, but you've seen continued improvement in the grocery business, as we've spoken about over the past year.

<Q - Chuck Grom>: Doug spoke in his prepared remarks that both new and old customers are adopting some of the online efforts. I was hoping you guys could dig into the new customer bucket, and if there's any way you could quantify that for us? Is it a younger customer, and how do you cultivate that new shopper so that she keeps coming back, both online and in-store?

<A - Steve Schmitt>: Well, if you think about the Walmart customer base overall, it's actually a pretty good mirror image of the U.S. population in general. We're pleased with how new customers are using us in multiple ways, and really an omni experience we laid out in our October meeting, that the omni customer certainly spends more with us than single channel customers.

So we continue to push that forward. In terms of different age groups or whatnot that are adopting at a faster order, we don't have that particular information. But we continue to move customers into the omni experience at Walmart, to use our brands in different ways. We're expanding our online grocery pick up, almost doubling it next year. We'll continue to do that, because we know that that's where the customer wants to use us in multiple channels, and we'll continue to forge ahead with that.

<Q - Chuck Grom>: Okay, thanks. And follow-up would be, in the past you guys did a lot of survey work on the health of the consumer. Wondering if you guys are still doing that? And then when you look at the acceleration in your comp, how much of it do you think is you vs. any macro tailwinds that are out there?

<A - Steve Schmitt>: We do quite a bit of research as you would expect, Chuck. So there's a lot of scientific data that we get, now I won't give you a scientific answer. The real – I think the nuts and bolts of it is that we think the customers reasonably, I mean, is doing reasonably well. We haven't seen a marked change over the last several quarters, certainly in our results we continue to, I mean, this quarter is a good indication that our initiatives are appealing to the customer, but we don't see a marked change in customers right now.

<Q - Chuck Grom>: Okay. Just my last quick one would be, just on inflation, U.S., you said it was up about 30BPS in the U.S., but Sam's it was up closer to 70BPS. I'm wondering why such a divergence between the two segments?

<A - Steve Schmitt>: That's really a different product mix and more than anything.

<Q - Robert Drbul>: Couple of questions. The first one is, within the U.S. business, the comp store sales, was there any variability month-to-month that you would call out? And I was wondering if you could give us an update on the associate delivery test underway, how that's going?

<A - Steve Schmitt>: Thanks, Bob. In terms of the associate delivery test, we continue to learn from what we're doing. It's certainly an initiative that leverages the unique assets that we have. But not only associate delivery, but ground-based platforms to solve for last mile for really quick delivery for our customers. So we continue to watch that and learn from it.

<A - Kary Brunner>: As far as business performance month-to-month, we really don't get into those details. There's just a lot of noise and variability from holiday shifts and otherwise. And certainly with the hurricanes there was increased noise. So overall where we land it was in a pretty good spot.

<A - Steve Schmitt>: And nothing you can tell from our fourth quarter guidance of 1.5% to 2% that we feel pretty good about the momentum we have.

<Q - Robert Drbul>: Got it. And I was wondering if you could just maybe comment on the electronics category both online or also in the store, just how you're thinking about that heading into holiday?

<A - Kary Brunner>: Yeah. We have a great holiday planned. We think we've put together something we work on for a long time and even spend some time with kids and picking out toys and electronics that they increasingly use. And so we think we have a good assortment of product for the holiday that will appeal to a large portion of customer. And I think we'll have that assortment available in a big way both in-store and online.

<Q - Paul Trussell>: Just wanted to circle back to Sam's Club, nice acceleration in comp. If you can just flesh that out for us, seems like you certainly expect this trend to continue given Q4 guidance. Also, if you can touch on any membership trends coming out of Sam's? And then just as my follow-up, if you can just go into maybe a little bit more detail on how the hurricanes impacted this quarter, particularly on the margin side, just a little bit more detail on that would be helpful?

<A - Steve Schmitt>: Maybe I'll take the second part of your question first Paul. In terms of the hurricane piece, I think we're as specific as we can be with what we laid out in the quarter with the Walmart U.S. business, the 30 to 50 point comp benefit. Sam's I think was 70 to 90BPS. We talked about the net of sales and increased cost, gross margin and SG&A to be about $150mm headwind for the U.S. – Walmart U.S. business and about $20mm for Sam's. So I think we probably gave as much information as we could from that standpoint.

In terms of Sam's overall, I think in the comp piece of it, what I'd point you to more than anything is strong traffic. So a 3.6% member traffic growth. We have members coming in more frequently. We have initiatives like Scan and Go that make it easier for members to come in and shop at clubs. And that's what I would point you to is traffic up 3.6% in the quarter.

<Q - Matthew J. Fassler>: My first question relates to health and wellness, where I think you saw comps accelerate to mid-single digits from low single digit. Anything in particular drive that pickup in momentum?

<A - Steve Schmitt>: Matt, it's really the same factors that have driven health and wellness and relatively consistent performance. There was a pick up this quarter as we continue to see script growth in our pharmacy, traffic is very healthy and we also have some new items in over-the-counter that are doing well and some of that obviously is driven by [ph] sickness so Cold, Cough & Flu (26:44) was strong this quarter, but branded drug inflation as well is a fact there, but really kind of the same factors that you've heard us talk about over the last couple of quarters, just a bit of a pickup in traffic this quarter.

<Q - Matthew J. Fassler>: Got you. Second question I want to ask real quick. So you said you gave us all the detail you could on the storms, I'm going to try to go slightly deeper into one. If you think about that comp benefit that you discussed, would you expect that that would have benefited ticket or traffic, if you could differentiate?

<A - Steve Schmitt>: Probably both. I mean, we did see some higher dollar purchases from the GM side.

<Q - Matthew J. Fassler>: Got you. That's helpful. And then finally, just to get clarity on where some of the one-time items that are excluded from adjusted earnings are showing up in the divisional P&L. Should the FCPA be taken out of unallocated, and the international real estate taken out of International?

<A - Steve Schmitt>: See from a geography standpoint it's SG&A, SG&A overall. And one thing to point out on the FCPA is, it did drive the quarterly tax rate up. So if you're looking at the y-over-y tax rate, the majority of it was driven by that particular accrual.

<Q - Kate McShane>: My question is a little bit bigger picture in nature, but you've pursued a lot of different strategies with buying brands in some cases, like ModCloth and Bonobos, and then partnering in other cases, like with Lord & Taylor. Can you just walk us through how you're thinking about the strategy of acquisition vs. partnership, and why one way makes sense vs. the other, depending on what that relationship is?

<A - Steve Schmitt>: I think the key is to be flexible. If you look at some of the partnerships we've had around the business, I'd point you to JD initially in China, to partner with really one of the largest eCommerce platforms in China, that's where a partnership makes sense.

You have brands that we acquired, like Bonobos specifically, that give us really the unique access to great brands like Bonobos that we can leverage [ph] to be (29:14) proprietary to our platforms. And then you have things like Lord & Taylor that you can partner, a capital-light way to bring great brands to your site that we think would work for both parties. So I think the key is to be flexible, and we'll continue to be flexible as we look to build our assortment and give customers more options.

<Q - Kate McShane>: Okay. Great. Thank you. And if I can ask a second question, unrelated. Do you have any perspective on the impact of door closures, more from the mid-tier channel that you could be benefiting from? Obviously the demographics are a little bit different, but do you have any measures that you're picking up share from that area in particular, either with ladies apparel or any other category?

<A - Steve Schmitt>: I think it's tough to dissect and I don't have any, I don't think, useful information, particularly on ladies apparel. But, look, when you have a business of our scale that's growing like we did in Q3, I think you're taking share. It's hard to dissect on who from. So I don't really have any color on any specifics on that for you. But thanks for your question, Kate.

<Q - Daniel Thomas Binder>: My question was around Jet.com and Walmart.com. I had ordered something on Walmart.com recently, and noticed that I got a discount for accepting a delivery time that was beyond the two days, and that's very Jet.com-like, and I'm wondering how much of Jet.com type discounts Walmart.com will be integrating into its own website, such as discounts for using debit vs. credit or volume buys or skipping free returns, et cetera.

<A - Steve Schmitt>: Thanks for the question. I think it's TBD. I think we'll continue to test, learn, and move forward. So we've got a lot of ideas. We have a lot of initiatives underway. A lot of you that came to Bentonville last month saw a lot of them, there were things that we're doing in-store that we're excited about. So I think you'll see us test, take some swings, see what works, and expand and fail fast on some initiatives too.

<Q - Daniel Thomas Binder>: And then my second question was around pricing, and I imagine when you started the pricing campaign, the lower prices, you had to expect that some would respond. What I'm curious about is, to the extent that you can comment on it, to what extent are you cutting price further as a competitor comes in and gets close or matches where you are?

<A - Steve Schmitt>: We certainly take a look at the competitive environment, that's something we've done at Walmart for a long time. So we continue to do that. Our brand is about everyday low prices on baskets of goods, that's where the customers trust our brands [ph] for and (32:12) we'll continue to make sure we do that.

<Q - Scot Ciccarelli>: So my question is, let's assume half the hurricane impact was on traffic, half was on ticket. Is there anything you guys can point to that cause average ticket to spike up this quarter, especially, given your continued price investments?

<A - Steve Schmitt>: Bigger baskets was a piece of it, Scot.

<A - Kary Brunner>: Yes, we definitely sold more units and our – again, this gets back to some of the areas that we've talked about already on this call. The food business being very strong, health and wellness continues its good trends. And we saw a pickup in some general merchandise categories as well. Areas like hard-line, automotive performed quite well again this quarter and even saw a tick up in apparel. So, all those are contributing to the overall ticket performance.

<Q - Scot Ciccarelli>: Got it. And then just a housekeeping item. I didn't see it in the release. Do you guys have the number of SKUs that were available on your eComm platforms at the end of the quarter?

<A - Steve Schmitt>: It's over 70mm.

<Q - Scot Ciccarelli>: Over 70mm. And what does that compare to Steve?

<A - Steve Schmitt>: In the last summer, we gave, I think it was 67mm.

<A - Kary Brunner>: That's right.

<A - Steve Schmitt>: So we continue to make progress.

<Q - Joseph Isaac Feldman>: I wanted to follow-up. Do you guys worry about going too high end again? You know I know like we saw you add a KitchenAid, you've got this relationship with Lord & Taylor. And I feel like in the past there was a time and maybe it wasn't so much that you went high end, but the stores maybe got very cleaned up and things were almost too nice for a little while. But is there any risk of alienating your core customer with some of these new higher end brands?

<A - Steve Schmitt>: Thanks for your question, Joe. And we appreciate you notice in the KitchenAid's part of our assortment now and you may have seen that we also have Bose, which is – it's a great brand that now is associated with us. So, you worry about that, I think you always watch and learn and we look at the data. We analyze the data really well. We know that customers are looking for premium brands on our website. We think it helps the brand overall. So we'll watch brands like that. We're happy to have them as part of our assortment and we'll continue to learn.

<Q - Joseph Isaac Feldman>: Got it. Thanks. And then another, just a quick follow-up, just shift gears to international for a second. The UK, we've seen second quarter now positive comps. Is it simply the price investment that you're getting back in line with the right to be more competitive or are there other things going on that are helping to drive the comps in the UK?

<A - Steve Schmitt>: I think pricing is a piece of it. But I think over the last, call it, at least 12 months maybe closer to 18 months now, there's been an increased focus on getting back to the basics, giving the customer a better experience and we're starting to see some green shoots there