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Walmart, Inc. (WMT)

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings. Welcome to Walmart's Fiscal Year 2024 Third Quarter Earnings Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

At this time, I'll turn the conference over to Steph Wissink, Senior Vice President of Investor Relations. Steph, you may begin.

Stephanie Schiller Wissink

Senior Vice President & Head-Investor Relations, Walmart, Inc.

Thank you, and happy holidays, everyone. Joining me today at our home office in Bentonville are: Walmart's CEO, Doug McMillon; and CFO, John David Rainy. Doug will begin with his reflections on the quarter and year. John David will follow with his view of enterprise results and segment highlights using our financial framework of growth, margins and returns, before speaking to our updated guidance for the year.

For specific segment level results, please see our earnings release and accompanying presentation on our website. Following prepared remarks, we'll take your questions. At that time, we will be joined by our segment CEOs: John Furner, from Walmart US; Kath McLay, from Walmart International; and Chris Nicholas, from Sam's Club. In order to address as many questions as we can, please limit yourself to one question.

Today's call is being recorded, and management may make forward-looking statements. 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. Please review our press release and accompanying slide presentation for a cautionary statement regarding forward-looking statements, as well as our entire Safe Harbor statement and non-GAAP reconciliations on our website at stock.Walmart.com. Thank you for your interest in Walmart.

Doug, over to you.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Good morning, everyone, and thanks for joining us to talk about our third quarter results and how we're seeing rest of the year. Our value proposition continues to resonate with customers, helping us gain share and drive eCommerce growth. We're on track to grow adjusted operating income at a faster rate than sales for the year, consistent with what we discussed at our investor meeting earlier this year. We had strong revenue growth for the quarter across each of our segments. Comp sales for Walmart US were 4.9% and 3.8% for Sam's Club US. Sales for Walmart International were up 5.4% in constant currency, led by Walmex and China. Sam's Club continues to perform well, both in Mexico and China, and while strength was broad-based for Walmex, our Bodega Aurrera business is worth calling out, as it continues to deliver outstanding growth.

eCommerce sales were up 24% in Walmart US, 16% in Sam's Club US and 15% globally. Timing of our Flipkart Big Billion Days event, which moved from Q3 last year to Q4 this year, affected comparisons in our International segment, leading to a decline of 3%. So we'll see the benefit from the timing shift as we report next quarter.

Across markets, the team did a nice job driving our seasonal events. Our in-stock and inventory levels are in good shape. We finished down 1.2% in inventory for the total company, including down 5% for Walmart US. Both our top line and adjusted EPS came in better than what we projected at the beginning of the quarter, but we could have done a better job on expenses, which is reflected in adjusted operating income growing less than we expected. We had a couple of unexpected expense increases in SG&A. And you'll hear more about those when John David walks through the numbers.

In the US, pricing levels in many food categories continue to be a concern. Overall, our product costs are up versus last year. And they remain up even more on a two-year stack, which is putting pressure on our customers. Beef prices are high, but we're happy to see lower pricing in dairy, on eggs and with chicken and seafood. The pockets of disinflation we are seeing are helping, but we'd like to see more, faster, especially in the dry grocery and consumables categories.

The other good news is that general merchandise prices continue to come down. GM is down low to mid-single digits versus last year. That enables us to roll back pricing, which will help our customers during this holiday season, when general merchandise is so important for gift-giving. We still see pressure from mix, including outside the US, which we expected, but I like the market share gains we're seeing in this category. In the US, we may be managing through a period of deflation in the months to come. And while that would put more unit pressure on us, we welcome it, because it's better for our customers.

When I look at our P&L, it's continuing to change shape. [ph] Mentally (5:03), I break it down as a combination of a traditional retail P&L and a newer version that starts with our digital businesses. It flows from first and third-party eCommerce, pickup and delivery to businesses like membership, advertising and fulfillment as a service. It includes some faster-growing, higher-margin components that, combined with the more traditional P&L, gives us a business model that's more profitable in percentage terms as it grows.

We saw strong growth in all these areas for the quarter. And when you put it together with the supply chain automation work we're doing, you get a more sustainable business that can grow more effectively over time and create a better mix along the way. Marketplace is one of our engines for these mutually reinforcing businesses, meaning that Marketplace growth pulls other businesses like fulfillment through. Back in September, we held our first-ever Marketplace Seller Summit. We hosted thousands of current and potential sellers to let them see firsthand our commitment to this business and how we'll grow it together.

Since the beginning of last year, we've more than doubled the number of items available to customers on our US Marketplace. It's an important piece of what we're building. And it's growing fast, and not just in the US. We have a unique opportunity to grow in India, Mexico, Canada and Chile. We love the opportunity to grow our assortment this way, so customers can get what they want, when and how they want it. We're making shopping easier and more convenient. Our Net Promoter Scores for pickup and delivery in Walmart US are improving. And we've started using generative AI to improve our search and chat experience. We've released an improved beta version of search to some of our customers who are using our app on iOS. In the coming weeks and months, we'll enhance this experience and roll it out to more customers.

When I step back, and look at the company overall, I love what we're building and how we're building it. We've got a good hand to play and a strong team making things happen. It's our recipe for growth and improved margin and returns we've been discussing with you. Everyday low prices are a foundational component of us fulfilling our purpose. We bring EDLP to life on a year around basis by doing things like offering a Thanksgiving meal in the US and Canada that costs less than last year. We're offering tremendous value for things like fashion, electronics

and seasonal decorations and helping remind people that when they're looking to buy toys, we're the place to come because we have the right product, at the right price.

This same focus on purpose and execution came through when I was visiting Chile, Canada and China earlier this quarter. It was my first time back in China since before the pandemic. Our team there runs some of the most incredible Sam's Clubs in the world. And they continue to be a leader for us in terms of digital penetration and innovation.

As I wrap up, I know we're all concerned about events across the world. War, acts of terror, political unrest, impacts from storms like those in Mexico from Hurricane Otis, the pressure we're feeling from stubborn inflation in some categories and other challenges beyond our control. As for our company, we care about everyone. We want to be a place where literally everyone feels comfortable and welcomed to shop or work. We want to live our values and create a warm, safe and fun place for the hundreds of millions of people that'll shop with us in the days and weeks ahead. I'm grateful to be part of this big team, grateful to work alongside our associates.

Now, I'll turn it over to John David.

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.*

I'd like to start by thanking our customers, members, associates and partners for helping us deliver a good quarter. We're pleased overall with how the team executed and how our strong value proposition and omnichannel strategy continue to resonate with customers. We're gaining share, seeing strong eCommerce growth and excited about the contributions from higher-margin businesses like advertising. Sales grew more than 4%. Gross profit was better than expected. And we exceeded our guidance for EPS. These results reinforce the benefits of our highly diversified business, with broad-based contributions across segments and markets, channels and formats and strategic growth areas.

While we're pleased with our top line results, operating income was below our guidance, due to higher than anticipated expenses, largely certain legal accruals. I'll provide more details on guidance shortly, but the key takeaway is that we're raising our full year sales and EPS guide, while reiterating our prior operating income guidance. We expect the relationship between profit and sales growth to favor profitability in Q4 and for the full year to align with our goal of operating income growing faster than sales.

Now, let me review the key financial highlights for Q3, using our financial framework of growth, margins and returns. First, growth. Constant currency sales increased 4.4% or nearly \$7 billion. Importantly, we saw traffic growth across both in-store and digital channels. All three operating segments experienced mid-single-digit sales growth, with comp sales for Walmart US up 4.9% and Sam's Club US up 3.8% excluding fuel. International grew sales 5.4% in constant currency, with Walmex sales up more than 9% and China up 25%, with strong performance in Sam's Club and eCommerce.

The timing of Flipkart's Big Billion Days pressured International sales growth, as the event moved from Q3 last year to Q4 last year. So we expect the timing to be a benefit to Q4's growth rate for the segment. PhonePe also continued its strong momentum, with annualized TPV, or total payment volume, reaching \$1.2 trillion on nearly 5.8 billion monthly transactions. And PhonePe recently achieved an impressive milestone, eclipsing 500 million registered users.

We continue to grow share in key categories, particularly in Walmart US grocery, where we delivered positive comps and saw strong share gains in both units and dollars. Grocery inflation moderated nearly 300 basis points

from Q2 levels to a mid-single-digit increase versus last year, but on a two-year stack, it was still elevated at a high teens percentage.

We see our customers showing ongoing discretion in seeking value to manage within their household budget. While general merchandise sales were down low single digits year-over-year in Q3, the rate of change was stable to Q2 levels, and we gained share across categories. As we enter the holiday season, we're working hard to lower grocery prices to ease the pressure for customers, giving them more capacity for general merchandise spend.

Our business is rooted in a timeless purpose: to save customers money, so they can live better. Against any economic backdrop, we're there for customers, how and where they need us. And we're making shopping with Walmart and Sam's Club more convenient.

Omni services, including pickup and store-fulfilled delivery, continue to drive strong growth, leading to a 24% increase in Walmart US eCommerce sales and 16% growth at Sam's Club. Multichannel shoppers are more valuable, engaging more often and spending more with us. Pickup and delivery for Walmart US has been a key source of growth and share gains among upper income households, and has become the most productive channel for acquiring Walmart+ members.

In International, Walmex's expansion of omni offerings led to 1.5 million Bodega store-fulfilled digital orders in Q3. In Canada, we continue to roll out our unlimited next-day store delivery subscription called Delivery Pass, which is now available from two-thirds of our Canada stores. And I was in China recently, where our business is nearly a 50/50 split of physical and digital. I was impressed with how we're serving omni customers with speed and accuracy through new engagement and delivery models.

Turning to margins. Gross margins expanded 32 basis points, reflecting the timing shift of Big Billion days in India and lapping last year's LIFO charge at Sam's Club US. Walmart US gross margins increased 5 basis points, reflecting lower markdowns and supply chain costs, but we're still seeing ongoing category mix pressure, as health & wellness and grocery sales outperformed general merchandise. Continued disinflation, along with the success of our merchants at Sam's Club in bringing down the cost of inventory, resulted in us not taking the expected \$50 million LIFO charge in Q3. We no longer expect any further LIFO charges in Sam's Club this year.

As we said previously, over the next several years, we expect margins to move higher, as we modernize our supply chain and scale higher-margin growth initiatives. We made good progress on both during the quarter. We continue to deploy capital to build technologies and optimize our next-generation supply chain, with automation and productivity benefits starting to appear in our results. We now operate nine regional distribution centers servicing US stores with varying levels of automation, with six more centers in active stages of construction. Currently, more than 15% of stores receive merchandise from these facilities, helping to get product to shelves faster and more efficiently.

During the quarter, we opened our third next-generation eCommerce fulfillment center. These 1.5 million square feet facilities are expected to more than double the storage capacity, enable 2X the number of customer orders fulfilled daily and will expand next and two day shipping to nearly 90% of the US, including Marketplace items shipped by Walmart Fulfillment Services. They also unlock new opportunities for our associates to transition into higher-skilled, tech-focused positions. To support the store-fulfilled digital business, we're on track to have seven stores with automated Market Fulfillment Centers, or MFCs, operational by the end of this month. These MFCs stock thousands of the most sought-after items and are expected to increase order capacity and productivity, while also increasing inventory accuracy, which helps us deliver perfect orders for customers.

As we focus on improving eCommerce margins, we're making good progress in lowering digital fulfillment costs and densifying the last mile by tapping our broad store and club network. Over the past year, Walmart US has increased the percentage of digital orders fulfilled by stores by 800 basis points, and Sam's Club fulfills nearly 60% of online orders from its clubs.

With the growth of our Spark Driver platform, we've lowered store-to-home delivery costs by 15%, even as we've shortened delivery times to same day for more than 80% of our stores and, in some cases, as quick as 30 minutes. As we scale Walmart GoLocal, we're densifying the last mile, and we're approaching a milestone of 12 million deliveries for other retailers with this service.

I'd like to touch on our portfolio of higher growth initiatives. These businesses reinforce our core, omni retail model and are key to driving operating income growth ahead of sales over time. In Q3, this portfolio positively contributed to gross margins. Global advertising grew approximately 20% in Q3, with Sam's MAP growing over 27% and Walmart Connect up 26%. As an illustration of the omnichannel benefits of our ad platforms, more than 75% of Sam's MAP active advertisers are investing in search and sponsored ads, as in-club sales attribution has improved returns of digital ad spend by over 30%. International's ad revenue growth was impacted by the timing of Big Billion Days, but we're on track to deliver strong growth of approximately 45% for the full year.

Moving to Marketplace and Fulfillment Services, customer engagement continues to validate our strategies to invest in ways to grow this business on a global basis. As Doug mentioned, we held the inaugural Marketplace Seller Summit to help accelerate our Marketplace growth. For cross-border sellers in the US, we're expanding access to more customers beyond the US, Canada and Mexico by opening our eCommerce Marketplace in Chile to cross-border products next year. Over the past year, we've increased Marketplace sellers by more than 20%, and the number of sellers utilizing Walmart Fulfillment Services is up over 55%.

Next, membership remains a compelling way we deepen engagement with our customers. Sam's Club membership income grew over 7%, reflecting record member counts and Plus member penetration. During Q3, we held events that were focused on member acquisition and digital engagement. We'll take a similar approach again during Q4, offering discounted access to Walmart+ memberships, while providing members early access to the best savings event throughout the holiday season.

Turning back to the middle of the P&L. SG&A expenses deleveraged 37 basis points on an adjusted basis, impacted by higher year-over-year wage-related cost in Walmart US, including higher variable pay expenses relative to last year, when we were below our planned performance. Store remodel costs were also higher, as we rolled out 117 of our flagship design stores earlier this month. And legal expenses increased. Lastly, the timing shift of Big Billion Days pressured International expense leverage in Q3. We'll see the benefit come through in Q4. Third quarter adjusted operating income grew 3%, including 270 basis points of currency tailwind, while adjusted EPS of \$1.53 increased 2% and compared favorably to guidance of \$1.45 to \$1.50. Relative to our guidance, Q3 EPS benefited by \$0.01 from releasing the LIFO reserve we had earmarked for Sam's Club.

Moving to returns. Over the last 12 months, sales have grown more than 6%, and operating income increased about 22%. And when combined with a disciplined capital approach, return on investment improved 130 basis points to 14.1%. The primary driver was lapping last year's Q3 charge related to the opioid legal settlement framework. ROI also reflects some benefits from productivity initiatives that we initially expected to realize in FY 2025. We continue to expect our ROI to increase over the coming years. In addition to our strategy, our financial position is an advantage and enables us to compete in an increasingly dynamic retail environment.

Turning to guidance. We're confident in our agility and our ability to execute. And we're focusing our investment in areas where we can widen our omni advantage, deepen engagement and drive sustained growth [ph] in (20:50) new revenue streams. We like our position relative to competitors, as we've maintained strong price gaps and increased share, while preserving flexibility to respond to competitive dynamics. But we're not immune from the vagaries of the economy. We see our customers showing ongoing discretion and making trade-offs to be able to afford the things they want, given the sustained high cost of the things they need.

Recently, we've experienced a higher degree of variability in weekly performance and between holiday events in the US, including seeing a softening in the back half of October that was off-trend to the rest of the quarter. Sales during November have turned higher, as unseasonal weather abated and we kicked off holiday events. So sales have been somewhat uneven, and this gives us reason to think slightly more cautiously about the consumer versus 90 days ago. We still expect sales growth to moderate in Q4 versus prior quarters, as grocery inflation further normalizes towards historic levels, but we're encouraged by the increased traffic and share gains we've seen and expect them to continue.

As such, we're modestly raising our full year sales guidance to 5% to 5.5% from 4% to 4.5% previously, primarily to reflect Q3's outperformance. For operating income, we're maintaining the guidance range of 7% to 7.5% growth. In addition to the 40 basis points of unexpected legal expenses in Q3, we also expect to record charges in Q4 totaling approximately 20 to 30 basis points related to unplanned store closures and recovery costs associated with the recent hurricane near Acapulco, Mexico. This impacted 28 of our stores, and less than half of them have been reopened at this time.

Partially offsetting these costs is the approximate 40 basis point benefit from lower than expected LIFO charges compared to our prior guide. The net effect is a 20 to 30 basis point headwind to our prior guide. And, as such, we currently expect to be in the lower end of the operating income growth range for the year. We expect merchandise mix pressure to continue in Q4, with grocery and health & wellness sales rates outpacing general merchandise and potentially be a bit more pronounced given the uncertain consumer environment. Based on Q3 results and less of an increase in interest costs for the year than we previously expected, we're raising our full year EPS guidance range to \$6.40 to \$6.48.

In closing, let me reiterate what I said previously. Aligned with our financial framework, we expect the relationship between profit and sales growth to favor profitability in Q4 and for the full year operating income to grow faster than sales. We like our competitive position. Our financial results clearly demonstrate that our omnichannel strategy is winning. We're growing our share across categories, deepening customer engagement across channels, while investing in areas to widen our competitive advantage. The holidays are here, and our value proposition resonates with customers looking to save money as they celebrate.

Operator, we'd now like to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Thank you. And our first question today comes from the line of Simeon Gutman with Morgan Stanley. Please proceed with your question.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning, everyone. I have one question. I'll make it maybe two parts. The first part, the legal expense, so that we can judge whether or not we should keep it in, it sounds like you're keeping it in. I'm not sure you're able to share what the nature of it is, but it seems like it was unexpected. So if there is any more color on it. And then the second real question is alternative revenue and profit. Was it hidden in any way this quarter? Do we get an inflection into next year? That seems to be the big investment question. And are we going to see it ramp up? And does it happen in a certain period? Or it just continues to build? Thank you.

John David Rainey

Executive Vice President & Chief Financial Officer, Walmart, Inc.

A

Simeon, I'll start, and others may want to jump in. On the legal expenses, those were largely related to prior periods, and that was not anticipated within the quarter. It was around \$70 million to \$75 million, so we would not expect that to recur into the fourth quarter.

On the alternative revenue, perhaps I'll start and let others jump in. Our plan is, that we shared at Investor Day, is somewhat dependent upon the level of investment that we're having and seeing improving unit economics, but it's also growing these parts of our business that are much higher margin. We talked about the growth in advertising across all segments, quite frankly. And International, while it was slower in this quarter, will see strong growth for the year. All of these, as they become a larger part of our overall business mix, are going to have an outsized contribution to our margin performance.

So if you go back and you think about what we shared at Investor Day, saying that we expect over the next several years to grow sales 4% and operating income greater than 4%, we would expect with each passing year, we're going to see a greater contribution from these higher-margin profit streams, which help us to improve our margin each year.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Simeon, this is Doug. I would just add that I think you should have it in the continue to build category rather than an inflection.

Operator: Thank you. Our next question is from the line of Kelly Bania with BMO Capital Markets. Please proceed with your question.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Q

Good morning. Thanks for taking our questions. Just another follow-up, I guess, on the legal expenses. Assuming that impacted the US EBIT number, but maybe you can clarify that. And just anything in particular that impacted

the US EBIT beyond maybe some unexpected expenses, did that come in relatively in line with your expectations? And I guess that's sort of my first question. And then longer term, as you think about this plan to grow EBIT faster than sales in coming years, anything you're seeing with the consumer, and it sounds like it's still choppy, that maybe leaves you to reconsider how much you might flow through to the bottom line?

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.***A**

Sure, I'll start, and then John's probably going to want to jump in. Yes, the legal expenses hit the US segment. There were some other items in there, like I'll point out that we spent a little bit more on remodels. We did an all-time high level of remodels in the quarter, but this is investing in our business, which we definitely want to lean into. We're excited about the returns we're seeing around that. We're excited about the returns we're seeing on eCommerce. And so, there were some investments related to that, but the vast majority of the delta between our guidance and actual performance was related to the legal accrual.

In terms of our long-term plan and as it pertains to like possible changes in the consumer, I think our value proposition resonates more than ever when the consumer is pressured. And we've seen this year that they not only are coming to us for the value that we provide, but also for the convenience. And these are areas that we're investing in, so we have a ton of conviction in the strategy that we have in place and our ability to execute on that. We should separate that from calling out some maybe potential weakness or wobbling among the consumer that we saw in the back half of October, but we're very excited about the plan we have in place.

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

Hey, Kelly. It's John. Good morning. First, I'm also excited about the top line results at 4.9% and then eCommerce at 24%. The team has made a lot of improvements and they should get the credit for that. You heard a couple things there, one about remodels, as John David mentioned. We had 117 remodels complete, all on November 3. We think that's the largest number of remodels we've ever had complete in a single day. And then if you add together late October and November, it was 197 remodels. And those remodels have improved apparel, improved home. They have wider aisles. We're really happy with the signing layout. And they also have more investment for our online pickup and delivery business, which is a key catalyst for eCommerce growth and help us with being flexible for customers in any type of situation they want to shop in. So there were some costs associated with that in the quarter, but we feel great about those being investments for the long-term.

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

Kelly, this is Doug. And related to the last part of what you asked about, I don't think there's anything that causes us to think operating income won't grow faster than sales. We've had really strong sales performance now for a few years. Obviously, we're impacted by what happens in our environment, but we expect to grow share. We expect to have a healthy top line.

And as it relates to operating income, we've got a really good multiyear plan with two primary dimensions. One is the automation investments that drives productivity improvements, and the other dimension is related to how the digital businesses change the shape of the income statement. Both of those things will be true, and it's a multiyear plan that shows progress along the way. So you guys from quarter-to-quarter, year-to-year, will see us make progress. Not every quarter may be up and to the right in every category, but if you look at what happens from a trend point of view, those are the things we expect to deliver. And because operating income is growing faster than sales, our plan requires that we grow return on investment at a higher rate over time. That's the plan.

**Kelly Bania***Analyst, BMO Capital Markets Corp.*

Thank you.

Operator: Our next question is from the line of Paul Lejuez with Citi. Please proceed with your question.

**Paul Lejuez***Analyst, Citigroup Global Markets, Inc.*

Hey, thanks, guys. You have a really big eComm business that continues to grow at a rapid pace. I'm curious if you could talk about what's driving that growth from a traffic versus ticket perspective and how the growth in the Marketplace sellers that you've seen are contributing to that growth. Also curious if you could talk a little bit about general merchandise performance online. I think you threw out some numbers last quarter about certain categories on the general merchandise side, would love to hear how they performed online this quarter. Thanks.

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

Hey, morning, Paul. It's John. I'll start with Walmart US and then pass it over to Kath and Chris to talk about the other segments. I think as you step back and look at the growth, one, we're pleased with our online pickup delivery business from stores. We have strength in food. The team has continued over the last few years to expand our capacity, and, more importantly, they've made improvements on key metrics like the one we call perfect order, which is getting customers what they want, when they want. And I think that's a reflection of better in-stock in food overall. And that's helped us with our share gains in the food category.

With Marketplace, really pleased with the progress the team has made, with Tom Ward and Manish [Patel] having the first summit, as we mentioned earlier, in the quarter. We've seen more sellers come online. Our assortment has grown significantly. And just this week, I was in one of the new fulfillment centers that John David mentioned in Lancaster, Texas, which is a great facility, managed by a very qualified team. And it's, of course, reassuring to see the amount of Marketplace inventory that's coming in and seeing the number of Marketplace sellers, which we're grateful for those sellers who trust us to do their fulfillment, and that's been promising.

Now, the month of November, we had our first event last week and getting into our holiday season. We have a long way to go from here until the end of the holidays, but really pleased with the results in Marketplace, which is, of course, reflective of results in [indiscernible] (33:17) apparel and gifting and other categories, that are in line with the question you asked about general merchandise.

So these are important businesses because they help customers shop the way they shop – the way they want to shop, when they want to shop. And Marketplace, over time of course, will be a key driver to some of the other businesses like advertising, as more sellers find customers on the Walmart Marketplace, they'll want to use services like our fulfillment services and our advertising business. So turn it over to Kath to talk about International.

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

Yeah, thank you for that question. I think if you look at our eCommerce result, it's minus 3%. And that, I don't think, is a really – it's distorted by BBD. If you actually look at the underlying growth across the businesses, Walmex grew by 16% from an eComm perspective, Canada grew in eComm by 16%. A part of that was rolling

out Delivery Pass to a significant number of stores. If you look at China, their business grew. The eComm business grew by 38%.

So I think all of the teams are really focused on really getting the disciplines right, of perfect order and making sure that the experience to the customer is delightful. I think we continue to learn from each of the different businesses. The Flipkart team were here with us yesterday, And it's fascinating to see what they're learning through using GenAI in the – through Big Billion Days. There's just some really clever capability that make it very seamless and easy to be able to shop online.

And then, if you look at it from a Marketplace perspective, we launched in Mexico, Canada, Chile and South Africa Marketplace during the last 12 months. Obviously, Flipkart is our largest and most more mature Marketplace business, but we're seeing accelerated Marketplace growth also through our cross-border trade. We opened that through Mexico and Canada to US cross-border sellers. And lastly, we launched Walmart Fulfillment Services in Mexico, Canada and South Africa in the past 12 months. So we've seen good results, but we're really positive about the growth potential of both Marketplace and Walmart Fulfillment Services.

Chris Nicholas*President & Chief Executive Officer, Sam's Club, Walmart, Inc.***A**

It's an exciting time, Paul. Thanks for the question. I think what's really interesting for all of us, but definitely for Sam's, is that members want this, and so we're giving them what they want. And we're at 13% of sales, 16% growth in the quarter. But we think it's a really huge opportunity. And as I think about eCommerce and omnichannel sales for Sam's, I think about a digitally-connected member. So Scan & Go teaches our members that we're a digitally-relevant business. And they look to shop online and while they're on the web or on the apps. And we feel really good about that and we've got all-time highs in that space.

The other thing that's really interesting is as we look at the new members, we've got the all-time high number of membership in Sam's. And a lot of those people that are coming in now were digitally engaged members. They're coming in and they're buying new memberships digitally, so we're feeling good.

In terms of mix, GM and club pick – so grocery, pantry, they're all strong, which we're feeling good about. We don't have a Marketplace in Sam's yet. We're very focused on items and on curation of great items, and I think that's going to be really important for the Sam's business as we go forward. And the thing that I'll finish with there is that great items drive organic traffic. So we'll continue to focus on those great items, and I think we'll get a lot – we'll continue to get a lot of organic traffic there.

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

Paul, you also asked about general merchandise. Would you repeat that part of the question?

Paul Lejuez*Analyst, Citigroup Global Markets, Inc.***Q**

I was just curious how general merchandise performed online within the US business. I think last time, you said there were several categories that were up double digits. Curious how some of those general merch categories perform.

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

Yeah, Paul. Really, really positive strength in categories like hardlines. Our auto care center is running really well. And the events we talked about – or I mentioned earlier. It's great to see momentum with strong toy items. Customers are responding to great gifts like the Barbie Malibu House, which is selling for \$69. It was \$89 before it went on rollbacks. So those types of items are working really well for customers. It's also great to see after the redesign of the app, how the team is merchandising general merchandise reflective of the seasons we're in. The site was really on point for Halloween, before that for Labor Day. And you'll see the site flip quite frequently, so the team's doing a nice job reacting in categories to the plans that they have. But there's some categories there with strength. And as I said, there's still a long way between here and the holidays. We have a good plan. Our people are ready. Our inventory's in position. So we're ready for our customers.

Paul Lejuez*Analyst, Citigroup Global Markets, Inc.*

Thank you. Good luck.

Operator: Our next question comes from the line of Kate McShane with Goldman Sachs. Please proceed with your question.

Kate McShane*Analyst, Goldman Sachs & Co. LLC*

Hi, thank you. Good morning. We were wondering if you could go into any more detail as to what would explain a softening in late October. Do you think it could partially be due to student loans? Or is it more of a function of being a shoulder period or a lull before the holiday? And does the variability you're seeing week to week that you noted increase the risk in being more promotional than maybe what was originally planned or expected in Q4?

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.*

Kate, this is John David. I'll take this. You're right to call out some of the economic factors that may be driving this. We're seeing credit tightening. We're in a period of time 12 months after the Fed has begun raising rates. We've seen consumer balance sheets that are getting back close to pre-pandemic levels. You've got the repayment of student loans, which affects about 27 million Americans. So all of these things could be contributing.

I do want to point out, John talked about the impact that weather can have on our business. I'm learning that that can have profound effects in consumer shopping patterns. And we saw anomalous weather in the back half of October. So there's a number of different reasons. We can't put our finger on it exactly, and so that's why we take a little bit more of a cautious stance as we go into the fourth quarter, calling out perhaps more variability because there are some trends that have been different than what we saw the first 11 weeks of the quarter.

Not to be alarmist. I think our business is still performing really well. It's why we called out what we've seen this far in November, in particular the events that we've had in Walmart US, some of the more festive events internationally. We've seen strong response from our customers. But this was – the trend we saw in the back half of October was different than anything else we've seen this year, and so we simply want to call that out.

In regards to promotion, maybe the segment CEOs want to comment on this, but I feel like we're in a good place from overall an inventory level. I don't necessarily see a more promotional holiday season than what we were currently planning.

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

This is John, Kate. Good morning. I think what's encouraging is that our traffic, our transaction counts, remained strong and consistent throughout the quarter. At the end of October, we did grow our Halloween business a little less than we expected. I'm sure there's something to do with weather and it being on a Tuesday, which is different than prior years. And then as we got in November, with the cold weather, we saw cold weather categories respond right away. Our event was strong. So John David said it right. We're just cautious of a shift, the shift that we did see, but overall seeing the number of customers who shop continue to grow. We've seen new customers all year across a wide variety of income groups. We'll be ready for all those customers, and we'll be ready for anything that they need at the time.

I really like the flexibility the team has built in. We delivered Halloween up until 6:00 PM on the date of the holiday, which is something we haven't been able to do before. So our Express and same-day delivery service continues to grow, which is helping us right up until the point the customers need product.

Operator: Thank you. Our next question is from the line of Michael Lasser with UBS. Please proceed with your question.

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

Good morning. Thank you so much for taking my question. Looking toward next year, how linear will the relationship be between Walmart's overall comp and the operating income growth? So if you only comp 2%, let's say, could you still grow operating income at the higher end of your range, call it, 7% to 8%? And how does the prospect of broad-based deflation impact that, especially as some of the naysayers say that Walmart's comp in recent quarters has just been driven by the impact of inflation? Thank you.

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.***A**

Well, Michael, it's good to speak with you. One of the things that we're looking at closely in our business is units, and we've seen good growth in units. So it has not been entirely driven by just higher prices. We think we're positioned well as we go into the end of this year and into next year. To answer your question, it would depend upon what's driving the 2% comp. And so, it's hard to extrapolate trends from this year into that.

The team here, though, is very focused on what could happen in a more deflationary environment and making sure that we have a cost structure that supports the revenue environment that we operate in. So when you think about the relationship between operating income and sales, on a multiyear basis, we actually feel like we're in a really strong position, given what's happening in the business. From one quarter to the next, that may not always be the case as we manage through certain headwinds, but we feel like we're positioned well for virtually any economic environment.

And I'll remind you, like I know there's maybe trepidation or concern among consumer health. This is when we shine. This is when Walmart is at its best, when we can deliver value for our members and customers. And so we look forward to being able to put up financial results in any economic environment.

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

Michael, we want to make sure we're doing everything we can to keep prices as low as possible for our customers. I'm really pleased in the US business that our rollback count is up significantly over last year. It was a lot of fun to be able to tell all of our customers that Thanksgiving at Walmart this year will be a lower price than what it was a year ago. We worked really hard the last two years to keep it flat and it's coming down. And that's great for customers. You had really stubborn inflation in categories like dry grocery, so I'm excited when I'm in stores. And I was in Uvalde, Texas, the other day. The number of rollbacks that we have out on feature in front of customers, right up front in categories like dry grocery. A lot of our fresh categories have come in line. Eggs and dairy have come back in line from a year ago. That's great for customers, and, as John David said, that's the time that we deliver value, and our team's ready to do that in any condition.

Michael Lasser*Analyst, UBS Securities LLC*

Thank you.

Operator: Our next question is from the line of Rupesh Parikh with Oppenheimer. Please proceed with your question.

Rupesh Parikh*Analyst, Oppenheimer & Co., Inc.*

Good morning, and thanks for taking our question. And I had a question just on the SG&A line. So at least in the Walmart US business, it appears both wage inflation and remodels appear to be a significant headwind on that line. So just curious if you expect those headwinds to continue into next year.

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

Rupesh, good morning. It's John. The remodels, really that was a big number of remodels, the hit I mentioned earlier, 197 remodels completed between late October and November 3. Of course, we'll continue our remodel program throughout next year. We have a good plan on the number of sites, and we're excited about the results that we're seeing from those. We definitely hear and know that our results change for categories like apparel, home. So I think we have a good plan there. It was a higher number at the end of the quarter and at the end of the month than what we had originally planned for. Some had slipped into later periods, so I think we'll have a good balance as we move forward.

On wages, we're staffed, ready for the holiday. For the most part, stores and distribution centers are completely staffed. There are some locations that will continue to hire. And we didn't add a – we didn't go out this year with a large number of people that we intend to hire for the holiday. We're happy with our full time/part-time ratio. And where we need hours the next few weeks, which is really next week for food, leading into the event Wednesday going into the Thanksgiving holiday, then Black Friday, we'll be ready to manage the business with our existing associates.

Rupesh Parikh*Analyst, Oppenheimer & Co., Inc.*

Thank you.

Operator: Our next question is from the line of Krisztina Katai with Deutsche Bank. Please proceed with your question.

**Krisztina Katai***Analyst, Deutsche Bank Securities, Inc.*

Hi. Good morning, and thanks for taking my question. On general merchandise, the low to mid-single-digit deflation that you're seeing relative to the comp that you put up would imply maybe that the units have improved sequentially. So, one, can you talk about what you are seeing in units, your current price gap this holiday and how might you be thinking about price versus units dynamic into next year? And then, two, just wanted to see if Kath and Chris would like to share their initial reflections on their new roles.

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

So the first question is about units and general merchandise. And as prices have come down, are we seeing elasticities in units go up.

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

Oh, sure, thanks for that. Morning, Krisztina. So let's talk about general merchandise first. Customers are responding to rollbacks. I mentioned one earlier in the Barbie category, which is the Malibu Dream House. So we see that consistently across other items in toys. And toys is top-of-mind because it's the Christmas, whether it's the Melissa & Doug home set that's rolled back \$10 to \$25. We have the old classic Furby that's \$49 down from \$59, really good unit movements.

We're also happy to see, as I said earlier, the number of rollbacks that are across the entire store and the assortment, up over 50% over last year. So customers are responding, but most importantly, our team is proud to offer great values and lower prices to customers. We've been in a pretty steep inflationary environment the last couple years, so it's good to see some of these prices come back in line.

And as far as how we think about that going forward, we mentioned this earlier. The results in eCommerce are quite encouraging at plus 24% for the quarter. And the breadth of the offer in eCommerce as it develops I think is quite encouraging, with growth in the Marketplace, continued acceleration of the online pickup delivery business and our first-party business. And as we get into this holiday season, the team has worked really hard on inventory positioning, the condition in stores. Our NPS levels are at a really good spot and have continued to improve. And I think the result of that is we've had consistent traffic growth throughout the quarter, and we continue to see that, which is a good sign for what may be to come.

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

I think it's going to be interesting to watch how the dynamic plays out between general merchandise and food. So if you've got food prices, if you double-click on that, dry grocery versus fresh, and think about where prices are compared to a year ago, in general, they're still up and the two-year stack is high. But in some fresh categories, as we mentioned earlier, we are seeing prices come down.

On the GM side, as things have come down, it's come down kind of steep in the last few weeks maybe relative to what we had seen before and so I think it's to be seen. If the food prices come down in dry grocery and consumables and we start seeing deflation in those categories, that'll free up dollars to be spent in general merchandise. And with the rollback positioning and some of the prices we're hitting, it makes sense that people would be able to shift back to GM as they shop the box or the app.

The great thing about our position is we don't really care, like they can buy whatever they want to buy. We're positioned for food. We're positioned with fresh. We're positioned with apparel and with hardlines and with holiday season, with the categories like toys. So we've got a good value regardless of which category or department you look at, and we'll play the shift that it happens. And if we end up where both sides, food and GM, are deflated, then we just need to focus on driving even more units, to your point. But if they've got dollars to spend, they'll spend them. And we're there for that. And we can do it in store or club. We can do it with pickup. We can do it with delivery. So we feel good about our position. We'll just manage it as the weeks and months play out and are as fascinated to watch it as you are.

Kath, how's the job going?

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

Yeah, it's good. Krisztina, thanks for the question. I would say, first of all, it's incredible that it's only been a quarter since I stepped into the role. It's – Judith and the team have honed our really exciting portfolio of businesses, and it's been great to be able to get out into the markets. I've, over the last quarter, been in Mexico, China and India. And just looking at the pace of transformation and the way the teams rise to the challenge to be relevant in those local communities is extraordinary. And the ability to cross-learn between markets is such a great gift that we have in our International business. So I've been impressed by the strength of the teams that we have out there.

And also just really impressed by how they're translating our purpose and mission to save people money so they can live better into being really relevant. So whether it's in Canada, where they're able to actually have a Thanksgiving meal at a price lower than last year. Whether it was in Walmex – or sorry, in Mexico, where they've held down prices on a basket of essential items. No matter where it is where you are in the international portfolio, the teams are working really hard to be relevant and help those communities celebrate the holiday and festivals that are rolling out over Q3 and into Q4. So excited to join the team.

Chris Nicholas*President & Chief Executive Officer, Sam's Club, Walmart, Inc.***A**

Okay, thanks, Kath, and, Krisztina, thanks for the question. I think probably I'd just like to start with the prerogative that I have of running this business to thank the Sam's Club associates for such a brilliant quarter and for the hard work that they have done to deliver that set of results. The team I'm really proud of and I'm grateful to be part of that club.

And honestly, it's kind of a lot of fun to be here and Kath knows that and telling me that would be the case. I'm really grateful for the strong foundation that the Sam's Club team has built. Brilliant talent, a deep bench of merchant talent. And it's, I mean, it really is a merchant-led business. We've got an amazing member-led culture, fantastic clubs and associates, great items, strong brand in Member's Mark and the beginnings of a world-class eCommerce business. And all of that drives really strong member value.

So I see a really unique opportunity for Sam's to use this momentum as a jumping off point to accelerate, to driving growth through digital engagement, offering unique value through great items that consumers can't get anywhere else, and a deep understanding of members in a way that will make us more relevant to them, both in club and digitally, so we can appeal to an even broader set of consumers. So, yeah, a lot to go for, really exciting. So thanks for asking.

Operator: Our next question comes from the line of Robby Ohmes with Bank of America. Please proceed with your question.

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

Q

Oh, thanks for taking my question. Actually it's a follow-up question on deflation. I was hoping Doug or anyone else could just talk about, just to clarify what's driving the LIFO tailwinds. Is it all general merchandise right now? Or is there grocery in there? And, Doug, you mentioned lowering grocery prices, but you also mentioned I think stubborn inflation's still out there in your opening comments. And so is there just maybe even a little more color? Like is dry grocery getting set to deflate? Is that what you guys are seeing? And then, also where do wage pressures come in? Do you think wage pressures are also sort of disinflating now?

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.*

A

Robby, good to speak with you. This is John David. I'll start and address the LIFO part of the question and then maybe hand it over to Doug and others. On the improvements that we've made there, that is, as you know, dependent upon the cost of goods that we're buying. And we've seen the pricing level come down overall broadly, but I don't want to miss the point to mention that our teams have actually done a really good job of working with suppliers to help affect that outcome. So this is not something that just happens to us. The team has worked to actually have this outcome. So it's far better than what we expected when we went into the beginning of the year, and we're actually pleased to see this outcome.

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

Q

And, John David, just to clarify, is that general merchandise vendors? Or is that all vendors, including grocery vendors?

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.*

A

It's across all categories. It probably skews a little bit more to consumables and GM.

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

A

Robby, this is Doug. Generally across markets, we have an inflationary environment. The US, and what we went through here the last few years is more dramatic than what I'd seen in the US, but, of course, had experienced that in Brazil and Argentina and other places. China's not really inflated. That's an outlier as it relates to this conversation. But in the US specifically, as I mentioned a few minutes ago, in the fresh categories, you see beef up, but dairy, eggs, chicken, seafood, down. So commodities will do what commodities will do. General merchandise had been coming down and came down a little more aggressively in the last few weeks or months than the trend before that, which we think is a really good thing. But it does start to have an impact on dollars when units don't go up enough to offset the deflationary impact as it relates to GM.

The dry grocery and consumables question feels like the key question. Will it come down? Will those categories come down? We hope they will. On a two-year stack in Walmart US, John, I think we're still mid-double digits, slightly up versus a year ago, but we think we may see dry grocery and consumables start to deflate in the coming weeks and months. And so as we look ahead to next year, we could find ourselves in Walmart US with a

deflationary environment. And John David mentioned earlier, that causes us to think about what are we doing with expenses? Are we ready for that? It's too early to call how dramatic it'll be.

And as we mentioned earlier, we are happy about it. We want our customers and members to have lower prices. And we'll manage mix and we'll manage through it better than anyone. And it doesn't change anything about our plan. All the things that we've been doing to change, to be able to serve people in new ways, like with pickup and delivery, the expansion of the Marketplace, all the things that flow from that, that help us with operating income, all those things are still true regardless of what the top line dollar growth rate looks like as a total enterprise.

For a while now, we've been talking about 4% and greater than 4%. If you look back at the last three years – I'm hard pressed to remember 2019, seems like a long time ago, but 2019 grew faster than 2018 on a calendar year basis. So we had a trending growth rate moving the right direction. And then, the pandemic hits and then inflation hits. So if you look back at the last three or four years, we've been growing faster than 4%.

If we find ourselves in a deflationary environment next year and we grow at 4% or a little less than 4%, or around 4%, as long as we're growing share and improving what we're doing for our customers and members on the top line, that'll be what it'll be. We'll get as much as we earn. But the operating income percentage will still go up, because we've got this automation plan and we've got the digital businesses reshaping the income statement, which will help returns.

So the plan is the plan. We are executing. We're just trying to communicate with you today as we release our results what we saw the last part of October in Walmart US in particular, communicate what happened with expenses. But fundamentally, what's happening here is exactly what was happening here three months ago, six months ago. We are executing our plan.

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

And just anything on wage pressures, Doug?

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

Wage inflation is not as bad as it was before. John mentioned earlier what happened in Walmart US. I'm not worried about wages. We've got an appropriate wage improvement for our associates planned for next year. I think we're in good shape. We're staffed. We've got a good plan. Not concerned about that aspect of it.

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

Great. Thank you.

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

Sure.

Operator: The next question is from the line of Scot Ciccarelli with Truist Security (sic) [Truist Securities] (59:14). Please proceed with your question.

**Scot Ciccarelli***Analyst, Truist Securities, Inc.*

Good morning, guys. So another question actually on remodels. I know you had a lot over the last couple months, as you referred to, but given the strong returns on the remodels, does it make sense to continue to accelerate that process, even if it holds back earnings flow-through a bit in the near-term? And then related to that, if you do accelerate the process, where do you have to go on the timeline to where you start to see more benefit than incremental expense on a net basis? Thanks.

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

I think the short answer is it does make sense to accelerate and we have accelerated. So we will complete this year a couple hundred more than we did the last few years so the number of remodels has gone up. The team has gotten much more, I'd say, gotten their arms around the process, the new fixtures, the changes, so the remodels are happening a bit quicker and more smoothly than they were years' past. And also the supply chain is helping. We were doing remodels in 2021 and 2022, where we had a hard time getting fixtures and getting parts and getting equipment in on time. So we're feeling better about the way these are all coming together.

The performance of the remodels, we continue to be pleased with on the top line. We continue to be pleased with the NPS numbers we see. The customer reaction of the new assortment, particularly as I mentioned earlier, apparel, pets, beauty, home, a number of categories, is really great. And I mentioned, I was in one that completed just a couple weeks ago in Uvalde, Texas. And it's just such a great investment in the community. It makes the store feel new, refreshed. The people are – there's a different look in their eye and a smile. The associates are thrilled with the results, and they were really proud of it.

And as we go into the holidays, I think that customers will really love to see, in these communities all across the US, more access to different products than they had before. And one of the things that's important to us in all these remodel processes is that the customer notices the difference and they notice the difference not only in the facility but in the product. And I think we're delivering both of those in the remodels. So we'll continue an aggressive plan for the remodel locations into next year.

Scot Ciccarelli*Analyst, Truist Securities, Inc.*

And so is there a headwind to profit flow-through as that process continues at that pace?

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

No, it's in the plan. What happened in Q3 is a few that had been in process slipped into late October, and then 117 in one day was quite a big number. So what you'll see going forward is a more balance of remodels completing by quarter. Ideally we would have liked to – we wouldn't want to have those so close to the holiday. I think the teams have done a nice job of finishing the remodels and then getting back right into merchandising for the holiday, so to be more even across quarters, but that's all built into our plan.

Scot Ciccarelli*Analyst, Truist Securities, Inc.*

Got it. Very helpful. Thank you.

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

Thank you.

Operator: Our next question is from the line of Edward Kelly with Wells Fargo. Please proceed with your question.

Edward Kelly*Analyst, Wells Fargo Securities LLC*

Hi. Good morning, everyone. Thank you for taking my question. I have a question on the gross margin in the US. The margin was [ph] up 5% (01:02:25) year-over-year. I think the expectation was that it maybe could have been better than that. I was hoping that you could provide some of the puts and takes around that. I'm not sure if GLP-1 is maybe having a bigger impact there. So just thoughts on the gross margin this quarter and then maybe how we should think about that in Q4. And then, a clarification around the legal charge. I think you said \$70 million to \$75 million but then 40 basis points. So I'm not really sure. I'm a little bit confused about that. Thank you.

John David Rainey*Executive Vice President & Chief Financial Officer, Walmart, Inc.*

Yeah, the legal charge is 40 basis points. Go with that number. And as it relates to our guidance for the year, I'll point out that 7% to 7.5% operating income on our business is \$125 million. That is really more – it's kind of a precise number for the size business that we are. And so the magnitude of some of these things like the hurricane, like the legal charges, push us to the lower end of that range for the year.

On general merchandise, we did see some of the impact from business mix in the quarter. We benefited from that. The US was up a [ph] bit, 5 bps (01:03:38), if I remember correctly, but as Doug noted, too, like we're certainly trying to be – to lower prices for our customers and make sure that we're providing the value that they need. So there's a balance of all of that that's impacting those numbers.

Edward Kelly*Analyst, Wells Fargo Securities LLC*

Thank you.

Operator: Our next question is from the line of Peter Benedict with Baird. Please proceed with your question.

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

Hi, guys. Good morning. Thanks for taking the question. Just GLP-1 just came up here in that last question. Just curious we hear it's a thing. Maybe expand on maybe what you're seeing there, how it's impacting your business currently and what you see for that going forward. Thank you.

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

Hey, Peter, morning, thanks for the question. No, it's still early. And time will tell how this affects the customer and affects the business. And as we said before, we're seeing some shifts in categories. But right now, we really don't have anything else to add above and beyond what we've said in the past.

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

Okay. Fair enough. Thank you.

Operator: Thank you. Our final question is from the line of Seth Sigman with Barclays. Please proceed with your question.

**Seth Sigman***Analyst, Barclays Capital, Inc.*

Hey, good morning, everyone. I wanted to follow up on the consumer. I know it was discussed quite a few times today, but you guys, throughout the year, have discussed a number of different signals of sensitivity, buying more around paycheck cycles, seeking more value coming out for the promotional events. So just curious if you can provide a little bit more perspective on that and maybe more specifically what you are seeing in terms of market share across income cohorts. Thank you.

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

Yeah, for Walmart US specifically, John, as it relates to share.

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

Yeah, thanks for asking, Seth. We've been pleased to see share growth all year, and we've talked about that across income groups. And what's been encouraging as of late is a bit higher share growth in general merchandise categories. We saw that month by month throughout the third quarter.

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

I don't know that we have a lot more to add on the consumer than what we've already said. I think we covered it. We're well-positioned. And I think our value proposition across categories and the way we're serving people, which helps them save time as well as save money, causes us to feel good about our position for the quarter.

We get a lot of questions about what's happening in the US economy and other economies and what's happening with the consumer, and we feel compelled sometimes to try and help explain what we're seeing. But to be clear, from our point of view, we are front-footed, offensive and feeling good about our opportunities. Stores and clubs look good, so that's the way we're thinking about the quarter.

**Seth Sigman***Analyst, Barclays Capital, Inc.*

Okay. Thank you.

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

Yeah, I'll just wrap-up here. We've gone a little over time. I'm as excited as I have been. We're executing our plan. We've got a good plan. Customers and members are choosing us. And I think they have been choosing us not only because of price leadership, which they can count on and will continue, but also because we're making it

easier to shop with us. Our NPS scores in stores and clubs are encouraging. Our NPS scores, as they're improving across pickup and delivery, are encouraging. We just want to save people money and time and make this easy and help them have a great holiday season.

And I think as it relates to the top line, we can continue to expect that we will outperform and do well. And as it relates to operating income growth, we'll grow it faster than sales over time, because we've got this really good automation plan. The metrics that John David outlined when we started the call are really encouraging. We continue to feel very good about what that's going to mean for our business.

And then as it relates to the business mix, having eCommerce grow so much across our segments is awesome and encouraging. And, as a reminder, that's a combination of first and third-party. And as we grow with our suppliers and also with our Marketplace sellers, we get those opportunities to serve them with ads, to serve them through fulfillment services, to monetize our data in different ways. So the business model change will continue, which will enable that operating income growth to help us improve returns over time.

So, we're antsy about Christmas every year. This is my 33rd year, and I feel like it's a bit of a rerun in that it seems like we're always talking about customers being price-conscious and we always will be. And they're always looking for the hot toy and the right gift for Christmas and they'll come buy food from us for Thanksgiving and for the Christmas meal. And then New Year's will come, and we'll have clearance prices after Christmas. And we'll have a strong January, because customers will react to clearance, at least the first couple of weeks when that's happening. And we'll update you on the fourth quarter and tell you how it went, but we feel really good about our position and excited about executing this plan and appreciate your ongoing support and interest in our company.

Operator: Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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